

# LEADERSHIP

IN GLOBAL TALENT DEVELOPMENT



Education, Employability, Productivity

June 2008

## Contents

- The Environment
- Company Overview
- Employability – Individual Learning Solutions
- Education – School Learning Solutions
- Productivity – Corporate Learning Solutions
- Summary

# Environment



## The Global Talent Shortage

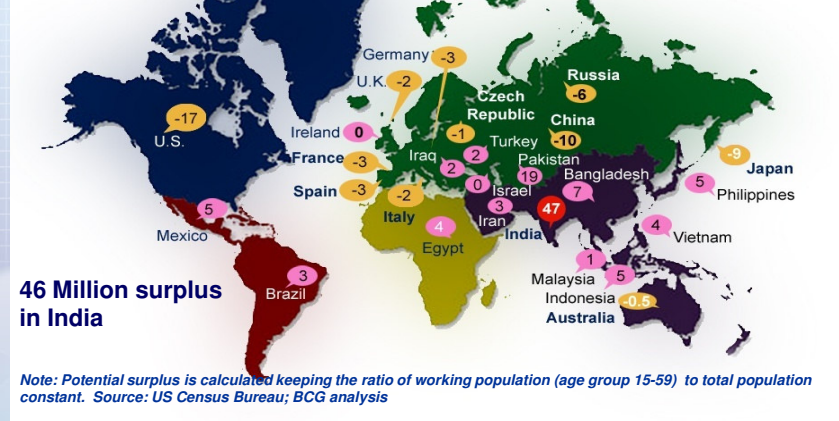
**Huge gaps in talent demand and supply in all sectors of the economy**

- Increasing Globalization – Work mobility
- Changing Demographics – Ageing population
- Services led economy – New skill sets

# India's Demographic Advantage: Global Workforce 2020



56 million shortage in the World



46 Million surplus in India

Note: Potential surplus is calculated keeping the ratio of working population (age group 15-59) to total population constant. Source: US Census Bureau; BCG analysis



Considerable investment in Education and Training would be required to enable India to reap the advantage

# The Indian Scenario



Indian economy growing @ 8%+  
GDP Mix changing: Services 55%, Industry 27% & Agriculture 18%



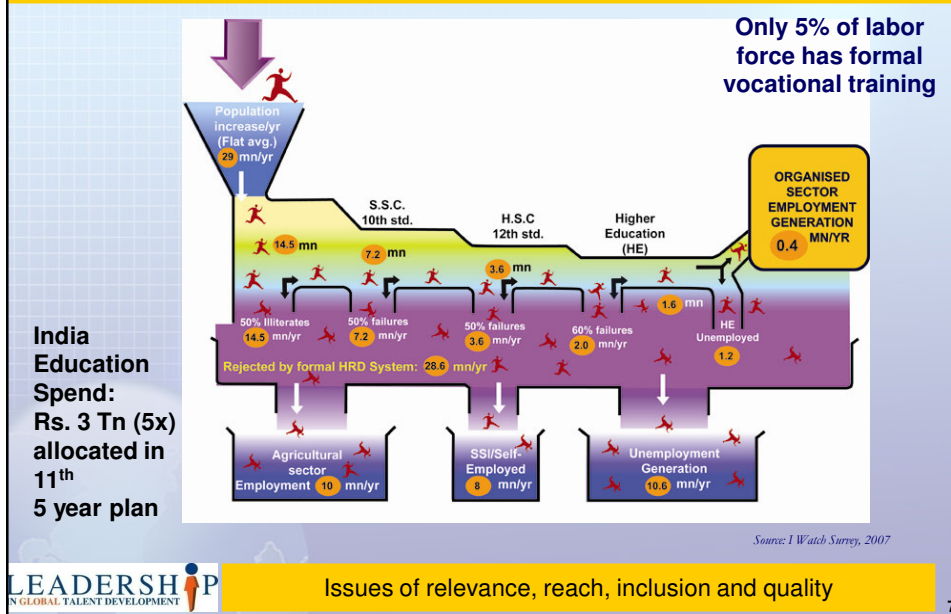
1. ASSOCHAM Survey  
2. ECA International Survey, Employment Conditions Abroad Ltd.  
3. Source: Economic Times, Feb 2006  
4. Source: The Economist, Oct 2006



Talent shortage across sectors

## India: Skill Supply Chain

**NIIT**



## Education, Employability, Productivity

**NIIT**

“Growth will get choked out if skills development does not take place”, Montek S. Ahluwalia – Planning Commission

- **Huge gap in talent supply and demand, in all sectors of the economy**
  - Only 5% of labor force in 19-24 age group has at least one certifiable skill
- **School infrastructure is woefully inadequate. 142 Mn children outside the school system\***
  - Government allocation 5x (Rs 3 Trillion) for education and skills development in the 11<sup>th</sup> five year plan; New PPP models
- **Global enterprises increasingly looking to leverage training for productivity enhancement and maximum business impact**
  - Training outsourcing is the future of corporate training

\* source: CLSA

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Education and Training business has strong tailwinds, globally

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## NIIT in this environment

**NIIT**

### Has successfully transitioned from an IT training company to a Global Talent Development Corporation

- One of the largest providers of vocational and professional skills worldwide across various service sectors. Acknowledged market leader in India
- One of the largest providers of Corporate Training in the world. Uniquely positioned to take maximum advantage of the growing training outsourcing trend, in India and Internationally
- Leading player in the School Education segment in India. Positioned to take maximum advantage of the emerging Public-Private initiatives

