



## TRANSCRIPT: NIIT Technologies Ltd Q4 FY2017 Results Conference Call

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FROM NIIT TECH:

MR. RAJENDRA S. PAWAR, CHAIRMAN

MR. ARVIND THAKUR, CEO

MR. AMIT GARG, CFO

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*(1 crore = 10 million)*

**Moderator:** Ladies and gentlemen, good day and welcome to NIIT Technologies Q4 FY2017 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 telephone. 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 sir.

**Abhinandan Singh:** Good afternoon and welcome everyone to our Q4 FY2017 earnings call. Present along with me today on this call are Mr. Rajendra S. Pawar - our Chairman, Mr. Arvind Thakur - our CEO and Mr. Amit Garg - our CFO. You would have received our email with the results already. I understand the results reached you a bit late because our board meeting went on for a bit longer than anticipated, but I hope that all of you received the results. The same are also available at our website [www.niit-tech.com](http://www.niit-tech.com).

We will begin today's forum with opening remarks by our CEO, and after that, the floor will be open for your questions. Now before I hand over the floor to Arvind, I would like to make one more quick announcement. You may have received invitations from our side for Investor & Analyst Meet in Mumbai next week on the 9th of May, which will be in the afternoon at 3:30 p.m. The venue is the Trident Hotel, Bandra-Kurla Complex. So I just wanted to once again take this opportunity to invite you to our Analyst & Investor Meet because we intend to bring in not just our top leadership team, but also some business heads, including from Incessant, which is the digital integration business, and NITL. So, look forward to seeing you there this coming Tuesday.

With that, I would now like to hand over to our CEO, Arvind Thakur.

**Arvind Thakur:** Thank you, Abhinandan and good evening everybody. And apologies for getting the results out to you a little later, but as Abhinandan said, this was on account of the extension of our board meet time. As you would have seen, the year has ended on a positive note with robust performance in the quarter and as I had shared with you in our last call, revenues and margins were set to expand in this quarter. We had also shared that the company had concluded the consultation process in respect to a government client where a project was put on hold and that settlement would provide further improvement to revenues and margins during the quarter. Consequently, revenues have expanded 7.3% sequentially during the quarter to Rs. 7,447 million representing 8.5% growth over the same period last year. Even if we exclude the impact of the settlement, you will see that revenues have grown 3.4% sequentially to Rs 7,176 million on the back of robust growth in the US and strong traction we saw in our GIS business.

Growth in constant currency excluding the settlement was 3.6% quarter-on-quarter. For all further revenue analysis, I will not consider the settlement amount, so that we can understand the ongoing business. Revenues expanded for 5.2% sequentially in the US, which now

represents 48% of the revenue mix. Revenue share for EMEA stood at 33%, reflecting a 0.5% decline primarily on account of depreciation of the euro and GBP. In constant currency, in fact, EMEA revenues were actually up 1% during the quarter. Rest of the world contributed to 19% to the total revenues.

The growth in the US was primarily on account of robust expansion within key accounts in the BFSI vertical which grew 4.1% during the quarter and contributes to 42% of our total revenues. Revenues in the Travel & Transport segment represent 31% of the revenue mix, which declined 1% sequentially reflecting the currency impact on large engagements in the EMEA region. The share of other segments increased to 27% mainly on account of the growth in the GIS business driven by enhanced traction that we have seen in the domestic smart cities program. As you are aware, the Prime Minister had launched the Smart Cities Mission under the Ministry of Urban Development in 2015 for the development of 100 cities. Now for 18 cities where GIS orders have been released, we've been able to secure business from 17 of these cities.

All our top clients grew during the quarter. Top five contributing to 34% of the total revenues and the share of the top 10 and 20 contributing to 46% and 62% of the total revenues respectively.

Onsite revenues represented 59% of the total mix. Looking at margins, operating profit grew 31% sequentially to Rs. 1,523 million which is up 23.9% year-on-year. Operating margins improved 370 basis points sequentially to 20.5%. Net profit for the quarter was Rs. 1,003 million which was up 60.7% quarter-on-quarter and 22.9% year-on-year. This, of course, includes the positive impact of the settlement. Even if I were to exclude the impact of settlement, operating profits expanded 8.5% sequentially to Rs. 1,261 million. This has really been on account of the strong growth that we saw in the US, expansion in our digital business and traction in the Smart Cities related business for GIS.

