





SANJIT KUNDU

# Learning well

**NIIT has all segments of the booming education market covered with varying degrees of success and a lot of potential**

Sheetal Aggarwal

**F**or all its fantastic numbers on the economic front, India's labour productivity index is among the worst in the world. A depressingly low number of 15 million skilled labourers are available in the country. This is far from ideal. To fix things, the government wants to take the number of skilled labourers to 500 million by 2022. Built into these huge figures is a phenomenal opportunity for the education sector.

The services sector, which is greatly employment intensive, contributed a significant 57 per cent of India's GDP in FY09. Yogesh Aggarwal, analyst at HSBC Securities, estimates in his report that from its present size of \$28 billion, the Indian education sector is poised to grow to \$47 billion in five-six years.

Our concept stock pick in this brightly shining sunrise segment is NIIT, a nearly three-decade-old name that a generation of Indians grew up knowing, long before education became the talked about business topic it is today.

In our assessment of NIIT as a concept stock, it scores a star for its presence across the entire education value chain, from K-12 (kindergarten to class 12) to

**NIIT**

**Vjiay Thadani**

Chief Executive Officer

**CONCEPT IN A NUTSHELL**

NIIT appears nicely positioned to achieve the right scale and structure to meet the ever-rising demand for skilled talent in India

vocational and skill-based training. Corporate learning solutions (CLS) contribute 45 per cent to its overall revenues, followed by individual learning solutions (ILS) and school learning solutions (SLS) at 36 per cent and 19 per cent respectively. Though NIIT faces competition within the ICT (instructional computing technology) segment from players like Everonn and Educomp, which already have a strong foothold in the domestic IT education space, unlike them, it has ventured into the global IT training outsourcing market, which also supports growth.

In fact, NIIT appears nicely positioned to achieve the right scale and structure to meet the ever-rising demand for skilled talent in India. "Vocational or skill-based training helps in two ways - one is to get employment and the other is to be an entrepreneur," says Vijay Thadani, Chief Executive Officer, NIIT.

"There are lot of initiatives being taken at the government's end, in addition to employer-funded initiatives and individual initiatives, which are focused on skill development." Massive government schemes are underway to fix this state of affairs, right from primary schooling onwards. Priority is being accorded to the sector across all levels. The Confederation of Indian Industry, for instance, is placing emphasis on nationwide skills development to support industry manpower needs. Initiatives are also being tailored to improve the employability of the working population, including school dropouts, semi-skilled and unskilled workers. Efforts are also being taken to create a new wave of entrepreneurship in the country that will result in further employment generation.

**NIIT scores a star for its presence across the entire education value chain, from K-12 (kindergarten to class 12) to skill-based training**

Without doubt, the need for investment in education is matched only by the very lucrative business opportunities it offers. Already, the rapid growth of the services sector and the nation's burgeoning middle class has established an irrefutable demand for quality educational services. Growth in this sector is a given now.

**Let's learn**

Traditionally, NIIT has been one of India's leading players in professional training solutions, particularly for the IT sector. The professional training solutions forms part of company's ILS (individual learning solutions) division

which currently operates through 900 centers. Forty per cent of them are owned by NIIT and the remaining operates through a franchisee model. About 70 per cent of these institutes are in India, while 30 per cent are situated abroad. The company also operates a large e-learning library of about 6,000-7,000 titles, which people join on a subscription basis. The revenue from this division grew by 7 percent during FY10. For individuals, NIIT provides training for people interested in pursuing a career in IT-enabled services, or in upgrading their IT skills through partnerships with technology companies.

Its CLS division, which contributes the largest chunk of 45 per cent to its topline, offers skills-based education options for government initiatives and outsourced corporate training programmes. Most of this business comes from the US, followed by Europe and India.

Thadani points out that IT and BFSI (banking, financial services and insurance) are one of the few sectors which have great potential for large-scale employment in India. What also favours India's IT education sector is its current demography. At present, more than 60 percent of India's population is below 30 years of age.

Recently, NIIT started offering training programmes to individuals in banking, insurance, finance and management through partnerships with banks, insurance companies and management institutes. This segment notched around 2 per cent of the overall revenues in FY10, down from 3 per cent in FY09 after the global financial meltdown.

**Back to school**

NIIT's school learning solutions wing provides technology-enabled learning

**Core focus**

**School learning and corporate training solutions to drive topline growth**

₹ cr	FY10	FY11E	FY12E
Sales	1,199	1,303	1,452
Change (%)	4	9	11
EBITDA	158	188	221
Change (%)	33	19	18
Net profit	70	94	114
Change (%)	1	34	21
EPS (Rs)	4.25	5.68	6.82
Book value	30.55	35.62	40.76
ROE (%)	14.31	16.85	18.23

Source: Bloomberg

and education for schools. The government is working on improving the effectiveness and efficiency of education in schools through monumental national initiatives like the Sarva Shiksha Abhiyaan and the National Mission on Education through ICT. India also has to contend with a high illiteracy rate of over 60 per cent and even more dismal dropout rates - 88 per cent of the population enrolls for primary education but only 11 per cent of it makes it to higher education. Compare this with developed countries, where 80 per cent of young citizens progress to college.

During the year, NIIT added 2,478 additional government schools to its books, taking the total tally of the schools it covers with SLS to more than 15,000.