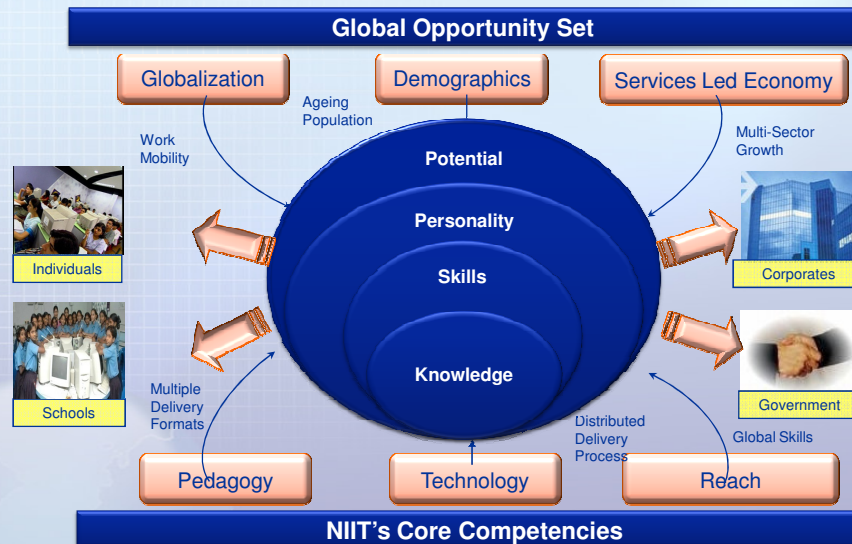
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NIIT is best positioned to take advantage of the environment

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## Leadership in Global Talent Development

**NIIT**



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# Company Overview



## NIIT: Market leader with strong credentials

Only Education Company in India to feature amongst  
“BCG 50 Local Dynamos”

- Dataquest “Top Training Company” in India award since its inception
- Avaya Global Connect award for Customer Responsiveness for three successive years
- Among the Top 20 companies in the Training outsourcing industry as ranked by TrainingOutsourcing.com
- Ranked among “India’s Top 50 Most Trusted Service Brands”
- Features among the “Super Brands” of India

# NIIT: Servicing the full labor supply chain



|                     |  |  |  |
|---------------------|--|--|--|
| Target Audience     | School children  | Young adults   | Working professionals  |
| Value Proposition   | Academics  | Employability  | Productivity   |
| Customer            | School   | Individual   | Corporate  |
| Coverage            | <ul style="list-style-type: none"> <li>Multimedia Learning Content</li> <li>IT Learning</li> <li>Teacher Training</li> </ul> | <ul style="list-style-type: none"> <li>IT Training</li> <li>BFSI Training</li> <li>Management Education</li> <li>English Language</li> <li>Professional Life skills</li> </ul> | <ul style="list-style-type: none"> <li>Learning Products</li> <li>Training Delivery &amp; Administration</li> <li>Custom Projects</li> </ul> |
| Geographic Coverage | India  | India/ China/ Emerging Economies   | India, USA, Europe   |



# Market Opportunity and NIIT's Positioning



| Segment     | Market  |   | NIIT  |
|-------------|---------|---|---|
| Individuals | \$20Bn* | <ul style="list-style-type: none"> <li>80% of 11m in colleges need training for employment</li> <li>Low penetration levels; only 5% of labor force has at least one certifiable skill</li> </ul>            | NIIT is the one of the largest professional skills development companies in the world |
| Schools     | \$29Bn* | <ul style="list-style-type: none"> <li>Urgent need to upgrade quality of education in both Govt. and Pvt. Schools</li> <li>An increasing part of the total spend outsourced to service providers</li> </ul> | NIIT is the pioneer in this segment and has cumulatively serviced 7700 schools so far |
| Corporates  | \$59Bn* | <ul style="list-style-type: none"> <li>Growing recognition of training as a tool to achieve business goals</li> <li>Outsourcing growth at ~18%</li> </ul>   | NIIT is one of the few companies in the world, having end to end solutions capability |

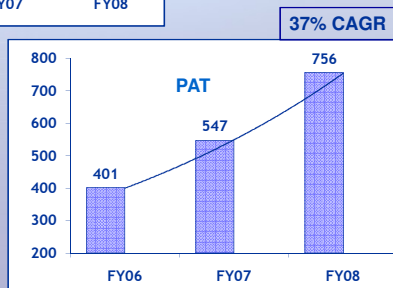
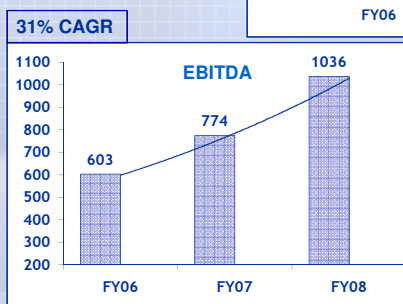
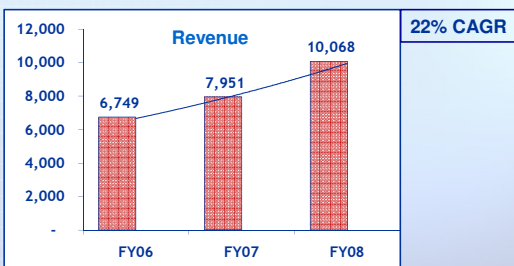
\* Source: Internal estimates/CLSA/Bersin & Associates



NIIT is closely aligned to present and future opportunities

## NIIT's growth in the last 3 years

**NIIT**



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Accelerating growth and profitability

