

# NIIT Technologies

**CMP: ₹ 258**
**TP: ₹ 360**
**Buy**

**View:** We maintain our positive call on the stock post the earning call based on its sustained strong growth, confidence on CY13 demand, robust order intake and possibility of margin recovery. We maintain our BUY rating with a TP of ₹ 360 valued at 7.5x of FY15E EPS of ₹ 48.

**Confidence intact:** The company is confident to do better than industry in FY14 helped by robust 12M order executable book of USD 252mn. It expect sustained momentum from its Manufacturing and Government clients specifically in the US and Asia markets. Europe is likely to remain soft due to existing economic uncertainties.

**Results inline:** Revenue in reported currency grew by 4.4% QQ at ₹ 5.4 bn from ₹ 5.1 bn in Q3FY13 driven by strong growth in Government projects (revenues up 47%, contributes 11% of revenues). Travel vertical witnessed revenues decline of 7% as it exited 2 accounts during the quarter. Revenues were strong across key projects and segments such as CCTNS, Morris, GIS, ROOM solutions. However; Proyecta revenues were below par as the key client Iberia continues to witness business ramp down.

**New deal momentum on:** NIIT Tech added fresh orders of about USD 110mn during the quarter leading to USD 252mn of firm business executable over next 12 month basis. It has added 5 new clients (1 in Manufacturing, 2 each in Transport and Government and a USD 10mn renewal from a BFSI client). The company expects sustained demand even for the non-linear business segment both for the managed services and transaction based services in the Morris account.

## High Points

- Results inline with estimates
- New order intake strong at USD 110mn
- EBIT Margin up 50bps QQ
- Maintain BUY with a target of ₹ 360

## Scrip Details

Equity	₹ 596mn
Face Value	₹ 10/-
Market Cap	₹ 16bn
	USD 296mn
52 week High / Low	₹ 324 / 240
Avg. Volume (no)	102,542
BSE Sensex	20,286
NSE Nifty	6,187
Bloomberg Code	NITEC IN
Reuters Code	NITT.BO

## Q4FY13 Result (₹ mn)

Particulars	Q4FY13	Q3FY13	QoQ(%)	Q4FY12	YoY(%)	FY13	FY12	YOY(%)
<b>Net Sales</b>	5372	5144	4	4330	24	20214	<b>15765</b>	28
COR	3526	3383	4	2736	29	13159	<b>9877</b>	33
<b>Gross Profit</b>	1846	1761	5	1594	16	7055	5888	20
Other expenses	962	948	1	814	18	3759	3204	17
<b>EBITDA</b>	884	813	9	780	13	3296	2684	23
Depreciation	161	142	13	92	75	567	364	56
<b>EBIT</b>	723	671	8	688	5	2729	2320	18
Other Income	-14	126	-111	174	-108	206	282	-27
<b>Profit before Tax</b>	709	797	-11	862	-18	2935	2602	13
Tax	129	230	-44	224	-42	750	638	18
<b>Net Profit bfr MI</b>	580	567	2	638	-9	2185	1964	11
Minority Interest	15	6		-2		52	-8	
<b>NPAT</b>	<b>566</b>	<b>560</b>	1	<b>640</b>	-12	<b>2132</b>	<b>1972</b>	8
No of Shares	60	60		59		60	59	
Diluted EPS	9.4	9.3	1	10.8	-13	35.5	33.2	7
EBIT Margin (%)	13.5	13.0		15.9		13.5	14.7	
Net Profit Margin (%)	10.5	10.9		14.7		10.5	12.5	
Tax Rate (%)	18.2	28.9		26.0		25.6	24.5	

## Financials

Year	Net Sales	% growth	EBIT	EBIT%	PAT	PAT Mg	EPS(₹)	% growth	PER(x)	ROANW(%)	ROACE(%)	EV/EBITDA
FY12	15,764	27.9	2,319	14.7	1,971	12.5	33.2	0.1	7.8	24	27	4.7
FY13	20,213	28.2	2,729	13.5	2,132	10.5	35.5	6.9	7.3	21	27	3.8
FY14E	23,705	17.3	3,232	13.6	2,451	10.3	40.7	14.8	6.3	21	27	3.2
FY15E	27,468	15.9	3,832	13.9	2,885	10.5	48.0	17.7	5.4	21	28	2.6

Figures in ₹ mn

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**OPM likely to remain the range:** EBIT grew by 8% (QQ) at ₹ 723mn (EBIT margin up by 50bps QQ) as it partly recovers pressure in the GIS segment (GIS margin stood at 9% for Q4). The company has already made fresher offers for FY14 and expects wage hikes of about 7% indicating sustained traction and visibility. We believe OPM to remain in narrow band as gains on GIS recovery would be restricted on incremental business coming from relatively less profitable projects such as AAI and AP Govt (SAP implementation).

