



**“NIIT Learning Systems Limited Q3 FY26 Earnings Conference
Call”**

January 28, 2026



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MR. VIJAY K. THADANI – VICE-CHAIRMAN & CO-FOUNDER, NIIT LEARNING SYSTEMS LIMITED
MR. SAPNESH LALLA – CHIEF EXECUTIVE OFFICER, NIIT LEARNING SYSTEMS LIMITED
MR. SANJAY MAL – CHIEF FINANCIAL OFFICER, NIIT LEARNING SYSTEMS LIMITED
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*NIIT Learning Systems Limited
January 28, 2026*

Moderator: Ladies and Gentlemen, Good Day and Welcome to NIIT Learning Systems Limited Q3 FY26 Earnings Conference Call.

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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vijay K. Thadani – Vice-Chairman and Co-Founder. Thank you and over to you, Mr. Thadani.

Vijay K. Thadani: Thank you. Good afternoon, everyone. Thank you for joining the NIIT Learning Systems Limited’s Q3 FY26 Earnings Call and thank you very much for your continued interest. We know you had other commitments today, but you decided to give your time to us. We are grateful to you.

Quarter 3 is an interesting quarter and we will begin with “Some Prepared Remarks and Key Business Updates, Including the Inorganic Activity and then we will follow it with Q&A.”

Just as a matter of record, before we begin, some comments that we may be making may be forward-looking and subject to risks and uncertainties and actual results may differ materially. We want you to note that.

The Agenda is to Discuss the Quarter 3 FY26 Results, Second, on our Progress on our AI-First Strategy and AI-Enabled revenue, Third, an Update on the Inorganic Activity which we completed during the quarter, post Discuss the Outlook for the Rest of the Year and then the Rest of the Time for Questions and Answers.

I have with me the Chairman of the Company – Mr. R.S. Pawar, the CEO of the Company – Mr. Sapnesh Lalla, the CFO of the Company – Mr. Sanjay Mal, Mr. Kapil Saurabh, who heads the M&A and Investor Relations, as well as our other senior colleagues from Finance, Accounts and other Governance Functions.

I will now hand you over to Sapnesh Lalla for his opening comments.

Sapnesh Lalla: Thanks, Vijay, and good afternoon to all of you and thank you for joining the call.

In my Prepared Comments, I will Review our Performance in Q3 and Share our View on the Path Ahead.

Let me first set the “Context”:



*NIIT Learning Systems Limited
January 28, 2026*

The global environment, as you might be aware, remains uncertain; our client decisions, decision-making cycles are still elongated, and discretionary spending continues to be closely scrutinized. At the same time, we continue to see sustained demand for outsourcing and operating model transformation as clients focus on cost agility and productivity.

We continue to see wallet share expansion across a wide range of our clients, though the overall environment continues to remain dynamic.

AI is continuing its rapid march to becoming mainstream with significant investments by early-movers across different segments. This represents a once-in-a-lifetime opportunity for us, as we have often stated.

In this context, we delivered another quarter of strong execution in line with our guidance. The revenue for the quarter was INR4,997 million, was up 5% quarter-on-quarter and 19% year-on-year.

In constant currency terms, the revenue grew 2.5% quarter-on-quarter and 11% year-on-year.

Excluding the real estate contract that came to an end as of June 30th, 2025, the growth was 9% quarter-on-quarter and 28% year-on-year. The organic revenue growth was 14% year-on-year.

Growth was driven by customer ramp-ups and wallet share expansion along with stronger contribution from MST as we move past the seasonally soft vacation period in Europe.

Robust growth underscores the strength of our go-to-market engine as well as the trust and faith our clients have in our delivery and execution capability, especially for their critical needs.

Importantly, our growth continues to be broad-based across services supported by a healthy flow of new wins as well as renewals.

Our ability to expand wallet share with the existing clients remains a key growth lever supported by deepening relationships and demonstrated delivery excellence.

While spend from the existing clients improved modestly, the recovery remains gradual and overall spend is still below slowdown levels. We remain cautiously optimistic on the environment and the business impact that we can cause.

Notably, the business continues to outperform its peers, demonstrating resilience through industry-leading growth and profitability.



*NIIT Learning Systems Limited
January 28, 2026*

Our customer momentum and revenue visibility remains strong. Within the quarter, we signed four new MTS clients -- One in Life Sciences, two across BFSI, one in the Energy Sector.

We also completed four renewals, and we delivered one significant scope expansion. As a result, our MTS customer tally increased to 107 at the end of the quarter.

The revenue visibility improved to US\$415 million, up from US\$409 million previous quarter, and US\$391 million same period last year.

