NIIT Learning System

Operator: Ladies and gentlemen, good day, and welcome to the NIIT Learning Systems Ltd. Q2 FY27 earnings conference call. As a reminder, all participant lines will be in 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 Thadani, Vice Chairman and Managing Director. Thank you, and over to you, sir.

Vijay Thadani – Vice Chairman & Managing Director: Thank you. Good evening, everyone. Thank you very much for joining the NIIT Learning Systems Ltd. Q2 FY27 earnings call.

I want to start by thanking you for your continued interest in the company, as well as for deciding to spend this time with us during this busy earnings season. We truly appreciate that and are looking forward to your questions and comments, which are extremely educative for us and help us in the right direction and sharpen our strategy.

The agenda for today's call is to discuss the Q2 financial year '25 financial and operating performance in this turbulent environment.

Second, we will review this quarter's order wins, which are very significant, including perhaps one of the largest contracts in our history, as well as our record revenue visibility, which we will share with you.

While the quarter's numbers are materially below our own expectations, the significant progress on order wins, as well as the strategy that we are seeing validated, is a strong indicator of our market position and growth aspiration.

The next item will be our report on our AI-led transform-and-operate strategy. Some of you did participate in the investor conference that we held in Mumbai in September. Overall, our progress on that is something that we will discuss.

Today, we also announced the acquisition of another company, Bluewater Learning, which was announced this afternoon, and we will be talking about that as well.

Then, obviously, we will discuss the path forward and our outlook as it appears right now. Of course, there will be sufficient time for questions and Q&A.

Before we begin, a brief note: some comments may be forward-looking and subject to risks and uncertainties. Actual results may differ materially. That is just a caution I wanted you to note. With that, I will now hand you over to Sapnesh, our CEO.

Sapnesh – CEO: Good afternoon, everyone, and thank you for joining the call. I want to address our results directly. As Vijay pointed out, they were significantly below our expectations.

I would say that the second quarter was two very different stories. Our revenue and margin fell short of the guidance we gave you in July, and we are not satisfied with that. At the same time, we signed what is probably going to be among our largest clients in the next couple of years, with record

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visibility of about $510 million.

I will take you through both, starting with where we fell short.

Our revenue in Q2 was 5,286 million. It was up 11% year-on-year in rupee terms and down 6% quarter-on-quarter. In constant currency terms, we grew 2.3% year-on-year against our guidance of 9%-11% growth. This is a shortfall of approximately $4.5 million compared to where we expected to be.

As a reminder, Q2 FY24 was the last quarter with revenue from the large North American real estate training contract that we concluded last year. Normalizing for that, the constant currency growth in Q2 FY25 was about 6.6% year-on-year and 16% in INR terms. There was no contribution from this contract after Q2 of last year.

Three factors were mostly responsible for the shortfall against our plan. While July and August were mostly in line, we expected September to be significantly higher than July and August, given that July and August tend to be vacation months, predominantly in Europe and, to some extent, in the United States. While September was significantly higher than July and August, it was short compared to our expectations.

We saw lower performance in September on account of compression at a couple of industrial clients across Europe, specifically in the DACH region. We also saw volatility in spending across a couple of our large professional services and GSI clients. We also had a client pause its spending with us owing to M&A-related restructuring, and therefore there was a pause in spending.

The common thread, however, that we saw was the environment in which our clients are operating: frequent restructuring, cost takeouts, and pressure on headcount at an all-time high. We also heard the same theme at our Confluence event in London earlier in October.

L&D budgets remain tight, and discretionary and project spending has been hit first. We are, however, starting to see opportunities specifically in the extended enterprise space, where organizations are investing in training to improve their market position.

Our annual guidance allowed for some of this volatility, but the scale of the cuts in Q2 went beyond our expectations. The same pressure is also pushing enterprises to outsource and transform their learning functions, which I will come back to when I discuss our order wins.

In terms of our profitability, Q2 EBITDA was 874 million. It was down 10% year-on-year, with a margin of 16.5%, below the margin of about 18% that we had guided for the quarter.