For private schools, the company offers a comprehensive suite of products and solutions under the e-Guru brand. "The margins are better in private contracts but government [schools] provide volumes and opportunities to get into new areas," says Thadani. "The overall difference between margins when working for government projects comes out to be 10 per cent lower but it helps to allocate development overheads and initiatives over a larger volume."

In FY10, the company recorded an order intake of Rs 206 crore in SLS, taking the total order book for the business to Rs 331 crore at the end of the year. Of this, 31 per cent is executable over FY11.

**Slowdown setback**

In 2009, NIIT was affected by a slowdown in the corporate business coming



Corporate learning solutions contribute 45 per cent to NIIT's sales

from the US and UK, and weaker recruitment in the Indian IT sector. Unsurprisingly, NIIT's CLS business shrank during FY10 in the wake of the global financial meltdown and reported a revenue drop of 6 per cent. During the year, the business clocked an order intake of \$127.5 million. The order-book at the end of the year stood at \$90.3 million, 58 per cent of which is executable during FY11.

The education major's product portfolio has both ILS and CLS programmes geared to develop and improve academic performance, employability and workforce productivity in India, China, other emerging economies, the US and Europe.

Analysts expect a recovery across all its divisions, led by an ILS pick-up followed by corporate training market in the US and Europe. Besides, the multimedia SLS division is expected to stimulate its growth further in the medium to long-term. The second half of FY10 heralded something of a comeback that looks set to continue. NIIT is now planning more defensive expansion plans and is working towards increasing its market share in the school learning aids market through its e-Guru solutions.

### Well done, keep it up

Till 2006, NIIT was focused primarily on individual IT training and ICT solutions. It made a mark in the US and UK corporate learning solutions market with the acquisition of Rochester-based Element K in 2006. Later, the company introduced a competitive product in the interactive multimedia solutions segment for private schools.

Over the last five years, NIIT's revenues have grown by an average of 27 per cent, with 17 per cent growth in profits. The company's leadership position in the individual learning and IT training solutions segment is unassailed and it's scouting around to replicate the same story in other areas of the education business. NIIT enjoys a strong market position in the ILS segment, which the management believes is its most profitable business and where the largest numbers of job opportunities are arising. CLS continues to bring 90 per cent of its revenues from outside India, mainly the US and Europe, where markets continue to be challenging. Their recovery process will help in determining the pace of growth.

Thadani is firmly of the view that the education business demands patient investment and execution. It's a humongous market that no single player can address. For an idea of what this means, of the total market of one million schools

in India, barely 20,000-30,000 have been covered.

NIIT wants to focus on both volume and profitability for the future. Thadani believes that the recovery of the economy will help NIIT's ILS business, which is expected to grow by 10-12 per cent. Meanwhile, SLS holds out the most potential with an anticipated 25 per cent growth rate, while CLS is slated to grow in single digits.

HSBC's Aggarwal says the stock has underperformed in the recent past, led by muted growth in its corporate training and individual learning divisions, and investments made in new ventures. He feels the scrip is likely to rebound, led by a compound annual growth rate (CAGR) of 13 per cent and earnings CAGR of 27 per cent over FY10-13. At its current market price of Rs 67, the stock trades 10 times its expected FY12 EPS, which is at a discount to its historical average multiple of 14 times.

NIIT's entry into new growth areas to cater to larger job opportunities and increased demand for skilled labour is a good move. "The company is a market leader in individual learning solutions, has got a successful start in its China operations and is planning to expand in other geographies as well," says Thadani. "NIIT promises an association starting from the first step towards education till ensuring a secured future." Are these not traits that are common to good investments? □

TEACHING METHOD

# A hole-in-the-wall approach to learning

BY JACOB P. KOSHY  
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NEW DELHI

Rarely does a psychology experiment translate into a successful commercial venture.

Ritu Dangwal, a psychologist with **Hole-in-the-Wall Educational Ltd** (HiWEL), is a raconteur of several—often unusual—accounts of semi-schooled children who have imbibed computer skills without any adult intervention. “All we did was carve a rectangular hole in a wall in a slum nearby, place a computer, install a camera. Then we watched,” she recounts.

Within a month, children who lived nearby had learned how to juggle around files and folders, open websites and play pre-loaded games.

“They referred to folders as *almirahs*, the cursor was a *sui* (needle), and the hourglass was *Shivji ka dumroo* (Lord Shiva’s hand-held drum),” she says. “But when tested, they could execute specific tasks like fish out specific programmes and surf the Disney website.”

Dangwal credits Sugata Mitra, chief scientist emeritus at **NIIT Ltd** and now a professor at UK’s Newcastle University, with the “discovery” of Hole-in-the-Wall. Mitra, she says, tested his ideas about unsupervised learning and computers in Delhi’s Kalkaji area in 1999. Buoyed by the results, he set up computers at Shivpuri in Madhya Pradesh and Madantusi in Uttar Pradesh.

Mitra couldn’t be immediately contacted for comment.

In 2001, **International Finance Corp.** joined hands with NIIT to formally set up HiWEL. Today, several such computer nooks, called learning stations, have sprouted in Delhi and as far away as Africa.

