

NIIT: Stepping up on the learning curve

Chitra Narayanan | Updated On: May 09, 2022



Co-founders all: (From left to right) Vijay Thadani, P Rajendran, Arvind Thakur and Rajendra Pawar

Why the IT education pioneer in corporate learning and skilling is splitting into two, creating two independent listed companies

It's déjà vu at training giant NIIT. In 2004, it had restructured and split into two, hiving off its software services business into another entity, which it eventually sold in 2019 to Barings Pvt Equity for Rs. 2,627 crore, returning to focus on its first love, education. NIIT Technologies was the most profitable distraction we had, says the group's Co-Founder and Chairman, Rajendra Pawar, with a pleased smile.

Circa 2022, and the 41-year-old company that pioneered IT education for the masses in India, and reported revenue of ₹949.5 crore in FY21 (PAT 143 crore) has announced that it is splitting into two again. Why the split? Explains Pawar, "We saw ourselves involved in a learning business of two types — they are interlinked, but different." One is the Corporate Learning Group (CLG), accounting for 80-85 per cent of the company's revenue, and the other the Skills and Careers business (SNC). "The content creation, learning engine, testing engine, platforms were common, but were being used very differently," says Pawar.

"We felt there were two trajectories and two kinds of things going on with the brand NIIT. We felt the geographies of the two businesses were different, the business strategies different, and the customer profiles different," he adds.

The CLG business is B2B and mostly focussed on North America/EU with Fortune 1000 companies as target customers, while SNC is focussed mainly on India, China and Africa, and has both B2C and B2B customers.

"When we exited the technologies business, we had cash in hand and started thinking about use of capital and how it could be deployed to grow both businesses," says Pawar.

After two years of thinking, he says, they decided to run the divisions as two independently listed entities. "We will have two engines running, two boards, two sets of shareholders, except we give one share of the new company that will be formed to existing shareholders (of NIIT Ltd)."

According to Pawar, the process has just been kicked off and it will take 12 to 18 months — at the end of which there will be two separate companies — NIIT Ltd and NIIT Learning Solutions. "The first will be focussed on the individual to make their career and progress, while the second will help organisations improve business outcomes using learning. We are reworking everything in NIIT Ltd to re-engage at a big scale with a new model and new methods. What helps is the salience of the brand continues to be very high," says Pawar.

It's all about talent

When NIIT launched in 1981 as an IT training firm, founded by professionals Rajendra Pawar, Vijay Thadani, P Rajendran and Arvind Thakur, it was a pioneer in its field. The Aptechs and others launched much later, but NIIT held steady. The proposition it started with was there were lots of young bright graduates but not enough jobs, even as the field of computers and information technology was just beginning to emerge in India which would need the talent. "Therefore, we said if you have a college degree and no job, we could train and connect you with jobs of the future. So we were in a sense, anticipating these jobs to come," explains Pawar.

Of course, NIIT's model and target audience kept evolving — when computers became pervasive, it launched basic courses for housewives and the elderly, started training working professionals in sectors like banking and retail, equipping them with IT skills. It also branched into software services. Pawar explains they did so taking inspiration from medical education, which combines academic knowledge with practical training seamlessly. "NIIT Technologies was very helpful for us because it gave practical knowledge to people we were training."

Now that the distraction — as he terms the IT services company, which Arvind Thakur oversaw — is out of the way, the focus is on growing the learning solutions business. And it's back again to thinking hard about talent and jobs. Even though NIIT is today run by a professional CEO, Sapnesh Lalla, Pawar and Thadani (both 71 years old) are fairly hands on — though much of their time is also devoted to their passion project, NIIT University in Neemrana, Rajasthan, along with P Rajendran (69).

As Pawar says, there's a huge shortage of talent, both at entry level as well as mid-level due to the transformation the world is undergoing. People in all functions need to be technology savvy. And all companies now require good cyber security, good IT networks and knowledge of digital tools. The opportunity for a training company is immense.

The global corporate training market sees spends of \$400 billion every year and is a large market. Pawar says NIIT's corporate business currently ranks in the top five globally and expects to grow at a CAGR of 20 per cent with 20 per cent margins. "We have some very good science which we have created and some of which we have acquired and a good balance sheet." In late 2021, it acquired RPS Consulting, a firm that offers IT training and certification courses. The idea, says Pawar, is to take the CLG business to half-a-billion dollars by which time it expects to be among the top three globally.

It's true that NIIT has evolved in the last 40 years, but as analyst Kashyap Kompella, CEO, RPA2AI points out, despite being a pioneer it did not aggressively go after emerging edtech opportunities, the ones Byjus, Unacademy and Upgrad have done, commanding valuation in billions (Byjus \$22 billion, Unacademy \$3.4 billion). "It has an enviable brand recognition, scale, infrastructure and trust. But you also wonder if they missed the latest edtech wave and let go of opportunities to create more unicorns from the NIIT family," he says.

Perhaps the demerger will allow NIIT to go after these as well? But Pawar says they are pretty clear where they want to play and where they don't. "We won't get into the tutorials and test prep space, which is where much of the edtech action is," he asserts.

Quarter three of FY2021-22 was a good one for NIIT. CLG business grew at 36 per cent year-on-year, while the SNC group grew 144 per cent y-o-y. While the RPS acquisition contributed to some of the growth, the company in its filing said robust customer expansion too played a part.

The market has rewarded the demerger news — stock price has gone up by 50 per cent since the announcement. "Separating out the corporate learning and skills and careers verticals into independent companies is a good move to unlock value. Corporate learning and B2C-focussed skilling segments march to different drummers — customer needs, capital requirements, marketing strategy, product focus, the whole playbook is different," says Kompella.

However, while he feels Managed Training Services is a stable market opportunity, B2C skills and careers is hyper-competitive and crowded and NIIT would need to bring fresh thinking to the space. "The pandemic has shaken up the corporate L&D space and customers realise the need for greater investments to make employees more productive and engaged. As a leader in the space, NIIT can hope to capitalise on the shifting trends and continue to grow revenue and profits," says Kompella.

On SNC, he says, while NIIT has strengths such as a strong brand name, a good track record of job placements and a strong balance sheet, B2C has both premium and volume segments, and they must create differentiated offerings for both groups. "Digital and AI technologies have enabled several edtech innovations around content customisation, content delivery and significantly enhanced the user experience, and NIIT has some catch-up to do on these fronts," he concludes.