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## FY08 Consolidated Financials

**NIIT**

| (Rs in mn)                         | FY'08         | FY'07  | YoY (%)           |
|------------------------------------|---------------|--------|-------------------|
| <b>System Wide Revenue</b>         | <b>14,016</b> | 11,163 | 26 <sup>0</sup> % |
| <b>Net Revenues</b>                | <b>10,068</b> | 7,951  | 27 <sup>0</sup> % |
| Operating Expenses                 | 9,033         | 7,176  | 26%               |
| <b>EBITDA</b>                      | <b>1,036</b>  | 774    | 34%               |
| EBITDA %                           | 10%           | 10%    | 55 bps            |
| Depreciation                       | 529           | 473    | 12%               |
| Other Income                       | (104)         | -55    | 90%               |
| Profit Before Taxes                | 402           | 247    | 63%               |
| Provision For Tax                  | -20           | 4      | -563%             |
| Operational Net Profit             | 422           | 242    | 74%               |
| Share of Profits from Associates   | 334           | 330    | 1%                |
| <b>PAT</b>                         | <b>756</b>    | 572    | 32 <sup>0</sup> % |
| <b>Basic EPS (Rs) - normalized</b> | <b>4.7</b>    | 3.9    | 19%               |

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Robust revenue growth coupled with profit improvement

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## FY 08: Across the Board Improvement

**NIIT**

- ROCE improves from 13% in FY07 to 16% in FY08
- DSO at 74 days on FY08 revenues vs. 101 days in Mar'07
- Overall Debt reduced from Rs. 2698 Mn to Rs. 2057 Mn

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Improved Capital Efficiency

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## FY08 Business Highlights

**NIIT**

- IT Training continued high growth; Revenue up 31% YoY; EBITDA up 53%; Margin +291 bps
- New forays in the employability training space. IFBI & Imperia grow 274% YoY; Revenues Rs. 308 mn; Expected to become significant growth engines for NIIT
- School Learning Solutions (SLS): New thrust in Schools business delivers results; Revenue up 19% YoY EBITDA margin +134 bps. Fresh order intake of Rs 1314 Mn, up 737% YoY
- Corporate Learning Solutions (CLS): Integration of Element K with NIIT's corporate business substantially completed. New opportunity thrown up by Learning Products business. Fresh order intake of \$151 mn, up 34% YoY
- Evolv acquisition to address English Communication and Professional Skills Training and ETS relationship to provide certification to a Global Standard

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Growth, Expansion, Continued Transformation

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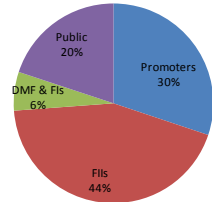
# Capital Structure

NIIT

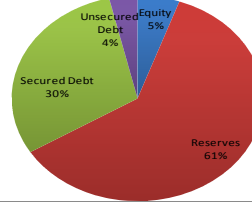
Total Capital employed – Rs. 6092Mn

No of Shares - 164.7 Mn  
Face Value – Rs. 2 per share  
Outstanding ESOPs – 1.45Mn

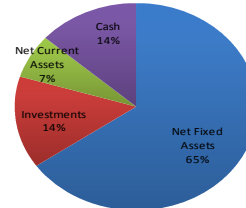
Shareholding Pattern  
March 2008



Sources of Funds



Application of funds



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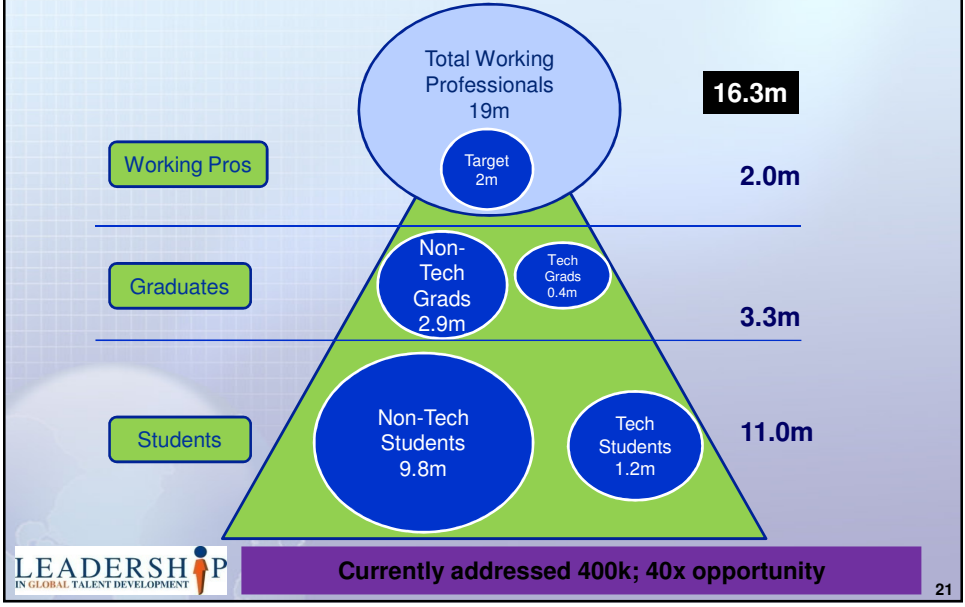
# Individual Learning Solutions

- IT Training
- Finance, Banking, Insurance Training (IFBI)
- Executive Management Education (Imperia)
- English Language and Professional Life Development
- Business Process Training (NIPE)