Geetha Devi, principal of Kalkaji government school, which

MANTHAN AWARD

## Nominee Profile

Hole-in-the-Wall Education Ltd

hosted the first learning station, says students started paying more attention in class due to the initiative. “Quite surprisingly, backbenchers started moving up the rows,” she says. “They became more interactive.”

Zenaab, 18, who was among the first users of the learning stations, credits it for moulding her into a confident student. “I was eight years old when I started playing with this... I feel I’ve learned a lot and don’t feel intimidated by other students.”

Dangwal reasons that, more than computer literacy, it was the teaching methodology that made an impact. Typically 20-30 children would flock around the computer; a few would take the initiative and start fiddling with the controls. Then whatever they learned would be passed on to others who’d test their skills later, she reasons. “Basically, they learnt self-organization and sharing information—and that’s the success of this technique.”

The Pioneer  
Lucknow  
October 5, 2010

## Certificate programme in Chess launched

NIIT and IGNOU have come together to launch certificate programme in chess as mind booster, to enable development of young minds through Chess. The programme was unveiled by World Chess Champion Viswanathan Anand.

The course aims to encourage young students to play chess which would enable young minds to develop, and subsequently help them to think logically and improve their life skills. Also, under the guidance of Grandmaster Viswanathan Anand, IGNOU and NIIT will work towards extending the NIIT Mind Champions Academy across the country.

The programme will help students to learn the game, enrich their knowledge on Chess history and expose them to games of eminent players. Students will get an opportunity to play with Anand and participate in the annual ChessMaster.

After the successful completion of the course students will be felicitated with a joint Certification by NIIT and IGNOU which will enable them to become members of the NIIT Mind Champions Academy and contribute to the Chess movement in India.

Deccan Herald  
Bangalore  
October 7, 2010

### Certificate course in chess

NIIT and Indira Gandhi National Open University (IGNOU) have launched a certificate programme in 'Chess as a Mind Booster', to enable development of young minds through chess. The programme aims to encourage young students to play chess which is believed to help them with their logical reasoning skills. The programme will help students to learn the game, practice, solve puzzles and analyse moves. On the successful completion of the programme, students will be presented with a joint certification by NIIT and IGNOU. For more details, log onto [www.niit.com](http://www.niit.com)



Indian Express  
Chennai  
October 4, 2010

Admission alerts

### Certificate programme in chess



NIIT and Indira Gandhi National Open University have jointly launched a certificate programme in chess. It was unveiled by World Chess Champion Viswanathan Anand on September 23. The programme will help students to learn the game and its history, practice, solve puzzles, analyse great moves and expose them to the games of eminent players ■



PHOTO: MAHESH HARILAL

## Chess as mind booster

**I**ndira Gandhi National Open University (IGNOU) and NIIT, a global talent development corporation, have come together to launch a 'Certificate Programme in Chess as Mind Booster', to enable development of young minds through chess.

### Logical thinking

The programme aims at encouraging students to play chess so that they can develop their logical thinking and improve their life skills. Also, under the guidance of Grandmaster Viswanathan Anand, IGNOU and NIIT will work towards extending the scope of the NIIT MindChampions Academy across the country.

The programme will help the students to learn the game, practise, solve puzzles, analyse great moves, enrich their knowledge of chess history and expose them to the games of eminent players.

Students will get an opportunity to play with Anand and participate in the annual ChessMaster.

### Young minds

Speaking during the launch of the programme in New Delhi recently, IGNOU vice-chancellor V.N. Rajasekhara Pillai said "We are confident that this will encourage more and more people to learn and play chess and will help in making India the world's foremost nation in chess once again."

P. Rajendran, COO, NIIT Limited, said "The Certificate Programme in Chess as Mind Booster will enable development of young minds and improve their concentration."

### Popularise chess

Speaking on the occasion, World Chess Champion Viswanathan Anand said "I am delighted to be part of this initiative that will popularise chess amongst youngsters in India."

After the successful completion of the programme, students will be felicitated with a joint certification by NIIT and IGNOU.

This will enable them to become members of the NIIT MindChampions Academy and contribute to the chess movement in India.

### NIIT forays into Afghanistan

NIIT, leading Global Talent Development Corporation, has forayed into Afghanistan. The company has entered into a Standard Education Agreement with ARIA Institute of Higher Education, to develop an employable talent pool of IT professionals in Afghanistan.

Under this Standard Education Agreement, NIIT will offer cutting-edge programmes in Software Engineering and Networking. NIIT will also offer career programmes of six months to two-years duration, a host of modular programmes such as office productivity tools, hardware and networking programmes, creative publishing and other high-end technology programmes to enhance employability for youth.

Education Mail  
**DISCUSSION  
FORUM**



RAMESH SHARMA



**Our universities today, either in the private or public sector, are highly regulated. An attempt to create universities or transform existing ones with a focus on research and innovation is an option that the system must have.**

B.N. JAIN, Vice-Chancellor, BITS Pilani

# Universities must have a place for the next big idea

**At the moment, we need institutions that can offer multidisciplinary research. By starting innovation universities we are expanding higher education; there will be a systemic movement. We will also discover new ways of doing things in the process.**

P. RAJENDRAN, Director and Chief Operating Officer, NIT

## Do innovation universities mean the end of the higher education system as we know it? Academic visionaries share their views

By Sangeeth Sebastian

**E**MINENT SCIENTIST Professor Yash Pal has expressed his reservation on innovation universities at a meeting of experts called by the Union Ministry of HRD (MHRD) recently. The scientist was of the view that the plan in its current form could destroy Indian higher education. Coming as it does from an educationist who is the architect of the United Progressive Alliance's education reform, Yash Pal's words assume significance. Will innovation universities, actually spell the death-knell for our higher education system? Leading educationists share their views.

