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Forbes Asia

Indonesia's 40 Richest

On the Rise

HIS BROTHER LOST THE
FAMILY FORTUNE. INVESTOR
EDWIN SOERYADJAYA
IS BUILDING IT BACK UP.

Plus:
SURVIVORS OF
THE 1997 CRISIS.

AUSTRALIA A \$9.00
CHINA RMB 45.00
HONG KONG HK \$50
INDIA RS 150
INDONESIA RP 28,000
JAPAN (TAX INCL.) ¥1000
KOREA W 6,500
MALAYSIA RM 15.00
NEW ZEALAND NZ \$11.00
PAKISTAN RS 200
PHILIPPINES P 160
SINGAPORE S \$10.00
TAIWAN NT \$200
THAILAND B 170
UNITED STATES US \$4.99



Inside: Forbes Asia profiles NIIT as a Global Talent Development Corporation

STUDENTS SIT ON CUSHIONED CHAIRS IN A SPACIOUS, air-conditioned room in Chennai, peering at monitors of a top management-school professor teaching statistics from a studio hundreds of miles away. A 20-minute drive from this IT-assisted classroom is the Indian Institute of Technology, India's top engineering school, where students sweat at 40 degrees Celsius, making do with wooden benches, faded blackboards and stinking toilets.

Welcome, by contrast, to the modern halls of NIIT. What Rajendra Pawar, and his college mate, Vijay Thadani, opened over 25 years ago in a rented place in Mumbai has become Asia's biggest trade school, churning out millions of computer-savvy workers to burnish India's reputation as a low-cost, software service provider.

The country's graduates are turning to trade schools such as NIIT out of necessity. Barely 15% of the 2.3 million that India's state-run education system churns out every year are employable in an international business.

Pawar, 56, built the training business on the budding aptitude of urban Indians for the digital age. NIIT—the company says the initials aren't short for anything—teaches computer languages to 310,000 students at its 785 centers, charging as much as \$3,500 (124,000 rupees) for a short-term course. (By contrast IIT Madras, the place with the decrepit classrooms, charges 134,000 rupees for a four-year graduate degree in engineering.)

NIIT is exporting its methods as well, with 40% of its reach now outside of India.

The company's headquarters today is a modern glass and stone structure in Gurgaon, a technology and industry hub to the south of Delhi where blackouts are still frequent and drains overflow. A sculpture of a thinking man, huge canvases—some painted by Pawar's younger daughter—and a garden at each level, one in Japanese style, is to inspire Niitians (as the staff are called) to be creative. Eco-awareness extends to green toilet paper in the bathrooms.

NIIT's seems to be a great business, but it looked that way once before. That was back in the first dot-com boom, when the schools were single-focused. NIIT's stock peaked at 3,800 rupees (\$85) in January 2000 on the Bombay exchange and the market capitalization crossed \$2 billion amid the global frenzy for technology stocks.