Our profitability remained resilient with margins in the guided range. The EBITDA for the quarter was INR1,038 million, was up 10% year-on-year with EBITDA margin at 20.8%, which was within the range that we guided.

Margins benefited from improved utilization as well as MST's stronger contribution. This was partially offset by seasonality in the St. Charles business and absence of the contribution from the real estate contract this quarter.

We remain disciplined on delivery and productivity while continuing targeted investments to support our growth across improvements in capability or investments in capability building as well as go-to-market.

We made significant progress in building our AI capability. We now have a pole position in the L&D market as acknowledged by our customers as well as industry analysts. And IT has always been at the cutting edge of technology and learning. AI-First strategy in learning has evolved into a considerable point of differentiation for us.

We have gone live with a number of enterprise deployments of our AI solutions. Notably, the total AI-enabled revenue grew to about 11% of the business this quarter.

Spending another couple of minutes on "Financials":

Our depreciation and amortization was at INR194 million. Our net other income was INR104 million compared to INR26 million last year and negative INR89 million in the previous quarter.

It is important to note that the key components included INR87 million of treasury income. The net exceptional gains of INR109 million comprising of a gain of INR298 million due to fair value adjustment in the future acquisition liability with respect to St. Charles. Transaction expenses of INR54 million primarily on account of acquisition of SweetRush. One-time impact due to increase in employee liabilities due to the new wage code of INR135 million. The net other expense of INR92 million and this included FOREX loss of INR61 million. It also included interest cost of INR23



NIIT Learning Systems Limited
January 28, 2026

million. Tax was at INR205 million, the effective tax rate was 22% versus 32% last quarter primarily due to no tax on the gain from adjustment in future acquisition liability. The PAT was at INR743 million, the EPS was at Rs. 5.42.

The balance sheet and cash flow metrics remain strong.

The DSOs stood at 74-days as compared to 66-days last quarter and 62-days last year reflecting business mix, seasonality and exchange rate movement. Cash and cash equivalents were at INR9,046 million.

CAPEX for the quarter was INR126 million versus INR99 million in last quarter on account of ongoing investments in AI as well as some of the infrastructure refresh that was accomplished during last quarter.

Operating cash flow was INR1,039 million INR as compared to INR777 million in the previous quarter, the peak cash flow of INR920 million for Q3. Net cash was at INR6,927 million, was up from INR5,917 million last quarter.

Our headcount was at 2,433 at the end of Quarter 3, up 77 year on year and down 38 quarter-on-quarter.

Let me spend a minute on the “Overall Market”:

Like I pointed out in my opening comments, market volatility continues to heighten the emphasis on cost optimization, prompting increased client engagements on large scale cost takeout as well as transformation initiatives, although the decision cycles are elongated.

AI and its profound impact on the practice of L&D is real and starting to become visible. Early adopters are starting to take advantage of AI with our assistance. We think this has the potential to be a multi-year growth opportunity, especially for NIIT Learning Systems Limited.

We believe NLSL is well positioned to capture a disproportionate share of these opportunities underpinned by continued investments in AI, consulting and advisory services, and sales and marketing and go-to-market activities, a strong brand as a trusted and reliable market leader, as well as an organization that its clients trust with some of the most critical L&D tasks.

Our deal pipeline continues to remain robust with active opportunities across large outsourcing deals, spanning technology, automotive, life sciences, BFSI and other sectors.



*NIIT Learning Systems Limited
January 28, 2026*

We would, however, like to point out that due to the significant market uncertainty that decision-making cycles are starting to stretch beyond what we would consider typical.

We continue to see accelerating structural transformation across industries we serve, driven by digitization, decarbonization, biopharma innovation and AI, AI being the mother of all key innovations at this time.

Many organizations are actively restructuring to improve cost agility, fueling increased demand for outsourcing. This environment is triggering an uptick in outsourcing activity and NLSL is uniquely positioned to capitalize, especially as select competitors face strategic or operational distractions.

A minute on the investments we have made this past quarter and continue to make going forward:

NLSL continues to make disproportionate investments in new capabilities and go-to-market strength. Generative AI is becoming increasingly central in client discussions, though broader adoption at enterprise scale for L&D remains cautious. Nonetheless, we are rapidly expanding our use of AI across multiple work streams. Where deployed, we are becoming more ambitious in delivering measurable learning outcomes for clients, while also realizing notable efficiency gains.

We, as mentioned earlier, continue to invest disproportionately in our go-to-market capability as you saw recently with the acquisition of MST where we invested significantly to implement go-to-market capability in the dock region.