"The concept of innovation universities is only at the stage of discussion now. At this stage both positive and negative suggestions should be welcomed," said P. Rajendran, director and COO, NIT. According to him, the word 'innovate' means leading new type of research. "We need institutions that can offer multidisciplinary research. By starting innovation universities we are expanding higher education, there will be a systemic movement. We will also discover new way of doing things in the process," said Rajendran.

Announced by PM Manmohan Singh, innovation universities are envisaged as centres of excellence that will focus on interdisciplinary research on selected sub-

### INNOVATION UNIVERSITIES

**1** Innovation universities are envisaged as centres of excellence that will focus on inter-disciplinary research on selected subjects.

**2** They promise to expand higher education and research in association with the corporate sector.

**3** There's a need for a change in the structure, regulation and status of existing universities, which had been set up decades ago, say experts.

jects without administrative interference or other red-herrings usually associated with universities.

An aspect opposed by the former UGC chairman in the MHRD meeting. The fact that innovation universities are exempt from scrutiny of Comptroller and Auditor General and that there will be freedom in academic and administrative matters, makes these institutions vulnerable to be misused, said Yash Pal.

V.S. Rajasekharan Pillai, V-C, IGNOU, begs to differ. "We need universities of a different kind. The government alone cannot be expected to finance all institutions," he said. "The new structure of innovation universities will involve participation from the corporate sector. Only by permitting independent initiative can we expect auton-

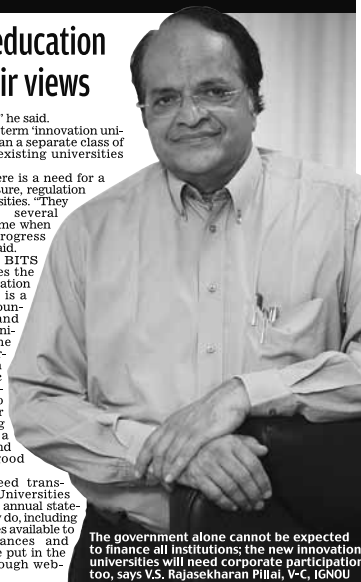
omy and excellence," he said.

As per MHRD, the term 'innovation universities' do not mean a separate class of universities, even existing universities can aspire for it.

But Pillai says there is a need for a change in the structure, regulation and status of universities. "They were formulated several decades ago, at a time when the indicators of progress were different," he said.

B.N. Jain, V-C, BITS Pilani, too welcomes the move to start innovation universities. There is a clear need in the country for research and innovation in the university system, he said. "All our universities today, either in the private or public sector are highly regulated. Attempt to create universities or transform existing universities with a focus on research and innovation is a good one," he said.

"But then we need transparency as well. Universities should declare their annual statement. Whatever they do, including curriculum, resources available to the students, finances and tuition fees must be put in the public domain through websites," added Jain.



The government alone cannot be expected to finance all institutions; the new innovation universities will need corporate participation too, says V.S. Rajasekharan Pillai, V-C, IGNOU



Hindu Business Line  
New Delhi  
October 23, 2010

## NIIT Ltd posts 9% rise in Q2 net, but revenues fall 4%

**Our Bureau**

*New Delhi, Oct 22*

IT training company NIIT Ltd on Friday posted a nine per cent year-on-year rise in consolidated net profit for second quarter ended September 2010, and said that hiring sentiments are "positive" and growth momentum "strong".

"Overall sentiments are positive and there is growth momentum particularly in two product lines - employability training which is now an agenda for every Government and every country, and the managed training services, where we have built competence and gaining acceptance," Mr Vijay K Thadani, CEO of NIIT Ltd said.

The consolidated net profit for September quarter stood at Rs 28.5 crore. Revenue dipped four per cent over year-ago period to Rs 346 crore. The figures for the



**Scorecard:** The Chairman of NIIT Ltd, Mr Rajendra S. Pawar (right), with the COO, Mr P. Rajendran, at a press conference in the Capital on Friday. — Ramesh Sharma

year-ago period included an exceptional one-time pass through revenue of Rs 56 crore, he said.

Total order intake for the period was Rs 318 crore, bringing the total order book to Rs 1,012 crore, of which 46 per cent is executable over 12 months.

The currency fluctuation resulted in negative impact of Rs 4.2 crore on September quarter revenue, and Rs 1 crore on profitability. NIIT's revenue from China - which contributed about 10 per cent of total revenue - jumped 44 per cent in September quarter.

# NIIT net up 9% as IT cos start hiring drive

Our Bureau  
NEW DELHI

BACKED by increased demand in the IT companies for trained professionals, India's largest IT training company NIIT Limited posted a 9% rise in its net profit on the back of net sales of ₹345.8 crore.

NIIT shares closed at ₹68.8 up 2% on the BSE, after announcement of the results.