The margin decline reflects lower revenue on a fixed delivery and capability base during the vacation quarter, annual wage increments that went into effect in July, and continued investments in consulting, AI, and go-to-market capabilities. The continuing investments are adding to our capability and reach and contributed directly to the large deals we signed this quarter, and we chose not to cut them to protect one quarter's margin.

Depreciation and amortization was 224 million INR versus 215 million INR in the previous quarter. Net other income was 139 million. Treasury income, as you might have expected, was down

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significantly quarter-on-quarter to 54 million compared to 154 million in the previous quarter. Net finance cost was 101 million, including 42 million of fair value adjustment in future acquisition liabilities with respect to SweetRush and St. Charles, 32 million of interest on acquisition loans, 8 million of interest on long-term leases, and 19 million of bank and supply chain finance charges.

The foreign exchange loss was 52 million. Exceptional expenses of 34 million related to M&A transactions that we will discuss in a minute. Other miscellaneous expenses were 7 million.

Profit before tax was 510 million. It was down 26% year-on-year. Tax was 137 million, with an effective tax rate of 26.8%. PAT was 373 million, down 21% year-on-year, with EPS of 2 rupees and 70 paise per share.

Management: Let's now discuss the order wins that Vijay talked about. Q2 was a breakthrough quarter for order wins. The same environment that is squeezing discretionary spending is forcing large enterprises to rethink how they run learning, and more of them are choosing to outsource it to us.

Our wins this quarter fall into two groups. The first is outsourcing driven by economic uncertainty, as enterprises look to lower costs and gain flexibility in their cost structure and in how they would like to run learning. We signed a large and significant contract this quarter. A leading global enterprise software company has decided to entrust the operations of its entire customer education function to NIIT Learning under a 5-year managed learning services contract.

This has the potential to be our largest client over the next couple of years. In total, we signed four long-term annuity contracts during the quarter, taking our long-term annuity client count to 116 from 104 a year ago. Alongside the significant deal wins, the other deals that we won include an engagement with a large consumer products company, a 5-year annuity contract with a global mining and resources company, and a 3-year engagement with one of the large conglomerates in the United States.

The second transformation flywheel where we are winning is transformation opportunities, where enterprises are turning to us to help transform their learning and development organizations as AI starts to reshape their workforce as well as how they expect to run their L&D.

We expanded a relationship in this area with a leading apex professional association in finance and accounting in the United States, which has contracted us to create onboarding programs in accounting, tax, and audit for newly certified CPAs, built on our Synthetic Work platform. Synthetic Work creates experiences where learners practice on realistic simulated client engagements, practice technical and behavioral skills in real-life work settings, and build judgment before they work with real clients. We see wide applicability of this model across professions with structured entry pathways.

We are also engaged at this time in eight transformation projects with global enterprises, helping them build AI-enabled learning enterprises. Each of these is a potential entry point into a larger transform-and-operate relationship.

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In several of these wins, we competed against and beat large global system integrators as well as large consulting firms and other L&D providers. For the quarter, as mentioned earlier, we added four new long-term annuity clients, renewed annuity contracts with three clients, and expanded scope with two existing engagements. Revenue visibility rose to a record $510 million, up 25% year-on-year and up 11% quarter-on-quarter.

As I have said in a number of our meetings, including the investor meeting we had in Mumbai in the previous quarter, the future of work is changing, and AI is accelerating the pace of that change. At the same time, market volatility is driving frequent restructuring, cost takeouts, and sustained pressure on headcount. This creates two tailwinds for us, as I mentioned earlier. First, the cost pressure is pushing enterprises to outsource learning functions they have traditionally run in-house, as our customer education wins this quarter show. We expect this tailwind to continue. Second, enterprises need to transform their L&D for a workforce shaped by AI, and they are turning to us to lead that transformation.

Our view of what clients need is clear: content is abundant; capability is our job. Adoption of AI is broad, but transformation is thin. Practice and proof beat completions. As AI absorbs procedural work, the human edge lies in judgment and relationships, and that is what learning must build.

AI-enabled learning is also significantly expanding our market opportunity. In the face of the unprecedented scale of the reskilling challenge, a lack of advanced in-house AI capability in L&D is becoming a strategic bottleneck for enterprises, leading to a higher propensity to outsource, and we are starting to see some of that show up both in our pipeline and in our closures.

