



TRANSCRIPT: NIIT Technologies Ltd Q2FY2020 Results Conference Call

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FROM NIIT TECH:

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(1 crore = 10 million)

Moderator: Good day, ladies and gentlemen and welcome to the NIIT Technologies' Q2 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhinandan Singh, Head – Investor Relations and M&A at NIIT Technologies. Thank you and over to you, Mr. Singh.

Abhinandan Singh: Good afternoon and a warm welcome to all of you to our Q2 FY20 earnings conference call. You would have received our results by now. Those are also available on our website www.niit-tech.com. Present along with me on this call are our CEO Mr. Sudhir Singh and our CFO Mr. Sanjay Mal. We will start this forum with opening remarks from Mr. Sudhir Singh and post that, we would open the floor for your questions. With that, I would now like to hand over the floor to Mr. Sudhir Singh, our CEO. Over to you, Sudhir.

Sudhir Singh: Thank you, Abhinandan and a very good evening and good morning to you across the world folks.

We are pleased to report that we registered a good performance in Quarter 2 of Fiscal Year '20 (Q2FY20). On this call today as I walk you through the results, I would like to call out the framework under which I shall articulate them. You are aware that in April 2019 we divested the GIS business and on June 14, 2019, we closed the WHISHWORKS acquisition. I shall be discussing numbers and analysis only in the context of the continuing business that is excluding Esri which was divested and including WHISHWORKS which has been acquired.

Let me start off with an overall revenue analysis for the firm. We would like to share that revenues grew quarter-on-quarter in constant currency terms on an organic basis by 4.1% and 8.2% on a reported basis for continuing operations and they reached Indian Rs. 10,385 million. In constant currency terms, BFS expanded 8.3% quarter-on-quarter contributing to 16.7% of revenue. Travel, Transport and Hospitality was up 5% quarter-on-quarter contributing to 27.8% of revenue and Insurance grew 14.8% quarter-on-quarter contributing 31.1% to the overall revenues. The other segment collectively grew 2.2% quarter-on-quarter and now represents 24.4% of the overall revenues.

In reported terms, BFS expanded 9.4% quarter-on-quarter contributing to 16.7% revenue. Travel, Transport and Hospitality was up 5.8% quarter-on-quarter contributing to 27.8% of revenue and Insurance grew 15.3% quarter-on-quarter contributing to 31.1% of overall revenue. The other segment collectively grew 0.8% quarter-on-quarter and now represents 24.4% of overall revenues.

Americas, EMEA, APAC and India contribute 49%, 37%, 10% and 4% respectively to the revenue mix. The top 5 clients now contribute 28.6% of the total revenue and the top 10 and the top 20 contribute 39.2% and 52.2% respectively of the total revenue. The broad based growth is reinforced by the number of million-dollar plus clients, which climbed to 95 this quarter.

Onsite revenues were stable quarter-on-quarter at 66% of total revenue. With that, the revenue analysis commentary is complete, and I am going to revoke to roll over the margin analysis section.

On margins, we are pleased to report that we registered a good performance in quarter 2. EBITDA margin for the quarter under review increased to 18.3%. This reflects a positive impact of 118 bps on account of margin improvement across all business units. Effective tax rate for the quarter stood at 18.1% which is a reduction of 810 bps from Q1 on account of reversal of deferred tax liability on intangibles in acquired subsidiaries after moving to the new tax regime. You will also recall that in the previous quarter, there was capital gains tax incurred on the sale of the GIS business. Normalized tax rate for the quarter stood at 22.7% after adjusting for reversal of DTL on intangibles that I talked about. The net profit for the quarter stands at Indian Rs. 1,195 million.

Rolling on to the order intake section. The order intake story remains positive. We secured fresh business of US \$176 million during the quarter. Out of this US \$176 million order intake, the US contributed US \$65 million, EMEA US \$41 million and ROW US \$70 million. Ten new customers were added during the quarter. As I have noted in the past two quarters, we have climbed our hunting engine to focus on select, but highly scalable pursuits. We have also repurposed some of our hunters to drive accelerated growth across existing accounts. Order book executable for the firm over the next 12 months has expanded and it now stands at US \$405 million.