We announced on January 9th NIIT Learning Systems acquired 100% of SweetRush, which is an award-winning provider of human-centered AI-enabled learning experiences, strategic training interventions, XR immersive learning programs, certification programs, and talent solutions for Fortune 1,000 corporations along with professional associations and not-for-profit organizations. Founded in 2001, SweetRush headquartered in San Francisco, California, the purchase price for this acquisition was up to US\$26 million, including EBITDA-based earn-outs over a five-year period, creating strong alignment with outcomes expected from the business.

This moves us up the value chain, strengthens our proposition in outcomes-led performance-critical learning, and complements NIIT's scaled managed learning services engine.

High-quality client base with high stickiness, long-standing enterprise relationships, strong repeat business and certification-led revenue streams, add attractive adjacencies beyond our current.

The Company has annualized revenue of approximately \$22 million with double-digit margin.



*NIIT Learning Systems Limited
January 28, 2026*

Q3 is typically the strongest quarter for the Company, contributing about 35% to 38% of the revenue.

Clear synergy roadmap, and opportunity to convert project-led work into longer-duration managed engagements and cross-sell of NIIT's global MLS platform into SweetRush's client base makes the acquisition attractive to NIIT clients as well as its contribution to NIIT's bottom line.

Margin, like I pointed out, is in early double-digits with near-term expected improvements through delivery mix, optimization, and operating leverage. We think that the Company will become margin-accretive over the next six to eight quarters. It is EPS-accretive starting FY27.

The leadership continuity and integration plans to preserve SweetRush's creative edge has been preserved, and integration plans to bring both the companies together so that they can leverage each other's key capabilities has been implemented.

A minute on our "Guidance for Q4":

We expect revenue growth to be 10% to 12% quarter-on-quarter or 25% to 26% year-on-year in constant currency terms. The growth is aided by robust contract pipeline, continued ramp-up in new clients, and impact of acquisition of SweetRush.

For the full year, FY26, we expect revenue growth to be 14.5% to 15% in constant currency terms. Margins are expected to be in the 20% to 21% range for the full year and for Q4.

- Moderator:** We will now begin the question-and-answer session. The first question comes on the line of Bharat Gulati with Dalal & Broacha Stock Broking. Please go ahead.
- Bharat Gulati:** Yes. Hi, sir. Thank you for the opportunity. I just want to understand, our EBITDA margins going forward given that SweetRush is at a lower EBITDA than our traditional business, what would the outlook be for, let's say, the next one year, if you can throw some light on that?
- Sapnesh Lalla:** We will be in the 20% range.
- Bharat Gulati:** Would that mean that we would see EBITDA margins coming up for SweetRush immediately as the quarters go on by?
- Sapnesh Lalla:** No. Like I pointed out, it would take about six to eight quarters for SweetRush's margins to become accretive. We would have every endeavor to get them to become accretive sooner. However, through other initiatives, we plan to ensure that the margins stay above the threshold.



NIIT Learning Systems Limited
January 28, 2026

- Bharat Gulati:** Okay. Got it. And sir, on our cross-sell opportunity that has come with both the acquisitions, the SweetRush as well as the MST one, how do we see that transpiring to our traditional revenue growth? How much will that aid our organic growth in terms of MTS clients, and how would that look like?
- Sapnesh Lalla:** We expect that both the acquisitions will result into acceleration in managed learning services clients. It is still a little early to provide concrete information, but we think that each year we might be able to add one additional MTS client... or convert one MTS client out of the set of project clients that SweetRush and MST have.
- Bharat Gulati:** How would it work on the other side in terms of SweetRush and how would we leverage their services and in turn, how would we see growth in those two companies that come in leveraging our client base? So, can we quantify that in certain ways, how much will that aid our revenues going forward, if you can put a number to it or maybe give a broad understanding?
- Sapnesh Lalla:** They set up workshops where NIIT is participating in workshops with SweetRush clients and SweetRush is participating in workshops with NIIT clients such that we are able to introduce each other's services to our key clients.
- Bharat Gulati:** Okay. Got it. Barring our RECO contract fall off this quarter, what kind of growth would have we seen if we adjust that?
- Sapnesh Lalla:** Like I pointed out, without the RECO contract, Revenue would have been 28% year-on-year and 9% quarter-on-quarter.
- Bharat Gulati:** Okay. Yes. Thank you for that. That is it.
- Sapnesh Lalla:** And a substantial improvement in margin.
- Moderator:** Next question comes from the line of Ganesh Shetty, an individual investor. Please go ahead.
- Ganesh Shetty:** Congratulations for a strong quarter in a traditionally weak quarter and macro challenges. Sir, my first question is regarding embracing of AI-related services by our clients and also our convincing new clients to have L&D activities in MTS area. So, can you please throw some light on this, sir?
- Sapnesh Lalla:** See, like I pointed out, AI is going to be the game-changer for learning and development. We have been investing in AI over the last three years, and we are starting to see AI take root, at least across the key early adopters in our clients. We have a handful of significant enterprise-grade implementations, and we think that these implementations will only accelerate over a period of time.