AI-powered learning is key to capability building and often critical to the success of strategic initiatives. This is bringing in new executive sponsors, new buyers, and new budgets that were not available to us until recently. An example of this is the significant proliferation of forward-deployed engineers across a number of technology companies.

Even in organizations without a centralized L&D function, we are gaining entry by offering our point solutions, such as Everyday Leadership, Synthetic Work, FDE training, and AI-led compliance monitoring tools, to individual business units. These are entirely new growth vectors, adding to the traditional drivers from which we have long benefited in a large, underpenetrated market for managed learning services and an ever-increasing need for efficiency.

Not every opportunity we win today is an AI deal, but our AI capabilities have been and will continue to be a decisive differentiator as we look ahead. AI-enabled services contributed about 17% of our revenue in Q2. This includes solutions where AI components are embedded into the offering we provide to our clients, including subscription elements and engagements where our AI studio and tools materially contribute to the creation or delivery of training.

In terms of our balance sheet and cash flow, trade receivable days improved to 55 days from 62 in the previous quarter and 66 a year ago. Overall DSO, including unbilled revenue, improved to 74 days from 81 in the previous quarter and 79 days in the same quarter a year ago. Cash and equivalents were 9,343 million compared to 9,054 million at the end of the first quarter. Net cash was 6,943 million compared with 7,364 million at the end of the first quarter, after a dividend payout of about 449 million during the quarter. Operating cash flow for the quarter was 169 million,

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reflecting working capital timing, mainly a quarter-on-quarter reduction in payables, partly offset by stronger collections. On a trailing 12-month basis, our operating cash flow was Rs. 2,830 million, and EBITDA-to-operating-cash-flow conversion was 72%. Capital expenditure this quarter was 144 million. ROCE stands at 29%. Our employee headcount was down 14 quarter-on-quarter and was 2,482 at the end of Q2.

As I have often mentioned, we are continuing to invest in capabilities and market access. Our AI learning platform, consisting of AI Coach, Simulation Manager, and Signal Engine, is at the heart of our pivot to AI-enabled learning. It is now being used by a number of our clients, with more in the pipeline. Beyond stand-alone assignments, the platform lends itself to a subscription model that generates recurring revenue without matching costs and supports profitability. We have over 100 senior learning experts dedicated to this initiative.

We are also investing in expanding our portfolio of point solutions addressing specific L&D needs. These help us enter new accounts, deepen our engagements with existing ones, and open new revenue sources across our clients. In addition to building such new point solutions wherever we see white spaces, we are also investing in and enhancing our existing solutions, both with our existing entities and through inorganic activity.

We continue to expand our sales and marketing engine, adding business development and account management capacity alongside our annual client summit in the US. As I mentioned earlier, we hosted our first client summit in London, Confluence EU, early in October.

We continue to bring on board people with niche training skills and consulting backgrounds to help us win more transformational opportunities. We will continue to make selective acquisitions to add capabilities and market access and to deepen our market presence.

I now want to discuss the acquisition of Bluewater Learning. Our acquisitions have added capability and reach that are helping us bring more value to our clients. The acquisition of Bluewater will have a meaningful impact on our new client wins as we show up stronger with our potential clients.

The acquisition of Bluewater that we announced today builds on the same theme, adding new capabilities and preparing us for an AI-led future. Bluewater Learning is a specialist firm specializing in human capital management learning technology, consulting, and implementation. Founded in 2003, the company is headquartered in Dallas, Texas. The company has been acquired for a total consideration of up to $17.6 million, including a closing payment of $7.25 million and performance cash or earnout payments of up to $10.35 million over the next 5 years.

Bluewater provides consulting, implementation, and managed services across the learning technology life cycle. It has deep expertise in the human capital management learning technology ecosystem, where it is a specialist learning partner for Cornerstone as well as Docebo. The company serves more than 100 active clients across sectors that matter to NIIT, including life sciences, technology, energy, professional services, and aviation. Its trailing 12-month revenue is approximately $8.5 million.