I am going to switch over to talk about delivery operations and capability augmentation measures that have been underway. In line with our focus of engaging with emerging technologies, we delivered high impact projects for our clients. Using our proprietary intelligence content extraction framework, we call it SLICE, we built and deployed a feedback addressable mechanism for a UK based travel tour operator and leveraging SLICE again, we also developed an application to extract contacts from a large number of customer websites for a wealth management firm in the States. The last quarter saw successful cloud migration exercises across geographies and clients as well. We moved entire legacy data centers and user desktops for 3 firms in the UK and we also move the operations and applications for an asset management firm in the US to the cloud.

In other developments, we also setup a security incident monitoring center for a UK based regulator. For a regional multiline P&C carrier in the US, we have been part of their transformation program including a greenfield implementation in a record time of 5 months. We

also enabled digital partner business for a commercial lines carrier by which agents and partners can quote and buy an end-to-end solution using a cloud based API implementation. We implemented a large and complex border immigration system for one of the largest airports in the Asia Pacific region as well in this quarter. Moreover, we also completed outcome based consultancy with the transportation service provider in the US, reducing their IVR wait time by more than 20%.

Cognitive technologies, which effectively is AI which we talked about, being a focus area for the firm, we are building multiple solutions that address business problems with AI (Artificial Intelligence). For a large financial management firm involved in equipment leasing, we have created a prototype that uses machine learning to interpret and provide options for leasing. For Airlines, we have created a mobile experience which can help drive and grow their ancillary revenues. The way this works is that if one is delayed due to traffic on way to an airport, an offer is proactively made to passengers that fast-tracks all airport formalities. We also developed multiple use cases, both text and voice, for a major insurance US player using our Conversational Interface Framework iVera.

As part of our strategy to transform select industries at the intersect with emerging technologies, we continue to invest and build capabilities across verticals, that's industries, and horizontals to deliver best-in-class solutions. A recent report published by HfS endorses our capabilities in cognitive technologies and the value we continue to deliver to our clients.

I am going to talk about the people aspect now. Total headcount at the end of this quarter now was 10,800 which reflect an increase in headcount of 503 employees. The utilization during the quarter has risen to 80.7%. Attrition has reduced to 12.3% and the attrition metric continues to be best and lowest in class.

Balance sheet key highlights: cash and bank balances stood at Rs. 7,659 million. capex spend during the quarter was Indian Rs. 146 million. Debtors at the end of the quarter stand at 73 days of sales outstanding, which is the same as last year this time. DSO including unbilled is at 89 days.

Commentary on the hedge position: outstanding hedges in USD are 71.79 million at an average rate of Rs. 73.08 to the US dollar. In British pounds, we have 17.99 million outstanding at Indian Rs. 93.39 to the Pound and in Euro; it is 6.3 million at Indian Rs. 83.92 to the Euro.

Summing up finally with the outlook, overall as you would have noticed for the quarter under review, the company clocked robust revenue and margin growth. The fundamentals of the business are strong. Quarter 3 as you know is a smaller quarter with furloughs. As a result, the growth we expect in quarter 3 to be moderated.

With that, ladies and gentlemen, I am done with the commentary from my end.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ruchi Burde from BOB Capital Markets. Please go ahead.

Ruchi Burde: My question was regarding the BFS client where we had called out some challenges. Could you update us what is the status of that account today?

Sudhir Singh: We called out the challenges at that point in time. Things seem to be stabilizing, but some challenges continue.

Ruchi Burde: And you mentioned about furloughs will impact Q3 performance, but could you qualify how you see the quantum of furlough as compared to last year? One of your peers called out that there could be more than expected furloughs. So, what is our expectation?

Sudhir Singh: We expect furloughs to be in line with the kind of furloughs that we have seen in the past. Because the number of billing days is lower and there is a furlough impact on account of the holidays, we expect growth to be moderated.

Moderator: Thank you. The next question is from the line of Sandeep Shah from CGS-CIMB. Please go ahead.

Sandeep Shah: Sudhir, just wanted to understand any impact related to Brexit which leads to any kind of uncertainty in the coming quarters as a whole or maybe over medium term?

Sudhir Singh: Sandeep at this point in time, as you are aware, our exposure to the market is largely centered around Travel & Transport, it is centered around BFS and it is centered around Insurance. From an EMEA perspective, most of our exposure is centered around Specialty Insurance and Airlines and Airports. We have not seen a softening of demand at this point in time in these sectors and in the short to medium term, we do not anticipate a softening either.