*NIIT Learning Systems Limited
January 28, 2026*

- Ganesh Shetty:** Sir, my second question is regarding the life science segment. As life science segment is one of the major consumptions of AI-related L&D services, is there any early indication that our AI-based learning systems are providing a synergy for a lot of the life science companies, can you throw some light on this, sir?
- Sapnesh Lalla:** You are right, they are early adopters. In fact, one of our large life sciences customers has been an early adopter, and they have seen benefits, and they are moving to enterprise-level adoption as we speak.
- Ganesh Shetty:** Thank you very much, sir, for all the answers, and all the best for the future.
- Sapnesh Lalla:** Thanks for your kind words.
- Moderator:** Next question comes to the line of Rajakumar Vaidyanathan with RK Invest. Please go ahead.
- Rajakumar Vaidyanathan:** Thank you for the opportunity. Actually, I have three questions. I want to understand, you are saying that you are already deploying these AI services, and they are seeing good traction. So, broadly, if I split this AI training, generally it will come under three categories, right? So in short, basically training, there is fine tuning and there is inference, right? Do you actually train corporates and customers enterprises on all the three categories? And if you do, what would be nice if you give some examples of how that has played out, that would be nice to hear?
- Sapnesh Lalla:** I think the question was focused on, do we do a lot of training for our clients on how to use AI? I think the majority of work for our clients in using AI for delivery of training rather than delivering training on AI. We have a few clients for whom we deliver training that teaches their associates on how to use AI, but that is a minority of what we do. The majority of what we do is build AI-enabled learning solutions for our clients, such that AI is helping run the learning and development for a client rather than teaching them on how to use AI.
- Rajakumar Vaidyanathan:** Okay. So, is it possible to give an example?
- Sapnesh Lalla:** Sure. One of the areas where we use a lot of AI is in personalizing learning experiences, building simulations of real-life scenarios that are delivered through AI impersonators or avatars, and provide coaching based on how a person did in that simulation. These simulations could be of scenarios with respect to sales, customer service, more complex scenarios such as financial reporting, consulting, and so on and so forth. So, we use AI to help simulate use cases that our clients often confront, help them confront those use cases and training use cases in a safe environment, and provide them feedback on how they did, so that when they go into real life, they are able to perform better.



*NIIT Learning Systems Limited
January 28, 2026*

Rajakumar Vaidyanathan: Okay. Thank you. I think this answers my question. Just one follow-up. So, I assume you also use open-source models like Llama, large language models. Do you also have some in-house models in addition to this when you do this?

Sapnesh Lalla: We built a fairly complex structure that allows us to use AI, both large language models as well as models that we have built in a secure environment. It would take me and some of my colleagues a little bit longer to explain how we do this, but we set up our infrastructure in such a way that it is safe and is able to work with the right LLM for the right questions.

Rajakumar Vaidyanathan: Okay. And I guess it is the same for the generative AI use cases as well, right?

Sapnesh Lalla: That is right. Thank you.

Moderator: Next question comes from the line of Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam: Yes. Thank you, sir. So, my first question is, if you look at in the last few years, we have done multiple acquisitions. I just wanted to check, how do you internally check whether the acquisition has gone in line with your expectation or not? I mean, typically people use revenue expansion, that is a cross-sell process that has happened. I mean, can you give me a sense of what are the metrics that you use and if it is revenue expansion, how do the previous acquisitions have fared in the last few years, including the most recent MST Group acquisition?

Sapnesh Lalla: So, we typically do not use revenue expansion as a criterion. We use three key criteria. The first one being a market segment that could be attractive for us, however hard to penetrate, a geography that could be attractive to us, where we have not been able to create a lot of penetration, and then the last one is a key capability. So, if you look at the acquisition of St. Charles that we did in November '22, the thesis was, we needed to create a capability in consulting and advisory services. We also found professional services firms as a key market segment that we wanted to penetrate, and St. Charles enabled us to achieve both scale in our consulting and advisory services as well as market penetration with the likes of Big Four, as well as management consulting firms. So, a criterion is typically not to focus on revenue expansion, but to create ways in which we are able to penetrate market segments that are attractive, geographical markets that are attractive, as well as key capabilities. The acquisition of MST enabled us to penetrate the dock region in a more complete way.

Gaurav Nigam: Got it. Sir, my question is slightly different. What I was saying that when you acquired St. Charles, you acquired the thesis that you wanted to get into the consulting segment. But, since the acquisition, it has been multiple years, has it fared as per your expectation or not like what are the metrics that you use, one is at the time of acquisition, but over a period of time, how do you evaluate whether that has gone as per the expectation or not?