Bluewater strengthens our position in the human capital management learning technology ecosystem through its consulting and implementation business, which is a key transformation

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vector driving learning transformation. Combined with NIIT's global delivery capability and award-winning AI-powered managed learning services, it gives clients a single partner for end-to-end transformation. The combination also deepens and broadens our partnerships across leading learning and human capital management ecosystems, adding significant value for both partners and clients. More importantly, work in the human capital management layer connects us to workforce data that our AI platform, including the Signal Engine, the Simulation Manager, and the AI Coach, needs to deliver personalized or hyper-personalized outcome-led learning, in line with our AI-first strategy.

In terms of our outlook, as I mentioned up front, Q2 fell short of what we committed to, and we take responsibility for that. The contracts we signed this quarter, led by the large and significant win that I discussed in detail, are expected to ramp up during the second half of this year. We expect the year-on-year acceleration to be back-ended, with most of it visible in Q4. We remain watchful of the macro environment and the pace of client decision-making, which can influence the timing of ramp-ups in the near term. Despite the Q2 setback, we continue to expect high single-digit constant currency growth for the year, in line with our guidance for the year, with the potential to reach double-digit growth including the acquisition of Bluewater. We expect the EBITDA margin to be in the 18% range for the full year.

To close, I would like to reassert that we have the strongest revenue visibility we have had in our history [trails off]

Management: Our task is now to execute, convert the visibility into revenue and margin, and the entire organization is focused on doing exactly that, as we continue to invest to transform and operate the learning and development organization for global clients.

I would now give it back to the operator for any questions you might have.

Operator: Thank you, sir. We will now begin with a question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to use a handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question comes from the line of Bharat Gulati with Dalal & Broacha. Please go ahead.

Bharat Gulati - Dalal & Broacha: Hi. I hope I am audible. Thank you for the opportunity. I just wanted two data points first. What would our organic constant currency growth be, and what would our quarter-on-quarter constant currency growth be, if it is possible to {? track ?}?

Management: Give us a moment. Our organic constant currency growth year-on-year would be [pause]

Bharat Gulati - Dalal & Broacha: I am talking about normalizing for the {? Reco ?} contract, obviously, on a year-on-year basis.

Management: Hold on, then that is a different calculation.

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Bharat Gulati – Dalal & Broacha: Sure. What would the quarter-on-quarter constant currency growth be?

Management: It is down 2.3% year-on-year.

Bharat Gulati – Dalal & Broacha: Understood. And our quarter-on-quarter constant currency growth would also have been negative, I am assuming?

Management: That is correct.

Bharat Gulati – Dalal & Broacha: Got it. I am just trying to understand whether our recent SweetRush acquisition is particularly paying off. The St. Charles business also seems to be at its lowest point currently. What has been the rationale behind putting cash behind another acquisition? I am trying to understand whether this is the best place to invest right now, rather than probably giving money back to shareholders or investing in some sort of organic channels for driving revenues.

Management: I would say two things. First, we are continuing to invest in organic channels to drive growth and in building solutions that broaden our capability. As you have noticed, the acquisitions we have made have expanded our market access as well as our capability. That capability takes several years to build.

For example, you gave the example of the consulting capability that we built with St. Charles. I mentioned that just this past quarter, while we have seen negative growth in some of the core St. Charles customers in the professional services space, we also saw a significant uptick where we signed seven clients for learning transformation-related consulting.

As I mentioned in my prepared comments, we competed for those transformation projects with large consulting firms as well as large GSIs. This capability cannot be built in a hurry. It takes time to build this capability. We could wait for the next 5 or 6 years to build new capability, or we could invest and acquire that capability, which improves our probability of doing more value-creating work for our clients.

If you look at the consulting capability that we acquired with St. Charles and then continued to invest in, that capability will enable us to help organizations transform and then enable us to operate that transformed business. Without that capability, we might run the risk of being a legacy company where, as with legacy companies, you would see a significantly faster decline in organic revenues. The environment is the same for everyone. In this environment, we have to find means of making investments so that we build for a better day.

I think these are prudent investments. As you know, we make capability investments rather than revenue roll-up investments.