Operating margins excluding the settlement expanded 82 basis points to 17.6%. Tax rate for the quarter stood at 19.8% of PBT. We had a fresh intake of new business of US \$112 million during the quarter, 40 million from the US, 47 million from the EMEA region and 25 million from the rest of the world. We added five new customers during the quarter; two of them in the BFSI space. The intake includes a large engagement of greater than 20 million Euros from a large airline in the EMEA region; two new logos were added for our NITL business which includes one being offered as a platform services posted on the cloud. The company has successfully executed many projects in the digital space which included a digital client onboarding system for a large insurer in the US. This was recognized by our platform partner which was Appian as the best overall application at their Annual Conference in Appian World 2017.

The company enhanced travel e-commerce flow for a European airline to make it more intuitive for customers while providing a better choice for customers with more flight products and offerings from subsidiary airlines. The company also successfully integrated travel reward program with a subsidiary airline to provide better travel redemption options with the group customers. So, you can see, quite a bit of Digital activity has happened during the quarter.

The order book executable for the next 12 months increased to US \$320 million showing a net increase of 44 people during the quarter leading to a total headcount at the end of the year at 8,853. Utilization was 81% and attrition was steady at 12.7%.

Now to discuss a few balance sheet items, I will request our CFO Amit Garg to share some details with you.

**Amit Garg:**

Our cash and bank balances stood at Rs. 7,321 million, increase of Rs. 1,635 million over previous quarter, an increase of 3,081 million over previous year. Capex spend during the quarter was Rs. 128 million. Debtors at the end of quarter was 64 days of sales outstanding, last quarter it was 69 days. The board has recommended a dividend of Rs. 12.5 per share. The company had acquired 51% stake in Incessant in May 2015 with obligation to acquire balance 49% in 2017 and 2018. As per IndAS, there is a liability of 2,282 million for acquisition of balance stake as on March 31, 2017. This has resulted in reversal of minority interest in the balance sheet pertaining to shareholders of 49% stake in Incessant amounting to 1,004 million and has been set off with reserves and surplus. Q4 financials were also recasted to this effect.

I'll give back to Arvind to talk about other aspects of the business.

**Arvind Thakur:**

So, those are the few important balance sheet items. In terms of the complete year highlights, revenues for the year were Rs. 28,021 million which represents a 4.2% growth over last year. Margins, operating profits increased by 3% for the year to Rs. 4,845 million and operating margin stood at 17.3% for the full year. Net profits for the year were Rs. 2,501 million and the tax rate stood at 22.4% of PBT for the year.

Now, looking at the outlook, the views on the macroeconomic environment remains somewhat mixed. In the UK, the economy grew by just 0.3% in the first quarter of this calendar year which to my mind reflects the caution and uncertainty that can be expected with the Brexit negotiations still on and a snap general election next month. In the US, as per latest data that has come in last week, the economy grew only 0.7% annualized rate during the quarter. Now this is relatively slower than the 2.1% growth witnessed in the prior quarter. However, indicators like business confidence and employment data supports forecast for an improvement going forward. So overall mixed signals, but by and large in the positive territory.

So, we have seen our financial year end on a strong note with robust performance on operating parameters. There has been an improvement both in order intake and the 12-month executable

order book, and we expect growth in FY18 to be better than FY17. As you are aware, Q1 tends to be seasonally a weak quarter where there is typically a decline in revenues due to a drop in our GIS business. However, on account of the momentum that has developed in the last quarter, we expect revenues in Q1 FY18 to be better than Q4 FY17 in constant currency on an ongoing business basis, in other words, excluding the impact of settlement in Q4. Due to this momentum and moderate wage hikes, operating margin in Q1 FY18 is also expected to be better than the same quarter last year. FY '18 growth to our mind would be led by strong momentum in the BFSI segment.

I would be happy to have your comments and answer your questions. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Manik Taneja from Emkay Global. Please go ahead.