*NIIT Learning Systems Limited
January 28, 2026*

- Sapnesh Lalla:** Other than what I mentioned, we do not disclose the exact metrics that we look at. But what I would say is that while St. Charles is in the final year of measurement, it has met the base criteria that we used to make the acquisition so far.
- Gaurav Nigam:** Got it. Sir, one more related question is on the acquisition. If I look at the acquisition frequency, it seems to have increased in the last one year or so, I mean, maybe a smaller acquisition comparatively. But, has anything changed in the external environment or internally, which is driving this change of going for a higher number of acquisitions?
- Sapnesh Lalla:** I would say our ambition has been to become a more complete provider of managed learning services for our clients. The acceleration does not have a lot to do with market environment, but our desire to grow faster. I wanted to say as we gain more in terms of acquisitions, that also will be reflected in our pace of acquisition.
- Gaurav Nigam:** Understood. Understood, sir. Final question. When you look at revenue visibility, I think two years back it was largely driven by addition of the new clients. I just wanted to check when we look at revenue visibility now, how does it spread between the acquisition of new clients versus expansion of scope in the existing clients, and how do you see going forward?
- Sapnesh Lalla:** I think it is a healthy mix of both. As I mentioned earlier, growth drivers are a healthy mix of wallet share expansion in our existing clients as well as new client acquisition.
- Gaurav Nigam:** Got it. Great. Thank you.
- Moderator:** Next question comes from the line of Yohan Khinvasara with Asian Broking. Please go ahead.
- Yohan Khinvasara:** Hi! Congrats on a great set of numbers. Could you provide any details as to what the average ticket prices for contract when you onboard a new customer?
- Sapnesh Lalla:** Typical contracts tend to be between \$1 million and \$5 million, a small percentage of contracts tend to be in the \$10 million range per year.
- Yohan Khinvasara:** Okay. Got it. Thank you so much.
- Moderator:** Next question comes from the line of Manav Medewala with Mirae Asset Sharekhan. Please go ahead.
- Manav Medewala:** Sir, my question is more towards a vertical mix. The industrial vertical has demonstrated impressive momentum over the last two quarters. I believe this will be major due to the acquisition of MST Group. So, do you see this trajectory sustaining in FY27? And on the flip side, the others vertical



*NIIT Learning Systems Limited
January 28, 2026*

seem to be consistently losing share. Is this a part of a conscious pivot or specific headwinds you are facing in that vertical? That was my first question.

Sapnesh Lalla:

You are right. The acquisition of MST and specifically the fact that most of their presence is in the German dock region, which is dominated by industrials, that has given us a head start into industrials. We think that as we grow wallet share across the clients that MST currently has, as well as gain momentum and acquire new clients in the dock region, we should see expansion in the industrials vertical. Whether it will grow disproportionately vis-a-vis others is hard to tell, because we are focusing across all the key verticals that we focus on. With respect to your question on others, one of the key clients in the others segment was the real estate contract that we had, which ended on June 30th, 2025, and consequently, you are seeing a decline in that segment.

Manav Medewala:

Okay, sir. Thank you. And another question is more towards the bookkeeping. I wanted to ask on the finance cost part. Is there any seasonality affecting our interest rate cycle because in the last three years, including FY26, third quarter has seen a decline and then it inches up in Quarter 4?

Sanjay Mal:

This is Sanjay Mal. This is to do with the seasonality in terms of the interest rate movements. And to that extent, you will see the MTM variations which happen quarter-on-quarter. So, the first quarter this year, we have seen a bump up, and Quarter 2 it has come back basically.

Manav Medewala:

Okay. Got it. Thank you.

Moderator:

Next question comes from Bharat Gulati with Dalal & Broacha Stock Broking. Please go ahead.

Bharat Gulati:

Yes. Thank you for the opportunity. Thank you for the follow up. I just want to understand, sir, how do we look at our verticals, I mean, I see that our tech and telecom has been growing extremely strong, life sciences as well and BFSI. So, is there something that is playing out correctly in those verticals that we are trying to replicate or are not able to replicate currently in our rest of the verticals that will come out, that will start happening as time progresses?

