

# LEADERSHIP

IN GLOBAL TALENT DEVELOPMENT



Education, Employability, Productivity

September 2009

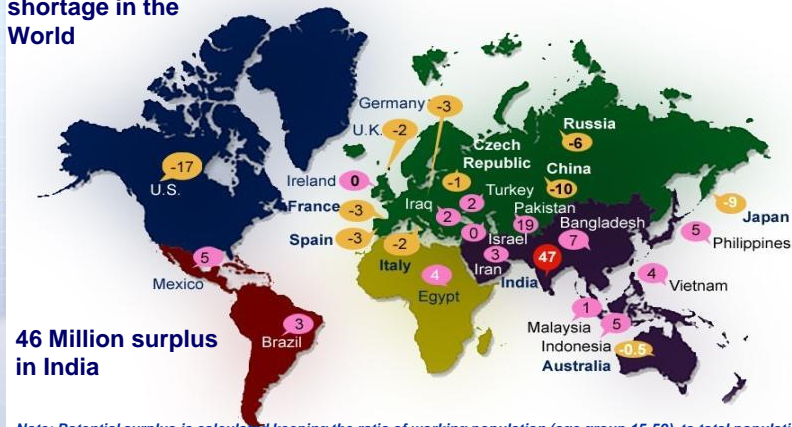
## Contents

- Education, Employability, Productivity - The Challenge
- Company Overview
- Business Segments
  - Individual Learning Solutions
  - School Learning Solutions
  - Corporate Learning Solutions
- Financial Performance
- Future Direction
- New Government : Promise of Enrichment of Human Capital
- Summary

## India's Demographic Advantage: Global Workforce 2020

NIIT

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

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

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## The Global Talent Shortage

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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

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Talent Gap at the top; Skills Deficit at the bottom

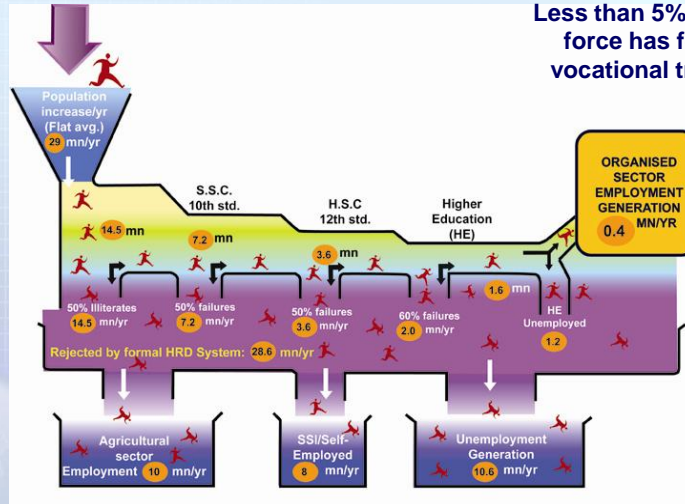
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# India: Skill Supply Chain

**NIIT**

Less than 5% of labor force has formal vocational training

India Education Spend: Rs. 2.7 Tn (5x) allocated in 11<sup>th</sup> 5 year plan



Source: I Watch Survey, 2007

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Issues of relevance, reach, inclusion and quality

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# Education, Employability, Productivity

**NIIT**

“Growth will get choked out if skills development does not take place” - Planning Commission

- Huge gap in talent supply and demand, in all sectors of the economy
  - Less than 5% of labor force in 19-24 age group has a certifiable skill
- School infrastructure is woefully inadequate. 142 Mn children outside the school system\*
  - Government allocation 5x (Rs 2.7 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
  - Outsourcing is the future of corporate training

\* source: CLSA

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Education and Training business has strong tailwinds

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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



NIIT is best positioned to take advantage of the environment

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## NIIT: Market leader with strong credentials

