"NIIT Learning Systems Limited

Q3 FY '24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to NIIT Learning Systems Limited Q3 FY24 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 this 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 over the call to Mr. Vijay Thadani, Vice Chairman and Managing Director, NIIT Learning Systems. Thank you and over to you.

Vijay Thadani: Thank you very much. Good afternoon and welcome everyone for being here on our Quarter 3 Earnings Call. These are busy times for results and we truly appreciate that you decided to spend the next one hour with us in understanding how NIIT Learning Systems Limited, also known as NIIT MTS has been doing and the performance in quarter three as well as the outlook for quarter four.

I have with me our management team, I have Sapnesh Lalla who is the CEO and Executive Director, I have Mr. R. S. Pawar who is our Chairman, Sanjay Mal, the CFO, Kapil Saurabh, many of you are associated with him and many other colleagues.

So without further ado, I will hand you over to Sapnesh who will give us an initial briefing and details of the performance and based on that we will open it for Q&A. Over to you, Sapnesh.

Sapnesh Lalla: Thanks Vijay and thank you everyone for your interest in NIIT Learning Systems Limited and for joining the call. The operating performance for the quarter is as follows. The revenue for the quarter was INR3,913 million. It was up 8% year-on-year and 2% on a quarter-on-quarter basis. Please note that these financials include the impact of St. Charles, an acquisition that we did in November of 22, a composite scheme of arraignment for demerger of the business from NIIT Limited as well as the foreign exchange volatility.

Excluding St. Charles, that is organic business grew 3% year-on-year and 5% on a quarter-on-quarter basis. In constant currency the revenue for the overall entity was up 5% year-on-year and 3% quarter-on-quarter. The organic business grew 6% quarter-on-quarter in constant currency. For the nine months, the consolidated revenue is up 18% year-on-year.

As we have shared earlier, the volume of training consumption has been lower than normal due to the prevailing uncertainty in the environment and that has not changed in Q3. We have, however, made up some of that lost ground through scope expansion across a number of customers as well as through addition of new customers, several of whom have now transitioned into run rate customers.

While the growth has been impacted due to the prevailing economic uncertainty, we have improved, like I pointed out, our wallet share. We've also broad-based our offerings and have increased market share across a number of customers. Further, the company continues to maintain its track record of 100% renewal, reflecting continuous improvement in our long-term competitive position across the market. In the past quarter, we added two new managed training services customers, taking the tally to 86, one in life sciences and healthcare and the second in the technologies and telecom segment. We also had four renewals and one scope expansion this past quarter. As I pointed out earlier, the total number of managed training services customers now stands at 86. Visibility is $348 million as of December 31, 2023.

This is as compared to 321 million last year, same period, and 350 million in the previous quarter. EBITDA for the business was INR934 million, was up 8% year-on-year and 3% Q-o-Q. EBITDA margin was 24%, was up marginally quarter-on-quarter.

The company continues to leverage automation to improve productivity across its practices and is in the process of implementing a number of new systems and measures, including leveraging AI to improve productivity across its practices.

The depreciation was at INR143 million and this is versus INR170 million in the previous quarter. This includes notional amortization cost on consolidation of St. Charles, as we have discussed earlier.

The net other expenses were INR16 million as compared to INR66 million in the previous quarter, predominantly on account of stamp duty not being charged last quarter of INR43 million on account of the demerger, which was a one-time expense, as well as a fair value adjustment on the acquisition of St. Charles.

The profit after tax for the third quarter was INR568 million. It was up 23% year-on-year. EPS is at INR4.2 as compared to INR3.4 same period previous quarter, and it's up 23% year-on-year. The effective tax rate was at 26.8%. For the year, we expect the effective tax rate to be around 28%. The balance sheet and cash flow continues to be robust.

Last quarter, we pointed out that there was a temporary increase in working capital due to the transition of contracts from NIIT Limited to NLSL. A large majority of those contracts are now transitioned to NIIT Learning Systems Limited, and that has normalized the working capital cycle to a great extent. Owing to that, the free cash flow for the quarter was higher at INR1,099 million.

