"NIIT Learning Systems Limited

Q1 FY'25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 Earnings Conference Call for NIIT Learning Systems Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vijay Thadani, Vice Chairman and Managing Director. Thank you and over to you, sir.

Vijay Thadani: Thank you very much. Good afternoon, all of you. Thank you very much for joining this call. This is a busy earnings season, and we truly appreciate that you decided to spend the next one hour with us to go through the details of NLSL NIIT Learning Systems, also known as NIIT MTS, quarter one results call that we have today. So, without further ado, we will get into the details.

I have with me Mr. R. S. Pawar, the Chairman of the company, Mr. Sapnesh Lalla, the CEO and Executive Director, Mr. Sanjay Mal, the CFO, Kapil and Saurabh Taneja from our investor relations as well as other senior members of the finance team. Sapnesh will take us through the initial briefing on the quarter one performance as well as provide us the outlook for the business and challenges and opportunities. And after that, we will open it for Q&A at which time all of us will join in helping Sapnesh answer all your questions. So, with that, I hand you over to Sapnesh.

Sapnesh Lalla: Thanks, Vijay. Good afternoon, everyone and thank you for joining. In our prepared comments, I will first review the P&L numbers in some detail and then go on to provide colour on the resilient growth driven by new customer additions as well as expansion in consumption with some of our select existing customers. Our revenue for the quarter was 4,072 million INR. That was up 2% Q-o-Q and up 7% Y-o-Y. In constant currency, the revenue is up 2% Q-o-Q and 5% Y-o-Y.

EBITDA was at INR1,024 million. It was up 3% Q-o-Q and up 11% Y-o-Y. The EBITDA margin was at 25%, was up 14 basis points Q-o-Q and 99 basis points Y-o-Y. In the face of heightened uncertainty in the macro environment, our business has continued to demonstrate resilient growth with improved margins on a Y-o-Y basis. Growth was driven by ramp up of new customers as well as improving wallet share from several of the existing customers.

While consumption with existing customers continues to be compressed given the environment, we are starting to see green shoots where consumption has expanded across a select few customers. Depreciation was at INR140 million.

Net other expenses were INR72 million. At this time, I will invite Sanjay Mal, our CFO, to walk us through the net other expenses as well as other expenses that form part of the P&L statement.

Sanjay Mal: Thanks, Sapnesh. Net other income and expenses include treasury income of INR82 million, scheme related transitory expenses of INR12 million which is pertaining to ESOPs of NIIT Limited held by employees of NLSL at the time of the merger. Acquisition related expenses, you recall we had St. Charles of INR59 million, including notional charge of INR42 million due to fair value adjustments for future earn-out liability and INR17 million towards the interest expense related to the loan for the acquisition. Other expenses of INR82 million include MTM forex loss of INR27 million and exceptional expenses were relating to the inorganic growth initiatives of about INR29 million. The balance are other miscellaneous expenses of INR26 million.

Sapnesh Lalla: Tax was at INR212 million. We expect effective tax rate to buffet around 27% to 28% for the whole year. PAT was at INR600 million rough 9% Y-o-Y and 10% Q-o-Q. Earnings per share was at INR4.4 per share.

Now, a little bit of colour on our overall business. As we have discussed and anticipated over the last few quarters, pressure to optimize costs across industries, is causing a number of prospective customers to look at outsourcing as a method of improving their operations. We are starting to benefit from this trend. During the quarter, we added three new Managed Training Services customers, two in the technology space and one in Life Sciences. In addition, we renewed one contract and signed scope expansions with three other customers during the quarter.

Further, the company continues to maintain the 100% contract renewal track record that we held for several quarters now. The total number of MTS customers now stands at 89. The revenue visibility is now up to USD 350 million, and the deal pipeline continues to be strong.

The balance sheet and cash flows metrics remain strong. Free-cash flow for the quarter was INR833 million. DSO days were at 55 days as compared to 53 in the previous quarter. Cash and cash equivalents are at INR7,363 million. Net cash at INR6,489 million versus INR5,659. The capex for the quarter was INR105 million and we continue to have strong ROCE and ROE ratios.