**NIIT**

### 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



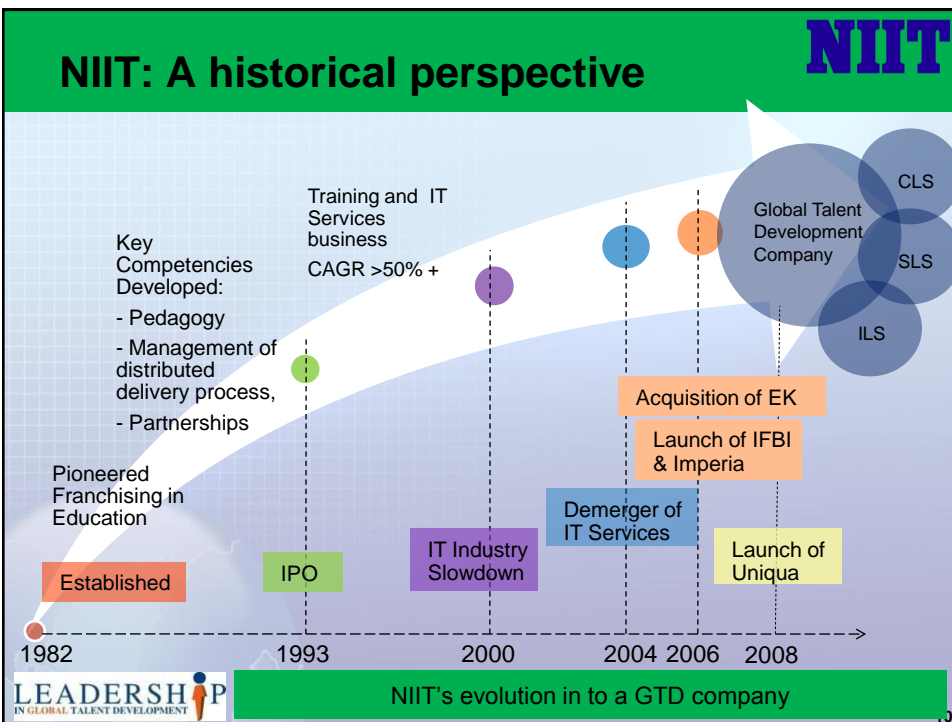
Proven execution ability and strong brand

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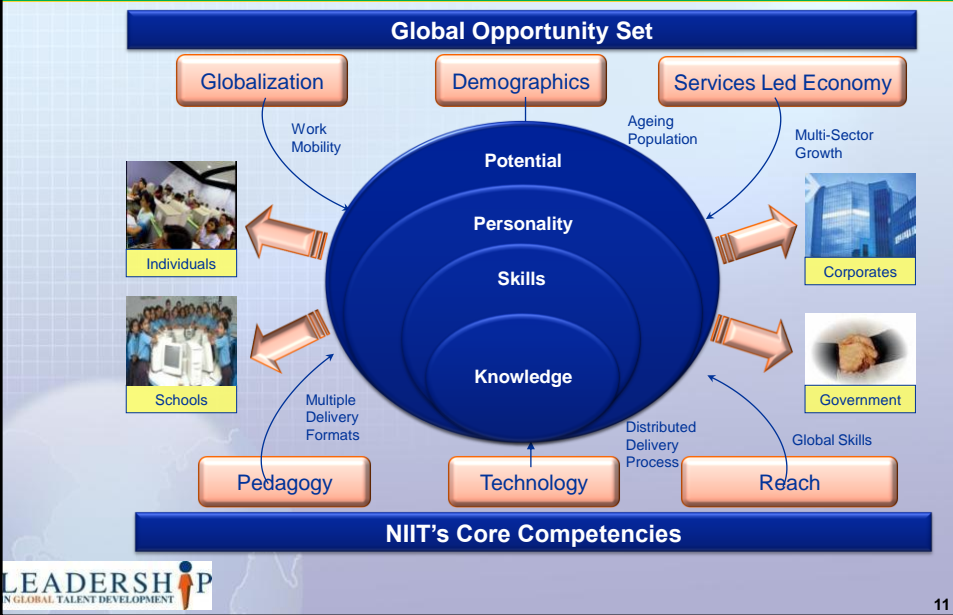
# Company Overview



## NIIT: A historical perspective



# Leadership in Global Talent Development **NIIT**



# NIIT: Servicing the full labor supply chain **NIIT**

	School Learning Solutions	Individual Learning Solutions	Corporate Learning Solutions
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 Teaching &amp; Learning Content</li> <li>IT Learning</li> <li>Teacher Training</li> </ul>	<ul style="list-style-type: none"> <li>IT Training</li> <li>BPO, KPO 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 Content Development</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 12000 + schools
Corporates	\$56Bn *** <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