**Manik Taneja:** Arvind, just to prod you further a little bit on the commentary that you have made. So you seem to be saying that our confidence is emanating from the momentum in financial services. Could you delve deeper into this, because we've had mixed commentary from some of your larger peers on this front. Your momentum, your confidence, is this emanating from what you're seeing within your larger customers, within your top customers or do you think it's an industry-wide phenomenon? That's question number one. And also, how are you seeing this between your customers in Europe versus US in financial services? And finally on the margin front, if you could help us understand how are you seeing margins on a full-year basis given some of the recent currency appreciation? Thank you.

**Arvind Thakur:** As I've mentioned earlier, we have seen robust growth in our key accounts, particularly in the US, and they are mainly insurance clients which are going on expanding. We have also had some recent acquisitions in Europe and they have also started expanding. We have also seen good penetration and growth with our business through Incessant in the BFS space; that's a very specialized activity and service for which we have been able to build a strong niche position in BFS. So, those are a couple of factors which are giving us the confidence that we will see good traction in BFSI, while the industry may have a mixed view about this segment.

**Manik Taneja:** Okay. And on margins, if you could help us understand how you are looking at margins on a full year basis?

**Arvind Thakur:** It's very difficult to say which way the currency will move, but on constant currency basis, as I just mentioned, Q1 itself will see a margin expansion (y-o-y) and we hope to continue that trend going forward.

**Manik Taneja:** And if you could help us understand how you are thinking about wage increments for the year and how much should that impact the margins on a quarterly basis?

**Arvind Thakur:** As I mentioned, these increases would be moderate this year, we're looking at about 6% to 6.5% increase, which is much lower than what we used to have in previous years; that will contribute to improved margins during the coming financial year.

**Moderator:** Thank you. We take the next question from the line of Dipesh Mehta from SBI Cap Securities. Please go ahead.

**Dipesh Mehta:** Can you give us segment performances which we generally provide, about our different businesses, Morris, GIS, NITL, Incessant and Proyecta – revenue and margin?

**Arvind Thakur:** Okay, let me just give you that. So, let's start with GIS, our revenue is Rs 526 million; margins are 33%. If I talk about Morris, revenues are Rs 341 million; margins are 7%. If I talk about Incessant, revenues are Rs 545 million; margins are 29%. If I talk about Proyecta, revenues are Rs 138 million; and here we have a loss, negative 20% in this entity. Missed out any?

**Dipesh Mehta:** Insurance business, ROOM Solutions?

**Arvind Thakur:** NITL?

**Dipesh Mehta:** Yes.

**Arvind Thakur:** Okay. That's Rs 334 million, and margins are 18%.

**Dipesh Mehta:** So two questions now, business related. How you see NITL panning out; we have seen some challenges in the past, going into FY18 how do you see that business panning out for us? And second thing is, can you help us understand about the smart city projects which we are executing? What would be the size and typically how long it will be, so duration wise and any color if you can help us understand that business?

**Arvind Thakur:** Okay. So, let me take NITL first. NITL has been subdued, as you would have seen, during FY17 because of the softness that we saw in the insurance market in the UK post Brexit. Now, this quarter, we have actually now acquired two new clients. So that is the starting point for the traction that they're going to be seeing in NITL. We also have now a new leader, I think this is something that we have shared earlier in the quarter, who's a very experienced hand in this business. He joins us from CSC, and in fact, he was the person responsible for developing and growing Europe business which is a business very similar to the NITL business. In fact, I'm getting him across for our Investor Meet on Tuesday, so you will get an opportunity to interact with him, and perhaps get more insights into how he plans to build the business for NITL. Second question was on GIS, on the smart cities. Like I mentioned, there are 100 cities which have to be developed as smart cities, of which I think there are 40 odd, 60 weren't identified and 40 odd which have actually started looking at investing in terms of moving towards a smart city regime. Now, all of them, in fact, would need some tool to help them plan and

manage and monitor the smart activities in the city. And GIS is one platform which is a fundamental platform to support that activity. So it's in that context that we've been able to engage with 17 cities where all the cities which are looking for GIS solutions are now engaged with us as their platform of choice. So the system integrators and other people who will be building solutions around GIS would be using our platform. So there is enormous headroom for growth. There are 100 cities to be covered. We've engaged only 17. But more important, our platform is kind of becoming a defacto standard and is visible from all the business that has been acquired in this area.

