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TRAINING
SERVICES

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November 03, 2023

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The Manager
National Stock Exchange of India Limited
Listing Department
Exchange Plaza,
5th Floor, Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

Subject: Transcript of Investors / Analysts Call - Unaudited Financial Results for the quarter ended September 30, 2023

Scrip Code: BSE - 543952; NSE - NIITMTS

Dear Sir/Madam,

Pursuant to the requirement of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of Investors / Analysts Call organized on October 30, 2023, post declaration of Unaudited Financial Results of the Company (Consolidated & Standalone) for the quarter ended September 30, 2023.

The same shall be available on our website i.e., www.niitmts.com.

This is for your information and records.

Thanking you,

Yours sincerely,

For **NIIT Learning Systems Limited**

DEEPAK BANSAL
Digitally signed by DEEPAK BANSAL
Date: 2023.11.03 14:27:38 +05'30'

Deepak Bansal
Company Secretary &
Compliance Officer

Encl.: a/a

"NIIT Learning Systems Limited

Q2 FY '24 Earnings Conference Call"

October 30, 2023

MANAGEMENT: **MR. VIJAY THADANI – MANAGING DIRECTOR AND VICE CHAIRMAN – NIIT LEARNING SYSTEMS LIMITED**
MR. SAPNESH LALLA - CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR – NIIT LEARNING SYSTEMS LIMITED
MR. SANJAY MAL – CHIEF FINANCIAL OFFICER
MR. KAPIL SAURABH – INVESTOR RELATIONS & M&A

Moderator: Ladies and gentlemen, good day and welcome to NIIT Learning Systems Limited Q2 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 the conference over to Mr. Vijay Thadani, Vice-Chairman and Managing Director, NIIT Learning Systems. Thank you and over to you, sir.

Vijay Thadani: Thank you. Good afternoon, everyone. Thank you very much for joining us on this call. As always, it's a busy [development] season, so your time with us is very precious for us and we would like to take the maximum advantage of that. Also wanted to just revisit the fact that for NIIT Learning Systems Limited, which is the demerged entity out of NIIT Limited and which got listed on 8th of August, this is the first quarter as a listed entity and therefore, we are sharing the results of the quarter ending September, which happens to be the second quarter of the fiscal year.

The agenda is to give you a quick update on the demerger and listing process, which I just finished. Actually, the process got completed. The entity is listed and today, the board met to declare the quarter 2 results. While I will request Sapnesh to share with you the results and many of you have access to those already, I just wanted to reiterate the fact that the board also declared an interim dividend of INR2.5, which is INR2 and INR0.50 paisa per share of face value of INR2 each. So, Sapnesh will take us through the results and the analysis of the results as well as outlook for the coming times and then we can get into it. Thank you.

Sapnesh Lalla: Thanks Vijay and thanks everyone for joining this call. We appreciate your interest in NIIT Learning Systems Limited. I will focus on the operating performance of the company for the second quarter financial year '24.

The revenue for the quarter was INR3,819 million, which was up 27% year on year, a flat quarter on quarter. Please note that the financials include the impact of the acquisition of St. Charles Consulting Group, which the company acquired in November of 2022. The composite scheme of arrangement for the demerger of the business from NIIT Limited and Forex voluntarily.

Excluding St. Charles, the revenue was up 7% year on year and up 2% quarter on quarter. In constant currency terms, the revenue was up 21% year on year but down 2% quarter on quarter. EBITDA was at INR910 million was up 58% year on year but down 2% quarter on quarter. EBITDA margin was 24%. The margin was up 464 basis points versus the second quarter of last year and down 34 basis points quarter on quarter.

The depreciation was INR170 million. This includes the impact of the full quarter of rental expenses that NIIT Learning Systems Limited has taken on post the demerging. The net other expenses were at INR66 million.

These includes treasury income of INR64 million, net forex gain of INR14 million, exceptional expenses of 43 million, predominantly related to the demerger including INR38 million towards stamp duty and net finance cost of INR95 million. The profit after tax for Q2 was INR469 million. This was up 27% year on year.

The EPS was INR3.50 paise per share as compared to INR2.80 paise same quarter last year. Despite the EBITDA being similar to Q1 of the current fiscal year, the PAT is lower quarter on quarter due to higher taxes and scheme related expenditures. As stated earlier, while the prevailing uncertainty in the environment continues to impact near term volume of consumption of services by our existing customers, the long term prospects continue to improve.