Sandeep Shah: Okay. And you said regarding the BFS client, there are some challenges even expected to continue in the coming quarter 3Q, that is right?

Sudhir Singh: That is correct. This has been the second quarter in which those challenges have continued and we do expect them to continue for a while.

Sandeep Shah: And any softness in terms of the client decision making in any of your sectors outside the BFS where you called out one client specific issue where you believe because this is like a very solid performance, consistent performance of Q-on-Q improvement in order intake where you believe now with a volatile macro that trend may be broken going forward or is it that possibility are you looking at?

Sudhir Singh: Sandeep, for a firm that is running at an annualized rate of close to \$600 million now, we do not believe that macro changes, unless they are drastic, impact outlook from our point of view. Most

of our growth comes on the back of increasing our wallet share in existing accounts or seizing wallet share from other competitors in the market place. To that extent, we do not expect macro factors to become a material reason for performance to get impacted.

Sandeep Shah:

And just last few things. On the margin, how should we look at it because at the EBITDA level, you always said that 18% is a new normal, but generally in Q3-Q4 also you try to optimize the margin? So, one can say there is more of an upward bias than a downward bias on a Q-on-Q basis at constant currency? And second, in terms of the interim dividend, because last year there was no final dividend and we said that the new promoters or the management will take a call on the same. So, can we fairly do assume that this interim dividend of Rs. 10 per share may even continue in Q3, Q4 and in Q4 we may have a final dividend of the whole year of FY20.

Sudhir Singh:

Coming to the first question which is centered around margins, we continue to maintain Sandeep that 18% on an annualized basis is the new normal for the organization. We are tracking well to it and we will continue to make sure that we deliver at least 18% EBITDA. On the interim dividend front, as you are aware, in the Board Meeting today the Board has recommended an interim dividend of Rs. 10 per share. The dividend policy is something that has already been communicated and is already available on our website. There is no change to that policy at present and the Board will continue to take a call on dividend payouts as per that policy moving forward.

Sandeep Shah:

So, any quantification of that policy in terms of yearly payout we are looking at?

Sudhir Singh:

There is no quantification, Sandeep. As part of the policy, the Board will look at the parameters listed there before taking a call on what, and if, any dividend is to be declared in that given quarter.

Moderator:

Thank you. The next question is from the line of Ashish Aggarwal from Principal Mutual Fund. Please go ahead.

Ashish Aggarwal:

Just wanted to understand, there looks like some softness in outside top 5 clients especially top 6 to 10 clients. Any specific issue with these or these are mostly on a quarterly aberration basis?

Sudhir Singh:

Ashish, the 4.1% organic constant currency growth this quarter has come on the back of a 4% growth in the previous quarter as well. So, if you look at the last ten quarters performance, sequential growth has been very robust. The clients numbers 6 to 10 that you are referring to have grown, but they have grown marginally. We do not anticipate any material weakening in that section moving forward.

Moderator:

Thank you. The next question is from the line of Dipesh Mehta from SBICAP Securities. Please go ahead.

Dipesh Mehta: Couple of questions. First to start with data related question, can you help us provide insurance subsidiary WHISHWORKS revenue and margin breakup?

Sudhir Singh: Sure. So, as we talked about last time, Dipesh, we will be providing data specific to subsidiaries where the payout is still ongoing. In light of that, the data for WHISHWORKS for this quarter is: revenue was Indian Rs. 425 million and the margin was 28%. NITL, which is our product platform company where we always provide numbers, the revenue was Indian Rs. 517 million and the margin was 28% again.

Dipesh Mehta: And coming to the business, right now BFSI seems to have had a very strong quarter. Some of your peers have indicated some kind of softness in spending as well as client specific challenges. So, if you can help us understand what drives strong growth for us in BFS particularly considering one client where we are also seeing some kind of softness, if you can help us understand area of strength and in terms of deal intake also if you can help us understand the deal intake which you indicated about \$176 million, how it is divided across vertical if you can provide some detail around it? Thank you.

Sudhir Singh: So, BFS in our case, Dipesh, is fundamentally a play around the Capital Markets buy side, which is Wealth and Asset management. The innovation dollars flowing in there, the demand outlook that we see, the centrality of digital spend as the industry and the business leaders there understand it, continues to stay along the axis that we have seen it for the last 2-2½ years. overall, from the immediate client set, from the prospects that we going after, we have not sensed any material softening at this point in time. Can you repeat the second question please because I might have missed that when you called out the second one?