The DSOs are at 59 days as compared to 62, same period last year, and 46 previous quarter. The cash balance is at INR6,588 million and the net cash at INR5,599 million. The return ratios continue to be robust. The company had 2,417 employees at the end of the third quarter, and this was down 51 from a quarter-on-quarter perspective.

As we have said over the last couple of years, we are continuing to make disproportionate investments in sales and marketing owing to the underpenetrated market that we operate in. We expect that this investment will improve the velocity and accelerate new customer acquisition.

Last quarter, we also made a strategic investment in EIT InnoEnergy to open up the green energy sector. Decarbonization, as you're probably aware, is perhaps one of the largest opportunities for all of humankind, and this initiative will enable us to not only play our part in it, but also create a business opportunity that could be quite significant for us.

We are, as I pointed out earlier, making rapid progress in leveraging AI across multiple aspects of our work. There are a number of work streams that are currently on addressing both how to become more efficient in doing what we do today, but more importantly, how to also create more effective learning paradigms and learning systems that would significantly improve the effectiveness of learning that we offer and improve the outcomes.

We would like to reiterate that the rapid transformation in the industries we serve owing to digital transformation, decarbonization, acceleration, and biopharma and AI represent a very large opportunity for NLSL, and we are doing everything we can to take the largest share of this upcoming opportunity.

In terms of our guidance, we had expected the first half of FY'24 to be flat and guided as such, and then a sequential pickup in Q3 and Q4. Our results for Q3 are in line with the earlier stated expectation last quarter, though it is lower than what we had thought of as we got into the year in April of 2023. We continue to see robust customer additions, and we continue to enjoy a robust contract pipeline that we hope to close as we go through this quarter and next.

Despite continuing sluggishness in spends, we expect Q-o-Q improvement in Q4, and while growth has been slower this year, the margins have been maintained despite normalization of expense in Q3. We expect that the margins will be in the same ballpark as they were in Q3 as we get into Q4.

With that, I would hand the discussion back to Vijay.

Vijay Thadani: Okay. I don't have anything further to add to this briefing, and therefore I'll open it up for questions now.

Moderator: Thank you very much.

Vijay Thadani: Operator, can you please open the line for questions?

Moderator: Certainly, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Siddhant from Goodwill. Please go ahead. Mr. Siddhant?

Siddhant: My first question is on the line of…

Moderator: I'm sorry. Can you use your handset mode, please? It is not very clear.

Siddhant: Hello? Yes. Yes. First question is on the line of headcount. Considering the time of demerger we have guided for 20% growth, the medium to long term, any reason why the headcount is down right now?

Sapnesh Lalla: Like I pointed out, we are working on a number of efficiencies, specifically leveraging artificial intelligence to do a number of processes that are routine and mechanical. And owing to improved productivity, we were able to work with fewer headcounts.

Siddhant: Okay. Second question would be on the margins and pricing. Would our newer customers be having some kind of higher pricing or higher margins compared to our legacy customers or is it largely in line?

Sapnesh Lalla: This is confidential information, so we don't discuss specific customer pricing or margin relating to customers. But I can say that there are a number of factors that are considered as we price out opportunities, whether it is to do with the value that we create, whether it is to do with the cost of addressing those opportunities, the risk involved in those opportunities, and so on and so forth. So there are many factors that go into pricing and opportunity and we don't specifically discuss customer-wise pricing with external media.

Siddhant: I can understand. Yeah. Final questions on the follow-up. We discussed this last time also. On the ESOP policy of NLSL, is there any update? And considering -- because the new entity is generating a lot of cash. So any update on the ESOP policy of NLSL?

Vijay Thadani: On the ESOP policy of NLSL? Yeah, I think you would be hearing about that in a few days.

Siddhant: In a few days. Okay, perfect. Thank you.

Moderator: Thank you. We have a next question from the line of Shradha from AMSEC. Please go ahead.

Shradha: Yeah, hi. Congratulations on a great quarter. Am I audible?

Moderator: Yes, you are.

Shradha: Yeah. Yes, you are. Yeah, thank you. And I have a couple of questions. First is, are we seeing any green shoots of recovery in our large existing clients given the fact that organic growth in this quarter was quite strong? So any indication on what are the budgets or talk for next year with large clients indicating?

