



TRANSCRIPT: NIIT Technologies Ltd Q2 FY2018 Results Conference Call

18th October 2017, 4pm IST

FROM NIIT TECH:

MR. RAJENDRA S. PAWAR, CHAIRMAN
MR. ARVIND THAKUR, CEO & JOINT MD
MR. SUDHIR SINGH, CEO-DESIGNATE
MR. AMIT GARG, CFO
MR. ABHINANDAN SINGH, HEAD – INVESTOR RELATIONS AND M&A

Note:

1. This is a transcription and may contain transcription errors. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.

2. Any of the statements made herein may be construed as opinions only and as of the date. We expressly disclaim any obligation or undertaking to release any update or revision to any of the views contained herein to reflect any changes in our expectations with regard to any change in events, conditions or circumstances on which any of these opinions might have been based upon.

(1 crore = 10 million)

Moderator: Ladies and Gentlemen, Good Day and Welcome to NIIT Technologies Q2 FY2018 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, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhinandan Singh, Head – Investor Relations and M&A, NIIT Technologies. Thank you and over to you, sir.

Abhinandan Singh: Good afternoon, and welcome everyone to our Q2 FY2018 earnings call. Present along with me on this forum today are our Chairman Mr. Rajendra S. Pawar, our CEO Mr. Arvind Thakur, our CEO Designate Mr. Sudhir Singh, and our CFO Mr. Amit Garg.

You would have already received our emails with the results by now; the same are also available on our website www.niit-tech.com. We will begin today's forum with the opening remarks by our CEO and CEO Designate, and after that the floor will be open for your questions. And with that I will now like to hand over to our CEO Mr. Arvind Thakur. Over to you, Arvind.

Arvind Thakur: Thank you, Abhinandan. I will jump straight into the revenue analysis of our Q2 results. As you would have seen, the Company has experienced robust growth during the quarter with revenues expanding 4% sequentially to Rs. 7,372 million. This represents an improvement of 6.4% over the same period last year. There has been no impact of currency during the quarter as gains due to depreciation of Rupee was offset by lower hedge gain in the quarter. In other words, sequential growth in constant currency has also been 4% in the quarter.

This growth during the quarter has come on the back of increased revenues from the US which expanded 5.5% sequentially and now contributes to 50% of the revenue mix, as well as strong growth in APAC and India which represents 11% and 10% of the mix respectively. Business in the EMEA region declined 4.8% sequentially on account of ramp-down in a key travel client as expected and as shared with you in our last earnings call. And this has resulted in share of revenues from the region to be 29% of the total mix.

The Company continued to experience good traction in the BFSI segment with revenues expanding 5.6% sequentially during the quarter and now contributes to 42% of the revenue mix. Further, some of our other segments expanded as well as there were new clients acquired with the integration of RuleTek, resulting in the Manufacturing, Media and Others segment to grow by 10.7% and now represents 31% of total revenues. Revenues in Travel and Transport declined 4.8% due to the ramp-down of a client in EMEA as shared earlier, and now represents 27% of the overall revenues. Our top five clients contributed 31% of the total revenues and top-10 and top-20 contributed to 43% and 57% of the total revenues respectively.

It would be pertinent to share at this point that one of our key clients, that is the Morris Publication Group, has sold its newspaper business to GateHouse Media which is the largest

publisher of locally based media in the United States. As you are aware NIIT Technologies has been servicing Morris through a JV established along with them for the same and a major part of this service was for the newspaper business which has got acquired. The transaction concluded on October 2nd and Morris would be transitioning its various business functions to Gate House Media over the next six months. Post the transaction conclusion, we have initiated discussions with Gate House on the nature of our services with them going forward.

Focus a bit of attention now on the margins. Operating profits improved 7.5% sequentially to Rs. 1,191 million, representing 4.1% improvement over the same period last year. Operating margins improved 53 basis points to 16.2%. Lower hedge gains during the quarter depressed margins to the extent of 40 basis points. So, margins in constant currency for the quarter are 16.6%. Net profit for the quarter improved 31.2% sequentially to Rs. 672 million as a result of improved operating profits and lower taxes and this represents a 14.1% increase over the same period last year. The effective tax rate during the quarter was 21.8%.

We have had good deal momentum during the quarter and I would now like to call upon Sudhir Singh who has been directly directing these activities with his base in the US and he will give you a flavor of the order intake.

