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'We want to reduce dependence on the US market'

*NIIT Ltd has divested stake in its US unit Element K Corporation. The Indian IT training solutions provider sold the business to SkillSoft Corp for $110 million cash deal; it's a strategic move to divest businesses that have low profitability. NIIT Chief Executive Officer VJAY THADANI tells **Piyali Mandal** how the cash flow from the sale will make it a zero-debt firm besides helping it to focus on business lines that have high growth potential. Edited excerpts:*

Q&A

VIJAY THADANI
CEO, NIIT LTD

You have just closed a deal for selling a part of your corporate training business in the US. Can you explain the rationale behind the move?

We have sold the EK (Element K) business to SkillSoft. EK was a learning product company. We want to be content agnostic. We want to focus on the MTS (managed training services) in the corporate learning division. The strategic sale is a move towards that direction. The deal is going to help us in three broad ways. It will help us focus on businesses that are more profitable, reduce our dependence on the US market and thirdly, and improve our balance sheets through new cash flow.

When you bought EK five years ago, it was a loss-making entity. It started to turnaround. So what was the trigger for this sale now?

Yes, the business had revenues of $86 million for the fiscal ending March 2011. However, the return on investment was not good enough. Though we have seen profit from the business, it was not at par with our expectations. So we decided to focus on business that gives us better return on investment. Moreover, we now want to focus on MTS that is giving us more returns. Last year, we bagged orders worth $100 million for MTS.

Other than the strategic reason, is the good valuation a trigger for the sale?

We had acquired the EK business for $ 35-40 million back in July 2006. The current valuation is attractive beyond doubt. But more than that, we took this decision for the strategic reason.

Will the sale change your business mix?

Yes. Post the deal, our dependence on CLS (corporate learning solutions) will decrease. At present, 30 per cent of our business comes from CLS; 62 per cent from individual learning and 8 per cent from school learning solutions. We expect that the contribution of CLS to come down to 13 per cent. of our business post the sale.