### Key Highlights

- Revenue in reported currency grew by 4.4% QoQ at ₹ 5.4 bn from ₹ 5.1 bn in Q3FY13 driven by strong traction in the Government sector (revenues doubled in H2 over H1).
- Revenues in the Transport vertical went down by 7% QQ (37% of rev) largely on project ramp downs in several travel companies in the European market owing to economic slow down in the region (biggest impact from Iberia airline). Manufacturing segment revenues grew by 4% - contributing 6% of revenues. BFSI revenues were up 3% QQ (42% of revenues) driven by strong traction among the top accounts.
- EBIT grew by 8% (QQ) at ₹ 723mn (EBIT margin up by 50bps QoQ) on account of recovery in the GIS segment and strong execution in the managed services and platforms driven revenues. We believe the margin matrix to be crucial driver going forward considering strong business traction from the Government sector.
- PAT grew by 1% QQ at ₹ 566 mn – below our est. of ₹ 607 mn as it booked Fx losses leading to other income loss of about ₹ 14mn as against a gain of about ₹ 126mn in Q3.

**Valuation:** Our optimistic belief on sustained revenue growth gets further reinforced on strong revenue growth performance despite the various economic challenges. We remain positive on the stock in view of its sustained traction in fresh order intake and client additions supported by its niche capabilities in TTL and Insurance verticals. We maintain our positive view on the stock and have built in Revenue/PAT CAGR of 17%/16% over FY13-15E. We maintain our BUY rating on the stock with a Target Price of ₹ 360, valued at 7.5x of its FY15E earnings.

**INCOME STATEMENT**

₹ mn

Particulars	Mar12	Mar13	Mar14E	Mar15E
<b>Net Sales</b>	<b>15,764</b>	<b>20,213</b>	<b>23,705</b>	<b>27,468</b>
Total Income	15,764	20,213	23,705	27,468
<b>Total Expenditure</b>	<b>13,081</b>	<b>16,917</b>	<b>19,850</b>	<b>22,911</b>
COR	9,876	13,159	15,408	17,830
SG&A	3,205	3,758	4,442	5,082
<b>EBIDTA</b>	<b>2,683</b>	<b>3,296</b>	<b>3,854</b>	<b>4,557</b>
Depreciation	364	567	622	725
<b>EBIT</b>	<b>2,319</b>	<b>2,729</b>	<b>3,232</b>	<b>3,832</b>
Other Income	282	207	219	230
Profit Before Tax & EO Items	2,601	2,936	3,451	4,062
Tax Expenses	637	751	942	1,097
Net Profit bfr MI	1,964	2,185	2,509	2,965
Minority Interest	-7	52	58	80
<b>Net Profit</b>	<b>1,971</b>	<b>2,132</b>	<b>2,451</b>	<b>2,885</b>

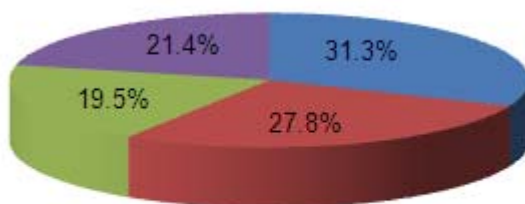
**BALANCE SHEET**

Particulars	Mar12	Mar13	Mar14E	Mar15E
<b>Sources of Funds</b>				
Equity Capital	596	596	596	596
Share premium	8,626	8,626	8,626	8,626
Other Reserves	0	1,507	3,333	5,558
<b>Net Worth</b>	<b>9,222</b>	<b>10,729</b>	<b>12,555</b>	<b>14,780</b>
Secured Loans	67	63	63	63
Unsecured Loans	59	62	62	62
<b>Loan Funds</b>	<b>126</b>	<b>126</b>	<b>126</b>	<b>126</b>
<b>Total Capital Employed</b>	<b>9,348</b>	<b>10,855</b>	<b>12,681</b>	<b>14,906</b>

**Applications of Funds**

<b>Net Block</b>	<b>2,866</b>	<b>3,799</b>	<b>4,377</b>	<b>4,552</b>
<b>Intangibles</b>	<b>1,365</b>	<b>1,365</b>	<b>1,365</b>	<b>1,365</b>
Capital Work in Progress	2	2	2	2
<b>Investments</b>	<b>549</b>	<b>574</b>	<b>599</b>	<b>634</b>
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	7	7	7	7
Sundry Debtors	3,315	4,633	6,933	9,033
Cash and Bank Balance	2,223	2,547	2,585	3,355
Loans and Advances	2,451	1,063	1,183	1,278
Other Current Assets	277	1,721	1,846	1,991
<i>sub total</i>	<i>8,272</i>	<i>9,971</i>	<i>12,554</i>	<i>15,664</i>
<b>Less : Current Liabilities &amp; Provisions</b>				
Current Liabilities	2,758	4,857	6,217	7,312
Provisions	949	0	0	0
<i>sub total</i>	<i>3,707</i>	<i>4,857</i>	<i>6,217</i>	<i>7,312</i>
Net Current Assets	4,565	5,114	6,337	8,352
<b>Total Assets</b>	<b>9,348</b>	<b>10,855</b>	<b>12,680</b>	<b>14,905</b>