\* India Size, Internal Estimates

\*\* India Size, CLSA , Indian Education

\*\*\* US Size, Bersin & Associates



NIIT is closely aligned to present and future opportunities



# Business Segments

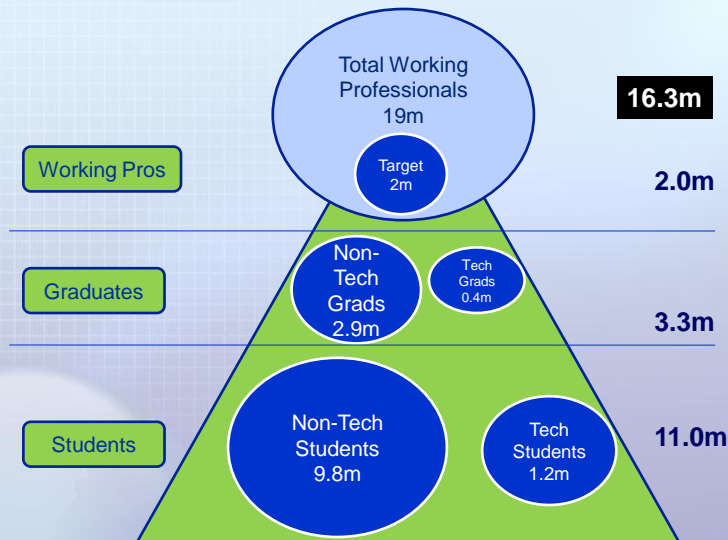


# Individual Learning Solutions

- IT Training
- Finance, Banking, Insurance Training (IFBI)
- Executive Management Education (Imperia)
- BPO, KPO Training (Uniqua)
- English Language and Professional Life Skills Development



## India Employability Training Opportunity



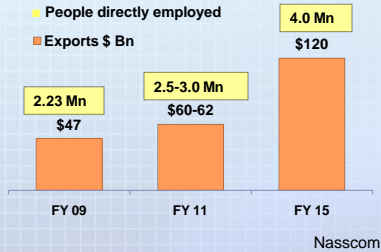
Currently addressed ~450k; 36x potential



# ILS: Demand for Trained Professionals



## IT-ITES Industry outlook



	% employable
Qualified Engineers & IT Grads	25%
Non Engineers / Non-IT Grads	10%

Mckinsey

## Public sector banks on recruitment spree

PSU banks to hire 30,000 in 2009-10.

### Current Vacancies (Officers & clerks)

Banks	Nos.
State Bank of India	3,500*
Union Bank of India	5,000
Syndicate Bank	1,755
Central Bank	850
Andhra Bank	1,000
Corporation Bank	425
Punjab National Bank	134
Nabard	120

\*SBI is likely to have 25,000 vacancies

- Growing employable population
- Continuing employability problem
- Changing tech trends warranting skill upgrade



The demand-supply gap in skilled professionals to continue

# IT Training



NIIT

Where industry meets education. This is where **THEY CHASE YOU CHOOSE** **NIIT**

For details, SMS -@NIIT- to 96161 or call 1800 102 6445 (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



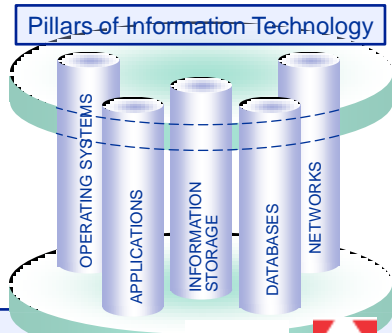
Improving Individual Employability in IT Sector

# ILS-IT: Our reach



- India : 500 Centers
- China: 192 Centers
- ROW: 158 Centers

# ILS-IT: Partnership with Leaders



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



## ILS – Financial Services and Management Training (FMT)

**NIIT**



ifbi  
Institute of Finance, Banking & Insurance

Deutsche Bank

BAJAJ CAPITAL  
Always working for your interest (TM)

NIIT IMPERIA  
CENTRE FOR ADVANCED LEARNING

ICICI Bank

HDFC BANK

IIIM AHMEDABAD

सिद्धिमुलं प्रबन्धनम्  
भा. प्र. सं. इन्दौर  
IIM INDORE

INDIAN INSTITUTE OF MANAGEMENT  
CALCUTTA

ICICI Securities

YES BANK

IMT

INDIAN INSTITUTE OF FOREIGN TRADE  
IIFT

ICICI Prudential  
LIFE INSURANCE

ICICI Lombard  
Insurance 24x7

Kotak  
Kotak Mahindra Bank

Indian Institute of Management, Lucknow

LAKSHMI VILAS BANK

wealthadvisors

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• 22 Centers

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Partnership with leaders in the industry

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## ILS - Uniqua

**NIIT**

The latest addition to NIIT's offerings

- Joint venture between Genpact & NIIT
- Operating under the brand name 'NIIT Uniqua'
- Offers training to meet the growing requirement for professionals skilled in business process knowledge
- Commenced operations from September 2008



• 14 Centers

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## English & Professional Life Skills

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- 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
- Alliance with ETS for TOEIC testing
- Acquisition of Evolv for English language training

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## School Learning Solutions