The company continues to accelerate new customer acquisitions, increase its wallet share and maintain a track record of 100% renewal of contracts. During Q2, the company added four new managed training services customers. This is the third successive quarter with an addition of four customers. These included one large industrial and chemical company, one top four professional services firm, a global asset management company and a global or international development organization.

In addition to the four new contracts, there were our renewals out of which two were expansions. So, the new contracting activity as well as the renewal activity continues to be as per our expectations which was to continue to accelerate.

The number of active managed training services customers now stands at 85 and with these additions and expansions, the visibility for the business as on September 30, '23 is at $350 million. The balance sheet continues to be strong. Although there is a temporary increase in working capital required to transition some of the contracts which were held at NIIT Limited, NIIT Learning Systems Limited post completion of the merger, we expect the temporary phase to get over soon.

The DSO was at 46 days as compared to 42 last quarter and 41 Q-o-Q, consequent to the temporary increase in working capital. The cash balance is at 5,858 million. The net cash is at 4,809 million. This includes the impact of temporary increase in working capital as well as the closing of the EUR3 million investment in EIT InnoEnergy, which was consummated in this past quarter. The headcount increased by 78 quarter-on-quarter to 2,468. The ramp up was to take care of the transition for customers added in the previous quarter.

NIIT Learning Systems Limited continues to make disproportionate investment in sales and marketing and new capabilities as we have discussed in the past. During the quarter, as I pointed out just a minute ago, we made a strategic investment in EIT InnoEnergy to open up the green energy sector for activity where we can gain managed training services customers as large organizations or startups start to make their mark in the decarbonization journey.

We are also investing and making rapid progress in leveraging AI across multiple aspects of our work. Like I have pointed out in the past, AI is going to materially impact work that not just we do, but the work that our customers do as well. And investments in the area of AI will hold us in good stead as we bring value to our customers.

The sales pipeline continues to be strong and the environment is aiding given the higher propensity to outsource given the uncertainty. We are also actively seeking to invest in organic growth and we will let you know about activity in this area as something material shows up. As stated earlier, when we announced our annual results for FY '23, we had expected the first half of FY '24 to be flat. Our results are approximately in line with that guidance. As guided, we have seen an acceleration in deal velocity and that is visible in the new customer additions that I talked about. And the pipeline continues to be robust. As a result of deal win, the deal wins have accelerated and we continue to see 100% customer retention.

While the rebound in consumption is taking longer than we had expected, we expect that the new customer acquisitions will help bring growth momentum back as consumption starts to stabilize and pick up. While the medium to long term fundamentals of the business are improving, sequential growth is challenged in the near term as the positives are being offset to a great extent by the compression in spending by existing customers due to the prevailing economic uncertainties.

Although recovery is delayed, we expect to see some sequential growth in H2 driven predominantly by new customer additions. Based on this, we now expect a growth rate from a year-on-year perspective for FY '24 to be in the early to mid-teens. We expect the margins to be in the 22% to 24% range for the full year.

We think that over time as the spending levels come back to what is normal and considered healthy and given the transformations that most of our customers and entire industry segments are going through, we expect that most industries will invest in training to ensure that they are able to achieve talent and skills that they need to complete the transformations that they have embarked upon.

And I think that is what will ensure that we continue to grow at 20 plus percent from a year-on-year perspective in the long term.

With that, I wanted to close out my prepared comments and hand you back to Vijay and the moderator for our Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Siddhant Dand from Goodwill Warehousing. Please go ahead.

Siddhant Dand: Hi. My first question, you know, was about the one-off, the 30% tax and the exceptional items. So, could we assume that the exceptional items are done for now on the merger-related expenses? And secondly, what would, what's the reason for the higher tax refer?

Sapnesh Lalla: The reason for higher tax, there are a couple of reasons. The first one is that in Q1, we had got a benefit, a one-time tax benefit, which we did not accrue in quarter 2. And second, we had to, we had a higher incidence of tax because of movement of, or a dividend from one subsidiary to another to take care of a capital investment. So, from an overall perspective, as we look ahead, we think that our tax rate will be in the area of 27% going forward.

Siddhant Dand: Okay. And the M&A expenses, like the demerger expenses?

Vijay Thadani: So, demerger expenses are one-time expenses. For example, stamp duty. And by the way, tax rate also gets affected by that because it gets expensed out, but it does not get you a tax benefit. Therefore, also the tax rate appears higher.