Sudhir Singh:

Thanks a lot, Arvind. And a very good evening, good morning, wherever you folks are, to everyone on the call. As Arvind said, I am based out of Princeton, New Jersey. I joined the firm four months back and I would like to give you a quick flavor of the market conditions as we are seeing them from an order intake perspective, from a large deal structuring and pipeline perspective and a new logo acquisition perspective, those three key pillars. So, good news on all three fronts, order intake, large deals and new logos, all three aspects is very positive.

Now, let us quickly start off with fresh business intake, the new order intake piece that I just talked about, pillar number one. US\$122 million of new business was secured during this quarter; this number incidentally is US\$12 million higher than the same number for last quarter. Out of this US\$122 million order intake, slightly more than half, US\$64 million came from the US, US\$32 million came from EMEA and US\$26 million came from the Rest of the World. Now, this incidentally includes a large contract that has come from a large existing US travel client. Order book executable, from our point of view from our numbers, over the next 12 months stands at US\$320 million.

Moving on to the next pillar which is new logo acquisition, we have acquired seven new customers during the quarter. Two out of these seven were in the US, two were in EMEA and three that operate out of Rest of the World.

The third pillar that I spoke about, the large deals space – specific to this aspect, you are aware that we have closed two large deals during the year in the first two quarters, and that has essentially been a run-rate of one large deal per quarter over the past two quarters. In the next

quarter we expect to close at least two large deals. The current outlook on this front, the large deals front, is positive from our market lens. Both the large deals in the next quarter will come from the western markets and one out of these two is already in the contracting phase as we speak right now. So that is specific update on large deals.

Circling back to new logos, the new logo momentum is again robust. We have announced seven new logos, as you would have seen in the quarter that just concluded. We expect to continue the momentum of adding new logos in Quarter 3.

Stepping back again, let me give you a little bit of color in terms of why we see order intake, large deals and new logo acquisition pipeline momentum as being positive. This increased momentum we believe is a derivative of sharper and stronger market presence and outreach that we are driving and the capability enhancement measures that we have undertaken. We continue to strongly strengthen the sales team. We have hired a new Europe leader in London, Gautam Samanta who is ex-Infosys and ex-Capgemini. I have personally moved to Princeton, New Jersey around three months back and the client and the industry cadence that we have had is being constantly reviewed and is being constantly sharpened with a very strong sense of urgency.

From a capability lens perspective, the momentum around spaces like digital, data, automation, cloud is strong for us. And our automation story in particular is resonating sharply and differentiating us significantly. We are increasingly pivoting to a sharpened domain and tech-based sales process and that is reflecting in the market momentum that I just referenced and importantly in the market outlook around the large deals and the new logos that I was talking about.

I am going to step back and hand the floor over to Arvind once again.

Arvind Thakur:

Thanks, Sudhir. Giving a little flavor on the people now, there was an increase of 59 in our headcount during the quarter. The total headcount at the end of the quarter now stands at 9,022 with the utilization at 79.5%. Attrition improved further to 11.4%.

Other area of improvement is in our cash and bank balances which now stands at Rs.6,463 million which is an increase of Rs.301 million over the previous quarter and this is despite a dividend payout of Rs. 768 million during the quarter.

Capex spend during the quarter also has been minimal at Rs. 73 million. And collections have improved further with debtors at the end of the quarter reduced to 66 days of sales outstanding.

Now, looking at the outlook, what we have seen is that the macroenvironment has been relatively stable since we spoke to you in July, although the recovery has not been uniform. We see that the US economy continues to do well, expanding at 3% as reported for the April-June period. In the UK with the ongoing Brexit negotiations weighing on sentiment, the economy is delivering

a marginal growth of 0.3%. But we have seen economic activity picking up in the Eurozone area which has had a growth of 2.5% which has been actually the best in the last five years.

We ourselves have seen robust growth in Q2 on the back of traction in the US, APAC, and India business. EMEA we believe has bottomed out as the Travel client which had declined is on a rebound now. And we also see good deal flows going forward.

You are also aware that Q3 is traditionally a small quarter for the industry with lesser number of working days. However, I would say rather than however, in addition, following the developments that I shared with you at Morris, we anticipate discretionary infrastructure services spend to be impacted by about \$1 million in the third quarter. Despite these two factors, given the strong deal momentum, as shared with you by Sudhir, we expect to deliver higher revenues in Q3 which would be marginally better sequentially and continue to expand our margins.