"We see an increased recovery in the training market as IT companies have started hiring again. Our placements are up by 33%. Short-term courses are especially in demand," says Rajendra S. Pawar, chairman, NIIT Ltd.

The company posted a net profit of ₹28.5 crore

for the quarter ended September 30.

NIIT earns about half of its revenues from India, 10% from China and 40% from rest of the world. Sales in China saw a 44% increase from last year, as the country has a new focus on IT, and may give competition to Indian IT firms in the coming years.

Worldwide gross revenues (of franchisees and partners included) were at ₹574.4 crore, a growth of 3% from last year. Net revenues, however, declined by 4%. "We bagged a one-time exceptional order of ₹56 crore from the Gujarat government, last year," Mr Pawar explains. The order was for providing learning solutions for the state's schools.

Profit margins for the company improved by 7% to 15%, from last year.

Business Standard  
Kolkata  
October 23, 2010

## NIIT net up 9 per cent

BS REPORTER  
New Delhi, 22 October

**T**raining and development company NIIT today posted a nine per cent increase in profit after tax (PAT) for the second quarter ended 30 September at ₹28.5 crore compared with ₹26.2 crore posted in the corresponding quarter a year ago.

Net revenue at ₹345.8 crore, were down four per cent from ₹359.8 crore in the year ago period. The fall in revenue was due to an exceptional one-time pass through revenue of ₹56 crore.

Sequentially, the PAT more than doubled from ₹13 crore posted in the trailing quarter ended 30 June, while the net revenue increased 24.3 per cent from ₹278 crore in the previous quarter.

NIIT got fresh orders worth ₹318 crore during the July-September quarter of which 46 per cent will be executed over the next 12 months.



# THE MIND READER

Rajendra Pawar, founder & chairman of the NIIT Group, defines the 21<sup>st</sup> century as the 'century of the mind'. And, therefore, traditional societies like Indian and Chinese, which have spent considerable 'civilisational' energy and time understanding 'matters of the mind', hold an edge now, he tells Shailesh Dobhal

“LOOK for patterns in life,” says the 59-year-old founder and chief of the Rs 2,113-crore NIIT Group, which encompasses the around three-decade-old IT training and software services business, and lately, even a not-for-profit university. A techie by education, no wonder Pawar connects all that his company has achieved, and continues to strive for, by a common thread, a pattern if you will.

“The 21<sup>st</sup> century is the century of the mind, and, therefore, India’s century. And, I see lot of our actions fitting into that fundamental reality,” says Pawar, lovingly ‘Raji’ to company insiders. So whether it’s IT education, consulting, and now higher education, Pawar says all involve people and building their potential. A childhood spend in an army environment and some inspired schooling at The Scindia School, Gwalior, made him a body disciplinarian, but he worships at the altar of the mind. “The body has to have the strength, because it is the carrier after all, but basically value gets created through the mind—tapping, nurturing, leveraging, harnessing it—call it what you will, but it all starts with a way to build capacity to reflect and think.”

To Pawar, old civilisations like the Indian and the Chinese have tremendous understanding of the mind, and that more than anything else—big markets and/or favourable demographics—is their claim for dominating this ‘century of the mind’—the knowledge era so to say. “The IT industry is only the first expression of that (move where we) start respecting our traditional knowledge more and more and, therefore, tap into what we (already) know about the human mind and how it works,” he says.

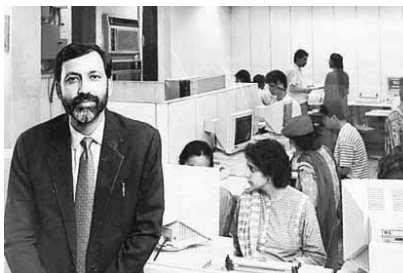
Hundreds of global businesses setting up their research and development centres in India and the fact that India will be the next big creator of intellectual property in the decades to come is the second and third expression, respectively, of this continuum, according to Pawar. “And all this basically means that we (as a country) have to focus on enabling young people and grown ups alike to do the best they can with the mind they have. The most structured way obviously is education and skill building, and these two areas have been areas of deep engagement, for me personally and the organisation too.”

It is this quest that has redefined NIIT’s core from mere IT training for a developing country to a more open and holistic ‘global talent development’. The difference is not merely in semantics, emphasises Pawar: “Whether it’s higher education that needs to create new knowledge, or massive skilling for jobs at the bottom of the income pyramid, both need a sustainable model.”

Take the 100-acre, year-old NIIT University, located at Neemrana, Rajasthan, for instance. Pawar hopes to run it as non-profit initiative, even if the laws of the land were to change to permit money making in higher education. “The intent is to make it a place for



Pawar with NIIT CEO Vijay K Thadani (centre) and COO P Rajendran



In an NIIT classroom

serious research and industry-linked with incubators inside the campus. And frankly, with this objective, for-profit does not look like a possibility, as there will always be a conflict then on how much (money) to draw (out) and how much to put back.” Pawar insists that you can do a large training operation, a la IT training and NIIT for profit, but if the objective is to create new knowledge, the pursuit is endless, and

profit (motive) shouldn’t be allowed to interfere with it.

