IN CONVERSATION

WITH D GOVARDAN

Looking beyond computer education

Back in the '80s, NIIT started as an outfit offering computer education as a stream outside the curriculum of schools and colleges. As the IT industry came of age in India, the industry landscape for computer education changed with schools and colleges getting their own labs and including it as subject. That's when NIIT expanded its offering to corporate training, mostly focused on the US and European markets, besides enlarging its training portfolio in India to include retail, management education and BFSI (banking, financial services and insurance). The company is now in the process of a transformation programme that was initiated last year with a restructuring of its business focus to increase profitability. **Rahul Patwardhan,** CEO, NIIT, opens up to *FC* on the company's current phase and growth plans going forward

■ Can you outline the transformation that the company is going through? What are the targets over the next three years?

We have three business groups — Corporate Learning Group (CLG), Skills and Careers Group (SCG) and School Learning Group (SLG). The CLG is the largest and accounts for 53 per cent of the total revenues of NIIT. While SLG accounts for nine per cent of the revenues, the rest comes from SCG. The CLG has been growing by 15 per cent topline and EBIDTA by 12 per cent. The focus of the transformation is how we can accelerate that growth rate and how can we increase profitability, so as to achieve industry leadership position. This business is focused entirely outside India and headquartered in the US and Europe. This business is not about training individuals like we do in India. It is about working with a company like Shell that would be spending millions of dollars for training their employees. It revolves around 'training outsourcing' that includes training administration, creating content, providing training technology and strategic sourcing, where we help companies manage a large number of training partners.

The focus is also on how we can get bigger in terms of deal sizes and longer in terms of longevity of the training contract. Parallelly, the focus is to improve profitability and margins from the present 12 per cent EBIDTA through productivity improvement, which has been a key area of focus since June this year. For this, our approach has been to identify and get into higher margin business. There are just about five large players in this space. And since we want to get industry leadership, we are looking at inorganic growth to catch up with the market leader.

In the case of SCG, we started with IT training about 34 years ago and in the past 8-9 years added BFSI, management and retail among other verticals. While IT has been a significant segment of this group, the non-IT today contributes more than 50 per cent of the revenues for this group. In fact, IT part is de-growing. While our market share improved, the industrial landscape changed. While earlier, computer training was happening outside schools and colleges in the private sector. It is no more the case.

Another notable trend is that the pure fresher recruitment is on the decline and companies are talking about zero bench. This straightaway reduces the need for vanilla programmers. There is need for individuals to equip themselves with skill sets needed for the digital age. While we need to provide the modern technology training, we have not done the same at the desired speed. We need to improve on that. That will be a key factor, if we think of how to accelerate growth and profits for the group.

We have undertaken restructuring to reduce physical capacity by 25 per cent, workforce by 20 per cent and brought down product portfolio from 195 to 97. We had closed unprofitable businesses that we had in countries like Mexico, South Africa and Botswana. We also pruned down the franchisee network by opting to retain only those that were efficiently run and reduced the number from 500-plus to around 350-400, which is about 25 per cent reduction.

We then looked at re-energising these by preparing them to be multi-skilling centres and this move alone has helped us grow channel revenue by seven per cent in Q1 and by 9 per cent in Q2, when compared with last year. We also built a new CRM system to convert new opportunities or enquiries into new orders. As a result, this group is now back into profitable path and now the questions is — how to sustain this in the long run. The School Learning Group is a smaller business and we work with about 2,500 private schools. We had moved out of government schools, as that demanded investing in assets. We cannot invest fully on this business alone, since we had two other businesses also. Hence, we decided to hive this off into a separate company and get third party funding. This is more a B2B business now and we want to expand this into B2C by offering products directly to students and teachers and are looking at cloud-based products going forward. In addition, there are a few common focus areas for NIIT as a whole and building a common platform to accommodate all three streams is one of them.

■ There has been a regrouping of subsidiaries within the company. Could you elaborate on this move?

As part of restructuring, we looked at all subsidiaries that we created in our history. While some of them were merged with the parent company, all subsidiaries that were not relevant in future were abandoned.

■ Profitability has been an area of concern. Can you outline the measures that the management is taking to improve it?

Each of our businesses have different profitability drivers. In the case of CLG, there are two ways where profitability can be improved. First is to create a product portfolio which has more service offerings and where the margins are higher. Parallelly, to focus on cost reduction that will lead to improved margins. On the product side, we are looking at going for higher value services like gamification, where we do content developing through games. Now, customers are willing to pay more for that and therefore the margins can be higher. Secondly, to focus more on getting things done offshore, rather onshore, because margins are better for offshore. The third area of focus is to get more verticalised in our service offering and on this front, we are focusing more on Oil & Gas, BFSI, life sciences and Pharma.In the case of SCG, focus is to increase capacity utilisation of our centres. We have made them multi-skilled, thereby paving for higher traffic and increased profits. For SLG, the focus will be on to move from in-school model to a cloud-based IP model that will help improve the margins and by going from B2B business to B2C business, we again will be able to improve the margins.

■ You are now in your second stint with NIIT. Can you throw light on some of the initiatives that went wrong during the glorious past of the company — over expansion, rapid franchising, too many verticals? How better those could have been done to sustain better on a longer term basis?

NIIT started its journey with the aim to bring computers and people together. As we grew, we evolved with the needs of the market. NIIT being a pioneering company, did many things. Some, like IT training and banking were the right initiatives taken at the right time. Of course, the question is, whether we were aggressive enough. These were good ideas, well-focused and launched at the right time to address emerging opportunities. The same could have been done faster and by being more aggressive. Further, perhaps we could have developed things that the industry would need tomorrow, rather than offering what it needed today. Some of the moves were too far ahead of the times. In an organisation that innovates, every decision cannot be right. Innovation by definition has risk and everything cannot be perfect. However, one needs to keep on trying new things.Why I came back to NIIT was because I saw tremendous potential in this industry for three reasons – being from India and knowing the future prospects, especially the Skill India opportunity, I believe NIIT is extremely well placed to do something meaningful there. NIIT.tv for instance is a wonderful platform through which not just NIIT, but anybody who has good content and who would like to help the nation in skilling can use this platform. Further, the entire education and healthcare sectors will be disrupted by technology.However, right now, unlike the retail sector, where the Flipkarts and Snapdeals had an Amazon to look up to and plan it the Indian way, there is no such player in the education industry. There is no proven online technology player who is successful in the full sense of the world. NIIT, because of its brand, wider presence across corporate, schools and in reaching out to individuals, has a great opportunity to emerge as the leader and be that player in this segment.

govardand
@mydigitalfc.com