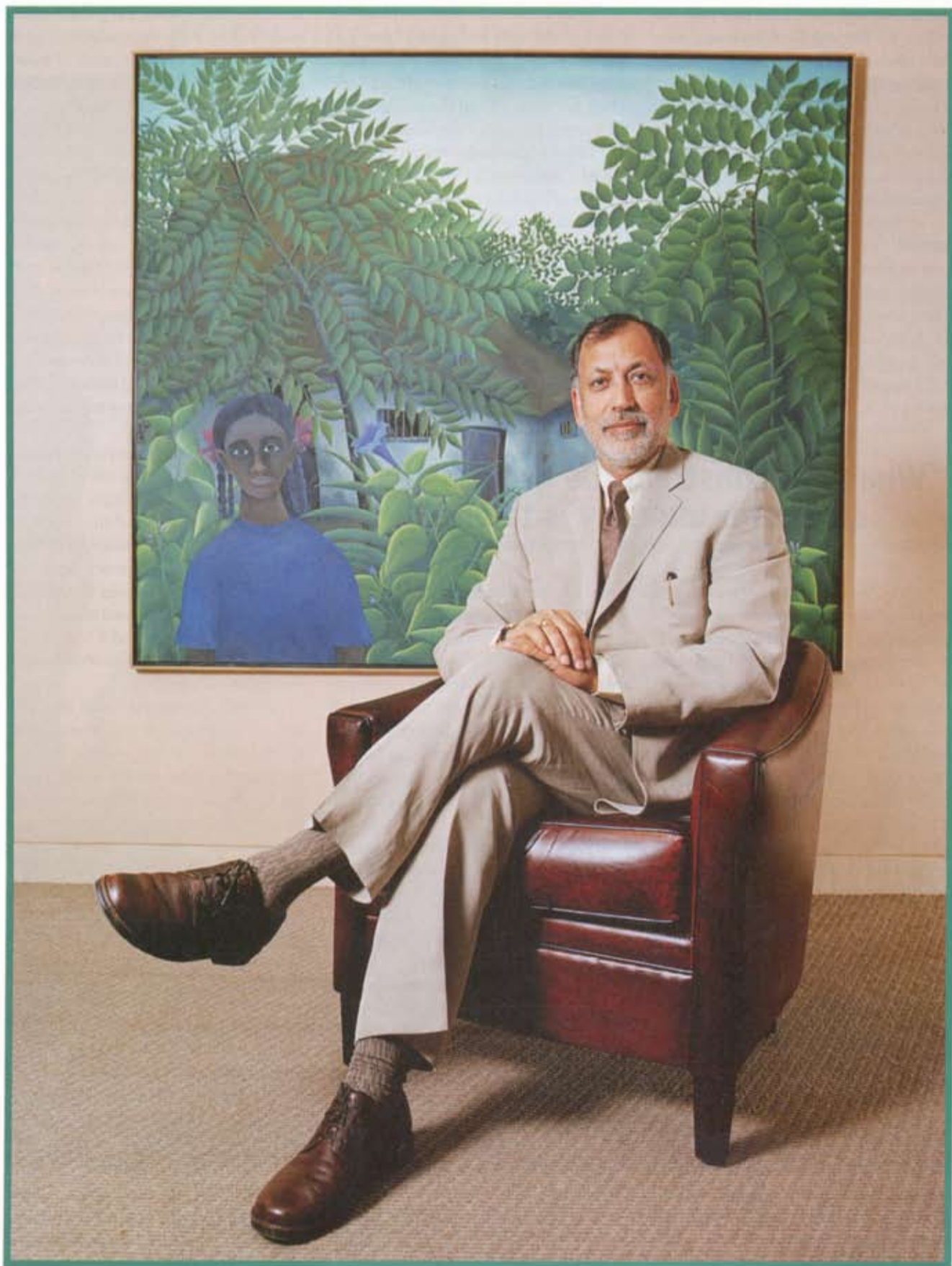
When valuations crashed, NIIT fell to as low as 93 rupees in 2003. The dot-com bust forced technology companies to scale back hiring, arresting enrollments in trade schools like NIIT. Over two years its annual net profit collapsed to \$2 million from \$45 million.

"We did extensive innovation to stop the bleeding," says cofounder Thadani, also 56. "Ours was a derived demand." NIIT reduced an emphasis on 1- to 3-year technology degrees and offered five-day basic courses in operating computers to both beginners and corporates. "People were still buying computers," Thadani says.

NIIT also started acquiring content arms. Pawar bought Cognitive Arts, started by a professor from the U.S. Northwestern Univer-

India's Trade Tech

Schooling for the millions in emerging information economies is the challenge of **RAJENDRA PAWAR'S** renewed NIIT | By S. Dinakar



Class Conscious

sity, in 2003 and three years later paid \$40 million for Element K, of Rochester, New York, which creates training materials for corporate customers as diverse as Citigroup, Toyota and Accor Hospitality. NIIT thus could outgrow even emerging India. The software, accessed online or via a disk, covers topics from running a shopping mall to maintaining casino slot machines.

Ventures with ICICI Bank and the Indian Institute of Management back home led NIIT to open schools in banking, insurance and management. "We want to become a global talent-development company," Pawar says.

"NIIT looks well positioned to benefit from growing concerns over the supply of talent," Hitesh Shah, a Citigroup analyst, wrote in a report in June.

Operating margins, which fell from 24%

"What differentiates NIIT is its breadth of vision, global scale and quality," says K.V. Kamath, FORBES ASIA's latest Businessman of the Year and chief executive of ICICI Bank, which has taken 19% in the unlisted NIIT-led training venture for the banking industry. "Pawar is somebody you can rely upon and who can deliver."