**Dipesh Mehta:** Sure sir. So can we expect some seasonality to recede in GIS business, because earlier we used to see Q4 to be very strong and then next quarter we'd see a dip? Whether we expect that seasonality to come down with these smart city projects?

**Arvind Thakur:** I think we will have to see because typically the seasonality comes from the government procurement cycle which is aligned to their budgeting years. I think we are expecting better performance in Q1, but it will certainly be less than Q4.

**Dipesh Mehta:** Okay. And do we see any risk to receivable side, because earlier we faced some issues on government side from receivable perspective?

**Arvind Thakur:** That's a very good question. So as I mentioned, in the smart city program and in our GIS business, we are engaged with system integrators really as an OEM. So the risk is with the system integrator, not with the OEM, and therefore these programs are relatively risk free programs as compared to the government engagement programs that we've been doing in the past where we were the system integrator.

**Dipesh Mehta:** Sure. And sir, last thing, can you help us understand segment wise performance how you are expecting FY18 to pan out? Thank you.

**Arvind Thakur:** So like I mentioned, we expect a good traction in BFSI. In terms of Travel, I think we've had, I would say, moderate performance during the last financial year because of many client-specific issues. And even in this quarter, we have seen, for example, in the Middle East, you know we have got impacted because of the US policies associated with airlines, which carry traffic for Muslim dominated areas and we are seeing cut backs that are happening with the Middle Eastern carriers and we see that as one headwind. And also, it is one of our clients contemplating on a restructuring which could impact our Travel business going forward. So there are some of these challenges that we are experiencing in the Travel space. So I would say, the outlook for Travel would be moderate where we are looking at growth is really in our BFSI space.

**Dipesh Mehta:** Thank you, sir. Can you give some color about others, manufacturing/media, how you expect that to pan out?

- Arvind Thakur:** In others, I think as you can see with traction coming in smart cities we expect good growth in our GIS business. Our Manufacturing is something that we do only in the Asia region, which has got a small base, but Media is where we expect to have some traction because now we have acquired a few new media clients in the US.
- Dipesh Mehta:** It is related to our Morris capability or it is separate?
- Arvind Thakur:** It is related to our Morris capability because we leveraged that platform to acquire the new client.
- Moderator:** Thank you. We take the next question from the line of Sandeep Shah from CIMB Securities. Please go ahead.
- Sandeep Shah:** So just, in the first question, if I look into numbers for the full year of FY17, excluding the GIS, the numbers looks flat in dollar terms. This would be largely an export driven business. So what's the outlook for FY 2018 for the export business? Because I think we are not growing in line with the peers on the export side, so do you expect that scenario to change in FY 2018?
- Arvind Thakur:** If you look at overall growth, it has been 4.2%. Our international revenues actually grew 5.3%, whereas the domestic revenues declined 5.5%. So very strong traction in our international business and we expect that to continue going forward.
- Sandeep Shah:** So what was the growth in export business in FY 2017?
- Arvind Thakur:** 5.3%.
- Sandeep Shah:** Okay. And in terms of the 1Q FY18 seasonality, which you have spoken about, when you say we expect a better growth, you are saying on a Q-on-Q basis in a constant currency, right?
- Arvind Thakur:** Yes. I'm talking about constant currency.
- Sandeep Shah:** Right. So you are saying versus Q4 FY 2017, it would be better on a Q-on-Q?
- Arvind Thakur:** No, I'm not talking about better growth, I'm talking about better revenue.
- Sandeep Shah:** Absolute revenue?
- Arvind Thakur:** Absolute revenue, yes, because we have seasonality. But of course, you must remember, it is on an ongoing business basis excluding the settlement amount.
- Sandeep Shah:** Okay. So this would be largely despite you expecting an absolute decline in the GIS, this would be driven through export business growth and the ramp-ups?