With these remarks, I would now like to open the session for Q&A.

Moderator: Sure. Thank you very much. We will now begin with the question-and-answer session. We have the first question from the line of Dipesh Mehta from SBI Cap Securities. Please go ahead.

Dipesh Mehta: I just want to understand about the deals, if you can provide some colors about deal intake and how you see those deals and the deal pipeline? Second thing is about vertical wise if you can help us understand how you are seeing growth panning out across verticals? Broadly we have seen stability, except weakness in Transport, but I think broadly you indicated you are seeing recovery happening in Travel accounts. So, if you can provide some color vertical wise.

Sudhir Singh: Let me just break that up broadly into the large deal intake piece first. As we referenced, we have closed one large deal in the last quarter, we expect to at least, and I am underlining at least, at least close two deals in Quarter 3 for us. The deals that we have closed have come from the vertical that you referenced, Travel, and they have come from the US, so that is reassuring from our point of view. Both the number of large deals in the pipeline and the geos from where they are coming, which are primarily the western markets, are very reassuring from our point of view. So that is point number one.

Point number two, if we look at our aggregate pipeline outside the large deal piece and look at pipeline coming in through new logos, that again is robust. The numbers that we referenced was seven for the last quarter. And as I said, we are very positive on the new logo momentum as well, so that is expected to continue from a new deal/new logo perspective.

Arvind Thakur: And you are already seeing the traction that we have in the BFSI segment.

Dipesh Mehta: Right. The second question which I have is more data related. Can you provide on some of the segments which we generally see, revenue and margin of GIS, Morris, NITL and Incessant?

- Arvind Thakur:** So, Morris revenues are Rs. 391 million and margins are 12%. GIS is Rs. 263 million, margins of 14.5%. Incessant Rs. 730 million, margins of 23%. Anything else which I missed out?
- Dipesh Mehta:** Incessant is Rs. 730 million, what was the margin?
- Arvind Thakur:** 23%.
- Dipesh Mehta:** And NITL?
- Arvind Thakur:** NITL is Rs. 371 million with a margin of 19%.
- Dipesh Mehta:** And just on GIS side, because I think last time we indicated about weakness because of deferment in purchase by client because of GST and delay in government procurement. If you can update us what is the status now?
- Arvind Thakur:** Yes. So, I think the reason why you see lower GIS numbers is because the DGS&D rate contract has now been stopped and there is a new system which is the government e-marketplace, GeM portal, on which the government procurement takes place. So the movement of the rate contracts from DGS&D has not yet moved on to the GeM's portal. The net result being that government procurement of our GIS solution has slowed down and that is what has contributed to this decline in GIS revenues.
- Dipesh Mehta:** By when do you expect things to improve in GIS?
- Arvind Thakur:** We will see improvement in Q3 because what this has impacted is government procurement but we are seeing traction with system integrators who have now secured business in Smart Cities, who would be placing orders on us which does not have to go through the government portal. And so we will see improvement in quarter three in our GIS business.
- Dipesh Mehta:** And the last question I have is about the Incessant additional stake which we planned to have in May, whether the payment is already made?
- Amit Garg:** No, that will be done next year. Remaining 30% stake is in May next year.
- Dipesh Mehta:** The 19% additional that was likely to happen in May 2017, that's what I am referring to.
- Amit Garg:** That has already been paid, the 19% that we acquired has already been paid for, to the founders in Q1 itself.
- Moderator:** Thank you. We have the next question from the line of Ashish Aggarwal from Principal Mutual Funds. Please go ahead.

