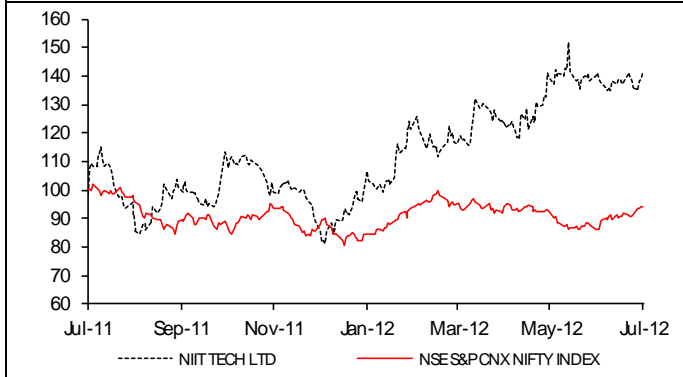


<b>Recommendation</b>	<b>BUY</b>
<b>CMP (Rs.)</b>	<b>Rs. 291</b>
<b>Sector</b>	<b>IT</b>

<b>Stock Details</b>	
BSE Code	532541
Bloomberg Code	NITEC IN
Market Cap (Rs. cr)	1743
Free Float (%)	61
52- wk HI/Lo (Rs)	317/166
Avg. Volume BSE (Monthly)	13940
Face Value (Rs)	10.0
Dividend (FY 12)	80%
Shares o/s (Crs)	5.99

Relative Performance	1Mth	6Mth	1Yr
<b>NITEC(%)</b>	(0.1)	32.4	43.4
<b>NIFTY(%)</b>	2.7	4.5	(6.6)



<b>Shareholding Pattern as of 30 June 2012</b>	
Promoters Holding	38.8%
Institutional (Incl. FII)	37.5%
Corporate Bodies	8.2%
Public & others	15.5%

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### Snapshot

NIIT Technologies (NIIT Tech) reported a net profit of Rs.57.5 crore in Q1FY'13, registering an increase of 39.7 per cent y-o-y and 24.5 per cent q-o-q. Net Sales for the quarter stood at Rs.469.6 crore, registering an increase of 42.8 per cent y-o-y and 5.9 per cent q-o-q.

### Key highlights of the results:

- Order intake during the quarter stood at USD 83 million taking the total executable order book to USD240 million over the next 12 months
- Volume growth in constant currency terms stood at 0.5 per cent q-o-q (Q1 is usually weak for the company)
- The total number of million dollar clients stood at 64 compared to 48 during Q1FY'12 and 61 during Q4FY'12
- EPS for the quarter stood at Rs.9.6, cash and cash equivalent adds up to Rs.266.9 crore, translating into **Rs.45 per share**. This is equal to 15 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.227.5 crore, translating into an EPS of Rs.37.9. We value the company at 10x FY'13E EPS of Rs.37.9 to arrive at a price target of Rs.379.

Particulars (Rscr)	Net Sales	Growth (%)	EBITDA	PAT	EPS (Rs)	P/E (x)
FY'10	913.7	(5.9)	179.7	127.7	21.7	13.4
FY'11	1,232.3	34.9	251.4	179.3	30.3	9.6
FY'12	1,576.4	27.9	298.0	197.0	33.1	8.8
FY'13E	1,970.3	25.0	368.0	227.5	37.9	7.7

(Source: Company, Nirmal Bang Research)

**Key highlights of the concall:**

***Volume in constant currency terms improved 50 bps q-o-q***

Order intake during the quarter stood at USD83 million (Q1 of the financial year is usually weak for the company. Historically, the company has maintained an order inflow of anywhere between USD70-90 million per quarter)

Orders executable over the next 12 months stood at USD240 million

Revenue visibility strong at 1.7-1.9x past order book, the present figure stands at USD240 million, providing decent revenue growth of 20-25%

This figure is higher than NASSCOM's projection for the IT industry

Contribution from Government orders during the quarter stood at 8 per cent compared to 5 per cent during the corresponding quarter last year

Non-linear revenues contributed 24 per cent to the topline of the company during the quarter

The total number of million dollar clients stood at 64 compared to 48 during Q1FY'12 and 61 during Q4FY'12

Utilisation ratio remained at 78.5 per cent and attrition figure for the quarter stood at 12.36 per cent

Cash and cash equivalent stood at Rs.266.9 crore (Rs.45 per share); capex for the quarter stood at Rs.25 crore; Rs.140 crore is the target for the entire year ( Rs.80 crore is the budget for construction of new campus)

Debtors outstanding stood at 84 days of sales

Margins have declined as a result of wage hikes during the quarter and the same is expected to improve during the balance part of the year (Quarterly update: Forex yielded a benefit of 150 bps, 40 bps from Morris, salary took away 240 bps; other component at 35 bps)

The management is experiencing some weakness from the large clients in the BFSI segment However, the same has been more than compensated by buoyancy in the Transport segment In a recently concluded event, IATA has left its forecast unchanged in the travel segment for the year. Air freight volumes have grown on the back of lower base last year. This coupled with the recent correction in ATF prices should augur well for the travel segment as well as for the company since it derived 40 per cent of revenues from this particular segment during the recently concluded quarter