The company ended the quarter with 2,358 employees, marginally lower as compared to the previous quarter. As I have mentioned to you in the past, NLSL continues to make disproportionate investments in sales and marketing as well as investments in creating new capabilities. Investments in generative AI that we started making over the last 17 or 18 months have started helping us build enterprise class solutions that can enable organizations to improve the efficiency and effectiveness of their L&D organizations. Some of these solutions are now starting to find their way into contracts with our customers and we have now executed on some of these contracts with great results. We expect to scale these contracts to enterprise levels as well as across many customers over the next few quarters.

We think that generative AI provides a once-in-a-lifetime opportunity to significantly transform the effectiveness of learning and development and get learning and development to a strategic seat at the C-suite. I would like to reiterate that the rapid transformation in industries we serve owing to digital transformation, decarbonization, acceleration in biopharma, the impact of AI presents a very significant opportunity for NLSL. There is very significant headroom for growth owing to the fact that only about 20% of large enterprises have outsourced their learning and development at this point.

With the disruptions that are going on, the opportunities with AI and the need for organizations to focus on their core business, I believe our opportunities are significant and the investments that we have made keep us in good stead to uncover these opportunities and create growth as well as create distance between ourselves and our competitors.

Given the strong balance sheet, we also have an active pipeline of inorganic opportunities that we are pursuing that will help us accelerate our growth and as we get close to consummating any of these opportunities, we will keep you posted. We have made a guidance of 12% to 14% in revenue growth and 22% to 24% in EBITDA margin when we started the year.

We are going to reiterate the revenue guidance of 12% to 14% and we think we will end the year at the upper end of our margin guidance at approximately 24% for the year. With that, I will hand it over to you and open the floor for questions for the audience.

Moderator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Pooja Doshi, who is an individual investor. Please go ahead.

Pooja Doshi: Thank you for taking my question. You briefly spoke about FY25 top-line guidance that you have given of 12% to 14%, but I wanted to know if you are on track of achieving USD 450 to 500 million top-line guidance that you have given for FY27 and if you can just talk about some of your drivers for the same.

Sapnesh Lalla: I think that's a great question. We guided for achieving USD400 to USD500 million in revenue in the FY27 time frame that would cause us to grow at about 30% Y-o-Y. We believe that with an organic growth expectation beyond this year of close to 20%, topped up with inorganic activity, we should be able to get to that guidance.

Pooja Doshi: Okay, got that. So, this 12% to 14% number which you gave for FY25, that's the organic top-line growth number, right?

Sapnesh Lalla: That is correct. Okay.

Pooja Doshi: And you spoke about margins, right? So, our margins have expanded slightly despite average top-line in the first quarter. So, what are some of the efforts we are taking to sustain or better these margins? Because you said that you're confident of achieving around 24% margin number. So briefly if you can talk about the drivers there.

Sapnesh Lalla: Yeah, my margin drivers tend to be predominantly product mix and utilization of resources. The investments that we made specifically in AI are likely to enable us to improve efficiency of our operations and those efficiencies could translate into improved margins. On the other side, like I pointed out, given the disruptions that are going on in the market and the tough market environment, there will be cost pressures that our customers will be under and that might result into compression of margins. And a balance of these two will keep our margins range bound compared to where we are today.

Pooja Doshi: Okay. And just briefly on the headcount number. So, if we were to start growing at historical levels of 20%, do you see the headcount number going up to like these older levels or do we continue reducing them or sustaining them? Just thoughts around it, please.

Sapnesh Lalla: So, we do expect growth to accelerate in the second half and we think that we will see growth in headcount in the second half as well. We would expect that the headcount increase will not be as rapid as the growth. We would expect the headcount increase to be marginally lower than the growth rates that we expect.

Pooja Doshi: And so, would that be because we are like adding technology or is it like AI driven changes that we are making is vital despite our top line growing our headcounts along similar level? Is that right?

Sapnesh Lalla: We expect to improve efficiency of our headcount because of investments in our improved capabilities.

Pooja Doshi: Okay. And so just on the inorganic acquisition pipeline, like you said you will get back to us with further clarity. But all I wanted to know if we in advanced stages of discussion for any of them already or if you can just briefly talk about it?

Sapnesh Lalla: We don't provide colour on where we are or what we might be up to with prospects. Suffice it to say that we have a reasonable pipeline and as soon as we have something to report, you will be the first to know.

Pooja Doshi: Sure. Thank you.

Moderator: The next question is from the line of Shraddha from Asian Market Securities. Please go ahead.