Sapnesh Lalla: Sure. Here's what I would say. I think most of our growth is coming from acquisition of new customers and transitioning them into run rate customers. We have not seen opening up or increase in budgets as yet. And we don't expect budgets for calendar 2024 to be higher than what it was in 2023. Some customers have indicated that they have to take a haircut on budgets, but we don't expect the budgets to be higher in 2024 as compared to 2023.

Our growth, however, in our existing customers will come from doing more for our existing customers by offering them more capability than they are currently using, which would mean wallet share or market share expansion with our customers. And that is something that we are working very hard towards. We have seen expansion, scope expansion.

For example, I pointed out earlier we saw scope expansion with one customer in this past quarter. And our expectation is that we will do a lot more of that as we look ahead into the next few quarters.

Shradha: Right. And apart from wallet share gain in the existing customers by replacing some incumbent players, is it also to do with higher outsourcing in those customers which will help us in CY24?

Sapnesh Lalla: It will be more of that because as you might know, most of our customers tend to be first-time outsourcers, specifically as it relates to L&D. L&D outsourcing is an underpenetrated market. And therefore, any share gains or wallet share gains will be by having them outsource more.

And this is something that we have seen in the past whenever customers come out of uncertainty, the first thing that they start looking at doing is to assess what are the activities that they must do themselves and how much fixed costs should they carry.

And as they make those choices, we expect that even some of our customers who are consuming a smaller subset of our services, given our brand permission, we look at an NIIT to do more with them.

Shradha: Right. And another question, sir, is on the revenue visibility number which has been coming off for the last three quarters now. And in this context, then, how should we look at our growth number for FY25?

Sapnesh Lalla: See, like I pointed out, in FY25 and as we started with Q3 and we'll continue in Q4 of the current year, we are starting to see sequential growth. We expect the rate of that growth to increase over a period of time. And we are reasonably sure that in the midterm and long term, we'll reach our 20% growth expectation.

Shradha: Right. And just one last bookkeeping question. I think you indicated that the tax rate for the year will be 28%. But for nine months, we are at close to 26%. So do we expect a substantial jump up in our 4Q tax rate?

Sapnesh Lalla: This is Sanjay. So we are likely to see a little bump in the quarter four, essentially because of certain one-time kind of true ups which are going to happen in quarter four. And certain expectation of payout which we have, there will be some dividend related or cash moments on which the withholding tax will be there, which will get added to this.

Shradha: Okay, okay. So tax rate in 24…

Sapnesh Lalla: Yeah. On an overall basis, it is likely to be about 28%. But on a stable basis, it could be a little lower going forward.

Shradha: Right, right. And another bookkeeping question on the depreciation part. Why did the depreciation number come down this quarter?

Sapnesh Lalla: Depreciation is more on account of one of the contracts in real estate related, where we are serving based on the platform and IP which we have. The contract has been extended, and hence basically there is an amortization which is spread out and leading to a lower charge.

Shradha: And this run rate is what we can assume for future quarters as well?

Sapnesh Lalla: That's correct.

Shradha: Yeah, thank you. That's it from my side.

Vijay Thadani: Barring the normal addition of capex, what else that would cause other than -- yeah.

Shradha: Thank you.

Moderator: Thank you. We have a next question from the line of Ganesh Shetty, an individual investor. Please go ahead.

Ganesh Shetty: Congratulations, sir, for great set of numbers. I just have one question regarding general trend in outsourcing of learning. As we move ahead, are we experiencing any spike in outsourcing of learning services from big corporates, what we are expecting? That is number one. Number two is, are we exploring new geographies within North America and Europe to expand our capabilities and to expand our offerings? Can you please throw some light on this, sir?

Sapnesh Lalla: Yeah, thanks. It's a great question. We do expect to see acceleration in the propensity to outsource. Like I pointed out earlier, as economies or corporations start to come out of a period of uncertainty, they pause and look at how they are running large business processes.

Learning and development is a significant business process, and several times organizations decide that it's better for them to have an organization that has core expertise in doing it, rather than -- and so a number of organizations, as they are reviewing the operations that they run themselves, start focusing on what's core to them and look at outsourcing what's not core to them that someone else can do a better job on. Most of our customers have used that logic to create a partnership with NIIT. And I think as things start to improve, we will see a higher propensity to outsource.