Pawar’s eyes lit up as he speaks of what he hopes NIIT University becomes. “Ultimately, the university has to create intellectual property, as that is part of its financial/sustainability model.” As member of the Prime Minister’s National Council on Skill Development (NCSD), Pawar also grapples with the demographic dividend dilemma

of a young, poorly-skilled population that can turn into India’s biggest boon or bane, depending on how the challenge is met.

“Skill building needs innovation to find a funding model, and that will come once we recognise some basic, as we call it, at the NCSD, ‘principles’—that skills should be certifiable, bankable, fungible and artificial barriers between education and skills be broken.” And it

is best if free markets be allowed to operate in skill building, with the government as a facilitator in promulgating those ‘principles’.

“The model that we build in NIIT can lend itself to even carpentry,” says Pawar. Perhaps a partnership model that NIIT has built with ICICI Bank (financial services training) and Genpact (business-process-outsourcing training) could be a model here.

## PROFILE

### Rajendra S Pawar

#### BIRTHDAY

March 19, 1951

#### FAMILY

Married, with three children

#### EDUCATION

The Scindia School, Gwalior; B.Tech in electrical engineering from IIT Delhi. Received the Distinguished Alumnus Award of IIT in 1995. Also awarded an honorary doctoral degree by the Rajiv Gandhi Technical University in 2005

#### ON BOARDS OF

IIT Delhi; Indian School of Business, Hyderabad; IIM Bangalore, and The Scindia School, Gwalior. Also member of the Prime Minister’s National Council on Skill Development

Pawar looks deeper within NIIT to find answers to the acute skills problem facing the nation. “We, perhaps, run the biggest public-private partnership, in terms of touching people, with our school-learning solutions programme.” The programme, over a decade old and an Rs 250-crore business vertical actually, has touched over 10 million school children, largely in government-run schools, where ‘the child (or the parents) does not pay a penny’.

The state governments—and NIIT works with over a dozen here—is the client on such build-operate-transfer PPP projects for enhancing school children’s IT skills. It sounds such an obvious and easy model to emulate, provided one can “innovate in business model and technology so that you can build a self-sustaining character”. Apparently, the National Skills Development Corporation, itself a PPP, is busyising itself with providing the first tranche of risk-capital to around half-a-dozen entrepreneurial ventures for skill development in areas ranging from construction to auto repairs.

“Back in school in the 1960s, there was this practice of *astachal*, essentially, to watch the setting sun in silence. We lived the sunset, year after year, watching it in silence, and at that time you had no option but to reflect.” This habit of watching the sunset has stayed with Pawar something he says steered him to a life-long personal engagement with ‘matters of the mind’. So much so that during the company offsites, Pawar makes it a point to drag his senior people to watch the sunrise at least one day, as you can’t do sunset if you’re working. In fact, Pawar had taken this ‘personal best practice’ even to the NIIT University, as it helps ‘still the mind’, and a peaceful mind is likely to generate more creative thoughts. For Pawar, all patterns or value creation in business start with those ‘products of the mind’—thoughts and ideas.

## INTERVIEW: RAJENDRA SINGH PAWAR

FOUNDER & CHAIRMAN, NIIT GROUP AND FOUNDER, NIIT UNIVERSITY

# ‘Innovation is the key to skill development’

### What are the challenges you face in your core business area, IT education?

One is going beyond it—IT as a means rather than an end. That transition has already started in our case when we moved to global talent development—it’s global, in 40 countries, and it’s talent rather than just IT. We are now building a range of offerings that go beyond IT. The biggest growth engine in our business is the financial services training (the joint-venture with ICICI), and business process outsourcing services training (JV with Genpact). As more sectors are opening out, we’ll have more such partnerships. The other direction is that we have to go much deeper into India; this (issue of) inclusive growth on a self-sustaining basis is very important.

**Why then did you sell the sales vertical—NIS?**  
It was much ahead of its time. Had we had it today, we wouldn’t have given it. But that’s life.

**How is work progressing on the National Skills Mission?**  
In the first few meetings we have

built some specific principles. Among them was the fact that skills should be bankable, fungible, and also that between skills and education there are artificial divides that need to be broken. So that if after Class X or XII, if I feel excited about working, and I don’t want to go through this ‘boring education’ because that’s my view at that time, and I work for a few years and I want to go back and lift my base of knowledge, what I learnt in my work should find recognition. You may ascribe whatever value you want to when you go for diploma to degree, but you can’t make it zero. Now we’re actually working on the qualification framework and to permit this mobility.

And if we say they’re bankable, what it means is that if I have learnt something, it has to have economic value, and it should be certifiable, bankable, fungible and all of those things.

We (have also) made a very important suggestion that if the government wants to play a role in the formation of skills in a country, the money should not be paid to an insti-

tution, but the individual, as he/she can make a choice of what offering they want to take and let the delivery mechanisms compete with each other.

### Is it time to do what you did with IT education to skill building?

Very much. For instance, at the NIIT University, part of the principle is creating innovation in education technology. The idea is to make it a solid source of tech for the country to solve not just skill problem, but even education problem in village schools, where we don’t have teachers.