**Arvind Thakur:** That's right.

**Sandeep Shah:** Okay. Just coming to margin commentary which you have said in the first quarter to be better in constant currency, you were talking on Y-on-Y rather than Q-on-Q, right?

**Arvind Thakur:** Yes.

**Sandeep Shah:** Okay. And this client-specific issue in the travel, is it a European driven client or is it some other geography driven client?

**Arvind Thakur:** It's an EMEA based client.

**Sandeep Shah:** Okay. And does it fall in your top category of travel transportation?

**Arvind Thakur:** Otherwise, I won't be talking about it.

**Sandeep Shah:** Can you give color what has happened? Is it like some insourcing happening? Is it some delay in the discretionary projects, what is happening?

**Arvind Thakur:** No, see, whenever a client is contemplating on a restructuring, there is that much as you know about it. There's nothing. No more details that you can talk about.

**Sandeep Shah:** Okay. But is it fair to say we are keeping our wallet share intact?

**Arvind Thakur:** Wallet share means..yeah, yeah.

**Sandeep Shah:** Okay. Just one bookkeeping question. In terms of the payout to the Incessant, looking at the numbers which we have created as a liability on the balance sheet, it looks like more than \$30 million. So if I'm not wrong, when we acquired I think the earn-out payout and the outstanding payment was \$20 million. So can you explain the difference and will this be further increase going forward or this would be the liability to be paid over a two year period?

**Amit Garg:** I would say this is a liability which would be paid over a two-year period. And it is at the backdrop of this performance that they're delivering in Incessant and the contracting has been sanctioned and is based on a pay evaluation that we did.

**Sandeep Shah:** Okay. So this is higher than what we have anticipated, right? So I think at the start, we were under impression that there would be some \$10 million worth of payout which will happen in the next two years. So now this would be added in this, right?

**Arvind Thakur:** No, we never give that impression. See basically there has been upside which have been built based on meeting of certain goals, which is according to plan.

**Sandeep Shah:** Okay. And we expect the growth of Incessant and the digital revenues to continue even in FY 18?

**Arvind Thakur:** Yes, that is the strong focus for the time.

**Sandeep Shah:** Okay. Just I have a few more, last one and then I will come in for a follow-up. In terms of cash payout ratio, if I look at excluding the non-recurring income or a one-time settlement, the payout has increased to 35%. So my question is, as peers are also looking at alternative way of distributing cash like through buyback rather than a dividend, why we are not considering buyback instead of dividend? And second, you believe that this adjusted payout ratio of 35% will be sustainable going forward?

**Arvind Thakur:** If you look at the payout, you would have seen that there is a step jump, right. Typically we payout, I think last year we paid out 100% right. So I think this is a significant change and this is on account of, I think very significantly improved cash positions that we have. Our DSO days are down from 80 last year to 64 this year and there have been good collections ever since we've been moving out of government contracts. So all this has contributed to a healthy cash position for the organization and we've stepped up dividend payout. There are other considerations with respect to initiatives around acquisitions and inorganic initiatives that we need to bear in mind to see what part of the cash is to be utilized before we contemplate and move on to a route of buyback. So it's definitely an option, but maybe at a different date.

**Sandeep Shah:** Okay. So, is it fair to say that this increased payout of this year, excluding the one-time settlement which works out as per my calculation at 34%-35% of the PAT, I'm not talking about the face value, I'm talking about the normalized PAT, excluding the one-time settlement may continue going forward?

**Arvind Thakur:** So again, if you look at history of our dividends, we have been consistent in our payout. So normally, when we come to a certain level, we maintain that consistency. I think that's the view that we need to take with respect to our dividend policy going forward.