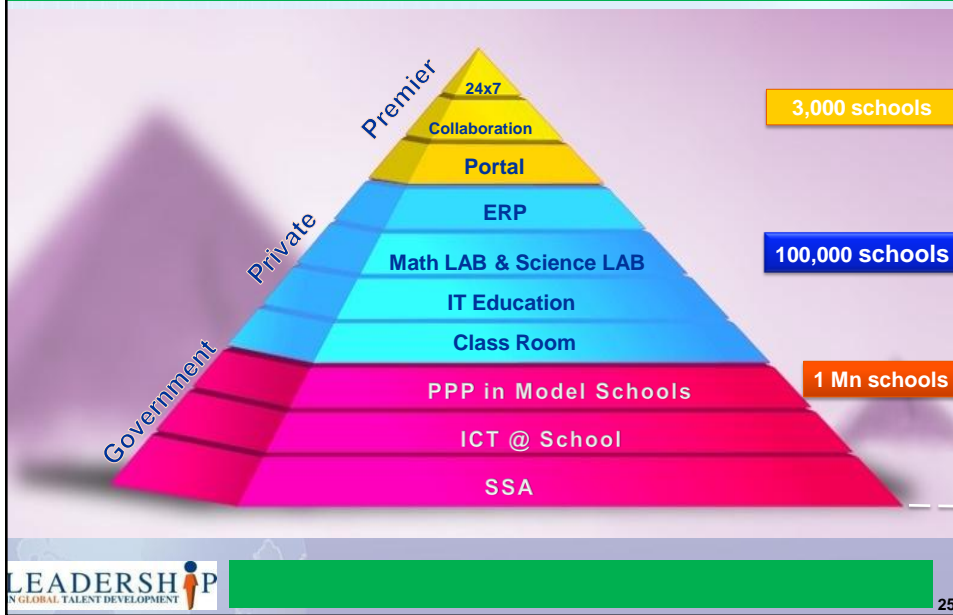


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# Schools: Opportunity Space

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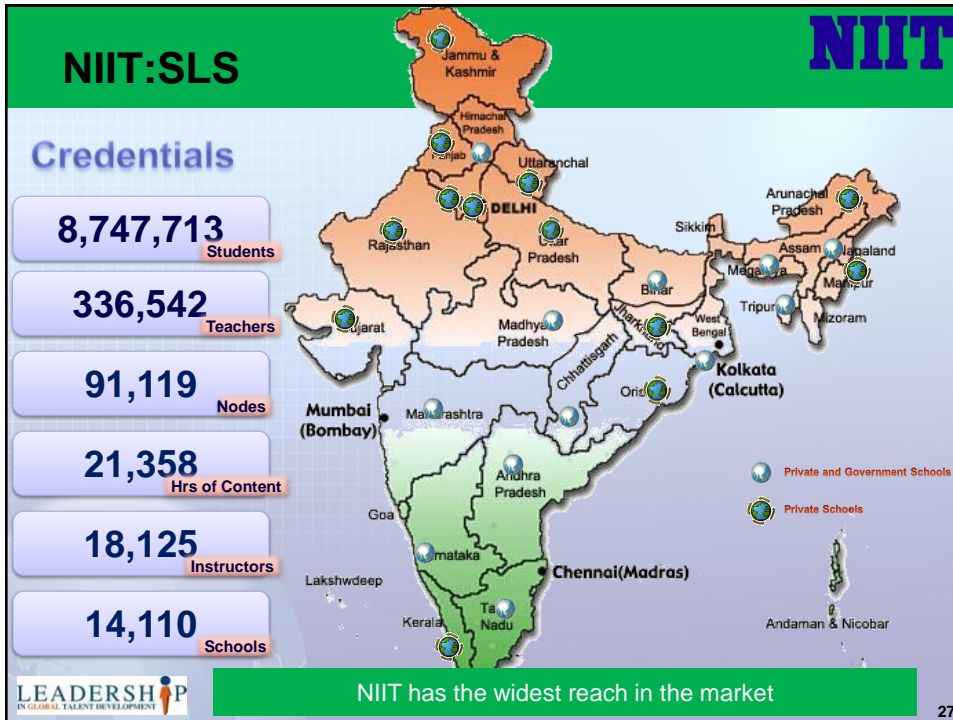
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# SLS: Next 3 years addressable market