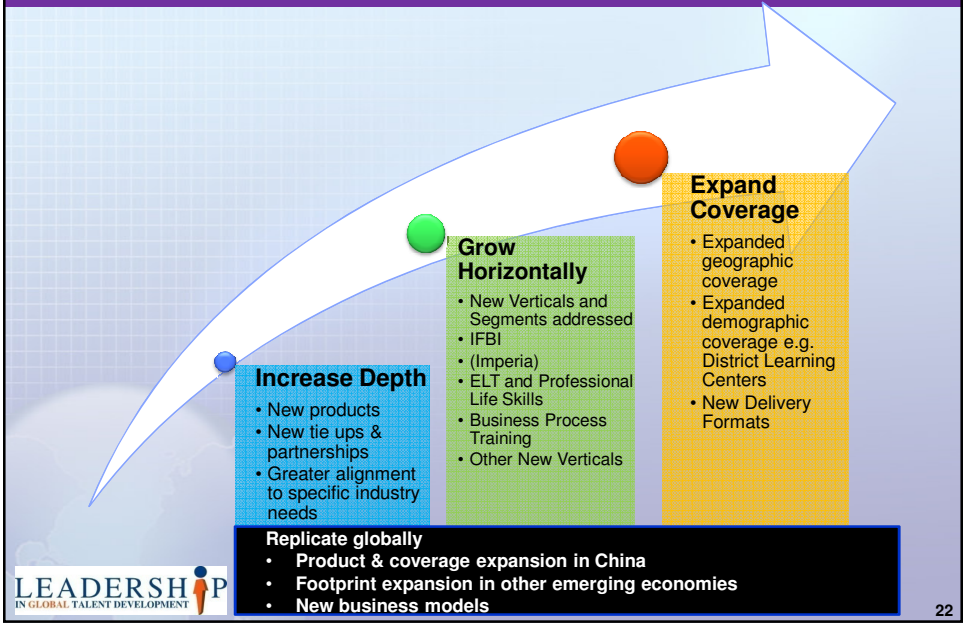
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# India Employability Training Opportunity



# Multiple Levers of Growth for NIIT



# ILS - IT TRAINING

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## IT Training

NIIT



For details, SMS -@NIIT- to 56161 or call 1800 102 6448 (Airtel), 1800 180 6448 (BSNL) or email: [careercourses@niit.com](mailto:careercourses@niit.com)

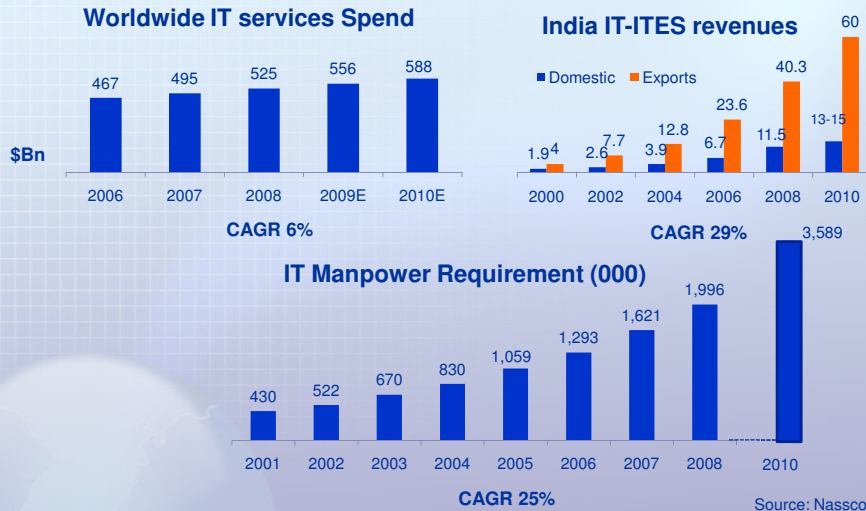
- Individuals, 16-25 years
- Career, Career-edge and Skills Upgrade courses
- For Engineers, Science / Arts /Commerce graduates, Working Professionals
- Instructor-led, supplemented by e-learning
- India. China. Developing World



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Improving Individual Employability in IT Sector

# IT Industry is Expected to Sustain Robust Growth



Strong outsourcing growth in a relatively slow growth industry

# Demand for IT & ITES professionals



## Demand side: IT workforce ('000s)



- Skills**
- Software: Development & Testing
  - Infrastructure Management
  - MIS implementation & Support
  - Multimedia
  - Voice/Tech Support
  - Knowledge Process outsourcing
  - Vendor certification

## Supply Side:

| 2007-10                        | Available | Employability |
|--------------------------------|-----------|---------------|
| Qualified Engineers & IT Grads | 1.4 Mn    | 25%           |
| Non Engineers / Non-IT Grads   | 6.0 Mn    | 10%           |

Source: Mckinsey



The demand-supply gap in skilled IT workers expected to continue

## FY'08 Highlights

| Rs. Mn               | FY 08 | FY 07 | %G (YoY) |
|----------------------|-------|-------|----------|
| System wide revenues | 7,119 | 5,655 | 26%      |
| Net Revenues         | 3,241 | 2,470 | 31%      |
| EBITDA               | 664   | 434   | 53%      |
| EBITDA %             | 21 %  | 18 %  | 291 bps  |

- ❖ SWR Geo Mix: India 66%, China 17%, ROW 17%
- ❖ India Revenues grow 37% YoY (Volume 20% Mix 7 % & Price 7%);
- ❖ Capacity enhancement: 15% YoY
- ❖ Capacity utilization at 55% on enhanced revenue capacity
- ❖ New Technology partnerships with CISCO, Adobe, EMC