- Ashish Aggarwal:** Sir, actually I have two questions, one on data point. What was the contribution of RuleTek in the quarter? And secondly, though we had good amount good amount of deal signings in the quarter, our executable order book is flattish on a Q-on-Q basis. Just wanted to understand the reason for the same.
- Sudhir Singh:** Let me take the second question first which was around the fact that the order intake has gone up by \$12 million over the last quarter but the executable order book that you are seeing has not changed. The reasons for that is the ramp down in a large Travel client in EMEA that we had referenced in the last quarter led to a decline in the executable order book. That decline was set off by the large deals that I referred to and the incremental order intake that we had in Q2 over Q1. Did that answer your question for the second part?
- Ashish Aggarwal:** Yes.
- Arvind Thakur:** And as far as RuleTek is concerned, it is a subsidiary of Incessant, so the numbers are rolled up into Incessant. But having said that, I just want to assure that both Incessant and RuleTek have grown well during the quarter.
- Moderator:** Thank you. We have the next question from the line of Pankaj Kapoor from JM Financial. Please go ahead.
- Pankaj Kapoor:** First, this question is on the Morris business. Can you quantify how much of impact would be there in the next quarter or may be after that because of the sale that has happened?
- Arvind Thakur:** Pankaj, I have already quantified that. So, as you know that the sale has happened only on the 2nd of October and we have only now engaged with GateHouse. And so what we are seeing is the impact on the next quarter Q3 of \$1 million.
- Pankaj Kapoor:** Okay. And since you mentioned that it may take about six months to transition, so do you see some impact later in the fourth quarter as well or you think this will bottom out in the third quarter itself?
- Arvind Thakur:** Cannot say at this point in time, Pankaj, because we now have to have this conversation with the acquirers. Only once we have that conversation we will get a better idea.
- Pankaj Kapoor:** And any commentary if you can give on the overall digital business, of course with RuleTek coming in and Incessant seems to be doing quite okay. Although I guess on an organic basis the growth seems to be a bit weaker compared to the very strong growth that we had in the previous year. I believe last quarter you attributed there was some large contract that got transitioned out. So are you seeing any further traction there and can we expect this to show similar kind of a growth what we had last year?

- Arvind Thakur:** I think we have had good traction in this quarter. Digital revenue has actually grown 14% sequentially and now represents 23% of our mix. And we have seen even in our new logos, of the seven new logos, three new logos that we have acquired are actually in the Digital space. So, very good traction. Even with our existing clients there is a client in the UK where we have cross-sold and enhanced that relationship and in fact are an SI digital partner, so we are seeing very good traction, Pankaj, in the digital space.
- Moderator:** Thank you. We have the next question from the line of Sandeep Shah from CIMB India. Please go ahead.
- Sandeep Shah:** Just on Morris, wanted to understand whatever negotiations which you had is it that the acquirer has any other vendors globally or from India or why cannot this be an opportunity with the acquirer?
- Arvind Thakur:** No, so we have not negotiated anything right now. Morris has done the transaction. So, we are basically understanding their landscape. From what we know they do not have any large Indian SI players servicing them in the accounts, but I think we will be able to only get a better understanding after we get into detailed discussions with them.
- Sandeep Shah:** And Arvind, whatever business would be ramped down, will it be largely onsite? Because the offshore business used to happen in the parent company, right?
- Arvind Thakur:** Offshore business is happening for the JV from Morris. So the JV was supporting Morris Publications and the JV is the one which was giving the work being done offshore. This \$1 million impact that we have seen right now is really the onsite revenues which are likely to go away.
- Sandeep Shah:** Okay. Sudhir, just on the large deals, it is very good to hear that we are targeting one deal at least each quarter and in the coming quarter we are confident about two deals. So, what exactly have we done in terms of any changes in sales and marketing strategy for going behind and winning large deals, can you give some color? And you also spent more than three-four months in the company, so with a further post-mortem about the company's strength and the weakness, would you like to comment what all changes you want to make going forward for consistency in large deal wins or new logo, new business wins?
- Sudhir Singh:** Let me just address part one of your question which is why and how we expect to ramp-up the large deal momentum that we have. The numbers that I shared with you, we have closed one large deal each over the last two quarters and the assertion that we made is that we will close at least two large deals in the coming quarter. One out of those two is already in the contracting phase as we speak and have this conversation right now. If I just step back and I look at the large deal that was closed very recently and the one that is under-contracting right now, it is not as if we have taken a fundamentally different position from what we were doing in the past. What we

have done however very consciously and very clearly is to make sure that the vertical story around the automation, digital, cloud and data capabilities that we have has become very sharpened. So, the most recent large deal that we have referenced in our results actually came from going in with a very sharp vertical story along with the story that we have taken around capability, the proof points that we have taken around capability to the market around automation, digital, data and cloud. That is resonating, becoming sharper, differentiating us and the large deal that we referenced was actually against a significantly larger competitor and a global SI. So, that is one piece of what we have done.