Siddhant Dand: But going ahead now, exceptional items would be largely done, the demerger-related?

Vijay Thadani: Yes. So, those are done, but let Sanjeev, our CFO, let him explain to you. Some of them are of a continuing nature. You will see those. So, Sanjeev, just.

Sanjeev Bansal: So, the exceptional expenses, as we mentioned, this time were more related to the stamp duty, which any other incidence of that, but other legal expenses and other things will be not there anymore. So, there is an adjustment of financial charges basically, sorry, the certain expenses relating to NIIT options, which are there, those will continue, but it will keep going down each quarter. This is pre-demerger, whatever NIIT options were there for NILSL or under the other miscellaneous expenses, those will not be issued anymore.

Siddhant Dand: Okay. So, a continuing question actually I had was on the ESOP policy, you know, around how much equity are we diluting every year with ESOP on longer term basis?

Vijay Thadani: I am sorry, we are not able to understand what you are saying.

Sapnesh Lalla: Maybe one of us understood. Is there an ESOP policy to dilute a fixed proportion of equity in terms of ESOP every year? Is there a guidance related to that?

Vijay Thadani: No. So, the company does have an ESOP policy. At this point of time, NIIT Learning Systems, because it has just got listed, its ESOP policy is not yet approved by its AGM. And therefore, I cannot say that we have an approved policy, but NIIT Limited had an ESOP policy and many people who have moved from NIIT into NLSL have got that ESOP grandfathered into their employment, which means that if they had unvested options, then those options will vest as per the schedule and they will get one share of NIIT and one share of NLSL.

NLSL will have to bear the expenses of all the shares which have been given to NIIT, options given to NIIT and NIIT will have to bear all the options of NLSL people as and when they get exiled. So, I think that is the way the expenses get worked out. If you like, we can talk to you and explain to you on a chart how it works out.

Siddhant Dand: No, no. Okay. That is good enough. Just my last question was, we have a substantial business in Canada. So, despite the geopolitical thing, how is it going over there and are we facing any issues with visas or anything?

Management: We haven't faced any issues.

Siddhant Dand: Okay. That's great. Thank you.

Moderator: Thank you. Next question is from the line of Shradha from Asian Market Securities. Please go ahead.

Shradha: Hi. A couple of questions. The first is, generally, in every third quarter, we see some budget flush happening. So, do we expect this kind of a flush this time as well?

Sapnesh Lalla: Are you going to ask your next question or you want me to respond to this one first?

Management: Sir, first answer. Then she will think of the next.

Sapnesh Lalla: Well, the flush is indicative of budgets that organizations want to use so that they don't lose them. At a time when budgets are compressed, while in some customers there might be, but it's not something to write about.

Shradha: Okay. So, sir, in your new guidance, even if you assume a 12% growth, the ask rate is close to 3% for the next two quarters. So, how comfortable are we at the new guidance or do we see a chance of further cut in guidance if that 3% growth doesn't come by in the next two quarters? I mean, is there any chance of a further cut because the macro situation still remains very volatile?

Sapnesh Lalla: So, in none of what I'm going to say, I want to mention that the macro situation is not volatile and will not continue to stay volatile. It is uncertain and it is likely to stay uncertain. We have added 12 new customers in the last three quarters and those customers, some of them have ramped up and some of them are in the process of ramping up. That gives us most of the confidence to be able to see the sequential growth that we are looking for. Now, we don't expect the bottom to fall off. And so, while there are some risks, but not very substantial.

Shradha: And on the revenue visibility numbers, I mean, why is there a drop this time as well? I do understand that it is also to do with -- the top accounts not doing well. But given the fact that we've been adding new clients, so shouldn't that number start trending up now?

Sapnesh Lalla: Well, like you pointed out, when we add new customers or renew contracts, that number goes up. But as customers consume, so as we accrue revenue, that number goes down as well as if we see compression and spends of certain customers, we on our own accord take down the visibility for the balance of the contract. They get down to the run rate that we have seen. So, those are the balancing factors. This quarter, what's been taken down or what's been consumed is a little bit higher than what's been added. In a number of previous quarters, what's been added tends to be more, so, it's a little bit of a seesaw.

Shradha: Okay. And so, just last question. Earlier, our indication on tax rate used to be in the range of 19% to 20%. Now, we are indicating a 27% tax rate. So, why is there a change in our commentary on tax rate?