Shraddha: Hi, congratulations on a good quarter. A couple of questions. First is it's good to see growth in revenue visibility finally after four quarters of decline. So, after seeing growth, how should we look at buildup of growth rate towards second half of the year? Do you think we can get back to the 3% to 4% CQGR that we had earlier guided towards second half?

Sapnesh Lalla: So first, thanks for your kind words. I also feel good that our revenue visibility is starting to show growth on a Q-o-Q basis. We will see continued improvement in visibility given the pipeline that we have as well as the fact that we continue to have 100% renewal record.

In terms of growth expectation, we do expect the second half to grow at a more rapid pace as compared to the first half. The first half is likely to be range-bound at the current CQGR rates. The second half, we expect acceleration in growth.

Vijay Thadani: As Sapnesh mentioned that in the second half, he does expect growth to pick up. That is obviously very dependent on stability and similar circumstances as we have today. In a volatile environment, that's very difficult to predict. But given the pipeline we have, given the spending patterns that we are witnessing, the small green shoots we saw in the existing customers increasing their spend, not all of them, certain specific ones of them who benefit a lot from training interventions, I think that is one of the foundations of these last two quarters projection.

Shraddha: Right. And in BFSI, like other IT services companies, we've also shown a good growth rebound in BFSI. So, is it more broad-based across clients or was it led by some top clients and how should we look at visibility of growth numbers in this case? And secondly, technology and telecom has been weak for the last three, four quarters. So, do you see the bottom is already there or do we see more quarters of pain in this vertical?

Sapnesh Lalla: First on the comment you made about BFSI. While we've seen growth in BFSI, it might not be for the same reason why IT services firms have seen growth in BFSI. IT services firms tend to see growth from BFSI because BFSI tends to be the first adopter of new technologies. However, we've seen growth because we've had higher levels of customer acquisition and ramp up with our BFSI customers.

So, while we are seeing growth in BFSI, it might not be for the same reason why IT services firms are seeing growth in BFSI. We are also seeing growth in life sciences. A number of large pharma companies are making significant efforts to centralize their L&D spends and get more efficiencies out of their L&D spends.

So, we are seeing sector growth in both BFSI as well as life sciences. We acquired two new additional customers in the technology space and on the back of those two new customers and a couple of additional wins we had in the last two quarters, we expect the tech sector to also start showing growth over the next couple of quarters.

Shraddha: Okay. And last one question now, till when do we expect the ESOP costs related to NIIT Limited to continue in RPMM?

Sapnesh Lalla: For another two to three years, I would say.

Shraddha: And at the same run rate?

Sapnesh Lalla: The quantum will go down, but the vesting schedule is about four years.

Shraddha: Got it. Thank you and all the best.

Moderator: Thank you. The next question is on the line of Siddhant Dand from Goodwill. Please go ahead.

Siddhant Dand: Yes, hi. So, we've added three MTS customers this quarter, but our number of customers has gone from just 87 to 89. So, could you just explain how we account for number of customers?

Sapnesh Lalla: Sure. This is a very good question and I think we receive this question every quarter. One of the things we do is every quarter look at how our customers are spending with us. As we've talked about in the past, a number of customers have compressed their spends with us. We have a threshold of spend that qualifies our customers to be Managed Training Services customers. And when the activity with a customer goes below that threshold, while we continue to service them, we stop calling them Managed Training Services customers. And once they start or once they go past that threshold, we'll bring them back into the list. But what you could see this past quarter is that while we added three customers, we took one off the list because their activity had gone below threshold.

Siddhant Dand: Okay. And if it goes below zero, will those customers be removed from our 100% renewal number that we give or does that not happen?

Sapnesh Lalla: If they're spending money with us, they won't be customers.

Moderator: Thank you. The next question is from the line of Ganesh Shetty, who is an individual investor. Please go ahead.

Ganesh Shetty: Congratulations on a good set of numbers. It's actually an all-round growth from top line as well as bottom line and margin point of view. So once again, congratulations for that.

So last time we were a little bit doubtful about the overall growth and this quarter we seem to be quite optimistic, and the early adoption of AI has also given us some added advantage. And I just want to ask one question regarding the AI front, on AI, Gen AI front, how this adoption of Gen AI as an L&D service is putting us in an overall positive customer perspective.