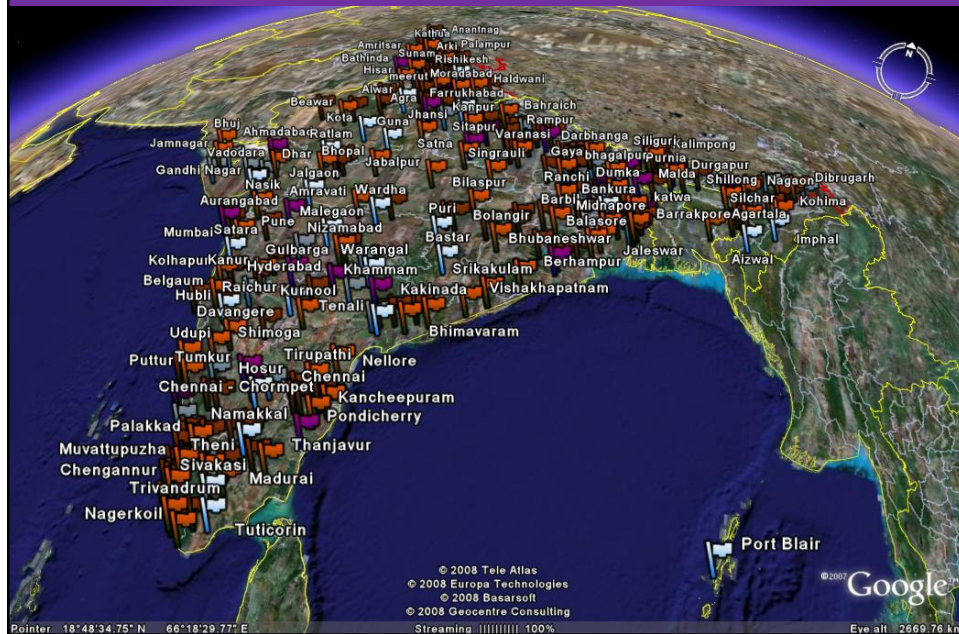
- ❖ Enrollments
  - ❖ Overall + 25%
  - ❖ India Career +24%
- ❖ 46 New Centers
  - ❖ 29 in India
  - ❖ 17 in China / ROW

- ❖ Closing Net OB 1,586 Mn
- ❖ 68% executable in next 12 months



Accelerating Growth, Improving margins

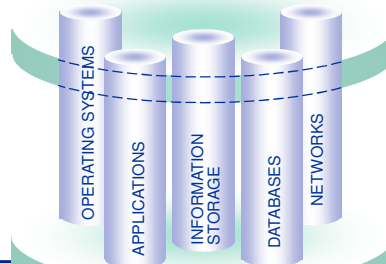
## ILS: India Centre Distribution



# Partnership with Leaders



## Pillars of Information Technology



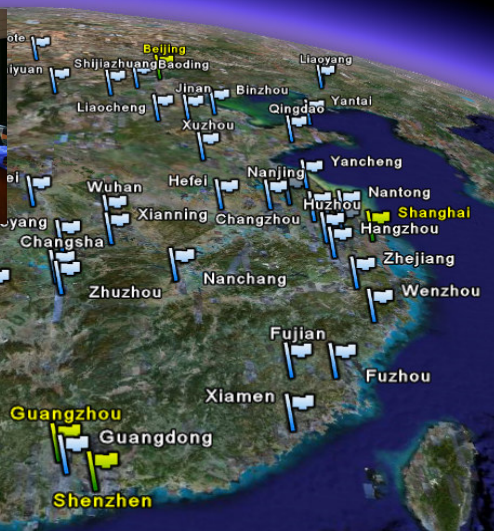
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|--------------------|----------|----------------------|-------------------------|------------|----------------|---------|---------------------|
|                    |          |                      |                         |            |                |         |                     |
| 1                  | 1        | 1                    | 1                       | 1          | 1              | 1       | 1                   |
| Computing Platform | Platform | Open Source Platform | Database & Applications | Networking | Creative Suite | Storage | Open Certifications |



# NIIT: In China



- 171 centers
- Ultra modern center in Shanghai
- New center in Wuxi Software Park
- >35% enrolment growth
- "Best IT Training Company of the Year Award"



## NIIT: Rest of the World

NIIT



- 160 centers
- Vietnam, Nigeria, Botswana
- Latin American Centers of Excellence
- 25% enrolment growth

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Continued expansion. Increasing recognitions

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## Future Strategy

NIIT

### ❖ India

- ❖ New Products leveraging Technology Partnerships – e.g. CISCO, EMC, CompTIA for Infrastructure Management Training
- ❖ Capacity Expansion in under-penetrated Geographies
- ❖ Enhanced use of Web and Mobility to improve Customer Acquisition Process

### ❖ International

- ❖ Significant capacity expansion in China
- ❖ Launch of New Technology modular programs
- ❖ Growth in Focus Geographies

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Continued revenue growth and improving profitability

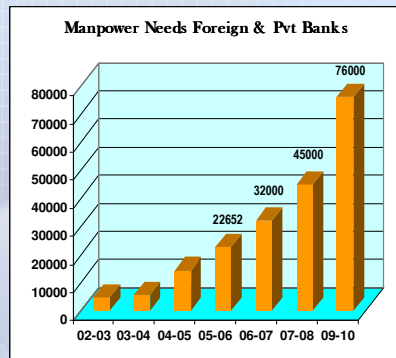
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FMT: Size of the opportunity

- Market addressed by FMT estimated as approx Rs 12 Bn, growing at 30% p.a.
- Requirement of 160,000 persons in FY09, going up to 260,000 persons by FY11.