Bharat Gulati – Dalal & Broacha: Understood. But I am still trying to understand: if we talk about the numbers, since listing, the market value today is down almost 50%. What is stopping the board from a buyback? It does not give investors confidence when the board, at a 50% discount to the listing price, is not willing to announce a buyback with a huge cash balance on the books, and dividends have also not gone up. We sit at almost a 10% free cash yield right now. I am talking about dividend payout ratios going up. I am trying to understand the thought process. I understand that

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acquisitions play a part in future growth, but even on a 5-year basis, if you look at it, revenues on an organic basis have not significantly gone anywhere to drive shareholder value. I am trying to understand the thought process. It has been a couple of quarters in which we have missed our own guidance as well. Q4 was the exit of FY26, when we missed guidance, and again this quarter we have missed margin and top-line guidance. I am trying to understand the thought process behind what the board's thought process is for creating shareholder wealth or giving back to shareholders.

Vijay: Vijay here. Let me try to answer that question. I think there are two issues that we are talking about, and they have to be treated separately. Following the company's strategy, ensuring that we create long-term growth, and investing in that growth is one part of that strategy. Having cash on the books and considering the requests and suggestions that have come from some or many of you about considering some kind of wealth creation or the possibility of giving back money to shareholders is another, and both can coexist.

We are not closed to the idea. I think I said that at the investor meeting when we met on September 10, that we are in the process of evaluating where and at what time that will happen. We are in the process of our planning conference and planning assignments, and we also have a small amount of debt. These acquisitions have not been paid for in full; there is still money to be paid. Considering all these things at an appropriate time, and I think our whole board was there at that time, with most of the board members present, we said that we would consider it at the most appropriate time.

So, I do not think we are closed to the idea. You just have to wait.

Bharat Gulati – Dalal & Broacha: Understood. I think that is helpful. I am just trying to understand what EBITDA margins we would currently be operating at in our business excluding SweetRush. I understand SweetRush is currently a bit of a drag on margins. What revenue EBITDA margins would our NIIT business and the other businesses that we have acquired be operating at?

Vijay: In the 20%-plus range.

Bharat Gulati – Dalal & Broacha: Understood.

Vijay: I also want to say one thing. When Sapnesh talks about organic growth being muted, St. Charles is now considered organic. It has been integrated into the system. Therefore, looking at the performance of the St. Charles subsidiary in isolation is not a good way of figuring out the benefit of that acquisition. That is one statement I would like to make. Once the acquisition gets integrated, even though the entity remains separate, I think we need to see the overall impact. Sapnesh's response to you regarding how it has contributed to overall consulting velocity is something that you should consider when you are looking at the efficacy of that acquisition. I am not trying to defend one or the other, but I am saying that overall, this is the context in which we should discuss it.

As far as SweetRush and NST are concerned, they are new acquisitions, and I think Sapnesh had guided right at the outset that in both these cases, there is some work to be done. It is obvious that this work is taking longer given the macro environment, but the fact remains that they are on the right track.

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Bharat Gulati – Dalal & Broacha: Understood. Fair enough. I think that is it from my side. Thank you.

Vijay: Thank you for your commentary.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question to the management, you may press star and one.

The next question comes from the line of Aman Prakash, an individual investor. Please go ahead.

Aman Prakash – Individual Investor: Hi, and thanks for the opportunity. In the introductory note, there was a mention of tailwinds that management is seeing. I would like to know more about them. In your interactions with customers, how is that developing, and when can we start seeing it in the top line as well as in the margin?

Management: As I pointed out, there are two dimensions to the tailwinds that we see. The first is the volatility and uncertainty in the market, which is pushing many large Fortune 1,000 corporations to reconsider their fixed costs and find a method of restructuring those fixed costs into variable costs. That often results in layoffs, as you might have seen in the press over the last several days. It results in organizations looking at variable costs, and outsourcing functions that are not core to an organization is one method of converting fixed costs into variable costs. That acceleration is likely to be a tailwind for us, and we saw that in play in some of the deals that we closed this quarter.