Sapnesh Lalla: Thanks, Ganesh. And thanks for your kind words. It's very encouraging to hear from you on our conference calls. Generative AI, I believe, is going to be an opportunity of a lifetime. It is a technology that is very transformative in what it can enable us to do, specifically as applied to training. It has the potential to fundamentally transform how training gets done We've been investing in building that capability over the last 17 or 18 months and this past quarter we identified 10 value propositions that we could bring to market, and we started running seminars as well as customer advisory sessions around these value propositions.

Several of the prospects as well as existing customers provided us feedback that what we are discussing and what we are able to demonstrate is way ahead of what they have seen from other organizations and they would love to see how some of the things that we are talking about could be deployed within their organizations. What was comforting to hear was that while most of our customers and as you are aware our customers tend to be the Fortune 500 or Fortune 1000 companies, all our customers tend to be leaders in their categories. Each one of them as organizations, are spending incredible amounts of money on AI and they are going all in on AI because AI could be so transformative.

However, learning and development is often not the top 10 things that the organization gets focused on. So, the fact that NIIT has made significant investments in AI, they find that very comforting because if they choose NIIT as their partner in their AI journey while in their own corporations' investment agenda, they might not be on the front page but the partnership with NIIT they can be on the front page with respect to investments as well as benefits that they can get from investments that NIIT has made in AI. So very encouraging conversations some of those conversations have led to contracts and we expect those contracts to scale over the next several quarters.

Ganesh Shetty: Thank you very much sir. My second question is regarding Renewable Energy Initiatives and investment in that particular area. Can you please know when these initiatives or investments will lead to some sort of meaningful revenues in our books? Can you please give some colour on this?

Sapnesh Lalla: That's a great question. As you are aware in the second half of last fiscal year, we made an investment in Eno Energy to create an area of focus on capturing opportunities in the renewable energy space. Through this partnership we've been able to create opportunities which are in the hopper at this point in time. We have two or three opportunities that are in our pipeline and as they mature, they could become large contracts for us. Thank you very much sir. Most of these opportunities are in the automotive space.

Ganesh Shetty: Thank you very much sir and all the best.

Moderator: Thank you. The next question is from the line of Prathamesh Dhiwar from Tiger Assets. Please go ahead.

Prathamesh Dhiwar: Just one question. I think you said your H2O is going to be much stronger. Is it because of the acquisitions that you are going to do as you told?

Vijay Thadani: The question is H2 will be stronger because of the acquisition or is it because of any other reason?

Sapnesh Lalla: Our guidance for H2 is organic guidance. It is not because we are in the process of, or we have made an acquisition. It is guidance for organic growth. We think that we will be able to accelerate our growth rate in the second half on the back of a number of new customers. So, the three new customers that we have won this quarter, customers wins that we had previous quarter as well as contract expansions we expect that we will have acceleration in growth. We also expect some certainty to return in the macro environment as we get into the second half of the year.

Prathamesh Dhiwar: Sir, on a blended basis, I think you are expecting 30% CAGR growth on top line, right?

Vijay Thadani: On a continuous basis we have guided them for 20 plus years, long term growth

Sapnesh Lalla: That is inclusive of acquisitions or inorganic growth.

Prathamesh Dhiwar: Thank you sir.

Moderator: The next question is from the line of Gunit Singh from Counter Cyclical Investments.

Gunit Singh: My question is quite similar to the last participant. We are guiding about USD400 to USD500 million in FY27. What kind of revenue target do we have from organic operations?

Sapnesh Lalla: Thanks, that is a great question. From a long-term perspective, the way to think about our business is on a steady state basis we would achieve 20% organic growth. Let's say after fiscal year 25-26-27 we would get to 20% organic growth rate. For us to get to between USD400 and USD500 million in revenue in 2027, we would need to achieve a growth rate of approximately 30%. We will add approximately 10% to top up the organic growth rate through inorganic activities over the next 3 years.

Gunit Singh: Are we currently looking at any inorganic opportunities for FY25? Do we foresee any big acquisitions?

Sapnesh Lalla: We have a pipeline of opportunities that we are looking at and as soon as we are ready to announce one, we would let the community know.

Gunit Singh: In the recent budget, there was an announcement of skill development and providing internship in the top 500 companies in India. Would we be able to capitalize on this opportunity in any way?

Sapnesh Lalla: While NIIT learning systems target global market regions tend to be United States and Europe I think the company that we demerged out of, NIIT Limited would see it as a significant opportunity. If you want to know more about it, you are welcome to join the call tomorrow afternoon.

Gunit Singh: I just wanted to understand if we were also participating in it. Thank you very much.