**FMT: FY08 Highlights**

**Added 7 new centers to reach 22 centers in 19 cities  
Over 10,000 students trained during FY08**

- **IFBI:**
  - IFBI gains universal acceptance among banking community with 3000+ fresh employees added to the industry during last fiscal
  - General Insurance programs launched with ICICI Lombard, ICICI Prudential
  - Added partnership with Kotak Mahindra Bank, HDFC Bank, Yes Bank
- **Imperia:**
  - Added partnership with IIM Lucknow, IMT Ghaziabad and IIFT – now 6 out of top 10 management institutes offer programs
  - Rich portfolio of management programs – 20 programs covering general management & functional areas



IFBI and Imperia expected to build upon the initial success

**IFBI & Imperia: FY08 Financials**

| Rs. Mn              | FY08        | FY07         | YoY%        |
|---------------------|-------------|--------------|-------------|
| <b>Net Revenues</b> | <b>308</b>  | <b>73</b>    | <b>323%</b> |
| <b>EBITDA</b>       | <b>(26)</b> | <b>(91)</b>  | <b>-</b>    |
| <b>EBITDA %</b>     | <b>-8%</b>  | <b>-175%</b> |             |

- Order intake of Rs. 341 Mn, Pending order book Rs. 78 Mn
- Achieved break even (EBITDA), a quarter ahead of projections
- Expertise of management of high-volume, technology-enabled, individual training – perfected in IT – applied to new domains
- Marquee partners and robust customer propositions



Growth on track

## FMT – Future Strategy

- Increase geographical coverage : more centres
- Coverage of other customer segments : more program offerings, other flexible formats
- Alliances : more partners
- More cost-effective customer acquisition

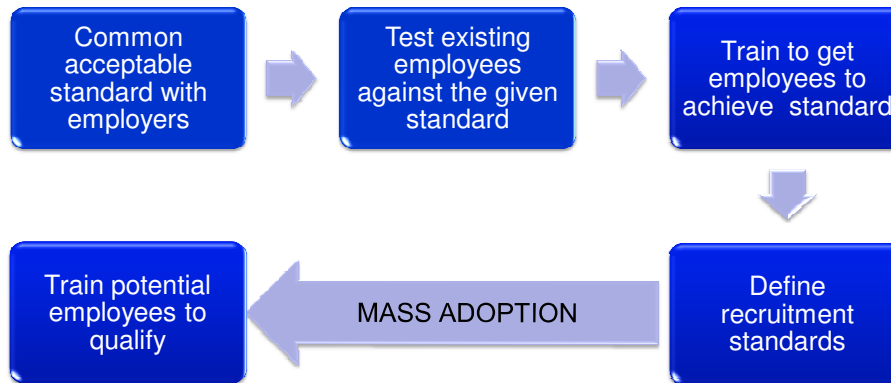
## English & Professional Life Skills

**NIIT**

- Alliance with ETS for TOEIC testing
- Acquisition of Evolv for English language training
- Market potential
  - A huge untapped market In India
  - 11 mn college students
    - 90% face an “employability gap”
    - Main reason – Lack of English communication & Professional life skills
- Solution
  - Work with employers to a common acceptable standard
  - Get potential employees to achieve the standard

## English & Professional life skills

NIIT



## NIIT Institute of Process Excellence (NIPE)

NIIT

The latest addition to NIIT's offerings

- Joint venture between Genpact & NIIT
- To offer training to meet the growing requirement for professionals skilled in business process knowledge
- NASSCOM estimates additional requirement of 1.4 mn professionals in the BPO industry by 2010
- To commence operations from September 2008

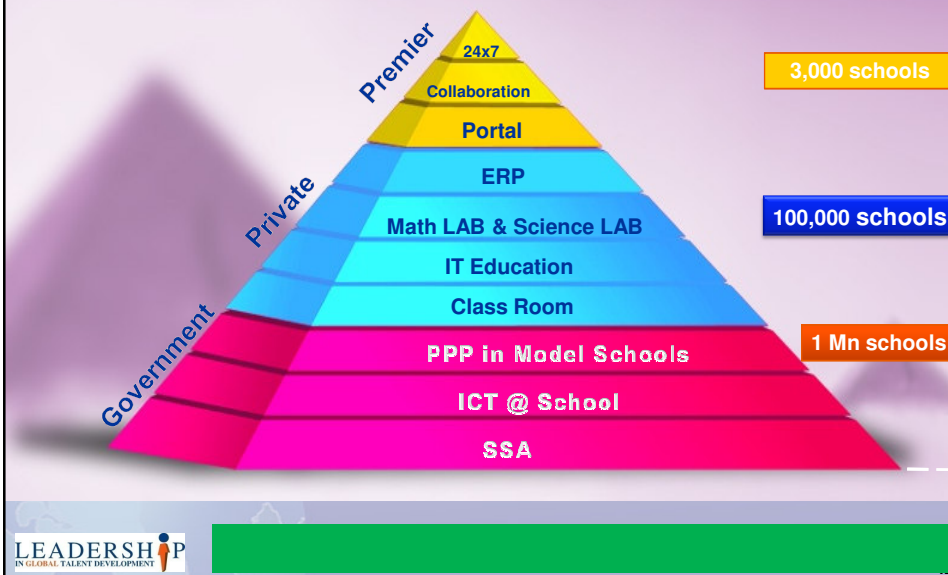
# School Learning Solutions

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## Opportunity space

NIIT



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## Next 3 years addressable opportunity