### Some details on NIIT’s end-to-end project in Bhutan.

It’s a big, Rs 200-crore, five-year

**IF THE GOVERNMENT WANTS TO PLAY A ROLE IN THE FORMATION OF SKILLS IN A COUNTRY, THE MONEY SHOULD NOT BE PAID TO AN INSTITUTION, BUT THE INDIVIDUAL**

project. The challenge for us is to take all our learning of the past and apply it to an entire country—the youngest democracy in the world that doesn’t want to go the smokestack way of development, wants to remain green, and yet wants its community to be connected and educated.

For us it involves six work streams. One, every school with Class X and XII in it, 168 in all. We will engage with every school-leaving child starting next year to make them connected, IT-savvy citizens. Two, training 5,000 teachers on use of IT in learning. Three, 16 higher education institutions and students there to ensure that the potential workforce is completely prepared for the world. Four, over 7,000 government officials, Prime Minister downwards, have to be IT-ready. And for the unreachable part of Bhutan, NIIT’s unique initiative in 31 hole-in-the-walls. And finally, e-waste management for the country. This project is consuming our best resources and faculties. We would love to replicate this outside India, across a host of countries.

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cover+story



# ALONG THE SILK ROUTE

China is a wonderful country to do business in.

*By Prakash Menon*



I first stepped on Chinese soil in 1997. My aim at that time was to explore business opportunities in the country, especially in the area of education, on behalf of NIIT, the company I was a part of. Since China was a fast-growing economy in those days—notching up a steady and consistent YoY GDP growth of over seven percent—it seemed to be the perfect place to be in. From having its doors firmly shut on the outside world for years, the great dragon was lowering its barriers and allowing countries to scale its Great Wall. It was an extremely opportune time in the phase of its history, and we wanted to be part of this big moment. In fact, it was my interactions with the people of China, particularly those in the government and industry, that shaped my impressions about the country and created an identity for it in my mind.

In those days, China was automating rapidly, even though very few youngsters were opting for IT training. The result was that the demand-supply gap in the area of skilled technology professionals was slowly getting wider—such talent, in fact, was quite conspicuous by its absence.

What one found in the mid-1990s then was a slightly cautious government, which seemed extremely wary of allowing the private sector into major realms, especially education. Let's just say the overall environment was not very welcoming or easy to deal with.

Tight government control was the order of the day and we found the going tough when we initially attempted to try and find a chink in the Chinese armor.

Our fortunes, however, took an unexpected turn which once again changed my perspective about the country and, in some way, also altered the way the Chinese viewed Indian companies. We somehow managed to make a breakthrough when the Shanghai Education Bureau took the surprising decision of experimenting with our model of learning. The change in mindset was probably because by then India had built up its credentials in the software and services arena and shown the direction to the world in technology domain. Clearly, the Chinese government had begun to acknowledge India's global pre-eminence in the area of IT software and services and

training and developed a quiet respect for what we had to offer. That positive mindset continues to this very day.

The era of Deng Xiaoping and a China ready for modernization also eased matters for us. We were allowed to introduce IT training through our very first center in Shanghai, which simply captured the imagination of the young people and became a runaway success. We were pleasantly surprised by the response

## **“UNLIKE INDIA, CHINA HAS A HUGE LANGUAGE AND CULTURAL BARRIER.”**

of the youngsters. The students thronged our facility, embracing it with ready arms. I have always found this attitude very refreshing—the ability of the Chinese to acknowledge individuals and companies they feel can do things better than them.

They are always ready to learn from others, especially India, which now ranks high on their list of “esteemed countries.”

During the last decade in China, I also learnt the myriad dimensions of its complex and culturally diverse market. Like India, China is a tough terrain.

Unlike India, however, where English is quite rampantly used, China has a huge language and cultural barrier.

With a primary means of communication gone, China is indeed difficult to penetrate. It takes time, therefore, to study the market, understand its finer nuances and develop products that are suited to the needs of the local populace. This can be an uphill task as it is in complete variance to the scenario in India. Interestingly, what we found was that the Chinese do not say “yes” or “no” to one's face; they take a more guarded approach, especially when taking business decisions.

For Indians, accustomed to more free interactions, the silence and non-committal behavior can be daunting, to say the least. However, the fix here is to absorb, understand, and try and pick up the quiet signals. It is also important to abandon the India perspective and completely remove that context when engaging with Chinese organizations and the country's people.

This can really help, as overall the Chinese are quite friendly towards business practitioners, particularly from India. We have never faced any animosity in that nation, and have found that Indians are even more valued than westerners. The Chinese believe that India has given the world a lot of thought leadership—through icons such as the Buddha and Mahatma Gandhi—and that we offer a better social model with a greater focus on human values. This viewpoint has proved extremely beneficial for the company in China, and enabled us to spread our network throughout the country. Today NIIT is present in 192 locations across 66 cities in China, enrolling around 50,000 students for our two-year plus programs. We have already partnered with over 140 universities and colleges in the country and the road ahead seems brighter. Our success in China proves, without doubt, that despite the yin and the yang, the pulls and pushes, the positives and negatives, the country is a wonderful destination to do business in. When I look back at our engagement in China, I cannot help but add that I have found it to be an extremely pragmatic nation, unlikely to drag in personal prejudices when business is at stake. Take the instance of China's rather fractious relationship with Japan.

In thought and ideology, China may find itself on the opposite side of the fence with Japan, but it doesn't let this impact its business across the border. Japan remains China's second-largest trading partner!

