

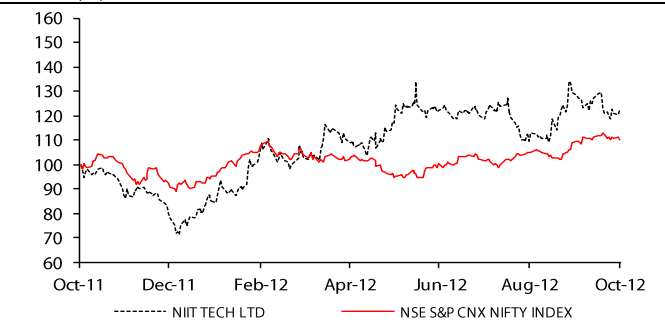
Result update
NIIT Technologies Ltd.

Recommendation	BUY
CMP (Rs.)	Rs. 285
Sector	IT

Stock Details

BSE Code	532541
Bloomberg Code	NITEC IN
Market Cap (Rs. cr)	1713
Free Float (%)	61
52- wk HI/Lo (Rs)	325/166
Avg. Volume BSE (Monthly)	13940
Face Value (Rs)	10.0
Dividend (FY 12)	80%
Shares o/s (Crs)	6.01

Relative Performance	1Mth	6Mth	1Yr
NITEC(%)	(6.1)	11.8	35.2
NIFTY(%)	1.3	8.1	10.0


Shareholding Pattern as of 30 September 2012

Promoters Holding	31%
Institutional (Incl. FII)	44%
Corporate Bodies	8%
Public & others	16%

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Snapshot

NIIT Technologies (NIIT Tech) reported a net profit of Rs.43.1 crore in Q2FY'13 compared to Rs.57.5 crore during Q1FY'13. Net Sales for the quarter stood at Rs.500.1 crore, registering an increase of 10.1 per cent q-o-q.

Key highlights of the results:

- Order intake during the quarter stood at USD 93 million taking the total executable order book to USD253 million over the next 12 months
- Volume growth in constant currency terms stood at 3 per cent q-o-q
- On account of restatement of forex liabilities, the other income segment registered a loss of Rs.15 crore, resulting into lower than expected profits
- EPS for the quarter stood at Rs.7.18, cash and cash equivalent adds up to Rs.232 crore, translating into **Rs.38.6 per share**. This is equal to ~14 per cent of the present price of the company.

Valuation & Recommendation

We expect the company to post net sales of Rs.1970.3 crore for FY'13E. The net profit for FY'13E is expected to be Rs.228 crore, translating into an EPS of Rs.38. The cash and cash equivalent stands at Rs.232 crore translating into Rs.38.6 per share. This is equivalent to ~14 per cent of the present price of the company. We value the company at 10x FY'13E EPS of Rs.38 to arrive at a price target of Rs.380.

Particulars (RsCr)	Net interest Income	Growth (%)	EBITDA	PAT	EPS (Rs)	P/E (x)
FY'10	913.7	(5.9)	179.7	127.7	21.7	13.1
FY'11	1,232.3	34.9	251.4	179.3	30.3	9.4
FY'12	1,576.4	27.9	298.0	197.0	33.1	8.6
FY'13E	1,970.3	25.0	353.0	228.0	38.0	7.5

(Source: Company, Nirmal Bang Research)

Key highlights of the concall:

Volume in constant currency terms improved 300 bps on a sequential basis

Order intake during the quarter stood at USD93 million with USA(USD43 mn), EMEA (USD 33mn) and ROW(USD17 mn). Historically, the company has maintained an order inflow of anywhere between USD70-90 million per quarter, taking the total order position in excess of USD250 mn

The Other Income component registered a loss of Rs.15 crore during this quarter on the back of forex, resulting into lower than expected PAT

The company management anticipates the pricing scenario to get tough going forward, mainly in the BFSI segment

The management does not see any issues with regard to order execution over the next 12 months. The order books as on date is quite healthy at USD253 mn

Utilisation ratio stood at 79.8 per cent during the quarter (compared to 78.5 per cent during Q1FY'13)

Debtors Sales Outstanding have improved from 84 days to 75 days during this quarter

Cash and cash equivalent stood at Rs.232crore (Rs.38.6 per share); capex for the quarter stood at Rs.19 crore

Margins have have improved by 97 bps q-o-q

The weak trend in the BFSI segment has been more than compensated by the buoyancy in the Transport segment. The contribution of this segment during the quarter stood at 42 per cent compared to 40 per cent in the June quarter

IATA has announced improvement in demand not only for 2012 but also for 2013 augurs very well for the company

Attrition ratio stood at 12.7 per cent compared to 12.4 per cent during June quarter

Depreciation has increased from Rs.12.6 crore in Q1FY'13to Rs.13.8 crore during this quarter

Top five and ten clients contributed 32 per cent and 47 per cent respectively to the revenues

Vertical break-up	Q2FY'13	Q1FY'13
Banking , Insurance & Financial Services	33%	34%
Transport	42%	40%
Manufacturing	6%	7%
Government	5%	8%
Others	14%	11%

(Source: Company, NB Research)

VALUATION AND RECOMMENDATION

At the present price, the stock is trading at less than 8x its FY'13E earnings of Rs.38.