**NIIT**

|                                    |                                   |
|------------------------------------|-----------------------------------|
| Sarv Shiksha Abhiyan               | 600 districts                     |
| ICT@School                         | 60,000 schools                    |
| PPP in Govt schools                | 6,000 schools                     |
| Pvt Schools – Class room solutions | 10,000 schools                    |
| Pvt Schools- Lab Solutions         | 5,000 Schools                     |
| School ERP & Portal Solutions      | 2,000 Schools                     |
| Teacher's training                 | 500k Pre-service, 1 Mn In-service |

## NIIT:SLS

**NIIT**

### Credentials

5,965,000  
Students

250,000  
Teachers

42,000  
PCs

14,000  
Hrs of Content

9,151  
Instructors

7,700  
Schools

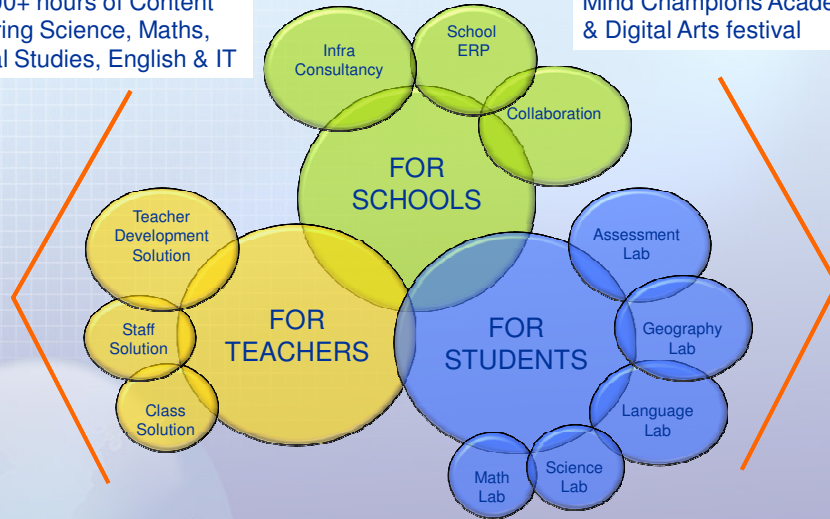


# NIIT eGuru Product Portfolio



14,000+ hours of Content covering Science, Maths, Social Studies, English & IT

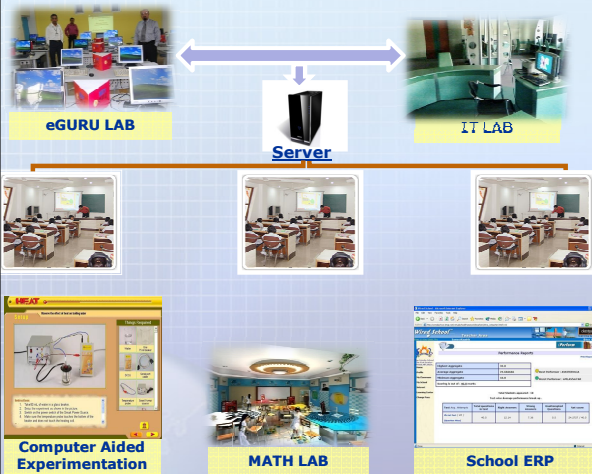
Mind Champions Academy & Digital Arts festival



Superior End-End Solution for schools

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# NIIT eGuru differentiators



- Teaching & learning Materials
- Computer aided experimentation
- Academic impact measurements
- Comprehensive Lab solutions
- Support & service levels
- Designed with NCF objectives
- Curriculum solution and not just content



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## SLS: FY'08 Highlights

**NIIT**

| Rs. Mn       | FY'08 | FY'07 | %G (YoY) |
|--------------|-------|-------|----------|
| Net Revenues | 1012  | 847   | 19%      |
| EBITDA       | 131   | 99    | 33%      |
| EBITDA %     | 13%   | 12%   | 134 bps  |

- Order Intake: 1,314 Mn
- Schools added: 1,821 (175 non GSA schools added)
- GSA contributes 72% of revenue vs.71% LY; Non GSA grew 17% YoY
- Product line strengthened by Math Lab, eGuru and nComputing alliance.  
New Product launches receive favorable response
- Pending order book at Rs 1,319 Mn
- 42% executable in next 12 months

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SLS takes advantage of improved environment

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## SLS: Future Strategy

**NIIT**

- Leadership in Government business of choice
- Comprehensive curriculum and school solution offering for Private Schools
- Vocational training in schools
- Teacher's training
- Total Learning solutions (ERP, Web portal)
- Sales force expansion

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SLS business will see robust growth

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# Corporate Learning Solutions