**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

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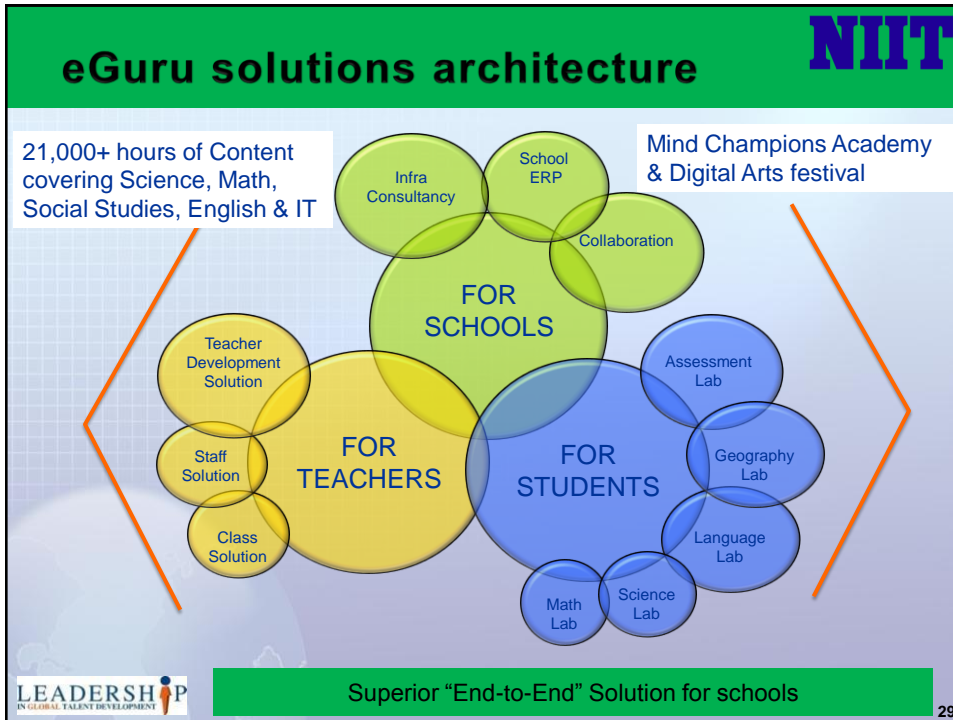
## NIIT eGuru solutions portfolio

- Interactive Class Room
- Math Lab
- Science Lab
- Quick School (ERP)
- Web & Multimedia curriculum
- Shared computing

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Widest range of offerings

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# Corporate Learning Solutions

vlab®

EVOLV

element k®

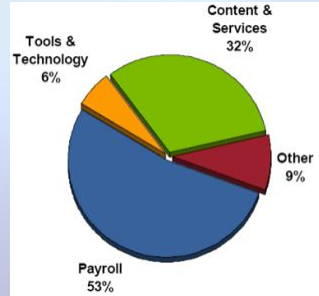
CognitiveArts®

Litmus  
A Division of NIIT

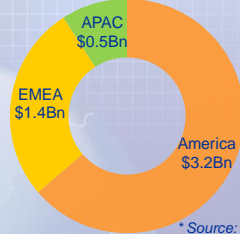
# Corporate Training Market



## Training spend breakup



## Global Training Outsourcing Market 2008



Global training spend \$100Bn+

\* Source: IDC, Bersin & Associates



Strong potential for training outsourcing

# 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



# Corporate Learning Solutions

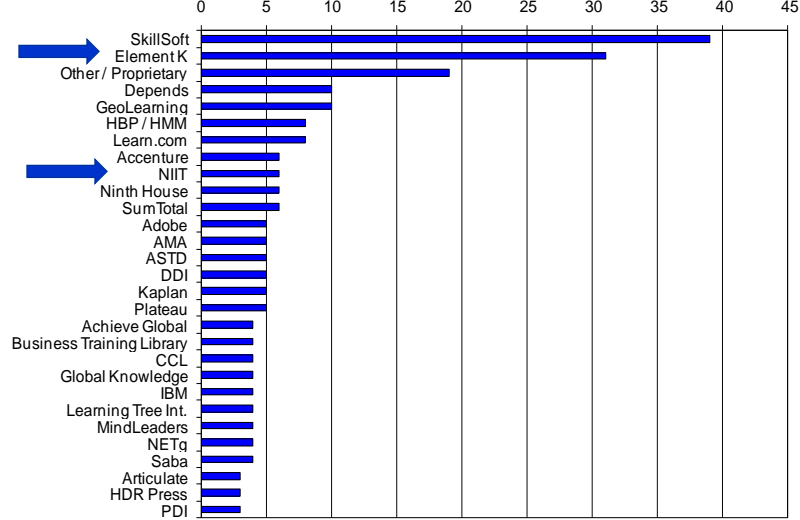


<b>Learning Products (SAAS)</b>	<ul style="list-style-type: none"> <li>• 3500+ titles; SAAS model</li> <li>• 3Mn+ learners on Khub</li> <li>• Largest print &amp; eLearning library</li> <li>• Virtual labs now available 'in a box'</li> <li>• Field sales force doubled in North America</li> <li>• Partnership with resellers including Webex</li> </ul>	<b>Invest</b> <ul style="list-style-type: none"> <li>- High growth</li> <li>- High margin</li> <li>- # 2 position</li> </ul>
<b>Training Outsourcing</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</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>



What are the top three brands you think about when considering a vendor for learning products and services?