Sapnesh Lalla: Our tax rate was lower because we were accruing benefits with respect to carry forward tax benefits that we had from the past. Those have been consumed and we don't see any leftovers going forward. So, what you see going forward is going to be the normal tax rate that you would pay on top.

Management: Yes, just to add, so there will be normal tax rates which will be there and certain notional expenses which are not eligible for tax also add up to the effective tax rate. So, that's why we are saying that with some benefits, if at all, we are able to, then we will be in the vicinity of 27%.

Shradha: Got it. Thank you. If I have any follow-up, I'll come again later. Thanks.

Moderator: Thank you. Next question is from Darshil from Crown Capital Partners. Please go ahead.

Darshil: Hi. Good evening. Thank you so much for taking my question. Just wanted to know with our guidance that you've given, maybe like in terms of margin, in this quarter, we've accrued some warm-up expenses. So, when you're increasing, wouldn't margin be a bit better than what we are indicating? Are we thinking of a conservative in terms of margin? That's my first question.

And in terms of growth that we are expecting, maybe FY ‘24 might not be highly growth, but FY ‘25, can it have a disproportionate growth? Or, you know, can we, does it have any target that, we can maybe do in FY ‘25? Maybe can we -- at a level, we think it will compress growth so that we may even touch FY ‘25. Can you see that growth can be higher?

Sapnesh Lalla: So, I heard two questions. Your line was a little bit choppy, but I think your first question was that given the one-time expenses are behind us, do we see better margins? The margins that we've guided are EBITDA margins. So, they are predominantly excluding any one-time expenses. One of the reasons why margins will be compressed a little bit starting in Q2 would be the impact of wage increases that we have done starting October of '23. That would be one of the key reasons for the impact to margin.

I think your second question was, do we expect growth rates to break out in FY ‘25? I don't think the uncertainty is going to act like a switch where while the switch is turned off right now, it will certainly turn back on. We will see gradual improvement in growth rates over ‘25, I think. And as uncertainty lifts, we will start to see a healthier consumption environment.

Darshil: Just wanted to ask for a clarification. In FY ‘24, how much growth rate are we expecting, sir?

Sapnesh Lalla: Early to mid-teens.

Darshil: Okay. And just as a bit of a new to the company, just wanted to understand how does our revenue visibility work? Like the contracts that we have are over what period of time and how does that, how do we just -- could you just give a brief explanation of how does that work and what all can be impacted? Because as we said, some things got consumed and some things are not getting added. So just a brief something on that?

Sapnesh Lalla: I'll try to do that. It's the summation of the run rate value on a contract times the number of quarters left on the contract. So let's say we have a contract that was set up for a period of three years. Let's assume that we have completed one year of that contract. And let's assume that that contract is running at $1 million per quarter. So then when we set up that contract for three years, we would have taken the visibility of $12 million.

Given that we have completed one year of the contract, we would have reduced from that $12 million, $4 million of visibility. And therefore, the balance that's left would be $8 million. Now, in this period of one year, if the run rate on that contract went down, let's say from a $1 million to $750,000, or conversely, if the run rate went up from a $1 million to say, $1.5 million, then what we would do is we would revise the visibility against that contract for the balance period to show the current run rate on that.

And then what I described to you is one line item in such a list. And we tally up all 85 or all active customers and sum that up. And that's the visibility. Of course, in every quarter, we add the new customers that we add to the list, as well as if we have any renewals, we add that and we come up with a number.

Darshil: Thank you so much. I think that I understood it. So this one final question. So the $350 million visibility would be on a rough range. What would be the average length? Like it's three years, two years. What would be expected to be?

Sapnesh Lalla: About two years.

Darshil: Okay. Thank you. Thank you so much. All the best for your future. Thank you.

Management: Thank you.

Moderator: Thank you. Next question is from the line of Sarang from RW Investment Advisors. Please go ahead.

Sarang: Hello. Thank you for the opportunity. Good evening. So I have two business related questions and a couple of bookkeeping questions. So generally, how is the revenue model with client structured? Is it per learner basis, per employee or is it per year or per project basis also?

Sapnesh Lalla: Do you want to ask all your questions first or do you want me to respond to one at a time?

Sarang: I'll just ask first your response.