**Sandeep Shah:** Okay. And just on the capex, can you give us some color how it will look like in FY'18?

**Amit Garg:** So FY'18 would be similar to what we have in FY'17, it's around 80.

**Sandeep Shah:** Rs 80 crore?

**Amit Garg:** Yeah, 80 crore.

**Sandeep Shah:** And this is excluding the earn-out payment to the Incessant?

**Amit Garg:** Yes.

- Sandeep Shah:** Okay. And just last question on the earn-out payment. What would be the schedule of payments? How this will happen, this 225 crore worth of payment?
- Amit Garg:** So, we have one payment due this year in May. And the next payment in next May.
- Moderator:** Thank you. Next question is from the line of Shekhar Singh from Excelsyor Capital. Please go ahead.
- Shekhar Singh:** I just wanted to know like, are there any plans of hiring lot of US employees similar to what we have heard in terms of announcement from Infosys?
- Arvind Thakur:** Yes, indeed. In fact, I think the chain of circumstances associated with the immigration policies that we now have for the US is only accelerating our move to enhance localization. So we already have been hiring locally in the US, but we'll be stepping it up even more significantly in the next financial year.
- Shekhar Singh:** And will that be something which can have an effect on your margins?
- Arvind Thakur:** No, see earlier when we used to hire, we used to hire experienced people. Now we're going to be hiring people straight out of colleges and other things, which actually come at a very reasonable rate.
- Shekhar Singh:** And sir just on dividends, if I remember correctly, you paid Rs. 10 dividend, that was an interim dividend, and this 12.5 is a final dividend. So, total is Rs. 22.5?
- Arvind Thakur:** No. Final is final. That is, 10 were final, and this is also. That is last year and this is this year.
- Shekhar Singh:** Okay, this is this year. Okay. So this full year dividend is Rs. 12.5?
- Arvind Thakur:** That's right.
- Moderator:** Thank you. We take the next question from the line of Harish Kundnani from SBICAP Securities. Please go ahead.
- Harish Kundnani:** Yes, just one quick question. How much did Digital contribute to our revenues in the quarter and for the entire year?
- Arvind Thakur:** For the quarter it's 21%, and for the year it's 20%.
- Moderator:** Thank you. We take the next question from the line of Ganesh Shetty, who's an individual investor. Please go ahead.

- Ganesh Shetty:** Sir, just a question regarding your digital initiative? How are the companies, our new customers as well as the old customers, adapting to digital transformation? And do you see linear, non-linear revenues going ahead sir? Can you please show some light on this sir?
- Arvind Thakur:** As I mentioned earlier, our Digital revenues are now 20% of our overall revenues, and in fact, they have grown 30% over last year. So very strong traction in Digital and basically there are four areas, where we are focused on. One is the whole area of digital experience; this is quite strong and dominant in our Travel vertical. The other is around analytics, which is quite strong for our Insurance and BFS verticals. Third area is cloud migration; we had some very successful migrations where we have taken our customers' applications on to the cloud. And the fourth is around digital orchestration, which is what we are doing through Incessant Technologies. But we are seeing very good traction in our digital business across these four segments.
- Ganesh Shetty:** My next question is regarding NITL's performance. Last year I think our NITL business had bottomed up and now we have better sustainability in the insurance business. Can you please guide us whether this is sustainable and what is the margin picture over there?
- Arvind Thakur:** NITL, as I shared earlier, had a decline in revenue during the last financial year and that was on account of the softness that we have seen in the insurance space, particularly the Lloyd's market in the UK. So now, as I mentioned earlier, we have acquired two new clients. We have a new leader, and so I think there is a different vision that has been set for that organization and we can hope to see much better performance from that business in the coming financial year.
- Moderator:** Thank you. We take the next question from the line of Sandeep Shah from CIMB Securities. Please go ahead.
- Sandeep Shah:** Just on Travel & Transportation, when you say moderate, means you expect this year the growth could be flat or could be a decline in that vertical?
- Arvind Thakur:** Moderate means it will be moderate growth.
- Sandeep Shah:** And in terms of order book, so this time can you break down, is it largely driven through more renewals and so can you break down how was the trend or momentum in terms of a new business build up?
- Arvind Thakur:** It's a mix of both, Sandeep. So basically, we've acquired new clients, and in our existing clients wherever consolidation has happened, it has happened with us acquiring a larger piece of the pie. And so therefore overall contributing to an improved order executable over the next 12 months.