Moderator: Thank you. The next question is from Pratap Malival from Mount Intra Finance. Please go ahead.

Pratap Malival: Hi, and thanks for taking my call. It's the first time that I'm interacting on the call. When we say that we have a visibility of $350 million, how do we arrive at this number? What exactly do we mean by visibility and how does it correlate to our growth going ahead? Is it in terms of an order book executable over the next 12-18 months or something like that? Could you help me understand that?

Sapnesh Lalla: Sure. The way we get to visibility is we create a tally of all our active customers. Against that we write down what is the spend run rate that they have with us today and the balance of six quarters of contracted period we have left.

Let's say we have a customer A, whose spend run rate is half a million dollars a quarter and we have six quarters left, so we would have a visibility of half a million dollars times six quarters, that's USD3 million left against that customer. Like I pointed out, we tally all our customers and against them we have expected based on run rate revenue per quarter for the rest of the quarter. So, we have a cumulative revenue expectation from all of our customers stated.

The summation of all of that is what we count as visibility. Visibility grows as we add new customers, or we expand the business that we are doing with each customer. The visibility contracts as the balance period of contract left with each customer goes down, it again expands if we renew our contract. So that's really how we compute visibility. From a long-term perspective, it has a positive correlation with revenue growth. One thing I would also add is at times it gets bunched up. So, if we have four renewals in one quarter then visibility would bunch up in that quarter.

Pratap Malival: Understood sir. Thank you. I believe our previous participant kind of pointed out some seasonality about the same charge acquisition. Can you help me understand what the revenue base is and what the split is regarding H1 and H2, the seasonality?

Sapnesh Lalla: Our business does not have very significant seasonality. There is a small seasonality factor where we see a little bit of seasonality at the year end. So, the quarter ending December we see some seasonality because a fairly significant set of our customers are on a calendar year basis. But there isn't very significant seasonality in our business.

Pratap Malival: Okay. Understood. So Q3 tends to be sometimes a little bit weaker for us. Is that it?

Sapnesh Lalla: Tends to be marginally stronger.

Pratap Malival: Okay. Understood. And just one last question. Since our guidance is about 12%-14%, now we are expecting H2 to be a little bit stronger than H1 and we've had some spends compressed with customers, so to reach our guidance do we need some of those spends to come back or can we do it with our current visibility going ahead?

Sapnesh Lalla: We do need expansion in some of the spends like I pointed out. We saw expansion in spends in a select set of our customers this past quarter. We expect that this trend would continue, and we also expect to ramp up the customers that we have recently acquired and will continue to acquire over the next couple of quarters. So those two criteria, ramp up of new customers expansion or spends in several of our existing customers will cause us to grow at a clip that's faster than our current clip in H2.

Pratap Malival: Okay, understood sir. Thank you for taking my questions and best of luck for the quarters coming up. Thank you.

Moderator: The next question is from the line of Sanjay Shah from Pranishta. Please go ahead.

Sanjay Shah: Hi, thank you sir. First of all, I just want to thank you for the effort that you take at educating the industry community and the transparency with which you communicate. Thank you very much for that. My question is actually basically two questions. One is that since a reasonable part of the growth that we are envisaging over the next couple of years to come through inorganic. Should one as an investor be worried about dilution in return ratio? Would this growth be return ratio dilutive in the sense that capital employed, return on equity, so that's one I would say apprehension that could build up. So, I just wanted to try and get your sense on that.

Sapnesh Lalla: Let me come back to fundamentals and then we can correlate the fundamentals to ROE or ROCE. From a fundamentals perspective we expect our growth to accelerate. Because we expect to reach our guided growth rates of long-term growth rates of 20% Y-o-Y on an organic basis supplemented by inorganic growth. So, we do expect our growth rates to accelerate.

Second like we pointed out in the past, we expect our margins to be upwards of 20% from a long-term perspective. So, we expect the business to continue to generate reasonable margins The inorganic growth will come from investments of cash that we currently have on our balance sheet, so part of the balance sheet that is performing at bank interest rates will start creating returns that a business would create if it was creating 20% margins. So, as we look ahead from a long-term perspective, we expect the returns to improve as we improve our growth rates organically as well as invest in businesses that create an expected business return and so we expect the return ratios to start improving

Sanjay Shah: That's fantastic. Thank you. And if I were to just ask the second question. Given the nature of the business and the service that you provide to the corporate clientele a significant part of that is discretionary and in difficult times as we have discussed in the previous conference calls, some of this can get deferred in terms of the training that they provide. I don't know whether it's a fair question or not, but would it be possible to try and look at your business and say how much of that would be discretionary and how much of that could be non-discretionary and does that change over a period of time?