Sapnesh Lalla:

So, the way we pick verticals of interest is as follows: Like you pointed out, tech and telecom, that has been a key vertical, that has worked well for us predominantly because the rate of change of technology is so high that it automatically creates a need for training, not just employees, as well as customers and partners of the large technology companies. So, it is an inherent annuity cycle for training given the rate of change of technology. Other market segments that we have chosen include two key criteria. One is, are the market segments high on regulatory training? So, that creates an impedance or a sort of a flywheel because regulatory or mandatory training programs need to be conducted year-on-year and that creates a sort of predictability in a line item that is mostly discretionary in nature. So, we look for the market segments that have high regulatory content --



*NIIT Learning Systems Limited
January 28, 2026*

BFSL, life sciences, industrials are examples of market segments that are highly regulated. So, in industrials, if you look at heavy manufacturing or automotive or energy or mining or aerospace, these are all the market segments which are highly regulated and therefore consume a lot of mandatory training on a year-on-year basis and fit well with the annuity business model that we have. We try not to focus on market segments that have traditionally shown a low spend on training. On the contrary, we look for market segments that have high spend on training. Professional services and management consulting firms are an example of a market segment where the per employee investment in training is very significant, because, as you might imagine, a big four, highly regulated and on top of that, their product is the employee or the consultant. So, they want to make sure that the consultant is highly trained and consequently, in the professional services and management consulting segment, they spend 2x to 3x of the average spend across Fortune 1,000 companies. So, those are some of the criteria that we use to pick the segment that makes most sense for us.

Bharat Gulati:

Got it. And so, just to understand, so, in the SweetRush clientele, which segment would majorly contribute to SweetRush's revenue? And do we add any new verticals with that acquisition?

Sapnesh Lalla:

So, one of the things that we found very interesting about SweetRush is a large part of their revenue comes from creating learning materials that are used to train an organization's extended enterprise, be it their customers or be it partners. So, for example, some of their clients are the largest chains in hospitality where the training that SweetRush creates for them is used to train their franchisees, which in turn contributes positively to the business outcomes for the franchisee or the organization that is caring or paying for the brand and the customer service promise. Likewise, they have a number of clients that have large extended enterprises, some of them including professional associations who offer training as a membership benefit, as well as not-for-profits who have extended enterprises. So, that is an area of training where SweetRush is able to create training not as an activity that an organization consumes, but as a product that the organization sells to create business outcomes. So, that is something that we found very interesting about SweetRush, and it creates a new opportunity for us from a growth perspective.

Bharat Gulati:

Got it. Sir, our utilization gains that we are seeing, which is helping inch up our margins, is that primarily due to the use of AI? And if so, then can we see that going up further?

Sapnesh Lalla:

I mean, we are seeing gains because of AI, but the question that you asked about utilization gains are more focused on improved operational excellence.

Bharat Gulati:

All right. Yes, that is it. Thank you.

Moderator:

The next participant is Mr. Deepak from Sundaram Mutual Funds. Please go ahead.



*NIIT Learning Systems Limited
January 28, 2026*

- Deepak:** So, my first question is on SweetRush. So, if I look at SweetRush calendar year dollar revenue growth, it was minus 10%, and if I compare that with what we clocked in, let us say, our FY25, it was in mid-single digit, so, I just wanted to understand what was the reason for this 10% decline and how much growth are we expecting, let us say, in calendar year FY26 from SweetRush? And at an overall Company level, what is our guidance in CC term for FY27 for the whole Company also? That is my first question.
- Sapnesh Lalla:** I think, as you pointed out, SweetRush saw a challenging environment in 2024 and they were not alone, we saw a challenging environment as well and it affected a large fleet of training industries. I think that is really what caused them to see negative growth, what caused us to see single digit growth. I think, as we look ahead, and as you pointed out, starting to see modest but certain improvements in consumption. We have seen that across our clients. Given the fact that most of SweetRush's clients tend to be organizations that serve an extended enterprise and use training as a product, they are likely to be the first to see an uptick in their business because their business is directly linked to the performance of their clients.
- Deepak:** And sir, for FY27, at an overall Company level, including SweetRush, what is our revenue and margin guidance?
- Sapnesh Lalla:** For FY26, is that your question?
- Deepak:** No, FY26 is kind of over right now. I am asking for the next fiscal year.
- Sapnesh Lalla:** We will be preparing our budgets and our guidance for the next year, over the next couple of months, and we will be publishing that in our next quarterly call.
- Deepak:** Okay. One question is on the cost front. If I look at our headcount this quarter, there was a reduction of 38 people, but despite that, our employee cost has gone up 5% QoQ. If I recall correctly, in the previous couple of calls, you highlighted that when things are uncertain, you would rather want your P&L to be more flexible. That is why you would want to execute more of the work through that professional and technical outsourcing route, rather than taking fixed costs on your P&L. But, if I had to break down this quarter's analysis, then it is like there is a reduction in headcount, but increase in employee cost, and our professional technical outsourcing also is flat, QoQ. So, is there any change in strategy of how we deploy or execute the project?
- Sapnesh Lalla:** There is not a change in strategy. I think we make hiring choices across multiple or different criteria. In this past quarter, we saw a reduction in offshore staffing; however, an increase in staffing onshore, both through increased go-to-market investments, as well as some direct cost investments where our employees need to be much closer to our clients.