Dipesh Mehta: So, we have signed \$176 million deal for the quarter and even if one looks at last few quarters, I think order intake remains very strong. So, for this quarter if you can help us understand vertical kind of incremental detail, how it has played out across verticals?

Sudhir Singh: Dipesh, the order intake has been broad based. What I will do is I have requested my colleague to dig out the specific numbers and by the end of this call or before the end of this call; I will try to give you the hard numbers around that as well.

[NOTE: As mentioned later in the call (see page 13 of this transcript), total order intake for the quarter was US \$176 million. Travel and Transport contributed US \$50 million, BFS contributed US \$20 million, insurance contributed US \$40 million and others contributed US \$66 million.]

Moderator: Thank you. The next question is from the line of Shashi Bhusan from Axis Bank. Please go ahead.

Shashi Bhusan: Our deal win has seen it almost a dream run over the last 2.5 years or 3 years, I would say. So, two parts to my question. What exactly is working well for us that is driving such a strong run

and how is the pipeline look like for H2? Are we geared up for improving it further and is deal size for us getting better as well for us?

Sudhir Singh:

So, Shashi, over the last 2.5-3 years and I think this is the 11th quarter in which I am holding this call, the things that we've talked about over a period of time are now fully in place and they are all in play now. The people, the leadership, we've talked about it on multiple calls, are in the market. We like to think and more than like to think, we believe we have one of the sharpest front-ends across the industry, one of the hungriest back end and presales and solutioning teams out there. The people, the caliber of the team that is out there, the team that has been reconstructed in some ways is playing into this. Softer elements around culture and the near maniacal focus that we have around execution contribute to it. The changes that we made in the compensation policy around a year and a half back where the commission structure for large deals was quadrupled, plays into this. And like all the other good things in life, it is a clutch of factors that are in play out here which have led to the performance at this point in time. Specific to the order intake number and the order executable number that you talked about, yes, it has been trending up and yes, it has been trending up not for 1 or 2 quarters, but for 10 or more quarters at this point in time. This is interestingly the first quarter in the firm's history where the order executable has crossed \$400 million. You heard me talk about \$405 million. So, we look not just at order intake, but we also look at order executable side by side. Very pleased with the fact that for 10 maybe 11 quarters, order intake number has gone up linearly with no breaks. Order executable has gone up for 11 quarters with no breaks and we crossed the 400mn-milestone in this particular quarter. And lastly pipeline, that we are staring at, gives us confidence that we should be able to convert a few sweet deals in quarter 3 and in quarter 4, which is the visibility that we have around large deal conversion. That is how we view the world, that is how I view the world, Shashi, at this point in time.

Shashi Bhushan:

Is the deal size also increasing for us from where we were say 2-3 years back?

Sudhir Singh:

It is a mix, Shashi. It is a difficult question to answer, right? There are nuances to every business. You know our Pega business. The deal size there is not increasing, but it is the deal velocity that we monitor. If you look at our vertical businesses, large deals, of course large deals by definition are always more than \$20 million, but the fact that the number of million dollar plus clients have now climbed to 95 from 72 in the last, I want to say, 6 or 8 quarters I think is a testament to the fact that the deal sizes anecdotally at least has gone up, and the clients that are getting opened as part of the hunting stream are ramping up and crossing the million dollar threshold much faster. So, to that extent, without giving you a very hard answer what I will say is that yes, it is going up on an average.

Shashi Bhushan:

At any point of time say today, how many large deals like US \$20 million plus that we would be chasing and how is the conversion rate?

Sudhir Singh: We never really call that number out, Shashi, but the overall number is a number that has been climbing up over the quarters and our conversion rate again has been climbing up along with the overall number climbing up, and that fundamentally is the reason why you have seen the order intake and the order executable go up. So, just summarizing, the number of large deals in play, that absolute number has been climbing up. The conversion rate when it comes to large deals again has been climbing up and that intermixed has been contributing to the order intake climbing up.

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

Shradha Agrawal: Firstly, I mean we are seeing a very strong growth coming through in Insurance, so what led to this very strong growth coming from this vertical?