And now you had a second question. What was your second question? Your second question was about geographies. So we are continuously increasing our geographic footprint, both from the point of view of acquiring customers as well as being able to service them. Most of our customers are large multinational organizations which expect us to have a global platform so that we can service them where their people are.

We have now built a global platform where we can service our customers pretty much at any corner in the world. We are also building business development capabilities, specifically in Europe, different countries in Europe, so that we can address the large corporations in Europe with a better coverage.

Ganesh Shetty: Thank you very much, sir. That's all from me. All the best.

Sapnesh Lalla: Thank you for your kind words.

Moderator: Thank you. We have our next question from the line of Pranaya Jain from Banyan Tree Advisors. Please go ahead.

Pranaya Jain: Hello. Am I audible?

Moderator: Yes, you are.

Sapnesh Lalla: Yes.

Pranaya Jain: So I have three questions. First question is, you have always mentioned that this is a 20-20 business, 20% growth, 20% margin. So first question is, what is helping you keep your margins at 20% to 24%?

Management: Do you want to finish your three questions?

Sapnesh Lalla: Did you want to complete your questions?

Pranaya Jain: I think we can go one by one.

Sapnesh Lalla: Okay, fair enough. I would say we've known for the last few quarters that there is economic uncertainty. And there is little that we can do about economic uncertainty other than make investments as well as choices which enable our business to grow as well as to become more productive. And that's really what we have done.

We have focused our energies on areas which can help us grow. For example, focusing on several of our key customers so that we can increase wallet share, as well as investing in business development so that we can accelerate the pace of new customer acquisition. Productivity and using technology and automation to improve productivity is an essence of NIIT's culture. And we've continued to focus on that so that we can become more efficient, we can become more effective in how we use resources. And those two dimensions have really helped us maintain margins.

Pranaya Jain: Right, so just a follow up on this. Do you think this is sustainable? Or do you think it will come back to 20% which you had earlier alluded to?

Sapnesh Lalla: Like I've said earlier, we think that this business is a 20-20 business and margins will normalize over a period of time where we will have to make investments as markets open up. And those investments will cause the margins to normalize.

Vijay Thadani: As well as the new businesses -- new contracts when they come in, there are transition costs.

Sapnesh Lalla: There will be transition costs. We've gone through a period where the transition costs have been lower. The big contracts, transition just lower.

Pranaya Jain: Got it.

Vijay Thadani: I think it's safe to assume that the steady state case is 20-20. At this point of time, the lack of the first 20 which is 20% growth is being made up to an extent by the higher profitability. But I think in steady state, that 20-20 equation will work.

Pranaya Jain: Got it. So second question is, can you share what is the average vintage of your top 10 clients?

Sapnesh Lalla: Top 10 clients. I want to say -- I know for a fact that top 5 have been with us for more than 10 years. Top 10, it's hard to say average but probably more than seven, eight years.

Pranaya Jain: Got it. Can you share these numbers going forward if you think it's useful for us?

Vijay Thadani: Yeah. What is the number you want to share -- want us to share?

Pranaya Jain: Longevity?

Vijay Thadani: Longevity of customers or average revenue of top 10?

Pranaya Jain: No, average vintage of your top 10 customers. So top 10 customers contribution you already shared. And third question is, when it comes to inorganic growth, would you be looking to fund acquisitions using debt as well or will it only be through internal cash that you generate?

Sapnesh Lalla: In the past we've used both and we'll continue to look at all options available to us to make the best and the most efficient choice.

Vijay Thadani: See, leveraging the acquisition partly helps you manage it better from a taxation point of view, from a liquidity point of view, from keeping your opportunity door open point of view. So I think as a policy we've used a mix. And it's worked out well for us.

Pranaya Jain: Got it. That's it from my side. Thank you and congratulations.

Moderator: Thank you. We have our next question from the line of Dinesh Kulkarni from RDST. Please go ahead.

Dinesh Kulkarni: Hello, sir. Can you hear me? Hello.

Moderator: Yes, please go ahead.