The second piece, of course ties in with what Arvind talked about earlier. The automation part of the digital story of NIIT Technologies, we believe is now clearly standing out. It is getting recognized and being called out expressly by the analysts, it is allowing us to create actual proof points. And as you know automation is still a space that is in some ways up for grabs and is a white space of sorts, so that story is resonating and that is playing in very well into the large deal construction as well. So, does that answer part one of your question?

Sandeep Shah:

Yes.

Sudhir Singh:

And part two of your question which was around what it is that we are doing is somewhat tied to the comments that Arvind and I made earlier. There is no material shift from a company strategy perspective; we continue to do what we have done in the past. What we are doing very consciously again is augmenting the sales team. There is a gentleman who has been hired to be the new Europe BU Head for us out of London. We have a new Media leader for us based out of Washington. As I said, I operate out of Princeton, New Jersey. So, we are just trying to make sure that with the capabilities that we had built in the past, with the vertical capabilities that we are now using to stitch some of those capabilities together, with a very sharp, almost a very, very hungry approach to revenue acquisition we believe that the momentum that we reference will continue to improve as we noted in the comments. Does that answer your question?

Sandeep Shah:

Yes, that was really helpful. Just a few things. On the large deals, is there any threshold in terms of at what levels we define large deals? And most of these deal wins which happened in first half and may happen in Q3, will be new incremental business? How is it, just some color on that?

Sudhir Singh:

The large deals as we define them at NIIT Technologies is a deal which is greater than US\$20 million in TCV terms. The large deals that we have in the pipeline, one of them is we have a sense that somewhere 50% to 100% of the revenue is going to be net-new or existing new as we classify it. And you will recognize one of the deals might have a certain flavor which will be 100% completely new revenue stream for us and another might have 50% of existing and another 50% incremental. So, it has a very good mix from our point of view, all the way up to 100% of net new business.

- Sandeep Shah:** Okay. Arvind, on GIS, this quarter's revenue on a YoY basis has also gone down, so reasons you explained are the reasons or you believe even the spend outside that has come down in GIS?
- Arvind Thakur:** No, in fact, it is an industry problem; GeM is an industry problem for a lot of software vendors. The DGS&D department actually had been closed down and this is an SPV which is a new organization, so they are getting their act together and I think that's the only reason why we are seeing the decline.
- Sandeep Shah:** Okay. Just on the India business outside the GIS there is a good traction which is happening, based on my calculation the quarterly run-rate is as big as now Rs. 50 crore. So, what is happening there, is it sustainable or this is like certain one-time revenues which may create revenue growth headwinds going forward?
- Arvind Thakur:** The India business typically is system integration business which we are doing with corporate and public sector organizations. So, they tend to be fixed time period engagements, so yes there is an element of lumpiness that happens in the India business.
- Sandeep Shah:** Okay. And just last few things, for 3Q you said apart from Morris there is another headwind which is a discretionary spend on the infrastructure side, what was that exactly?
- Arvind Thakur:** That is part of Morris only.
- Sandeep Shah:** Okay. And just needed an update on the hedge position currently, if you can.
- Arvind Thakur:** We have outstanding hedges of US\$65.25 million at an average rate of Rs. 69.21 per dollar. And in GBP we have GBP13.05 million outstanding at Rs. 86.86 per GBP.
- Sandeep Shah:** How much was the US dollar outstanding?
- Arvind Thakur:** US\$65.25 million.
- Moderator:** Thank you. We have the next question from the line of Shashi Bhusan from IDFC Securities. Please go ahead.
- Shashi Bhusan:** You talked about at least two large deal closures in Q3. Do you think the closure would improve the order intake trajectory from our current run-rate of \$100 million to \$130 million looking at our current deal pipeline outside these two deals?
- Sudhir Singh:** Yes, you are right. So, let me just step in and take that. The two large deals should be net incremental to the executable order book from our point of view.
- Arvind Thakur:** I think he is talking about the intake. So yes, it is possible that there will be more than what we have done this quarter.

