

**Downturn Busters:** An exclusive series by Hindustan Times on enterprises which converted the current downturn into an opportunity.

We recalled what we did last time (when the dotcom bubble burst in 2001). The first lesson we had learnt then was the need to create products suited for such times

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CEO, NIIT



**NIIT**

**DOWNTURN BUSTERS**

# Surviving, from memory

**NANO TIMES** NIIT cut costs, launched new courses and fell back on lessons learnt in 2001 as it clawed its way back from the downturn.

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Vijay K. Thadani, 57, had a job that was the envy of his peers. As CEO of leading computer education provider NIIT, many people thought, he was immune to downturns.

But when the ripple effects of the downturn did reach India, it didn't spare the Rs 1,200-crore NIIT, which is often called the nursery of India's enviable talent pool in information technology.

The company's profits fell to a low Rs 5.5 crore for the October-December 2008 quarter compared to Rs 13.9 crore in the previous corresponding quarter and Rs 29.7 crore in the preceding one.

"The rupee began to weaken as a result of the relentless rise in crude oil prices (which peaked at \$147 per barrel on July 11 last year). This played havoc with our margins," says Thadani.

Then, October is usually a happy time for the NIIT's top brass as foreign clients usually renew their contracts around then. But hit by the domino effect of Lehman Brothers' collapse last September, many of these clients were busy running for cover themselves.

Result: contract renewals were getting delayed.

The bad news got worse in November and worse still in December. The company's bread and butter individual learning solutions business (shorn of jargon, this means NIIT's regular courses, which teach ordinary Joes become code jocks) registered a slowdown.

After growing at more than 20 per cent for years together, growth in this segment, which accounts for 35 per cent of revenues, fell to 6 per cent.

So what did the company do?

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"We recalled what we did last time (when the dotcom bubble burst in 2001). The first lesson we had learnt then was the need to create products suited for such times," he says.

NIIT initiated a management slogan called "Nano Times," and worked out three-part strategy centred around three broad heads — prudence, confidence and aggression.

"Effectively, these meant avoiding high-risk ventures, conserving cash, rationalising our cost structure, ensuring transparency with shareholders on future strategy and capturing higher market share," he says.

The company also decided to nominate nine "captains", who were mandated to bring down costs in a variety of areas including telecom, travel, investors, receivables, human resources, premises, etc. Every captain was given a target to reduce costs by 20 per cent within 90 days.

Thus, NIIT cut back on travel for conferences and internal meetings. Instead, it invested in setting up video-conference facilities. "Today, 14 of our major centres are connected through video-conferencing because of this investment," he says. Since travel accounted for 5 per cent of costs, the savings made a difference to the bottom line.

NIIT also went to the landlords to rework rents. "We told them that we would not raise rents because of the extraordinary economic situation. About 95 per cent (408) of our 430 premises agreed," Thadani says. Rents account for 8 per cent of the company's costs.

Importantly, however, salaries were not reduced. Instead, the salaries of the top 700 employees were restructured and a part of the fixed component in them was made a performance-linked variable. Till the end of the first quarter of 2009-10, about 60 per cent of these employees have reported much better performance.

The total impact of all these measures put together was a 17-18 per cent savings in costs.

It also combated the slowing market by introducing innovative courses tailored for the times.

NIIT introduced over 10 new products, including a short-duration course to make graduates job-ready in 99 days. These mid-course corrections not only helped the company sail through this difficult year, they also enabled it to increase net revenues 14 per cent.

Analysts, however, were not ready to pop the bubbly yet.

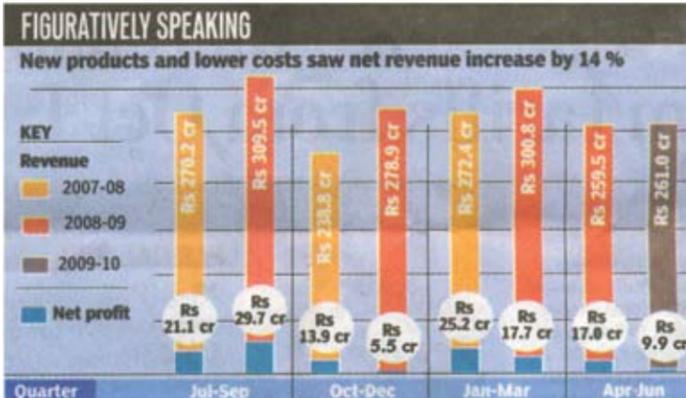
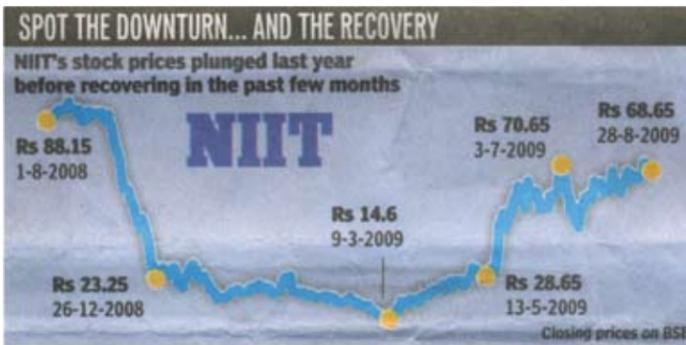
"We remain concerned about the negative impact of any slowdown in NIIT's retail training business," says Manik Taneja, an analyst with broking and research firm Emkay Research.

The management, however, remains bullish. "We have a robust and de-risked strategy for the future," says Thadani.

And this, he hopes, will get it back to the high growth trajectory now that times are changing for the better.



■ For NIIT CEO Vijay K. Thadani, the lessons he learnt after the dotcom bubble burst in 2001 proved handy during last year's economic crisis. RONJOY BOGGI / HT PHOTO



**SURVIVAL STRATEGIES...**

- 1 Make mid-course corrections and change products according to changing times
- 2 Avoid high risk ventures
- 3 Retain the best people
- 4 Capture higher market share
- 5 Align products to current demand

**THE 5 LESSONS THAT NIIT LEARNT**

- 1 Connect more deeply with customers
- 2 Conserve cash
- 3 Be transparent with shareholders and employees
- 4 Credibility is the biggest asset
- 5 Believe in the dictum: "This too shall pass"