Dinesh Kulkarni: First of all, many congratulations on a good set of numbers. I have a question on the macro here. Like we see a lot of companies, especially in the US, are reducing headcount there. Just UPS yesterday mentioned about 12,000 reductions in headcounts. I just wanted to know -- and this is going to be a trend for the last one year and it will most likely continue. So do you see any impact of this on our business, especially where we have any per head, per account revenue opportunities? And is this impacting the business in this quarter or are we expecting any impact of this going forward?

Sapnesh Lalla: I think it could be seen as a chicken and egg. There is uncertainty and therefore organizations are lowering the headcount that they have or it is a fact that they may be hired too many over the last couple of years and they are shedding some of what they have. Notwithstanding what is causing it, we know that a number of organizations, large organizations, are letting go of headcount.

But what is also at play is that the unemployment rates in the United States are continuing to be very low. So while organizations are letting go of folks, they are also able to find jobs. So I think while several large organizations, given the uncertainty, are reducing their headcount and that has a negative impact on us.

But from a long-term perspective, given that the unemployment rates are very, very low, what that means is that the economy continues to be robust. And that is good news for us because it will enable us to bounce back much faster and given the robustness of the economy an investment cycle will start as soon as the interest rates become more palatable.

Dinesh Kulkarni: Okay, thank you. All the best.

Moderator: Thank you. We have a next question from the line of Nemish Shah from Emkay Investment Managers. Please go ahead.

Nemish Shah: Yes, Thanks for the opportunity and congratulations on a good number. So I had one question…

Moderator: I'm sorry, Mr. Shah. You're sounding muffled. Can you use your handset mode?

Nemish Shah: Just a second. Yes, is this better?

Sapnesh Lalla: Yes. Indeed.

Nemish Shah: Yes, so I had a question on the sector mix that we provide. So the management and consulting piece has been declining sequentially for the last two quarters. So if you could just highlight, is that largely to do with the discretionary spend in the macro environment or are you seeing some challenges in terms of the acquisition and some integration issues or something?

Sapnesh Lalla: No, I think it's mostly seasonality. The third quarter has a number of holidays and most consulting organizations or professional services organizations take a fair bit of time off during Q3 and that is what got us to see a decline in Q3. But as far as their business is concerned, it's continuing to perform well.

Nemish Shah: Understood. And just one question on the revenue visibility. So do we exclude the revenues which kind of, our customers did not consume during the quarter? Or so say if we had contracted for say 100 and they only consumed 80. So in the revenue visibility, do we remove the 80 or we remove the entire 100 from the revenue visibility number that we provide?

Sapnesh Lalla: So we continuously adjust based on past history, the forecast that we have for future. So if there is a customer who's on a run rate of higher spend than we had projected, then we increase the run rate for the balance of the contract. Likewise, if we see a customer who has a lower run rate, then we take away from the visibility.

Nemish Shah: Understood.

Sapnesh Lalla: So it's…

Nemish Shah: Understood. So in case if there is a maybe next to next day, if there's an increase in the budget, so then automatically the revenue visibility will go up or depending on their position. Is that in the sense?

Sapnesh Lalla: Not just in the budget, but if there is an increase in their spend with us, so if our run rate goes up, yes, the visibility will go up.

Nemish Shah: Right. Understood. Yes, that's it from my side. Thank you.

Moderator: Thank you. We have our next question from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Hi.

Moderator: Mr. Jain?

Rahul Jain: Yes, is my line okay?

Moderator: Yes, please go ahead.

Rahul Jain: Yes. Thank you. So just Sapnesh I wanted to clarify slightly on the demand of the client spend kind of a thought that you have shared. When you said it's similar to last year, so are we trying to benchmark it to our current year's performance where we might be doing like a mixed single digit organic growth or we should see more to the remark because you were seeing a certain scenario at the beginning of the last year.

Where we potentially would have done like early to mid-teens growth that we were projecting at the beginning of the year. That kind of thing can play out now if everything, if there's no further disappointment.

Sapnesh Lalla: Let me try to decipher your question. I think what you were asking is, as compared to the beginning of this year, what is our prognosis of growth opportunities next year? Is that what you're asking?

Rahul Jain: Yes, yes. So basically to simplify it, basically organic growth for this year should be around 5%, 6%. And we are saying that the environment is similar. So is that becoming your benchmark for growth? Of course, it could be not like a simple math, but is it far lesser conducive than what you typically like to deliver 15%, 20% growth, which is ideal?