- Sandeep Shah:** And in BFSI, is the growth outside Insurance, is it broader based within more set of clients or is it concentrated in one or two clients as a whole?
- Arvind Thakur:** No, it's quite broad based.
- Sandeep Shah:** Okay. And sir, just last question to what Shekhar has asked on the visa front. Can you throw some picture in terms of how our ratio of locals within the US looks like, and do you really believe that there has to be some one-time reset in the average salary what we pay to the visa holders in the US?
- Arvind Thakur:** No, I think basically if you look at the way the regulation is evolving is that for new visas, there will be a limit, which would be set and that the lottery system which was there in the past is going to go away. So basically we have to adjust to this new reality where if people are of compensation levels which are less than \$100,000 or significantly less than \$100,000, we need to source them locally from the local market which is something that we've been doing in the past, but now we only need to do that in a more significant way. And a lot of processes that we used now in the backend, in the offshore, around retraining, retooling would need to be implemented onsite on these new local hires as well.
- Sandeep Shah:** Okay. But any broad number you can give us, proportion of locals and visa holders right now you have?
- Arvind Thakur:** Off-hand, we don't have the numbers, but we can share with you at some point in time.
- Sandeep Shah:** Okay, thank you. And any view on the tax rate just as a bookkeeping, because tax rate this quarter was not very high?
- Amit Garg:** Yeas, but I think we would be maintaining more or less around the full year 23% to 24% because of one of our SEZ units which is now on a 50% tax rate.
- Sandeep Shah:** So what's the number you said?
- Amit Garg:** 23% to 24%.
- Moderator:** Thank you. We take the next question from the line of Rahul Jain from Systematix Shares. Please go ahead.
- Rahul Jain:** You have shared a bit more in terms of FY18 outlook, where you guys look good, and Travel & Transportation to begin with, does not look very encouraging. So does that mean as an overall outlook the growth would not be, at least in the beginning of the year, it does not look very strong to high single-digit kind of thing to begin with, and it can only be better off as we see more clarity on this business on the Transportation side?

- Arvind Thakur:** We don't give very specific guidance in terms of what the growth will be. That is why I'm just sharing with you what the situation would be in first quarter. But a good indicator of growth for you would be to look at the orders executable over the next 12 months. Compare that with what was there last year, because that is firm business in hand, that much will definitely get executed, and of course, the traction that builds up in terms of new business that we acquired will support and add to that.
- Rahul Jain:** And on the margin front we have seen it is SG&A where bulk of the saving is coming from, it has actually gone down even on the absolute basis. So is this the new run rate for us or this was more conservative in this year, I mean, we need to spend bit more in the upcoming year?
- Arvind Thakur:** I think there has been a tight control in managing the overheads. We believe that we should be driving a higher revenue volume. So you can expect this to continue going forward.
- Rahul Jain:** Okay. So, the margin gain in the coming years would be more a function from volume driven activity, not from any further efficiency that would come meaningfully in the system?
- Arvind Thakur:** There we have some pretty significant programs that are underway in the organization. There, we are looking at lean and automation as the bedrock of our execution going forward. So a lot of efficiency and margin generation will happen from those programs.
- Rahul Jain:** And we have added these two new clients, I missed a bit which you shared earlier that the year was not good for the BFSI business in FY17, but these two additions, does it mean better outlook for NITL in FY18?
- Arvind Thakur:** Yes. That is what I was alluding to.
- Rahul Jain:** Okay. And the large engagement which you shared, is this a new deal or this is a fresh?
- Arvind Thakur:** These are consolidation.
- Rahul Jain:** So, in consolidation of the client, this is the new scope of business, is it?
- Arvind Thakur:** There is existing plus new.
- Rahul Jain:** Existing plus new, okay.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Arvind Thakur, CEO, NIIT Technologies Limited for his closing comments.
- Arvind Thakur:** Thank you so much for joining us on this call. I do understand that the results would have reached you a little late and you may not have had the time to fully absorb it. I think, Abhinandan and his team, and myself, would be happy to address any further queries that you

may have. In any case, we'll be there in Mumbai on the 9th for the Analyst Meet that we have scheduled at Trident in BKC, and look forward to seeing all of you over there and interacting further. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of NIIT Technologies, that concludes this conference. Thank you for joining. You may now disconnect your lines.

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**Note:**

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