Sapnesh Lalla: Okay. So the way we look at revenue or the way we build these customers is basis transactions that we do with our customers. We have different ways in which we deliver services. For example, we could be training or delivering training to our customers, employees or partners or customers. We could be creating training materials for them. We could be providing services to manage schedule and run classes for them. We could be providing services to buy third-party training for them. We could be building learning technologies for them.

All of these services, we break those down as transactions when we write contracts or statements of work with our customers. So a statement of work could be running a class. A statement of work could be creating training programs. A statement of work could have managing training programs or buying training on their behalf.

And we price each transaction based on what the transaction typically costs our customer to do. Due to that, we put our margin and then come up with a mechanism for charging our customers for the transaction. And every month we tally up how many transactions we did and send our customers a bill against the transactions.

So like I pointed out, a transaction could involve delivering training to many employees, in which case we will get paid by the employee. In some transactions, it could be creating learning programs which would result into billing our customers on the number of hours of training we created for them and so on and so forth. So it is transactional in nature. We set up price per transaction and we bill them on a monthly basis for the transactions that they consume.

Sarang: So that was very elaborate and comprehensive. So when you say, they have come for renewal, it means that they will stick as a customer?

Sapnesh Lalla: Say that again. I couldn't completely understand?

Sarang: So when you say 100% renewal rate, does it mean that they will stick as a customer to NIIT?

Sapnesh Lalla: Yes. So like I pointed out earlier, a typical contract tends to be three years to five years in duration. Let's say, a customer's contract comes up for renewal. Let's say if a customer's contract was for three years and we are coming up towards the end of that contract period, they have an opportunity to renew the contract. And when we say that, we have a 100% renewal record, what that means is every time a contract that has come up for renewal and the customer has renewed it with NIIT.

Sarang: Understood. So also your top five customers, could you please tell which industry they would primarily be in?

Sapnesh Lalla: No, we don't talk specific to the customers, but suffice it to say that some of our key customers are in the technology and telecom space. Some of them are in BFSI and so on and so forth.

Sarang: So a few bookkeeping questions. Sir, could you please quantify the financial charges that will continue as part of the exceptional expense?

Sapnesh Lalla: So the financial charge on a notional basis at this point in time is 60 million for the quarter and it will be in a similar vicinity as we go forward. And there will be a determination which happens on the earn out which will happen in Q4. Based on that, it will then next year onwards or that quarter onwards, it will be lower and then again it will build up as we go.

Sarang: Okay. So there's other receivables and other financial current assets which is referred as strategic sourcing services. By looking at your H2 balance sheet also, I presume that this figure is still quite significant. Could you please explain what this really pertains to?

Sapnesh Lalla: Sure. So one of the services that I was explaining to you, the services that we offer, one of the services we offer is by training from third party vendors on behalf of our customers. We call that service as strategic sourcing and we do not recognize revenues that are transacted between vendors and our customers as top line revenue. We only recognize the profit bearing part of the transaction as revenue.

Whereas the transaction which is a customer buying materials from a third party vendor and then paying for it through us is treated as a pass through transaction. The balances of these pass through transactions are kept on the balance sheet as strategic sourcing related current assets.

Sarang: Sure sir. And the final question as per fair value loss of contingent consideration, you just put in finance cost. This is quite significant, right? Is this arising from any revaluation of particular assets with respect to scheme of arrangement as well?

Sapnesh Lalla: So, I just clarified, this is the fair value adjustments on deferred earn out consideration. This is what I mentioned 60 million at this quarter relating to St. Charles acquisition. And the first earn out determination will happen in beginning of next year, the first quarter, calendar quarter. And based on that, thereafter it will be for the residual period which again will keep reducing every year. But for the year, it will remain in the same vicinity in four quarters.

Sarang: Thank you so much and all the best.

Sapnesh Lalla: Thank you.

Moderator: Thank you. Next question is from the line of Narendra from RoboCapital. Please go ahead.

Narendra: Yes, hi. Thanks for the opportunity. Two questions. The first one is regarding your strategic investment in the EIT, InnoEnergy Company. So what kind of market does it open up in terms of size? What kind of market size does it open up to us?

Sapnesh Lalla: So the market segment that it opens up is what we are calling the green energy or the renewable space. There are a number of companies from a variety of segments that are entering that segment. These include automotive majors, industrial majors, energy companies, net new companies who are setting up gigafactories. So it opens up a host of new green energy oriented companies.

Narendra: So is there a market size that you could quantify? A number that is equal to right?