Sapnesh Lalla: We are not using last year or this year's growth as a benchmark. This year, if you look at our numbers, in the first two quarters, we did not grow at all sequentially or year-on-year. This quarter, we've seen organic business grow 6% in constant currency terms from a quarter-on-quarter perspective.

And we expect a growth trend to continue -- on a sequential growth trend to continue into fourth quarter, like I pointed out earlier. And we expect that growth trend to continue into next year. So hypothetically, if we retain the same growth, sequential growth trend, we'll have four quarters of mid-single-digit growth, which will be significantly better than what we have done this year.

Rahul Jain: Okay, okay. So basically, what you're trying to say is that what we have delivered for this quarter, a similar number kind of a thing one can try and achieve over the next couple of quarters.

Sapnesh Lalla: Yes, and hopefully, as things start improving, we will accelerate that pace of growth.

Rahul Jain: And from this St. Charles seasonality perspective, was it similar to its normal and how you see Q4? Because I think that's a bigger quarter for them. Is that shaping up from your client conversation perspective?

Sapnesh Lalla: Yes.

Rahul Jain: Okay. And last bit, a small question for Sanjay. I think the run rate for the interest charge towards St. Charles has reduced during the quarter. Can we see that this is the new run rate for next three quarters? And then we would see a further step down in Q3 of '25.

Management: Yes. So far, this calendar year, FY24, this should be the run rate which we should take broadly. And then as we see things change over a period of time in pay-outs for our acquisition, there will be a change, it should be coming.

Rahul Jain: Got it.

Vijay Thadani: Calendar '24, calendar '24, full year, is full year of St. Charles in NIIT.

Rahul Jain: Right. Thanks.

Vijay Thadani: So was it for calendar '23 by the way.

Rahul Jain: Yes, so the current number that we clocked in Q3 on that charge should stay for the next three quarters is what I was trying to understand. I think that's what he's trying to...

Sapnesh Lalla: It will be marginally higher, but it should be in the range, basically.

Rahul Jain: Okay, marginally higher than what we clocked in Q3.

Sapnesh Lalla: Just Q3, yes.

Rahul Jain: Yes, just Q3. Thank you, thank you.

Moderator: Thank you. We have our next question from the line of Sarang Sanil from Rw Investment Advisors. Please go ahead.

Sarang Sanil: Hi, good evening, sir. Thank you for the opportunity. So now that this quarter, the execution was good, do you see the revenue growth would be on the upper end of the guided growth range, which was low to mid-teens?

Sapnesh Lalla: And your question is as it pertains to the fiscal year '24, correct?

Sarang Sanil: Right, yes, sir.

Sapnesh Lalla: We expect it to be at the lower end. We expect the full year growth in constant currency terms to be between 11% and 12%. Okay. If you compute that for the year, like I pointed out, we didn't have much in terms of revenue growth. We didn't have much in terms of growth in the first two quarters. We had predominantly growth because of inorganic activity of acquisition of St. Charles.

As we look at consolidating all of it, we'll grow sequentially in the low single digit, 4%-5%. And that will result into about 11% to 12% growth for the whole year. Constant currency.

Sarang Sanil: The second question is…

Sapnesh Lalla: INR growth might be mid-teens.

Sarang Sanil: Mid-teens, INR, okay. So the second question is, if you have any inorganic opportunity on the table that you see to close in the near future?

Vijay Thadani: When we are ready, we'll discuss. You'll be the first to know.

Sarang Sanil: Okay. So what is the LTM attrition rate for the company and could you please share where it really peaked during COVID?

Sapnesh Lalla: Our attrition rate at this time is less than 12%. So it's 11.X% at this time, annualized.

Sarang Sanil: Sure, okay. And the peak would be somewhere in the 30s?

Sapnesh Lalla: No, we've never had 30% attrition ever. I don't think in the last 20 years we've had 30% attrition. The highest has been 21% or 22%.

Sarang Sanil: Okay, great. My final question is…

Vijay Thadani: I said you can say last 40 years.

Sarang Sanil: Sure. Also, could you please quantify the one-off expenses incurred this quarter and when will these acquisition-related expenses be gone off the P&L? Sorry, could you clarify?