We expect the company to post net sales of Rs.1970.3 crore for FY'13E. The net profit for FY'13E is expected to be Rs.228 crore, translating into an EPS of Rs.38. The cash and cash equivalent stands at Rs.232 crore translating into Rs.38.6 per share. This is equivalent to ~14 per cent of the present price of the company. We value the company at 10x FY'13E EPS of Rs.38 to arrive at a price target of Rs.380.

Result update
NIIT Technologies Ltd.

Profit & Loss Account	FY'10	FY'11	FY'12	FY'13E	Balance Sheet (Rs. Cr.)	FY'10	FY'11	FY'12	FY'13E
Net Sales	913.7	1232.3	1576.4	1970.3	Equity Capital	58.8	59.3	59.6	60.0
Other Income	8.5	13.6	30.3	45.0	Reserves & Surplus	521.0	688.6	850.5	990.5
Total Income	922.2	1245.9	1606.7	2015.3	Networth	579.8	747.8	910.1	1050.5
Operating expenses	84.9	229.64	244.5	372.3	Secured loans	21.4	11.0	50.6	40.0
Employee Expenses	503.7	601.4	891.2	1050.0	Unsecured loans	0.3	0.0	12.3	0.0
Other expenses	153.9	163.5	173.0	240.0	Total loan funds	21.7	11.0	62.9	40.0
Total Expenses	742.5	994.5	1308.7	1662.3	Total Liabilities	601.5	758.8	973.0	1090.5
PBIDT	179.7	251.4	298.0	353.0	Net Block	314.0	333.0	423.1	433.6
Depreciation	35.8	31.5	36.4	52.0	Investments	46.5	44.3	46.0	50.0
Interest	1.8	2.2	1.6	0.0	Sundry Debtors	185.1	287.1	349.2	410.0
Profit before tax	142.1	217.7	260.0	301.0	Cash & Bank	143.0	119.4	241.1	250.0
Taxes	14.4	32.3	63.8	84.3	Loans & Advances	124.5	215.2	246.5	276
Extra-ordinary item	0.0	6.1	-0.8	-11.3	Current Assets	499.0	666.0	882.8	986.0
Net Profit	127.7	179.3	197.0	228.0	Less: Provisions & liabilities	211.5	240.8	332.6	329.0
						287.5	425.2	550.2	657.0
Quarterly	Dec. 11	Mar. 12	Jun. 12	Sep. 12	Total Assets	601.6	758.3	973.3	1090.6
Net Sales	433.0	443.5	469.6	500.1	Cash flow (Rs. Cr.)	FY'10	FY'11	FY'12	FY'13E
Other Income	17.4	-4.6	21	-11.5	Profit before tax	142.1	217.7	260.0	301.0
Total Income	450.4	438.9	490.6	488.6	Net cash from operations	137.7	68.7	106.1	240.5
Total Expenses	355.0	369.0	415.5	403.8	Net cash from investments	(92.5)	(37.4)	(46.6)	(74.5)
PBIDT	95.4	69.9	75.1	84.8	Net cash from financing activities	(60.7)	(54.9)	(28.9)	(66.0)
Interest	0.0	0.0	0.0	0.0	Net change in cash	(15.5)	(23.6)	30.6	100.0
Depreciation	9.2	11.1	12.6	13.8					
Taxes	22.2	11.1	24.6	14.6	Valuation Ratios	FY'10	FY'11	FY'12E	FY'13E
Minority Interest	0.0	0.0	1.3	1.8	Marketcap/Sales	1.8	1.4	1.1	0.9
PAT	64.0	47.7	57.5	43.1	EPS	21.7	30.3	33.1	38.0
Profitability Ratios	FY'10	FY'11	FY'12	FY'13E	P/E	13.1	9.4	8.6	7.5
EBITDA margin	19.7%	20.4%	18.9%	17.9%					
PAT margin	14.0%	14.6%	12.5%	11.6%					
Growth Ratios	FY'10	FY'11	FY'12	FY'13E					
Net Sales growth	-5.9%	34.9%	27.9%	25.0%					
EBITDA growth	-3.1%	39.9%	18.5%	18.5%					
PAT growth	11.2%	40.4%	9.9%	15.7%					

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