The second is transformation. AI, as I mentioned, is starting to transform work, and it is expected to accelerate this transformation over the next 5 years. An accelerated transformation of work will result in the need for talent transformation into roles that do not exist today. Those roles can be trained for and made proficient only through learning and development because you cannot hire for those roles. Existing learning and development organizations find themselves ill-equipped to enable that transformation. With our investments in AI-enabled proficiency building and capability building, we think that we have a great opportunity to enable talent transformation.

The Synthetic Work opportunity that we discussed earlier today is an early indicator of our position and how we can monetize it. This is a large association and an apex body in the United States for finance and accounting professionals. It is using our services to build a product that will enable its members to onboard young professionals who have become certified in finance and accounting to become public accountants. As accounting and other professions change because of AI, that acceleration will position us well, with our solutions being used by a larger set of organizations to transform the talent they have as AI transforms work.

We expect these tailwinds on these two counts over the long term.

Aman Prakash – Individual Investor: All right, thanks. Coming to the second part, I am in sync with what you have said. For a lot of these roles, no one knows how they are being impacted. What is our approach? You also mentioned that we do not know what these new roles will be. How are we winning contracts and positioning ourselves in the market when we ourselves do not know what these new roles are? What is the approach?

Management: I think the clients that we work with are starting to have a fair idea of how AI is transforming work. They have a deep understanding of how work is starting to change and is likely

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to change. We work with them and co-design programs that will enable them to onboard professionals into new roles. I will give you an example. A forward-deployed engineer was not a role 2 years ago. It is now a significant role, and it is a key enabler for AI-led transformation for a number of companies. Saying that organizations do not know what a forward-deployed engineer is likely to do would not be right. Most organizations have a clear idea of what their forward-deployed engineers should do. A collaboration between those firms and NIIT is going to create forward-deployed engineers who work well for them and enable transformation at their organizations.

There are a number of examples of such transformations. Again, I would say talent transformation is going to be a reality as AI transforms work. There are a number of roles that are starting to transform, and there will be many more that will transform in the future. Having built the platform for Synthetic Work and having a science-based methodology to enable organizations to improve time to proficiency as roles change will create a clear advantage for us.

Aman Prakash – Individual Investor: All right, thank you. That is it from my side, and all the best.

Management: Thank you.

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

Ganesh Shetty – Individual Investor: Good evening, sir. My question is regarding the Bluewater acquisition. You mentioned that its revenue is around {? 8.5 million ?}, but it has a very large number of clients and caters to different sectors. Is it a good opportunity for us to mine new clients from those different sectors? Also, with Bluewater's good and renowned capabilities, will it be able to help us acquire more managed services customers?

Management: Thank you. That is a great question, Ganesh, and thanks for joining this call. Bluewater has unique capability in helping organizations consult on and implement their human capital management systems. As you might be aware, a lot of transformations across large enterprises are technology-driven. As talent transforms, the technology that services this transformation has to play a significant role in managing that transformation.

As you are aware, so far our focus has been on three core areas of learning: learning content or learning experiences; second, delivery of learning by instructors; and third, managing the operations and logistics of the learning function.

Learning technology is going to play a very significant role going forward as talent transformation and large-scale talent transformation at a rapid pace become important. Learning technology systems, including human capital systems, store and manage large amounts of learning data for clients. It is extremely important for our AI strategy to have access to enterprise data and be able to connect learning data with performance data of key roles in an enterprise. Our ability to consult on and implement human capital solutions for organizations will help us connect with enterprise data and hyper-personalize learning models that can improve proficiency at the pace that will be needed as AI transformation takes shape.

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It will also create downstream revenue opportunities because it will become an entry point as an organization starts to transform how it manages talent.

Ganesh Shetty – Individual Investor: Thank you, sir, for the detailed answer. My second question is regarding our margin picture. This quarter, we derived around a 16.5% EBITDA margin. We used to have an EBITDA margin of around 20% for a very long time, and in good times we had even crossed 20% to 23%. With the major work of integrating MST and Stratex behind us, I believe, will we be able to achieve at least 18%-19% after a quarter or two? Please give us your view.

Management: Thanks for the question. Yes, we will be able to close the year with a margin of around 18%, and as the integration of the entities we acquired starts to become accretive to our margins, we should see a move back to 20%.