Unaided; CLO Magazine: January 2009 Survey



Strong competitive position in the market

# Financial Performance

## Current Environment

- Consumer sentiment continues to be weak across sectors
- Unemployment in the US still rising; expected to peak in Q4'10 and then start a slow recovery
- Global markets continue to remain sluggish; there is however increased interest in offshoring. Nasscom pares down growth rates
- Education and skills development are a significant part of stimulus packages being provided by governments across the world
- Stable new government and progressive education & skills policy likely to accelerate change in education sector
- India announces new budget with a 20% higher allocation to education; @ 44.5K crores. Support across the board with special emphasis on SSA and employability oriented schemes
- Better IT services sector results expected to lead to increased hiring going forward; job market for specialist skills remains robust

## AMJ'09: Consolidated Financials

**NIIT**

	AMJ'09	AMJ'08	YoY	FY'09	YoY
<b>System Wide Revenues</b>	3,688	3,664	1%	16,893	21%
<b>Net Revenues</b>	2,610	2,595	1%	11,486	14%
<b>Operating Expenses</b>	2,325	2,408	(3%)	10,300	14%
<b>EBITDA</b>	286	187	53%	1,186	15%
<b>OM</b>	11%	7%	373 bps	10%	4 bps
<b>Depreciation</b>	168	126	33%	647	22%
<b>Other Income</b>	(101)	5	-	(45)	-
<b>Profit Before Tax</b>	17	66	(75%)	494	23%
<b>Tax</b>	(26)	(15)	-	104	-
<b>Operational Net Profit</b>	43	82	(48%)	390	(8%)
<b>Share of Profits from Associates</b>	56	88	(36%)	308	(8%)
<b>PAT</b>	99	172	(42%)	698	(8%)
<b>Basic EPS (Rs)</b>	0.6	1.0	(42%)	4.2	(9%)

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## AMJ'09: Results Highlights

**NIIT**

- EBITDA Rs. 286 million up 53% YOY
- EBITDA margin improved by 373 bps YOY to 11%
- Consolidated System wide revenues Rs. 3,688 million, up 1% YOY
- Net Revenues Rs. 2,610 million, up 1% YOY
- Net Profit Rs. 99 million, down 42%, impacted by forex volatility
  - In operations Rs. 41M
  - In Associate profits Rs 67M
- ILS revenues at Rs. 856 million; EBITDA margin improvement of 115 bps YoY
- CLS revenues at Rs 1,345 million; EBITDA margin improvement of 739 bps YOY; Order Intake of \$31M
- SLS revenues up 43% YoY to reach Rs. 359 million with EBITDA margin of 18% (+ 447 bps); Order intake of Rs. 1,075 million

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Improved operating performance in a challenging environment

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# AMJ'09: Business Highlights

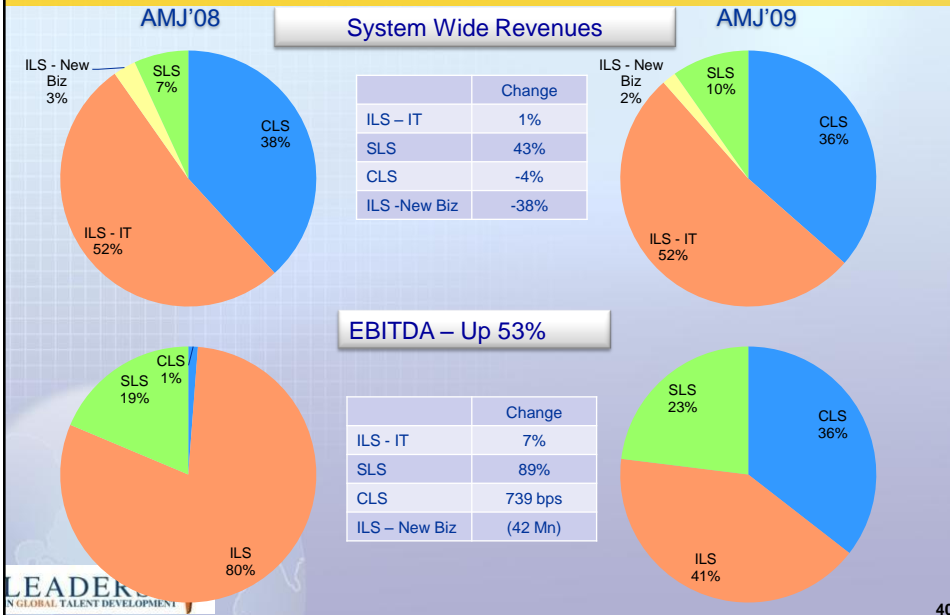


- **ILS:** Strong growth in IMS enrollments – 92% and China – 63%. Placements continue to be strong at 87%. Initiated ERP training
- **SLS:** Gujarat order for 1,870 schools. Improved traction from Math lab. 114 new private schools added. Improved funnel in private schools
- **CLS:** Growth in online learning products. Cost management yields strong improvement in EBITDA margin
- **NIIT awarded**
  - ICT gold medal (Vietnam) for 4th year in a row
  - Best Learning partner awards from CISCO and Microsoft
  - Best Green IT project award by PC Quest for vLabs
  - 'Best Training School' by The Week – Nielson survey for IFBI
  - Recognized amongst Bersin & Associates Learning Leaders