E-estimates

**Shareholding Pattern as on Mar'13 (%)**


■ Promoter ■ Fills ■ DII ■ Public/ Others

**CASH FLOW**

Particulars	Mar12	Mar13	Mar14E	Mar15E
<b>Profit before tax</b>	<b>2,601</b>	<b>2,936</b>	<b>3,451</b>	<b>4,062</b>
Depreciation & w.o.	364	567	622	725
Direct taxes paid	-637	-751	-942	-1,097
Change in Working Capital	-321	-225	-1,185	-1,245
<b>(A) CF from Opt. Activities</b>	<b>2,007</b>	<b>2,527</b>	<b>1,946</b>	<b>2,445</b>
Capex	-903	-1,500	-1,200	-900
Inc./ (Dec.) in Investments	-106	-25	-25	-35
Other	0	0	16	16
<b>(B) CF from Inv. Activities</b>	<b>-1,009</b>	<b>-1,525</b>	<b>-1,209</b>	<b>-919</b>
Issue of Equity/ Preference	4	0	0	0
Inc./ (Dec.) in Debt	16	0	0	0
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	-554	-625	-625	-660
Others	566	-52	-74	-96
<b>(C) CF from Financing</b>	<b>31</b>	<b>-677</b>	<b>-699</b>	<b>-756</b>
Net Change in Cash	1,029	325	38	770
<b>Opening Cash balances</b>	<b>1,194</b>	<b>2,223</b>	<b>2,547</b>	<b>2,585</b>
<b>Closing Cash balances</b>	<b>2,223</b>	<b>2,547</b>	<b>2,585</b>	<b>3,355</b>

E-estimates

**IMPORTANT RATIOS**

Particulars	Mar12	Mar13	Mar14E	Mar15E
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**(A) Measures of Performance (%)**
**Contribution Margin**

EBIDTA Margin	17.0	16.3	16.3	16.6
EBIT Margin	14.7	13.5	13.6	13.9
Tax/PBT	24.5	25.6	27.3	27.0
Net Profit Margin	12.5	10.5	10.3	10.5

**(B) As Percentage of Net Sales**

Employee Expenses	62.6	65.1	65.0	64.9
SG&A Expenses	20.3	18.6	18.7	18.5

**(C) Measures of Financial Status**

Net Debt / Equity (x)	-0.2	-0.2	-0.2	-0.2
Debtors Period (days)	86	94	115	129
Fixed Assets Turnover (x)	3.7	3.9	4.1	4.6
Working Capital Turnover (x)	3.5	4.0	3.7	3.3
Non Cash Work. Capital (₹ Mn)	2,342.5	2,567.5	3,752.5	4,997.5

**(D) Measures of Investment**

EPS (₹)	33	35	41	48
DPS (₹)	8	9	9	9
Dividend Payout (%)	24.2	25.2	21.9	19.6
Profit Ploughback (%)	75.8	74.8	78.1	80.4
Book Value (₹)	155.3	178.5	208.7	245.7
RoANW (%)	23.5	21.4	21.1	21.1
RoACE (%)	20.6	20.1	20.0	20.3
RoAIC (%) (Excl Cash & Invest.)	32.5	32.8	32.0	33.2

**(E) Valuation Ratios**

CMP (₹)	258	258	258	258
P/E (x)	7.8	7.3	6.3	5.4
Market Cap. (₹ Mn.)	15,317	15,505	15,519	15,519
MCap/ Sales (x)	1.0	0.8	0.7	0.6
EV (₹ Mn.)	12,671	12,510	12,461	11,656
EV/Sales (x)	0.8	0.6	0.5	0.4
EV/EBDITA (x)	4.7	3.8	3.2	2.6
P/BV (x)	1.7	1.4	1.2	1.0
Dividend Yield (%)	3.1	3.5	3.5	3.7

E-estimates

<b>BUY</b>	Upside above 20%
<b>ACCUMULATE</b>	Upside above 5% and up to 20%
<b>REDUCE</b>	Upside of upto 5% or downside of upto 15%
<b>SELL</b>	Downside of more than 15%

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