- Shashi Bhusan:** Sir, if I look at last like eight, ten quarters our order intake barring one or two quarters of exceptions, our order intake has remained between \$120 million - \$130 million and our executable order book has also stuck in a range. Now, we are talking about much improved deal pipeline, good composition of deal pipeline as well which is a good percentage coming from digital. Do you think this trajectory can move from let us say \$100-\$120 million to say \$150 million to \$160 million kind of stuff may be in two, three quarters time?
- Sudhir Singh:** It is possible, I think the direct answer to that would be it is possible; we do see the momentum that we referenced and we believe it is possible, it is in the realm of possibility.
- Shashi Bhusan:** But in Q3 because of this deal closure it may not shift materially, it will, but it will not shift materially. Is my reading correct?
- Sudhir Singh:** I think you are right, it should be in the ballpark, you are correct in that assessment.
- Moderator:** Thank you. We have the next question from the line of Rahul Jain from Emkay Global. Please go ahead.
- Rahul Jain:** Just an extension to the earlier question, so is this the reason that there is lot of slippage in terms of what we used to have pre-existing business...So, the point being, are we saying that the traction on the net new deal is decent but because there are some slippage from the existing business and that is why the total intake that we see is not that encouraging and once we see that slippage getting restricted and sustained from net new addition on the deal size remain intact then we see this number moving significantly higher than where we see it today?
- Sudhir Singh:** I think your assessment is bang on, it is absolutely correct. The reason why you do not see an immediate impact is on account of what you termed as slippage. If we continue the deal and the pipeline momentum which we intend to, and once that event effect wears off, we should definitely see the uptick that you are referencing. So, you are absolutely right in your analysis.
- Rahul Jain:** And also one more thing, is there that we have increased our focus beyond the two biggest strength areas for us, where we remain far more differentiated, than we used to it in the past; because those pieces look stronger than the conventional BFSI or Travel for us in the last couple of quarters.
- Sudhir Singh:** I am sorry, I was not able to completely comprehend the question. Is the question that have we moved beyond the verticals that we were operating in in a focused manner, is that what you are asking?
- Rahul Jain:** So, what I am trying to understand is that previously you used to try and identify that BFSI, Insurance in particular, and Transportation being our differentiating factors should continue to drive the momentum for the business. Can we say that this has bit changed in the approach in

terms of the other rest of the pieces where we were trying to build more traction to add diversity to growth?

Arvind Thakur: I think it is not just vertical focus but also the horizontal focus in building competence in, as Sudhir pointed out, our automation platform which is also driving some of this growth in areas other than those verticals that we are focused on.

Rahul Jain: Okay. And what more potential does RuleTek add from the current client portfolio thought process? Or as of now would it be more driven by standalone opportunity for RuleTek?

Arvind Thakur: I think, if your question is are we focused on getting business from our existing clients or new clients, I would say the focus is on both, we are mining our existing clients. I just shared with you that we cross-sold digital services in one of our large clients in the UK and therefore we are getting new business over there. As well as we are acquiring more new logos, if you notice in the previous quarter we were typically at three or four logos every quarter, now we have jumped that up to seven. And so we are seeing a very different trajectory in terms of new business additions.

Rahul Jain: And just last one thing, when do we see this minority interest run-rate going down given that significantly we have increased the ownership in Incessant, so when do we see its minority interest run-rate going down?

Amit Garg: As we acquire Incessant fully, that will go down. As RuleTek gets acquired in further tranches that we will be acquiring, their interest too would go away. Whereas wherever we have a consistent JV relationship, that would continue.

Moderator: Thank you. We have the next question from the line of Ankit Pande from Quant Capital. Please go ahead.

Ankit Pande: My question is to Sudhir; you did mention a little bit about digital, data, automation and cloud and how we are differentiating with automation with specific domain expertise and knowledge. So, could you give us an example of this, I would love to hear a little bit more about what we are doing? And also second one is, whether we will be reorienting, is it a matter of shuffling feet with sales and marketing or is it more about augmenting the numbers?

Sudhir Singh: Let me just take both parts of that question. Let me just play back the digital story, especially with an automation focus in terms of how we have actually operationalized it. In a large financial services client that we have, we have actually been invited, given the capabilities and the entire framework that we have created around automation which we call TRON, to come and drive the enterprise wide automation framework for the firm. That is a pan process and technology assignment where we have been invited against the Big Four in the States to come in, look at automation from the process-first perspective and then do a drill down across technology towers

to figure out how we can stitch all the tools that they currently have, introduce newer tools in the mix and come up with an automation story that has a direct impact on the business process metrics itself. That for us, as we look at things right now, is a live engagement; it is being driven straight from the top, the senior most levels of the organization and that is just another reflection of how TRON is playing out in the market place, both from a services and a framework perspective. So, that is answer number one to part one of your question.