NIIT strengthens its leadership position

# Business Mix



## ILS - IT: Highlights

**NIIT**

Rs. Mn	AMJ'09	AMJ'08	YoY	FY09	YoY
System wide revenues	1918	1907	1%	9,317	31%
Net Revenues	856	854	0%	3,982	23%
EBITDA	160	150	7%	865	30%
EBITDA %	19%	18%	115 bps	22%	123 bps

- SWR Geo Mix: India 71%, ROW 14%, China 15%
- Enrolments grew 6%; Placements up 87%
- India Capacity +9% YoY, flat QoQ
- Revenue capacity utilization unchanged at 56%
- India
  - Weak enrollments in April, May followed by strong recovery in June
  - Focus areas do well; IMS enrollments grow 92%
- China revenues grow at 57%



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Significant increase in market share in IMS segment

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## ILS- New Business: Highlights

**NIIT**

Rs. Mn	AMJ'09	AMJ'08	YoY	FY09	YoY
Net Revenues	50	90	(44%)	334	9%
EBITDA	(42)	0	-	(75)	-
EBITDA %	-	-	-	(23%)	-

### IFBI

- New alliances with Dhanalakshmi Bank, New India Co-op Bank and ING Life
- Entry into training in Rural and Agri Finance, launch of Diploma in Financial Accounting
- 18% growth in enrolments QoQ

### Imperia

- New functional programs in HR (IIML), Supply Chain (IMC)

### Uniqua

- First 100 students placed in Top BPO companies
- Government employability training in AP under Rajiv Udyogshree
- Order intake of Rs. 53 million, Pending order book Rs. 51 Mn ;
- 3000+ enrolments



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Expanded partnerships and product offerings

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## SLS: Highlights

**NIIT**

Rs. Mn	AMJ'09	AMJ'08	YoY	FY09	YoY
Net Revenues	359	252	43%	1,383	37%
EBITDA	66	35	89%	214	63%
EBITDA %	18%	14%	447 bps	15%	246 bps

- GSA contributes 70% of revenue- up 49%; non GSA up 30% YOY
- Order Intake: Rs.1,075 Mn
- Schools added: 1,984 (including 114 private schools)
- E-guru solutions gained further traction
- Pending order book at Rs 3,971 Mn; 32% executable in next 12 months



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SLS continues on a its strong growth trajectory

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## CLS: Highlights

**NIIT**

Rs. Mn	AMJ'09	AMJ'08	YoY	FY09	YoY
Net Revenues	1345	1400	(4%)	5,786	5%
EBITDA	102	2	-	183	(32%)
EBITDA %	8%	0%	739 bps	3%	(169 bps)

- Online Learning Products +23% YoY
- Cost Management results in EBITDA improvement
- Back-end and sales integration results in greater operational flexibility
- Increased variabilization of expense structure to help long term profitability
- Addition of 17 new customers show a shift in buying behaviour
- Order Intake \$ 31.0 mn
- Pending order book at \$ 81 Mn; 63% executable in next 12 months



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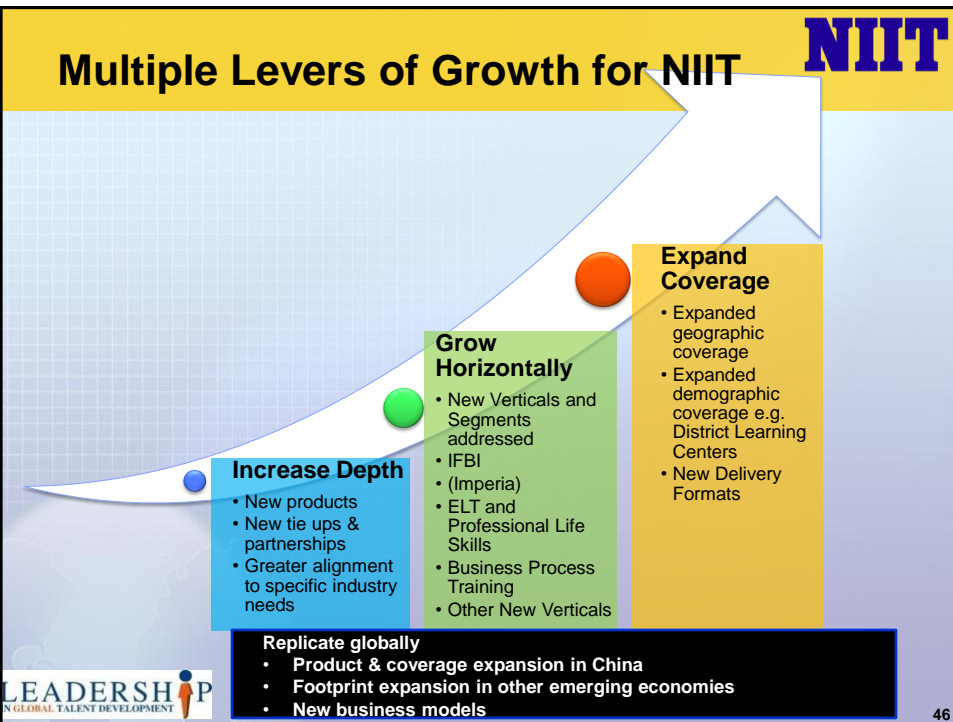
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Significant margin improvement due to cost control and product mix change