Ganesh Shetty – Individual Investor: My third question is regarding our EMEA conference, which concluded in London. Can you please give us some key takeaways from this conference? Also, please let us know the mood of people in learning outsourcing as a new initiative, how they are thinking about it, and whether there are any new sectors that are willing to pursue this learning outsourcing program. Your view on this would be appreciated. Thank you very much.

Management: Thanks, Ganesh, for the question. I am going to invite Sailesh, who heads sales, marketing, and consulting for NIIT Learning, to answer your question.

Sailesh – Head of Sales, Marketing & Consulting: Thanks, Ganesh. I think the messages we heard loud and clear at our conference, both from analysts and our customers, included a number of key points. The first was that there is a clear and present need to move to an AI-ready L&D enterprise. That is the number-one factor confronting all our clients. The need to transform is real. It is also very real that most organizations do not have a clear roadmap or direction for how to do it. NIIT is seen as a clear thought leader with distinct advantages: deep expertise, consulting capability, technical depth, and deep client relationships to serve as their guide and partner.

Some important shifts are happening. The key messages are that content is abundant, but capability is the key job. Most clients are not looking at optimizing yesterday's model, but at redesigning from the work that lies ahead. AI adoption is broad, but transformation is thin, and that is the number-one opportunity for us. Overall, as AI absorbs procedural work, the human edge is judgment, relationships, and leadership in a human-plus-AI world.

There is a significant shift happening in the L&D landscape, and every company needs to transform from courses, catalogs, and completions to capability, readiness, and business outcomes; from demand-driven intake to strategically prioritizing capability; and through a number of shifts in the overall operating model of L&D. That is where we see significant excitement in helping our clients achieve this transformation.

Ganesh Shetty – Individual Investor: Thank you very much, sir. That is all from me. All the best.

Management: Thank you, Ganesh.

Operator: The next question comes from the line of Kunal with {? SVC ?}. Please go ahead.

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Kunal – {? SVC ?}: Hello, am I audible and clear?

Management: Yes, sir.

Kunal – {? SVC ?}: [laughs] Hello, sir. Good evening. My first question is: what does a client measure when they engage you or someone else as a managed service provider? What KPIs or success factors do they look at, and how has that changed from 5 years ago?

Management: I do not know if I got your question completely, but I think you are asking what criteria our clients look at when they select us and how it is different from 5 years ago. Is that your question?

Kunal – {? SVC ?}: Yes. When they select you and judge you on whether what NIIT was hired to accomplish has been achieved.

Management: I am having a hard time hearing you clearly. However, the question that we did get, I am going to request Sailesh to answer.

Sailesh – Head of Sales, Marketing & Consulting: Most managed learning services contracts have distinct and clearly defined key performance indicators. They fall into two categories. One is service performance and service excellence when clients move a significant amount of their learning function over to NIIT. These are defined by SLAs around a variety of different measures, where we are held accountable for delivering against a clearly defined set of service-level agreements.

The other side is effectiveness parameters, which are broader business outcomes. These could include things like time to proficiency and the overall cycle of performance, which are now becoming increasingly important. The shift we are seeing is that, over a period of time, we will see more accountability toward business outcomes, in addition to continuing to be very reliable operators across a variety of client training needs.

Kunal – {? SVC ?}: Thank you. That was what I was looking for. My second question was on page 22 of your presentation. You have a slide mentioning the new AI-enabled point solutions as well as NIIT's learning platforms. You also talked about this in your introductory remarks, and my question was whether this is more of a SaaS-type business.

Management: Is it more like a SaaS, or software-as-a-service, business?

Kunal – {? SVC ?}: Yes.

Management: [hesitates] The part of our AI-enabled offering that has a subscription associated with it can be considered a SaaS business.

Kunal – {? SVC ?}: Can you explain the role of the AI learning platform further? What is it, what does it do, and are you offering it as part of the managed services or as a standalone platform as well?

Management: We offer it as part of the managed service. The role of the platform is to accelerate the pace of achieving higher proficiency, or to move from being a training program where completion is the criterion to achieving capability as the exit criterion. That is really what our platform enables us to achieve.