Sapnesh Lalla: I think one way of looking at it is that most energy majors are looking at 2050 as a cutoff year when they will transition to green energy. So if you were to look at a typical top 10 energy company, they are about a $200 billion average. That's the size of an energy company. And if you were to restrict this market just to the top 10 energy companies, it's $200 billion times 10.

But that's not where the market is going. Utilities, net new battery companies, automotive companies and so on so forth are entering the space. So the space is going to be several trillion dollars. Over a period of time. Not today but over a period of time.

Narendra: Okay. Got it. Thanks. And the second question was regarding the sourcing of talent. So are we facing any kind of challenges on that side or are we good there?

Sapnesh Lalla: We are, okay, on talent. We do a number of things to ensure that the talent that we have continues to be happy and well looked after. So we have better than industry averages on retention. And we have not had any challenges in recruiting great talent.

Narendra: Got it. And one last question. For example, if a company is earning say, x amount of revenue, so what part of it on an average goes into training? What part of it comes into your pockets?

Sapnesh Lalla: So typically an organization spends about a $1,000 to $1,100 per employee on training or approximately, 1% of their revenue on training. That's the typical average, ballpark average. The global training market is, depending on the report you read, tends to be in the $400 billion space. Today from an outsourcing perspective, we believe that the penetration is at about 5%. And we believe, there is very significant headroom given that about 2/3 of that market is in wages of people who work for companies in their L&D organizations.

Narendra: Okay. Thank you. Got it. All the best.

Sapnesh Lalla: Thank you.

Moderator: Thank you. Next question is from Ganesh Shetty, individual investor. Please go ahead.

Ganesh Shetty: Hello sir. Good evening. Can you please update the performance of St. Charles during this quarter? And I just also wanted to know, whether is there any prospective customer of St. Charles becoming MTS customer of our company? Can you please throw some light on this, sir?

Sapnesh Lalla: So, thanks for your question Ganesh. We do not share specifics about line item across NIIT's revenue. However, suffice it to say that St. Charles has done better than what they had projected at the time of acquisition. In terms of customers where we may have been able to gain synergy, like I pointed out earlier in the call today, we've been able to add one large professional services company as a managed training services customer.

Ganesh Shetty: Sir, I want to know after the de-merger and becoming a wholly independent company and now we are out for acquisition and are you looking for acquisition which adds to our skill gaps or geography or for that sake is adding new customer set. So, is there any specifically you are searching for this?

Sapnesh Lalla: That's a great question. I would say if there was a way to look at past to predict our future, that might help answer the question. So, yes, we look at acquisitions that help create new capabilities or get us involved in new geographies or in new market segments. Those are the three key areas that we look at when we look at an acquisition.

If you take the example of St. Charles, while they were in the US geography where we already have presence, but they have significant presence in the management consulting and professional services firms where we as an IIT did not have a lot of penetration. So, that helped us penetrate the professional services and management consulting company segment. Prior to that, we had acquired Eagle Productivity Solutions, who had significant penetration in the life sciences segment and post that acquisition today almost 10% of our revenue comes from the life sciences segment.

So, both of these acquisitions are evidence of the strategy that we use to make acquisitions. One to gain new capability, second to add a new customer segment or a new geography. In terms of geographies, we are looking at expansion in Europe. So, we will look at continental Europe as a geography to open up through acquisitions. There are a number of capabilities that we have identified which could help improve the share of wallet for our customers and we would be looking at acquisitions to add those capabilities as well.

Similarly, we have identified market segments that we want to penetrate such as automotive and others which we have identified for acquisition as well.

Moderator: Thank you. Next question is from Pooja Doshi from Saral Management. Please go ahead.

Pooja Doshi: So, thanks for taking my question. This low to mid-team revenue growth guidance you gave is organic, right?

Sapnesh Lalla: No, this is for the company consolidated in constant currency.

Pooja Doshi: Okay, perfect. And sir, what is the mix of our full-time versus part-time trainers, if you could give that number please?

Sapnesh Lalla: You said specifically for trainers. That's approximately 25-75. 25 full-time and 75% part-time or contractors.

Pooja Doshi: Okay. And so, what is our dividend payout policy for the company?

Sapnesh Lalla: I would request Vijay to answer that question.

Vijay Tharani: Yes. So, if you see from the time that NIIT was listed, we followed a policy of paying a consistent dividend which would at best remain static or at worst remain static but would grow marginally year-on-year. And would not be directly aligned with the profits because profits go up and down, business environments go up and down but the dividend payout should be consistent. That's the policy we have followed. Consistent policy and small increases every year.