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# Future Direction

## Multiple Levers of Growth for NIIT

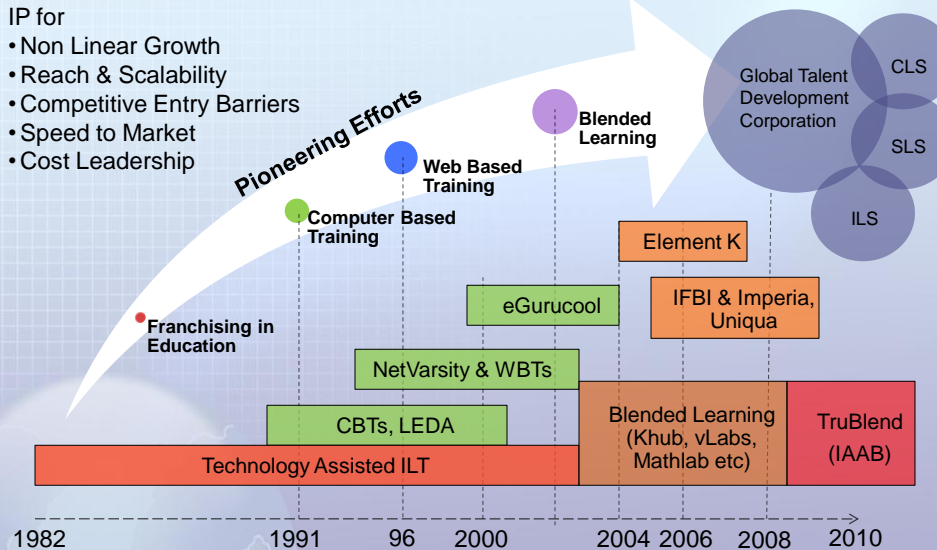


# IP led Growth



IP for

- Non Linear Growth
- Reach & Scalability
- Competitive Entry Barriers
- Speed to Market
- Cost Leadership



# New models to increase reach



District Learning Centre-Chindwara

Then.....

Now.....





## Long Term Strategy

**NIIT**

ILS

- Higher education partnerships
- Expansion of product portfolio; expansion in focus geographies
- Increase market size by moving down the pyramid (DLC, CLC)

SLS

- Growth in Gov't Schools; balance risk, profitability, resources
- Excellence in Math, Science, IT, English – foundation for strong growth in private schools
- New PPP models for Model Schools/ Vocational Training

CLS

- Growth in Learning Products and Training Outsourcing business with focus on annuity streams
- From development to deployment
- Greater growth in emerging economies

**NIIT**

New Government:  
Promise of Enrichment of Human Capital

## Emerging Opportunities in Education & Training

**NIIT**

- Increasing government focus on education sector; keen to improve both quantity and quality of education
- ICT@Schools programs being expanded; To cover 180K+ Government schools by FY17
- Rashtriya Madhyamik Siksha Abhiyan (RMSA)
  - To go beyond ICT education; labs for physics, chemistry, biology and mathematics; curriculum to meet NCF 2005 norms
  - Teacher Training with emphasis on ICT usage
- New Schools in PPP mode (6000 schools)
- Rs 150 Bn planned for National Skills Development Commission
- A clear roadmap on private sector participation and a reformed governance framework

## India Skills Development Opportunity

**NIIT**

**Goal to create 500 million certified and skilled technicians in the country by 2020**

Institutional arrangements:

- National Council for Skill Development – PMO
- National Skill Development Coordination Board – Planning Commission
- National Skill Development Corporation

Aiming at:

- Upgradation of 1,396 ITIs
- 1,600 more ITIs and Polytechnics
- 10,000 new vocational schools
- 50,000 new skill development centres

# Summarizing

## NIIT: Today and Tomorrow

- 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
- Increasing IP leverage would allow greater scalability and profitability

# NIIT

## Leadership in the Century of the mind