The second piece is around sales and marketing, the question that you asked me. I think it has a few nuances. There is clearly augmentation that is happening. There is in some cases a replacement effect also as you will notice, because some of these positions and the individuals who are moved into these positions are replacements of leaders who were occupying these roles earlier. So, there is augmentation with a very clear bias towards making sure that the talent that we bring in on the sales leadership side is from a domain and a technology depth perspective, more of a Tier-I talent as we classify internally. And second, it is talent that is being brought in after doing whatever qualitative checks that we can to check around what the industry calls hunger and urgency around revenue aggregation. So, at a very high level that is how I would classify the change that we are making on the sales. Just trying to make sure it is sharper, it is hitting the market almost daily and hitting it hard and it has a very, very strong revenue growth bias. That is how I would classify it. Did I answer your question?

Ankit Pande: Yes, those were great answers. A clarification just on that. Sales and marketing, are we sort of reorienting the organization of sales and marketing, we have been setting I think partly vertically, at least partly that was true. So, could you just clarify that?

Sudhir Singh: So, at this stage we do not have firm plans to make a change around the sales structure, the structure that we have currently is a vertical and a geo mix. We have a vertical structure across the US which is 50% of our revenues, in the other geos it is a geo-first, a geo centric framework where the vertical flavor bleeds in. At this point in time, to answer your question directly, we do not intend to making an immediate change of any sort to that structure.

Ankit Pande: Right. And one more follow-up, anything that you would like to highlight on the pricing strategy, especially there is quite a dichotomy in most service organizations now with the new and renew, so anything that you would like to highlight for us? Thanks a lot.

Sudhir Singh: Sure. So, on the pricing front the large deals that we talked about have not come in any shape or form which has been margin dilutive, we are hanging on to the margins. Whereas clearly as all of us recognize a pressure from the clients in almost all new renewals around pricing, but we are meeting that so far fairly successfully, very successfully I would say, with automation and efficiency that we are driving at the backend. And you have seen that reflected in the numbers.

Ankit Pandey: Right. Sudhir if you could also, may be this is in the future, if you could also just give us a rough idea at least of the new and the renew parts of our business that would be great. Thanks a lot.

- Sudhir Singh:** I just want to make sure I get the question right. Which two parts did you want me to answer?
- Ankit Pandey:** The new and renew parts, the kind of legacy businesses where there is pricing pressure versus the ones that we are qualitatively trying to differentiate in, that would be of great help for us to understand.
- Sudhir Singh:** Yes, so from our point of view that way we are looking at it is the entire automation story, the automation portfolio that we have and the digital portfolio seems to be experiencing, I would not say no pressure but marginal pressure only. It is the legacy piece of the work that we do, infrastructure, etc, where the ask from the client is sharper. And more than the pricing pressure in spaces like infrastructure, what we are really seeing a lot of conversation center around is migration to newer frameworks like cloud. So, wherever we are able to turn the conversation or pivot it from legacy infrastructure or data center management to a cloud based play, we find the pricing pressure going away. When it remains restricted to the legacy infrastructure piece then the pricing pressure does start operating, and that is where automation has to come.
- Moderator:** Thank you. We have the next question from the line of Harsh Kundnani from SBI Cap Securities. Please go ahead.
- Harsh Kundnani:** Just wanted to understand the reason for margin increase given your utilization is dipping. And since you are expecting margins to be better in H2 what are the margin levers that we are looking at?
- Arvind Thakur:** So, margins clearly as Sudhir pointed out, is getting driven by efficiencies that we are seeing in the business. We have intense programs where we have internalized lean and automation as part of our next generation delivery organization that we have created. So, that is something which is driving margins, so that is one lever. The second is that the proportion of our digital business is increasing in the mix and that's the other lever that we are seeing as a margin expansion lever.
- Harsh Kundnani:** Alright. And regarding the Morris deal, did we have any committed revenue from them?
- Arvind Thakur:** From whom?
- Harsh Kundnani:** Morris.
- Arvind Thakur:** There was a committed revenue but that is now over.
- Moderator:** Thank you. We have the next question from the line of Sandeep Shah from CIMB India. Please go ahead.
- Sandeep Shah:** Just had a follow-up question, if I look into the export revenues excluding Incessant, there was a tailwind which was coming through the cross-currency movement, so the growth in that

business was marginal, might have increased close to by 1%. So, is it because exactly there was a ramp-down of the travel account in the Europe has led to this kind of a growth number? And if you can quantify, if I am not wrong Arvind, last quarter you said that the ramp-down from that travel account would be as big as \$2 million. So, ex of that, is it fair to say that the growth could have been higher by 2 percentage point?