Sapnesh Lalla: I think if I understood your question what you are asking is, what percentage of the training that we provide are mandatory versus discretionary. Mandatory training being of the type of compliance training which whether you have the money or you have the inclination you must spend on and discretionary which you can defer Is that your question?

Sanjay Shah: I think that's fair, yes. Thank you so much.

Sapnesh Lalla: So, if you look at the profile of our customers, a number of our customers are in highly regulated areas including the BFSI segment, the life sciences segment, the energy and commodities segments. These are all segments that are highly regulated and therefore end up doing a lot of mandatory or compliance related training.

On the other hand, organizations in segments such as technology, do a lot of discretionary training but they do that because the rate of change of technology is moving so rapidly that if they don't do training, they are not relevant anymore. So, across a large set of customers a ratio of mandatory versus discretionary tends to be almost one-one. In certain cases, it's higher so in segments such as life sciences or commodities and energy or aviation it tends to be higher mandatory and less discretionary. Whereas in sectors such as technology or telecom it is more discretionary than mandatory.

Sanjay Shah: Thank you.

Moderator: Thank you. The next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: Thank you for the follow up. Sir in Q1 FY24 at the end our total revenue visibility was USD360 million while currently it is USD350 million, and you said the revenues would be correlated to the revenue visibility. Firstly, what is the reason for the decline in revenue visibility? Are clients not renewing the contracts or are they spending lower amounts of money? And secondly despite the revenue visibility going down what gives you the confidence that we will still be able to grow at 20%?

Sapnesh Lalla: So, I understood 2 or 3 questions in what you asked. The first one was, is there correlation between revenue visibility and revenue and growth? Yes absolutely. Like we said in the last 2 or 3 quarters, that we have seen compression in spends across our customers and that what was reflected in visibility, as visibility went down from USD360 million same time last year to approximately USD 330 million in the previous quarter. So, we saw declining visibility and it was declining because the spends were compressing.

Like I have pointed out in the past when spends compress, our visibility goes down. Also, when the balance contract period shortens visibility goes down. Conversely when we renew contracts visibility goes up as a step jump. Likewise, when we add a new customer visibility goes up as a step jump. As I was pointing out earlier to a different caller, the renewals sometimes get bunched and so we might see a quarter where we have significant increase in visibility and that's really not because the quarterly run rate has increased but because the time left on the contract given the renewal has suddenly increased. To answer your correlation question yes absolutely there is a long-term correlation with visibility.

Management: Yes, I think the issue that he is talking about, is a spot correlation 360 last year led to a revenue which was a certain one. 350 this year does it lead to a lower revenue in the next 12 months.

Sapnesh Lalla: I would say it is not a long-term correlation, it's not a short-term correlation. So, you don't get to see Q-o-Q trends in the short term with visibility, you will be able to see a positive correlation from a long-term perspective.

Gunit Singh: Alright sir, so I mean despite the revenue visibility falling, we can still expect 20% growth. So, I mean what gives you the confidence for that?

Sapnesh Lalla: So, like we said earlier, for this year we are not projecting 20% growth we are projecting between 12% and 14% growth in line with visibility that we had which was declining since last year. We only started seeing improvement in visibility in this quarter. We expect that improvement to continue and that will give us confidence to show that going forward which is FY26 on we will have 20% growth expectation. So, the improvement in visibility that we see this year which has started this quarter, will give us confidence of achieving 20% growth next year on.

Gunit Singh: Alright sir got it and you also mentioned that H2 onwards we would see faster growth, so were you alluding to reaching 20% kind of growth in H2 onwards?

Sapnesh Lalla: The acceleration in growth in H2 will cause us to get to 12% to 14% growth for the whole year

Gunit Singh: Alright sir got it Thank you very much Thank you

Moderator: The next question is from the line of Deepak from Sundaram Mutual Fund. Please go ahead.