This, in all likelihood, is also the reason why China, despite its less-than-stable political relationship with India, continues to strengthen trade with us. While trade between the two countries stood at Rs.4,500 crore a decade ago, it is now Rs. 225,000 crore. China is India's largest trade partner and that itself speaks volumes. While, of course, this trade is slightly skewed to the Chinese side, we are sure and hopeful that this will change.

The Chinese also have the ability to "compartmentalize" matters with ease, so they can keep the problem areas out from their pure "business dealings." It will be important to keep this in mind as we move forward, and as China becomes more and more important to our business outlook. It is our experience and belief that if any Indian company does not have a China strategy by now, it will not exist

beyond 2020. By that year, we expect to see a multi-polar world where the U.S., China, India and Europe would be the four key pillars contributing to the majority of global GDP.

Both India and China offer mega markets with billions of micro consumers. Companies that do not address these colossal markets will not survive. As of now, almost 90 Indian companies have a presence in China. China is coming to India. We are seeing much more collaboration than ever before. Competition is giving way to such collaboration. And in this environment, it is not just the business aspect that one must focus on. Interestingly, when it comes to establishing a cultural connect with China we, as Indians, are almost halfway there! It may be amusing to hear, but China not only appreciates our IT, but also our beauty.

Whether it is a taxi driver or a shop keeper—most Chinese know and love Bollywood and the "stars" of both the big and small screens. Walk down the corridor of the NIIT office in Shanghai, and you are likely to encounter several screensavers that flaunt photos of Abhishek Bachchan and Sushmita Sen!

Interestingly, glimpses of India's social milieu are already extremely visible on Chinese shores. It seems like the two nations, which were linked in ancient times through the spice and silk routes, are now rejuvenating these old ties again. It gives me a great sense of pleasure and comfort when I enter a pub, bar or disco in Shanghai and hear the familiar strains of a popular A.R. Rahman number!

It's the same in a DVD shop, when I find peeking at me from behind the shelves, the latest that Bollywood offers. Zee TV, which is broadcasting in Chinese, has a huge fan following for its soaps in Shanghai. A performance by tabla maestro Zakir Hussain ended in a standing ovation, where nearly 80 percent of the audience was Chinese. Need I say more?

With so much of commonality and connect, it is not surprising that after years of solitude, both the nations are eyeing one another with renewed interest. However, it will take true commitment on both sides for this interest to turn into a mutually beneficial partnership and for the two nations to build a relationship based on mutual respect and admiration. ■

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## STRATEGIC PARTNERSHIP

# CEO Forum to propel India-Malaysia relations

### AGE CORRESPONDENT

KUALA LUMPUR

**Oct. 27:** The Prime Ministers of India and Malaysia, when they met in January 2010, agreed to the establishment of the India-Malaysia CEO Forum as a high-level body, reporting directly to the two Prime Ministers. This CEO Forum was announced on Tuesday and will complement the initiatives taken by India to forge a strategic partnership even as there is a surge in Malaysian private sector initiatives in the flow of

project-related investments into India. These investments are mainly in the telecom, construction, infrastructure development — especially in roads and highways — and some in the power sector, says a statement issued by India on Wednesday.

It quotes the Construction Industry Development Board of Malaysia as noting that Malaysian companies have so far completed 51 construction projects worth \$2.33 billion in India, while 21 projects valued at \$2.28 billion are currently

under various stages of implementation.

In the first half of 2009, India's approved investments in Malaysia were \$17.3 million with six projects. Cumulative Indian investment in Malaysia (from 1980 to 2009) is estimated to be about \$2 billion. At present, there are over 100 Indian companies, including 61 Indian joint ventures, operating in Malaysia.

In September 2007, Satyam Computers, now Mahindra Satyam, unveiled its new state-of-the-art 500-

### mutual benefit

**support** A new dimension in the India-Malaysia relationship is the cooperation in information technology and human resources development.

seat Global Solutions Centre in Cyberjaya as part of the company's plans to expand its Malaysian operations into developing its largest software development hub outside India.

The acquisition by Reliance Industries Limited of the assets of Hualon Corporation in September 2007, takeover of Sabah Forest Industries by Ballarpur Industries Limited of the Thapar Group in March 2007 and the Larsen & Toubro buy-out of the switchgear business of Tamco Corporate Holdings Bhd set the tone for other Indian corporate entities to look for investment opportunities in Malaysia. Indian public sector undertakings have an

impressive track record in Malaysia, with HMT, EIL, BHEL, IRCON and IOC having been actively engaged with the Malaysian industrial sector since the 1970s. A new dimension in the India-Malaysia relationship is the cooperation in information technology and human resources development. Indian training institutes have set up joint programmes in Malaysia while NIIT became the first Indian company (along with HCL Technologies) in July 1997 to be awarded Multimedia Super Corridor

status. Now there are 67 Indian companies operating in Malaysia's prestigious Multimedia Super Corridor. The potential to expand beyond this list is obvious, the statement said. India has high-quality technology in many disciplines and expertise in a wide range of sciences.

On the other hand, Malaysia's strength is in the area of construction, infrastructure and property development. Malaysia, on its part, needs expertise in biosciences, in IT and ITES, and in education.

**NIIT**

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