*NIIT Learning Systems Limited
January 28, 2026*

- Deepak:** Okay. And sir, one bookkeeping question. So, if I look at your interest cost, this has come down this quarter. I am presuming that it has something to do with your earn-out payment as well, which is linked to St. Charles, and you have already highlighted in the quarterly results that due to some adjustment, we have recorded a fair value gain. So that means in future liability, it would go down to that extent. So would it be fair to assume that on a quarterly run rate, our interest expenses would be either at the current run rate or it would be lower?
- Sanjay Mal:** So, for the other income, as you have observed that it has multiple components. One of the components, of course is related to this. And you are right that the future acquisition liability has come down. But it depends and it is linked to the performance as we go forward. And to that extent, there could be the impact in the other income as it would be coming.
- Vijay K. Thadani:** Now he is asking whether in future interest will reduce. On SweetRush, the interest passed on that debt will increase on a quarter or so. On the other hand, there are repayments which are happening on the other debt.
- Sanjay Mal:** Okay. But for this quarter, it should be increased.
- Vijay K. Thadani:** See, our approach is not to use our funds straightaway in the acquisition. If possible, we try to leverage it, because I think it works out beneficial from more angles than one. And therefore, to that extent, the interest cost will change. But net cash or net earnings from treasury, I mean, interest cost earned minus paid, that will always remain very positive. We are continuing to release cash.
- Moderator:** Thank you. Next question comes from the line of Rahul Jain with Dolat Capital. Please go ahead.
- Rahul Jain:** Yes. Hi. Thanks for the opportunity. Several of my questions are answered. Just one or two. So, firstly, on the organic growth for the quarter, I think you mentioned the number in the beginning, but I kind of missed it. If you could please repeat that?
- Sapnesh Lalla:** Organic growth was 14% in INR and 7.2% in constant currency terms.
- Rahul Jain:** 7.2% in CC terms?
- Sapnesh Lalla:** Yes, in constant currency terms, YoY.
- Rahul Jain:** Right. And what could be the QoQ CC number?
- Sapnesh Lalla:** About 1.1% organic QoQ, constant currency.



*NIIT Learning Systems Limited
January 28, 2026*

- Rahul Jain:** Right. Thanks for that. Also, Sapnesh, you had this comment that AI could be a great opportunity, and you have shared some input here, but if you could help me connect the points, like, would it be limited to providing our training, which could be more like a one-time training to a lot of enterprises, just like they train on different capabilities, or this will be also extended to creating agentic solution on which we could be doing more like a recurring thing, because there will be constant enhancement that would happen to the product, and similarly, on the cost side, where we could be leveraging already and where we are learning to leverage the AI to reduce our side of the cost as well?
- Sapnesh Lalla:** So, I would say all of the above. Some of our most exciting solutions are, like you pointed out, where clients are able to get personalized learning experiences, personalized for each individual employee or each individual student, and those leverage the agentic capabilities of AI, and in turn, result into subscription-based business models. We have a few use cases of those at enterprise-grade, which are currently operational. We think that those solutions, a), have much stronger outcomes, and b), are able to create growth as well as improvements in profitability, but it will take time for them to become significantly more material than they are today. We are taking advantage of low-hanging fruit with respect to efficiencies, and we have gained efficiencies using AI-enabled systems from an overall productivity of work performance.
- Rahul Jain:** Sir, just one part to it. You said we also have a subscription business. So, on the tool that we are providing, apart from training on using that, we are also charging the agentic field that we might have created, is that what you are trying to say?
- Sapnesh Lalla:** That is correct.
- Rahul Jain:** And these are just a few projects as of now, and yet to scale in terms at current point?
- Sapnesh Lalla:** That is correct.
- Rahul Jain:** Right, but have we started creating solutions which might suit many of our MTS clients, or what is the go-to-market for this kind of a thing, what is going to be the approach, how fast do you think this could become an opportunity in itself?
- Vijay K. Thadani:** It is a significant opportunity. However, like I pointed out, it is going to take time to scale, and we are bringing these solutions to all our clients, several clients, or a handful of clients have, like I mentioned, implemented these at enterprise scale. My belief is that over the next three to five years, a very large percentage of training would be delivered using the model that you described.
- Rahul Jain:** Sure. And lastly, on the SweetRush business, are we expecting almost like a full quarter consolidation, or it is too early to call that out?