Sapnesh Lalla: So there are not many one-off expenses which are there. There are regular expenses which are relating to either the acquisition-related or past demerger-related which should be for the next transition-related. But there are about -- for the period of acquisition, which is left out, they will be continuing. For the period of transition, it may be another 18 to 24 months which we see that these will be coming down.

Vijay Thadani: In fact, there are some one-off expenses which went off.

Sapnesh Lalla: So this quarter we will not have what we saw in Q2, one-off the expenses…

Sarang Sanil: Sure. Thank you so much. All the best.

Moderator: Thank you. We have a next question from the line of Dinesh Kulkarni from RDST. Please go ahead.

Dinesh Kulkarni: Hello. Thanks for giving me the opportunity. I have some basic bookkeeping questions here. Along with your quarter data, can you just mention the year-to-date performance especially in the EBITDA margins and the SBC, like stock-based compensation, what has been that for this quarter or the year-to-date information?

Vijay Thadani: Sorry, we are not getting your question very clearly.

Dinesh Kulkarni: Okay.

Vijay Thadani: What is the margin by -- stock-based compensation that we can have in this quarter?

Sapnesh Lalla: On a CYD basis, I think the margin, if you look at it from a mathematical perspective will be similar, 23.9%, about 24%.

Dinesh Kulkarni: Okay. And what will be the SBC?

Vijay Thadani: Sorry?

Dinesh Kulkarni: SBC. Your voice is not clear, sir. Hello?

Vijay Thadani: No, no, I'm sorry. I interrupted you. I think Sanjay has told you that our YTD margin is 24%. So…

Dinesh Kulkarni: Okay, that's great –

Vijay Thadani: Now you please continue. You had a question. Yes.

Dinesh Kulkarni: Yes. Like I want to know like what would be the compensation for this year expected on and the next year if we can have that information.

Management: Stock-based compensation…

Sapnesh Lalla: I mean, in any case, these are past grants and these are included in the PP cost and we don't normally give any.

Vijay Thadani: Yes, I don't think these details would be available.

Dinesh Kulkarni: Okay. Thank you. Thanks.

Moderator: Thank you. We have a next question from the line of Aashna Sheth from Saral Management. Please go ahead.

Aashna Sheth: Yes, Thank you for the opportunity. I just wanted to ask what is the status of our dividend pay-out policy? Do we have any -- since you're sitting on such a huge pile of cash?

Vijay Thadani: Okay. So you would perhaps recollect that in the last quarter we did give an interim dividend. But that we also explained that we have followed a dividend policy which is consistent and has marginal increases year-on-year so that we do keep giving dividend despite the ups and downs in the performance of the company.

The next dividend or consideration and the interim dividend which we gave was in many ways coming out of the fact that during the transition when we were going through the scheme of arrangement, we could not declare a dividend. So, interim dividend in many ways was trying to make up for that.

Going forward at the end of the year, the board will take a call on the dividend which needs to be paid for this year. And we will share that few months the board has considered.

Aashna Sheth: Okay. So the policy as such will be played out at that time.

Vijay Thadani: Yes. So the policy of the company has been to pay a consistent and increasing dividend while also retaining and as far as your question for the cash that we have in the balance sheet, the cash that we have in the balance sheet is for investments in growth and M&A. And I think those as you can see are getting deployed appropriately.

Aashna Sheth: Okay. Thank you. Thank you so much.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Vijay Tadhani for closing comments. Over to you, sir.

Vijay Thadani: Okay. Thank you very much. I think we had many interesting questions and I'll make this comment which I always do that your questions do get us to think and add value to our way of looking at our business. And we truly appreciate your spending the time in studying the company and asking us these questions.

If there are any questions which we missed answering advertently or inadvertently, please do revert back to us and we'll be very happy to respond. Kapil Saurabh is the point of contact. And he would be very happy to connect you with anyone that you would like to have a larger discussion with.

You've been very supportive and thank you very much for all the good words that you had to say about the company's performance. That definitely adds as a very big encouragement for us to do even better as we go forward. With that, I would like to close this meeting. And look forward to speaking with you or meeting with you in person.

Moderator: Thank you, sir.

Vijay Thadani: Moderator over to you.

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