Sudhir Singh: As in the earlier answer that I gave Shradha, part of it is the fact that the momentum buildup in insurance has now been ongoing for quite a few quarters. The other element to that has been a very large contract that was assigned to us in the current quarter at one of our largest insurance clients. It has been a mix of both, one is the more secular longer term trend that we have been seeing in terms of revenues climbing up, growth momentum accelerating in the insurance sector and the second is the fact that this was a quarter in which a material deal was signed with an insurance major, from our point of view.

Shradha Agrawal: Probably I missed it because I logged in late, sorry for this. Any other client specific challenge across any of your verticals, which you would want to call out. I think we had mentioned about one client specifically in the last quarter but barring that has there been any other incremental challenge across any of our clients?

Sudhir Singh: Things are stable, Shradha, we like to keep it that way and at this point in time that's where they are.

Shradha Agrawal: And in one of the questions asked earlier, you said that both the large deal pipeline and the conversion rate have been going up for us. Any quantification you would give around conversion it as to if that number was, say whatever X number in last year? How has that number moved this year by what percentage?

Sudhir Singh: We don't disclose that number publicly, Shradha but it is a number that has changed materially for us, and I would just park it at that for the time being.

Moderator: Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.

Madhu Babu: Our earlier acquisitions have been around Pega and MuleSoft, so would you look at something on the design side for an acquisition or would you like to grow it organically?

Sudhir Singh: I would definitely like to look at things on the design side Madhu, but it is also a capital play here. We have always said that we are open to acquisitions as long as they dovetail with our strategy. Our strategy as you know is to be hyper-focused on just two industries, financial services and travel and to stay hyper-focused around cognitive, cloud, automation and data. So, if there is anything that fits into any of these buckets, we will go for it but at the end of the day, as you and I know it is a function of getting the right target and finding it at the right price.

Madhu Babu: So, on the airlines, we would be competing with the Accentures of the world because it is a B2C vertical and there is lot of digital going out there, so last couple of quarters, how have we seen the expansion of the service offerings within airlines sir because that is an area where the good investments on the digital would play out in that sense?

Sudhir Singh: In Airlines, we have always competed with Tier-1 players. These days, it is impossible to work in the market Madhu and call out a deal as a deal in which only the Tier-2s or Tier-3s are playing. Everyone is jumping over everyone at this point in time for the last dollar of revenue that is out there on the table. We have been competing with Tier-1s and we continue to compete with everyone across the tier-1 pool in the airlines space. Airlines, as you know has always been a good hunting arena from our point of view given the fact that airline competence is something that NIIT Technologies has built up over decades, not even years. And also given the fact that we have our own product in that space around revenue accounting, as you are aware of, in play in some of the world's largest airlines. We have done very interesting work with airlines around cognitive use cases to begin with; there are very material pieces of work that are being done around data monetization and data modernization at this point in time. There is very interesting work that is getting done around making NDC-compliant data standards in line with what IATA has mandated. There is very interesting work that is getting done around blockchain especially in this space where it comes to baggage handling. There are interesting pieces of work that are in play when it comes to machine vision in the realm of cargo management and we are doing some very interesting rollouts with some of the largest airports in the world when it comes to terminal operations. There is a tonne of very interesting work that is going on in this space and we continue to operate against and win against the Tier-1, Tier-2, Tier-3 players across this space.

Madhu Babu: And is it the right time to carve another vertical? Because others is 24% and there are multiple sub-verticals there, so now that you have spent around 3 years and we have achieved success in the 3 focused verticals, so is it right time to carve another vertical from the others?

Sudhir Singh: See Madhu, we as a firm as a management team and I personally have always believed that it is better to be deep than to be wide and try to be all things to all people. Two industries from our point of view have meant that from being a \$409 million organization in fiscal year '17, this quarter we have almost reached a run rate of \$600 million. That gives us conviction that operating in narrower areas but operating with depth, operating with SMEs and practitioners who know the industry and not just bodies being thrown at the problem, is the right way to

differentiate ourselves. Having said that, you are absolutely right, 24% is a material number. If at a point in time we think that we have a bouquet of clients, and more than a bouquet of clients, if we think through engagements we have built deep domain plus tech expertise somewhere, we can always consider adding a vertical. And to that extent, we will cross that bridge if we do think that we have enough ammo to be able to take competition on in that space.