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This might require more time. If you want to get into the details and science behind it, it might require more time. We have limited time on this call, but we would be happy to discuss it separately.

Kunal – {? SVC ?}: All right. Thank you very much, sir. Have a good day.

Management: Thanks for the question.

Operator: Thank you. The next question comes from the line of Dishan Jain with {? Kosser Capital ?}. Please go ahead.

Dishan Jain – {? Kosser Capital ?}: I hope I am audible, and thanks for the opportunity. Can you provide some color, perhaps on the qualitative side, on MST and SweetRush? How are they performing in terms of cross-selling, scope expansion, or anything else that would be helpful?

Management: With respect to cross-selling, we are starting to see cross-selling take root in both MST as well as SweetRush. The opportunity that I talked about with the apex professional association showed that collaboration, where we used the NIIT Synthetic Work platform along with SweetRush's co-designed model, enabled us to create a prototype and model that impressed this association and led it to adopt the solution fully. Likewise, in the DACH region, we were able to grow [cut off]

Management: One of the opportunities now is that industrials are down in the DACH region for all the reasons that you know. However, over the last year, we have had clients with whom we have been able to grow business because of the extended NIIT capabilities that are now offered to clients, including non-MLS clients.

Dishan Jain – {? Kosser Capital ?}: At what margin level does Bluewater operate?

Management: The margin is likely to become accretive over the next 4-6 quarters.

Dishan Jain – {? Kosser Capital ?}: Okay. Sure.

Operator: Yes, Mr. Dishant, does that answer your question?

Dishan Jain – {? Kosser Capital ?}: Yes, okay.

Operator: Okay.

Management: I think we have time for only one more question.

Management: Can we do one from each? There are three or four in the queue. We can do a quick one.

Management: We have only 1.5 minutes.

Operator: Okay, sir. The next question comes from the line of Shraddha Agrawal from Asian Market Securities. Please go ahead.

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Shraddha Agrawal – Asian Market Securities: Hi. I have two questions. First, how should we look at the growth trajectory in the second half? Secondly, in one of the earlier questions, Sapnesh indicated that acquisition efficacy should be seen over the medium to long term. However, it has been 4 years since we acquired St. Charles, and I believe we are still below the revenue that St. Charles was doing in 2022. How should we then assess the success of any acquisition? If that is the case, does it make sense to pursue acquisitions in the way we are proceeding with three back-to-back acquisitions in the last 1.5 years?

Management: Let me answer your second question first. As Vijay pointed out, it would not be right to look at the efficacy of the St. Charles acquisition based on the performance of the standalone entity. We all know that professional services firms have compressed their spending, but the expertise that we acquired in consulting, as I pointed out earlier in my discussion, has been broad-based and applied to a broad base of clients across NIIT.

As I pointed out just a few minutes ago, we added seven new clients for transform opportunities, which we would not have obtained if we did not have consulting capability. The consulting capability that we acquired has been deployed across a larger set of clients. Those clients happen to be on NIIT's books, but they use the capability that we acquired through St. Charles.

While you are right in saying that the entity's financials have gone down, owing to the compression of spending across professional services firms, it is plausible that those spends will come back because these are large clients that have been their clients for several years and see them as a trusted partner. The capability has been deployed to a broad-based set of clients, several of which are new clients for NIIT and will have downstream potential to become managed learning services clients.

Your first question was how we assess the efficacy of acquisitions. I will go back to what we did with Eagle Productivity Solutions. That was a small entity that we acquired. At the time when we acquired it, it had one client in the pharma and life sciences space. Now, about 12% of our revenue comes from pharma and life sciences clients, and we work with seven of the largest pharma companies globally. I think the way I would assess the efficacy of the acquisitions we make is based on the use of the capabilities they bring in to grow our business.

I think we are out of time now, so we should close this call.

Management: If there are any follow-up questions, we will schedule another call if needed. Alternatively, please be in touch with Kapil, and he will be very happy to organize another call or answer your questions.

Management: Operator?

Operator: Yes, sir. Thank you. On behalf of NIIT Learning Systems Ltd., that concludes this conference. Thank you for joining us today, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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