One of five children of an army colonel, Pawar was born in the northern province of Jammu. He was schooled at the prestigious Indian Institute of Technology in Delhi, after rejecting an offer to study in Cambridge on a scholarship. At IIT, which is not affiliated with what has become NIIT, the tall, lanky Pawar captained the field hockey team and took over as general secretary of the student body from Rajat Gupta, who later became head of consultancy McKinsey & Co. Pawar's

there were only two lifts and "I wanted them ready." No sweat, the first student turned up in the afternoon. Thanks to word-of-mouth and some advertising, NIIT expanded to Delhi and Chennai by the end of the year.

The new prime minister, Rajiv Gandhi, was pushing computerization and need for tech support was spreading to the provinces ahead of Pawar's ambitions. Groping to catch up, his thoughts turned to burgers. In 1987 he adapted McDonald's fast-food franchising model to the training business in India.

Videos and computers were used as teaching aids and the company standardized the pedagogy—right from the time a student is interviewed and admitted, to course work, exercises, lectures, tests and evaluation. Franchisees have to clear their own experience and education hurdles.

Meantime, tutoring corporations led to a software-writing project, and an offshoot, NIIT Technologies, took shape. Today revenues at this separately listed arm, on FORBES ASIA's latest Best Under a Billion list of small-to-midsize companies, approach those at the mother ship. "In 1991 software started catching up," Pawar says. "We used what we were learning in software to feed it back to education, which is why our education business is so industry-linked."

In 1995 the core NIIT took education overseas to Hong Kong; they entered mainland China in 1996. It opened its first two centers in Shanghai in 1998 and expanded in China by teaming up with local universities, state education arms and software technology parks. Later they set up shop in Malaysia and Nigeria. "We went westward for software projects and to Asia, China and Africa for education," Pawar notes. Efforts to replicate the retail schools in the U.S. and Hong Kong failed, however; brand building was a daunting challenge.

Pawar continues to think big, though. Privately, he's building a not-for-profit university on 100 acres outside Delhi focusing on graduate studies in IT and bioinformatics. His current reading is Edward de Bono's works on individual innovation. "This is the century of the mind," he says.

As he speaks, lights in the Gurgaon building flicker ominously, a sign of India's overworked power plants. Much of Pawar's nation is still wired for the century of the plow. **F**

"What will constrain the growth of the computer industry is talent."

in 1999 to 7% in 2002, crawled back to 13% last quarter. Shareholders were rewarded with a bonus and a stock split this August. Profits after tax rose by 31% to \$5.4 million in the September quarter over a year earlier; revenues grew 33% to \$69 million. For the fiscal year ending in March, the company should make \$26 million on sales exceeding \$260 million, Citigroup estimated in June.

NIIT increased seats and hiked fees by 18% last fiscal year, the first time fees rose in the last five years, encouraging New Zealander Richard Chandler to buy a stake in the company from Intel's venture fund.

"From Lagos to New Delhi to Ho Chi Minh City, NIIT's education services unlock individual creativity and productivity," said Robert T. Leighton, senior vice president of Chandler's Orient Global investment fund of Singapore, which took 9.4% of NIIT in June and has added more.

India has more illiterate people than the entire population of the U.S., according to the United Nations. Pawar's key market is the 500 million young people in the workforce, which hopes to displace aging, expensive labor in developed nations at a fraction of the cost. By 2020 the developed world will have a shortage of 40 million workers, says a Boston Consulting Group report.

junior was venture capitalist Vinod Khosla.

After completing his electrical engineering studies in 1972, Pawar did a short stint at builder Larsen & Toubro before joining an engineering group in Delhi where he met Shiv Nadar, his mentor, and moved in 1976 to Nadar's startup HCL, India's first computer maker. Pawar headed a team of 14 M.B.A.s at what is now a \$4.4 billion (in sales) outsourcing company, to sell computing machines in western India.

"The threat then was: Even if companies buy it, where will they get the people to run the computers?" Pawar said. "I came to the conclusion that what will constrain the growth of the computer industry is talent. The idea [for NIIT] was born there."

Soon Pawar was writing up a business plan in 1981 while he and his pregnant wife were on holiday in an Indian hill station.

Pawar and his IIT hostel mate Thadani, as practical and shrewd as Pawar is visionary, invested some of their pension money while Nadar bought a controlling stake. "Vijay and I share terrific complementarity. I am overoptimistic, and he is far more realistic," Pawar says.

The evening before NIIT's first institute opened in a rented space in 1982, Pawar's worry was what if all of Bombay turned up—