Deepak: I have a couple of questions One is this quarter we have reported some 3-crore in exceptional item which is related to some strategic initiatives. Could you please elaborate what are those strategic initiatives and what do you plan to achieve from those strategic initiatives

Vijay Thadani: So first my comment you are also 3rd time lucky like the first medal winner of ours

Sapnesh Lalla: So, I think your question was there was approximately 3 crores in spends towards strategic initiatives. As we have discussed in the past we have spent time, energy and money in building a pipeline of inorganic prospects and this money was spent to receive advisory services to achieve inorganic growth We have a pipeline and as soon as we have something to discuss we will discuss it with you

Deepak: Ok and so my second question is, earlier you had mentioned that this revenue visibility number consists of new client addition as well as warrant expansion with the existing client. So, on Q-o-Q basis we have an USD15 million incremental number of this revenue visibility. Can you please elaborate like this USD15 million how much would be from wallet share expansion and how much would be from new client addition

Vijay Thadani: Like I pointed out the visibility number is built up of a number of parameters and given client confidentiality on exact numbers we are unable to discuss that in this call. Plus, it's a net number. You consumed something from the previous revenue visibility, some spend patterns increased and decreased, some new customers came, some scope expansions happened. So, putting all of them together and taking meaning out of 15 million delta which is an output of all these things calculated together I think is a difficult task. Not that we won't be able to but then would conflict with some other interests of our client

Deepak: My final question would be a bit long term in nature. You have said of 20% growth in the next 2-3 years, I just wanted to understand from sectoral mix perspective. So today we are at 20%, from technology 15%, from management and the others. So, do we expect this mix to change in the next 2-3 years or more or less it would be similar to what we see currently?

Sapnesh Lalla: We do see the mix to evolve over a period of time If you go back enough you might notice that technology and telecom were a larger or had a larger share of revenue. During these past few quarters BFSI and Life Sciences have grown at the cost of shrinkage with respect to technology and telecom. Technology and telecom, especially new technologies drive a lot of training. The last few quarters a number of large tech companies have seen challenging times, but they are also the biggest innovators. So, we expect that tech and telecom will come back and will be a higher share of our business over the next few quarters.

Deepak: Thank you so much and all the best

Moderator: The last question is from the line of Sameer Dosani from ICICI Prudential AMC. Please go ahead

Sameer Dosani: Thanks for the opportunity Just wanted to get some idea on the outlook for management consulting vertical of your business

Sapnesh Lalla: I mean there is no secret on who comprises the management consulting firms, the big four and the large management consulting firms are participants of that sector. One way of thinking about them is the way GSIs have performed in India or the large global GSIs. As you are probably aware the global slowdown impacted the business of GSIs. Likewise, it has impacted business of large management and consulting firms and caused shrinkage or lower consumption. We expect that as certainty comes, back their customers start to spend more, their spend on training will go up.

Management and professional services companies tend to be the highest spenders on training across sectors compared to an average spend of USD1,100 to USD1,200 across industries, management and professional services companies spend over USD2,700 per employee per year on training. They are large spenders that spend is compressed at this point in time. Because of the macroeconomic environment, we expect that as certainty returns that spend will go up

Sameer Dosani: Any green shoots you think you see in this vertical and how is the wallet share gain in these accounts progressed in last 12 months for you, any comment on that.

Sapnesh Lalla: We won't be able to discuss very specific details of wallet share expansion, but I would say that we have not lost any business to any competitor, we have won business against competitors. So therefore, from an overall perspective we have a higher wallet share but the total pie has shrunk

Sameer Dosani: Got it. Any green shoots that you see in 3-6 months because you closely interact with them or these customers, is there some improvement or green shoots in this vertical

Sapnesh Lalla: I think we will see green shoots as certainly starts to come back to the economy

Sameer Dosani: Okay Alright, thanks, kudos and good luck for the future

Moderator: As there are no further questions, I would now like to hand the conference over to management for closing comments

Vijay Thadani: Thank you very much each one of you for joining this call and for your very insightful questions. As I mentioned before, for us your questions are very educative because they set our minds to think. And today we had many new participants and I apologize on behalf of all of us if we couldn't hear you well but that's for us to resolve with the conference call organizer. I hope we were able to answer most of your questions. In case you still have some, please be in touch with Kapil Saurabh, he is our single point contact, and he will direct the questions to whoever is the right person to answer them. So, thank you once again for your interest in NIIT Learning Systems and your cooperation your guidance and some great advice that came through today. We can close this call now

Moderator: On behalf of NIIT Learning Systems Limited that concludes this conference Thank you for joining us and you may now disconnect your lines