## Our Credentials



**Largest e-Learning Content Library**



12,000 Hrs of e-Learning



20,000+ Training Days per Year



150+ University Courses

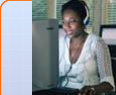
**12000 + Person Years of Experience**



1500+ print catalog



3500+ e-learning library



285,000+ Student Learning Hours



20,000 Hours of ILT

**1500+ Professionals: Largest Content Development Facility in the world**



29,000+ Mentoring Hours



500,000 Hosted Users



297,000 Transactions/mo

**Over 2000 Customers globally**



Most comprehensive and global, training outsourcing capability

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# Diverse Customer Portfolio



|  |  |
|--|--|
| <p><b>Sales, Channel, and Customer Education</b></p> | <p><b>Business Process Improvement</b></p>   |
| <p><b>Training Administration Services</b></p>       | <p><b>Regulatory Compliance</b></p>  |
| <p><b>New Product Rollout</b></p>                    | <p><b>Employee On-boarding and Corporate Communications</b></p>  |
| <p><b>IT Productivity and Skills Development</b></p> | <p><b>Other Solutions</b></p> <ul style="list-style-type: none"> <li>Management and Leadership Development</li> <li>Professional Effectiveness</li> <li>Office Productivity</li> <li>Call Center and Customer Service</li> </ul> |

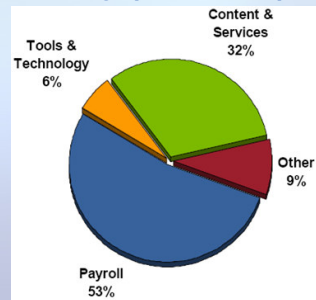


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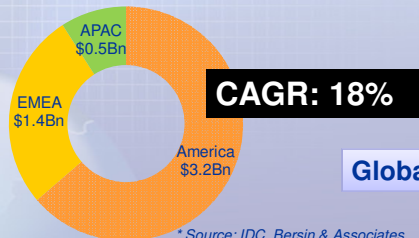
# Corporate Training Market



**Training spend breakup**



**Global Training Outsourcing Market 2008E\***



**Global training spend \$100Bn+**

\* Source: IDC, Bersin & Associates



Strong growth in training outsourcing

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## Corporate Learning Solutions

**NIIT**

|   |   |   |
|---|---|---|
| <b>Learning products (SAAS)</b>               | <ul style="list-style-type: none"> <li>• 3500+ titles; SAAS model</li> <li>• 3Mn+ learners on Khub</li> <li>• Largest print &amp; eLearning library</li> <li>• Virtual labs now available 'in a box'</li> <li>• Field sales force doubled in North America</li> <li>• Partnership with resellers including Webex</li> </ul> | <b>Invest</b> <ul style="list-style-type: none"> <li>- High growth (21%)</li> <li>- High margin</li> <li># 2 position</li> </ul>  |
| <b>Training Delivery &amp; Administration</b> | <ul style="list-style-type: none"> <li>• Recurring revenues, long term partnerships</li> <li>• Multi year, multi geography relationships</li> <li>• Opportunities in India growth sectors</li> </ul>  | <b>Develop</b> <ul style="list-style-type: none"> <li>- Poised for growth (25%+ projected)</li> <li>- Moderate margin</li> <li>- Leadership in learning services</li> </ul> |
| <b>Custom Projects</b>                        | <ul style="list-style-type: none"> <li>• 150+ customers; 49 in Fortune 500</li> <li>• Continue to maintain leadership position in content development</li> <li>• Establish 'curriculum-led' development model to increase order size and value</li> </ul>   | <b>Transform</b> <ul style="list-style-type: none"> <li>- High impact of economic swings</li> <li>- Moderate margin</li> <li>- Leader in content development</li> </ul>     |

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## CLS: FY08 Financials

**NIIT**

| Rs. Mn              | FY08        | FY07        | %G (YoY)         |
|---------------------|-------------|-------------|------------------|
| <b>Net Revenues</b> | <b>5508</b> | <b>4650</b> | <b>21%</b>       |
| <b>EBITDA</b>       | <b>266</b>  | <b>355</b>  | <b>(25%)</b>     |
| <b>EBITDA %</b>     | <b>5%</b>   | <b>8%</b>   | <b>(295 bps)</b> |

- USD impacts revenues Rs. 690 mn (12%); EBITDA 108 mn
- Product & Sales force expansion affects margin
- Element K integration on track
- FY'08 Order intake of \$ 151 Mn (+34% YoY)
- Pending order book at \$ 74 Mn
- 62% executable in next 12 months

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## CLS: Future Strategy

**NIIT**

|                           | Mkt trend | Contrib % | Current Position         | Growth | Strategy  |
|---------------------------|-----------|-----------|--------------------------|--------|---|
| Learning Products         | ↑         | 55%       | #2 player globally       | ↑      | <ul style="list-style-type: none"> <li>Invest in global sales effort</li> <li>Build further and extend product range</li> </ul> |
| Custom Projects           | →         | 23%       | Largest custom developer | →      | <ul style="list-style-type: none"> <li>Build expertise in select verticals</li> </ul>   |
| Training Delivery & Admin | ↑↑        | 14%       | Top 5 in learning        | ↑↑     | <ul style="list-style-type: none"> <li>Global technology delivery</li> <li>End2End solution set</li> </ul>                      |
| India                     | ↑↑        | 8%        | Leader                   | ↑↑↑    | <ul style="list-style-type: none"> <li>Focus on full outsourcing and products</li> <li>Invest in sales effort</li> </ul>        |

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Strong focus on Learning Products, Delivery & India corporate training

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# Summarizing

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## NIIT: Today and Tomorrow

**NIIT**

- We are today, the market leader with strong credentials and competencies
- We have a strong financial track record, and in the past have successfully dealt with market adversities and uncertainties
- We have successfully transitioned from an IT Training Company to a Global Talent Development Corporation
- Our current businesses are aligned to attractive markets
- We have a robust and de-risked strategy for the future

**NIIT**

Leadership in the Century of the mind