Arvind Thakur: The real de-growth as I shared with you happened in EMEA and that is on account of that ramp-down which was to the extent of \$2 million. And I had also shared that despite that we will grow. So, I think we have delivered on that commitment.

Sandeep Shah: Okay, that is helpful. Second, Sudhir, just on large client mining, this is more a strategic question, so I think we have been doing well in terms of the order book but if I look at the large client mining the buckets of \$1 million to \$5 million or more than \$10 million – the number of clients have not increased materially over the last two to three years as a whole. So, do you believe here also you require a lot of focus where you have an opportunity but the results are not coming, or do you believe that the client set needs to be changed for driving large client account mining?

Sudhir Singh: So, the way we are looking at it and we have looked at the top-ten account contribution, the top-five and the top-20 account contribution; on the top-ten account contribution you are right, the revenue numbers as a percentage of aggregate firm's revenue numbers have been relatively stable. Some of it was event based; to the point that Arvind made earlier the ramp-down that we saw in the large client across in EMEA was one of the contributing factors to the dip that you saw. The thing that we find reassuring, given where we are right now is that we see a few client names that will jump into the top-ten client list by the time this year is over and they have significant growth momentum. The second thing that we find very reassuring is that the large deals that we have been talking about, we expect at least one or two of them to translate into being a top-ten client for us, which again is a thing that reassures us because some of them will be new logos which is complete new, new business from a revenue stream, some of them will be existing logos but the new revenue stream part of them will go up very well. So, that is how we are looking at the top-ten clients, part of it was event based as I said, but the growth momentum and the change in the mix that we will see actually over the next two to four quarters is a good pointer as we stand back, sit back and look at it.

Sandeep Shah: Okay. And you also believe that selling more than one service in those accounts is a work-in-progress or there are already efforts which are put in to do that?

Sudhir Singh: We've always had efforts and those efforts have been led by our sales leaders who have always been there in the geos to do it. What we have tried to do is we have made sure that those efforts are more, I would say they are programmatic, we are trying to make sure that each and every one of the service line leads into each and every one of the top-ten clients and Arvind and I are driving that discipline ourselves together. And it is almost like a matrix where we are ticking out, identifying opportunities very consciously, asking the client partners to make sure that they

fill those buckets wherever there are gaps. So, the point you raised is a valid point, it is part of the programmatic approach that we are taking with top-ten client mining. Is there an opportunity to increase the revenue by doing this, I think the answer is a very definite, a very emphatic yes and that is also one of the reasons why we are giving you the kind of positive commentary around large deals and pipeline that we have.

Sandeep Shah: Okay. And just last, a clarification Arvind, for the 3Q you said that despite the headwinds we expect the revenue growth in rupee terms including the forex hedge to be marginally better than what we have in 2Q, right?

Arvind Thakur: No, at this point in time when we give this kind of indication it will be in constant currency.

Sandeep Shah: Okay. So, in CC terms we expect 3Q revenue marginally better than 2Q?

Arvind Thakur: Yes.

Moderator: Thank you.

Arvind Thakur: I think it looks like we do not have any more questions, so is it okay if I can just wrap up this call. I thank everybody for joining on the call. There was I think a lot of interest on our automation story, so I am going to request Abhinandan to share with you the links of some independent analysts which will give you some insights into what we are doing in automation. With that, I close this call and wish you all a very Happy Diwali.

Moderator: Thank you very much. On behalf of NIIT Technologies, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Note:

1. This is a transcription and may contain transcription errors. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy. Some editing may have been done for better readability.

2. Any of the statements made above may be construed as opinions only and as of the date. We expressly disclaim any obligation or undertaking to release any update or revision to any of the views contained herein to reflect any changes in our expectations with regard to any change in events, conditions or circumstances on which any of the above opinions might have been based upon.