Madhu Babu: And the last one on the capex and acquisitions related to payouts, so how that will span out over FY'20 and '21?

Sudhir Singh: FY'21 is when we need to make the next payout for the WHISHWORKS team at this point in time and that is going to be roughly around May of next year. The amount that we will be looking at payout will be roughly around US \$10 to \$12 million.

Moderator: Thank you. The next question is from the line of Sandeep Shah from CGS-CIMB. Please go ahead.

Sandeep Shah: Just as follow-up to the last question. Strategically if you look at, you already spent more than 2.5 years and there is a handsome scale up in the revenues, going forward for the next 3 to 4 years, if you look at you believe we have to invest more in terms of scaling up and keeping the growth momentum actually almost similar to what we have seen because with the high base similar growth may not be that easy unless we have to strategically think in terms of either improving or investing into the gaps, A, in terms of verticals, B, in terms of services. Do you believe that is required or you still believe, no for the next 3 to 4 years we have enough fuel in terms of growing the engine on ongoing basis?

Sudhir Singh: I think growth requires material investments and we have been making it and we have been making it at scale, Sandeep. In the past, I have talked about and I think we have spoken many times every quarter on these calls and I have talked about how we have invested a boatload of money in creating a complete consulting organization with a very strong onsite center of gravity. I have talked about how in the last 2½ years we have constructed under a leader from Microsoft a complete cloud business that has multiplied over the last 2½ years for us in terms of revenues. I have talked about how we have hired some of the best talent in the market when it comes to Data. This week, for instance we hired Arun Varadarajan as the global digital leader, who is a Big Data SME, to run the entire Digital business for us. So, I am a very strong, very hard supporter of the fact that growth requires investments; we have been making investments. When I always talk about the fact that 18% is a new normal and sticking to 18%, the reason why we are doing it is that everything between the gross margin and the operating margin is something that we have been ploughing back into investments, in capabilities, at the backend, in presales augmentation, in advisory functions augmentation, in sales payouts and collecting, integrating, coalescing what we think is one of the finest sales team out there in the market today.

Sandeep Shah: And just in terms of the client mining, Sudhir you believe there is a scope for improvement because there is an improvement between \$1 to \$5 million account on a Y-o-Y basis, but you believe enough has been also done to scale up beyond \$10 million client or is it still a work in progress? How you actually review that more services are being sold to the large customer or the existing customer on ongoing basis, some color on that will help?

Sudhir Singh: Sure, so last year our top 10 accounts grew 22% at the end of the year over the previous year and that I think was a testament to the client partners efforts. The renewed said that we had bringing significant relationship leverage to be around those relationships. Having said that, I think mining is never really done. We are building capabilities, and we can always bleed those in to existing client relationships. We have acquired new firms with new capabilities, we should be, and we are trying to figure out how to bleed those service lines in as well. We need to keep taking away wallet share from our competitors just as we have in the past and as is the case with any IT services organization, cross-sell as an opportunity is never complete, so I think there is significant runway still ahead of us when it comes to mining even more effectively than we have in the past and we have done a reasonably good job in the past as our numbers will evidence as well.

Moderator: Thank you. The next question is from the line of Manik Taneja from Emkay Global. Please go ahead.

Manik Taneja: Just wanted to understand a couple of things. Number one, essentially in our case also over the last several quarters we have seen a jump up in terms of our onshore mix of business largely entered and you have been talking about digital being the primary factor here, how do we see that going forward? That is question number one. The second question that I wanted to understand was with regards to the breakup of order intake, so as part of your strategy, you have been focused more on the developed geographies but this quarter you have seen a significant order intake in ROW geography, so how should we be thinking about this from our go forward basis?

Sudhir Singh: Manik, the onshore revenue mix perhaps is 66% and I think it has held at 66% for the last 3 quarters. Over the last 7 quarters, that number I suspect would have moved between 64 to 66%. We think 66% is the number that we would like to keep it at around, can't guarantee an exact number but plus minus 1 or 2%. Everything that we are looking at by way of the complexion of the order pipeline leads us to believe that we will continue to be roughly at this benchmark, 66% onsite revenue. That is one. The second piece around order intake, rest of the world for this quarter, you are absolutely right, was a big contributor but that has been because a longstanding client that we had awarded us a large contract in the rest of the world space and there was also a material win in the rest of the world around the BFS vertical. So, those two things what have contributed to the order intake for APAC going up. There is no India in this rest of the world (ROW), I just want to call that out. This is outside India, the jump did not come from India; India

as you would have noticed has now fallen to 4% of our global revenues and it has been declining for quite a while now.