NIIT Learning Systems Limited
January 28, 2026

- Sapnesh Lalla:** I think we consummated the transaction on 9th of January. So, we would not be consolidating the full quarter. We would be consolidating the number of days for which they have been part of NIIT in our fourth quarter.
- Rahul Jain:** And also, I guess you mentioned somewhere that, for them, the Q3 is the largest quarter. Is that what you mentioned somewhere?
- Sapnesh Lalla:** Yes, that is accurate. The quarter ending December is their largest.
- Rahul Jain:** Okay. So from their own annualized run rate point of view, Q4 may not be full year divided by four kind of a number, and plus it would be there only for 80-odd days instead of a full quarter?
- Sapnesh Lalla:** That is correct.
- Rahul Jain:** And with those things, you said 10%-12% type of a growth for Q4, which was another comment?
- Sapnesh Lalla:** What about that?
- Rahul Jain:** Was there a comment that in Q4 you are expecting 10%-12% QoQ growth as well?
- Sapnesh Lalla:** That is correct, inclusive of SweetRush.
- Rahul Jain:** Understood. Thank you. That is it from my side.
- Sapnesh Lalla:** Thank you.
- Moderator:** Thank you. Next question comes from the line of Pranaya Jain from Banyan Tree Advisors.
- Pranaya Jain:** Hello, sir. Thank you for this opportunity. So, a couple of questions. Firstly, around margins. So, sir, as I understand, our real estate business was kind of higher margins, and that has gone away. So, on a like-to-like basis, if you could comment on the margin trajectory, that would be great? That is my first question and then I will ask my second question after that.
- Sapnesh Lalla:** So, our margin trajectory is in line with our guidance. We mentioned that not inclusive of the real estate business, our margin would be in the 20% to 21% range, and that is where we have reached in Q3.
- Vijay K. Thadani:** Just a clinical correction. It is not the real estate business. It is to train people who work in real estate.
- Sapnesh Lalla:** Yes, we are not in the business of transacting real estate.



*NIIT Learning Systems Limited
January 28, 2026*

- Pranaya Jain:** Yes, sir. My bad. Sir, so, we acquired MST Group and you made a comment that we have been making certain investments in terms of go-to-market strategy. So, what would be the discretionary portion of this investment, which is kind of pulling our margins down temporarily, if at all?
- Sapnesh Lalla:** Discretionary? I did not quite understand the question.
- Vijay K. Thadani:** That is what you want to ask. What is the disproportionate component of the investment or additional investments that you are making?
- Sapnesh Lalla:** I think, like I pointed out, the key investments we have made with respect to MST post-acquisition have been sending their go-to-market in the dock region.
- Pranaya Jain:** Could you quantify it by any chance?
- Vijay K. Thadani:** No, we do not break out investments based on market regions.
- Pranaya Jain:** Sure. Last question is from my side. What is the cash component in your SweetRush deal, like, what would be the split between the upfront cash that you have paid versus the future earn-out that you would be paying?
- Sanjay Mal:** We paid about \$10 million upfront and the balance is on various milestones and certain are on true-up and the others are on performances over the next five years.
- Pranaya Jain:** Okay, got it. That is it from my side. Thank you and all the best.
- Moderator:** Next is from the line of Trilok Joshi, an individual investor. Please go ahead.
- Trilok Joshi:** Sorry, I missed the first 25-minutes what you guided for Quarter 4. Can you repeat just in three, four minutes, is it be possible or can I get the e-mail ID, before market is open.
- Vijay K. Thadani:** He just wants the guidance for Quarter 4 or the e-mail address.
- Kapil Saurabh:** Trilok, you can reach me at kapil.saurabh@niitmts.com. It is kapil.saurabh@niitmts.com.
- Vijay K. Thadani:** But anyway, you will see the transcript on the website in a couple of days.
- Trilok Joshi:** Before market opens tomorrow, can I get? I missed the first 25-minutes of your conversation.
- Vijay K. Thadani:** Yes, if you can send an e-mail to Kapil, he will be able to respond to you. And by the way, you can give us your number and Kapil will also get in touch with you.



*NIIT Learning Systems Limited
January 28, 2026*

- Trilok Joshi:** Can I give you my number now? My number is 932-432-4287. Thank you, sir. I am the investor of your Company since last five years.
- Vijay K. Thadani:** Thank you and we will get in touch with you.
- Trilok Joshi:** Okay. Thank you, sir.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.
- Vijay K. Thadani:** Well, thank you everyone for joining the call and for your interesting questions. As usual, we learn a lot from your questions and it helps us sharpen our strategy. We are available to you for any further discussions or questions you have. Kapil Saurabh just gave his e-mail address and in any case, you can reach out to us on our addresses available on the website and we will be very happy to interact with you. Thank you once again and wishing you all the best.
- Moderator:** Thank you. On behalf of NIIT Learning Systems Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.