In the past also, in the recent past also that is the case. As far as NIIT Learning Systems is concerned, it is considering dividend for the first time. And this dividend actually should have been due for FY'23. But at the time when FY'23 results were declared, at that time NIIT Learning Systems were not listed. And therefore, the demerger process was still work in progress. So, this interim dividend in many ways is to continue with the tradition of a consistent payout year-on-year even though in this case it is happening in the year following the year of demerger.

Pooja Doshi: Okay, all right. Thanks for that. And so, like a question related to the employee count. So, you all have 2300 odd employees out of which I believe 500 of them are in the US approximately. So, does this mean that most of these employees are trainers given, you know, you say that your training is proprietary in nature like the ones in the US specifically?

Sapnesh Lalla: So, training delivery which is, what is done by trainers is one of the four practices that we have. Other practices include consulting and advisory services, learning content creation and learning administration. In addition, we have a smaller practice that focuses on learning technologies. So, the 25-75 split that I mentioned was for the learning delivery practice.

Pooja Doshi: Okay, understood. And so, what would be the cost arbitrage for our target customers in providing training inhouse versus outsourcing it to like soft NIIT Learning?

Sapnesh Lalla: We don't discuss cost arbitrage or specific margins or markups publicly given that public information is accessed by our competitors as well.

Pooja Doshi: Okay, no worries. I think that's it from my side. Thanks so much.

Sapnesh Lalla: Thank you.

Moderator: Thank you. Next question is from the line of Gurvinder Juneja from Fortuna Investment. Please go ahead.

Gurvinder Juneja: Yes, thank you for taking my question, sir. What I want to understand is how different are the skill sets your teams need to bring to the table for a customer in one industry versus another industry? Or rather ask differently, you know, what does it take to service a customer from different industries from a training perspective?

Sapnesh Lalla: I think that's an excellent question. And it might take me a couple of minutes to answer that question. So, let's look at what we do. What we do is deliver training where we have trainers who have expertise in areas that a customer wants to learn. And we ensure that those trainers are able to deliver training so that the employees or partners or customers of our customers gain the outcomes that they are looking for.

Second, we create learning materials. And those learning materials are often used by trainers or these are digital learning materials that are used directly by employees or partners or customers to learn on their own. And then we also often help manage learning events for our customers.

Now, to answer your question on what kind of talent do we need to run our business? When we look at trainers, those are folks who have expertise in the area of work that the customer wants us to do. So, if a customer wants us to train them on how to drill a hole in the ground so that they can explore for oil, our trainers have expertise in that. Just as if a customer wants our trainers to teach them about how to value derivatives, our trainers would have expertise in that area.

When we look at creation of learning content, our employees have more expertise in instructional design, which is focused on how to create learning materials that can generate learning outcomes. We work with third party or our customer subject matter experts to gain the industry or specific proprietary expertise that we need to reach our customers on.

Those are the two specific areas where we have expertise. Where we have expertise is in our ability to bring on experts who can be trainers with proprietary skills to deliver training, as well as instructional design and learning management expertise so that we can both create content and manage the process of training at large scale globally.

Gurvinder Juneja: Thank you, sir.

Sapnesh Lalla: Does that answer your question?

Gurvinder Juneja: Yes, it does. It does. Thank you very much.

Sapnesh Lalla: Thank you.

Moderator: Thank you very much.

Sapnesh Lalla: Moderator, we are in the last three or four minutes of this call, so maybe we can limit it to one last question.

Moderator: Sir, we don't have anyone in the question queue. Would you like to give any closing comments?

Vijay Tharani: So, thank you very much. I think we had some very interesting questions from you. And I also noticed some of you mentioned that we are new to the NIIT talks, so welcome to these meetings. And we'll be very happy to answer any further questions or provide any further clarifications.

As usual, these meetings are very educative for us because your questions also get us to ask questions on ourselves, as well as explore new avenues. So, thank you very much for participating. I do know in this busy season, your time is very precious, and thank you for spending that precious time with us. At this time, the last thing to say is to thank you again and look forward to our further meetings.

Next week, some of us will be in Mumbai and in case there is a case for a face-to-face meeting, we'll be very happy to organize that. Kapil, Saurabh will be able to coordinate that for us. With that, I close this meeting. Thank you.

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