Manik Taneja: And we saw very strong hiring in the current quarter, if you could give us sense on what would be the freshers intake here and did this hiring come in towards the end of the quarter?

Sudhir Singh: So, 503 was the number that I talked about Manik. Out of those 503, roughly about 150, the exact number was 149, who are freshers who were brought in. The hiring has been done in order to fulfill the pipeline that already existed and the pipeline that we see ahead of us in the next 6 to 9 months.

Moderator: Thank you. The next question is from the line of Tanmay Mehta from SBICAP Securities. Please go ahead.

Tanmay Mehta: Just one question on the operating cash flow, if you look at the period ended September 30th, the cash flow is weaker than the same period last year, so can you give some color on that?

Sudhir Singh: Yes Tanmay, the cash flow has been impacted essentially by the DSO number that has gone up by 6 days. We believe it is a temporary blip. The DSO number will come back and we expect cash flow in quarter 3, quarter 4 to be very robust.

Before we get into the next question, there was a person earlier who had asked me for a breakup of the order intake numbers by verticals, I just want to call those numbers out. The total as you know order intake for the quarter was US \$176 million. Travel and Transport contributed US \$50 million, BFS contributed US \$20 million, insurance contributed US \$40 million and others contributed US \$66 million.

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

Shradha Agrawal: Just a follow-up. Earlier when we had this GIS business, we had this typical seasonality wherein our 4Q used to be stronger, now that GIS is out of our portfolio, so how do we look at the typical seasonality? Would it be like any other typical IT company wherein H2 would be weaker than H1?

Sudhir Singh: We would like to not be the typical IT company with a weaker H2 than H1, we are definitely planning for a stronger H2 than H1. And you are absolutely right, there was a seasonality factor that used to be in play when it came to the Esri business from our point of view. That is now off the table and you will not see that get reflected in the quarter 4 results as it was earlier.

Shradha Agrawal: Sir, you have already called out that Q3 will be a moderate quarter, so we do expect again a bounce back in growth rates in Q4 back to say, whatever 4 to 4.5% organic CC growth as reported in the last two quarters?

Sudhir Singh: It is little early to call out quarter 4 outlook at this point in time. Quarter one and quarter two, you have seen the numbers, 4% and 4.1% sequential growth respectively. Quarter 3 as I said will get moderated because of furloughs and lesser number of billing days. On Quarter 4, we will be very happy to answer that question exactly three months from now.

Moderator: Thank you. The next question is from the line of Ruchi Burde from BOB Capital Markets. Please go ahead.

Ruchi Burde: My question was in part answered. This is regarding your rest of world large deal win of \$70 million this quarter, you mentioned that none of these refers to India deal win. Could you also tell us about the profitability construct of these deals?

Sudhir Singh: Ruchi, the deals continue to come in at profit construct which is broadly equal to the EBITDA construct of the organization. We have always been very particular about that and I think that is one of the overriding reasons why our EBITDA margin profile is as robust as it is at 18.3%. So, we do not dilute margins to get deals. That is the underlying assumption behind any hunting operation that is mounted by any of my sales teams across the world.

Ruchi Burde: That is reassuring to hear. Another question I had, pardon me if I had missed, I joined the call a little late, during this quarter, did we have any large deal? Your comments around that?

Sudhir Singh: Ruchi, this quarter, there were no large deals which were more than \$20 million in terms of TCV construct. There were material deals and I talked about some of the deals in ROW which has what pushed up the order intake number, but no large deals that I can point to which cross the 20 million threshold.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Sudhir Singh, CEO, NIIT Technologies for closing comments.

Sudhir Singh: Ladies and gentlemen, thank you very much for having joined us from across the time zones that you operate in. I understand 5:30 to 6:30 pm IST is not the best possible time for all of you, especially in India to step back and make time for the conversation with us. As always, we are always excited to share our progress with you and we deeply, sincerely and very truly appreciate the interest that you take in us as an organization. Thank you very much for your time. Good night.

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

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