NIIT Technologies was selected as a development partner for a leading airline which is undergoing a major transformation to become a full network ticketed carrier. The company was able to enhance its presence by signing a USD15 million renewal with a leading BFS client

The company has added one more state ( Orissa) in the CCTNS segment during the quarter

The management does not see significant pressure from Europe and the instances of large IT companies targeting smaller clients is not yet observed

Headcount addition stood at 83 only in the quarter since the company is expecting freshers to enter in Q2 of this financial year

Depreciation has increased from Rs.11.1 crore in Q4FY'12 to Rs.12.6 crore during this quarter

Top five and ten clients contributed 30 per cent and 43 per cent respectively to the revenues

The tax rate during the quarter was higher on account of higher other income component. The same is expected to be around 27-28 per cent for the year

<b>Vertical break-up</b>	<b>Q1FY'13</b>	<b>Q4FY'12</b>	<b>Q1FY'12</b>
Banking and Financial Services	13%	13%	16%
Insurance	21%	21%	25%
Transport	40%	39%	35%
Manufacturing	7%	6%	8%
Government	8%	7%	5%
Others	11%	14%	11%

(Source: Company, NB Research)

A break-up of the latest geographic mix of the company has been given below in a tabular form:

<b>Geographical break-up</b>	<b>Q1FY'13</b>	<b>Q4FY'12</b>	<b>Q1FY'12</b>
America	36%	37%	37%
EMEA	39%	37%	37%
APAC	13%	13%	15%
India	12%	13%	11%

(Source: Company, NB Research)

<b>Executable order book over the next 12 months (USD mn)</b>	<b>Q1FY'13</b>	<b>Q4FY'12</b>	<b>Q1FY'12</b>
<b>Fresh Order Intake</b>	<b>83</b>	<b>92</b>	<b>86</b>
USA	25	35	14
EMEA	30	17	47
ROW	28	40	25
<b>Executable over the next 12 months</b>	<b>240</b>	<b>243</b>	<b>200</b>

(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.37.9.

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.227.5 crore, translating into an EPS of Rs.37.9. The cash and cash equivalent stands at Rs.266.9 crore translating into Rs.45 per share. This is equivalent to 15 per cent of the present price of the company. We value the company at 10x FY'13E EPS of Rs.37.9 to arrive at a price target of Rs.379.

**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	1,232.3	1,576.4	1,970.3	Equity Capital	58.8	59.3	59.6	60.0
Other Income	8.5	13.6	30.3	60.0	Reserves & Surplus	521.0	688.6	850.5	990.5
<b>Total Income</b>	<b>922.2</b>	<b>1,245.9</b>	<b>1,606.7</b>	<b>2,030.3</b>	Networth	579.8	747.8	910.1	1,050.5
Operating expenses	84.9	229.6	244.5	372.3	Secured loans	21.4	11.0	50.6	40.0
Employee Expenses	503.7	601.4	891.2	1,050.0	Unsecured loans	0.3	-	12.3	-
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	1,308.7	1,662.3	<b>Total Liabilities</b>	<b>601.5</b>	<b>758.8</b>	<b>973.0</b>	<b>1,090.5</b>
PBIDT	179.7	251.4	298.0	368.0	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	-	Sundry Debtors	185.1	287.1	349.2	410.0
Profit before tax	142.1	217.7	260.0	316.0	Cash & Bank	143.0	119.4	241.1	250.0
Taxes	14.4	32.3	63.8	88.5	Loans & Advances	124.5	215.2	246.5	276.0
Extra-ordinary item	-	6.1	(0.8)	-	Current Assets	499.0	666.0	882.8	986.0
<b>Net Profit</b>	<b>127.7</b>	<b>179.3</b>	<b>197.0</b>	<b>227.5</b>	Less: Provisions & liabilities	211.5	240.8	332.6	329.0
<b>Quarterly</b>	<b>Sep. 11</b>	<b>Dec. 11</b>	<b>Mar. 12</b>	<b>Jun. 12</b>		287.5	425.2	550.2	657.0
Net Sales	371.1	433.0	443.5	469.6	<b>Total Assets</b>	<b>601.6</b>	<b>758.3</b>	<b>973.3</b>	<b>1,090.6</b>
Other Income	11.5	17.4	(4.6)	21.0	<b>Cash flow (Rs. Cr.)</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>FY'13E</b>
Total Income	316.1	450.4	438.9	490.6	Profit before tax	142.1	217.7	260.0	316.0
Total Expenses	36.5	355.0	369.0	415.5	Net cash from operations	137.7	68.7	106.1	240.5
PBIDT	66.5	95.4	69.9	75.1	Net cash from investments	(92.5)	(37.4)	(46.6)	(74.5)
Interest	-	-	-	-	Net cash from financing activities	(60.7)	(54.9)	(28.9)	(66.0)
Depreciation	8.3	9.2	11.1	12.6	<b>Net change in cash</b>	<b>(15.5)</b>	<b>(23.6)</b>	<b>30.6</b>	<b>100.0</b>
Taxes	12.4	22.2	11.1	24.6					
Minority Interest	-	-	-	1.3	<b>Valuation Ratios</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12E</b>	<b>FY'13E</b>
PAT	45.8	64.0	47.7	57.5	Marketcap/Sales	1.9	1.4	1.1	0.9
<b>Profitability Ratios</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>FY'13E</b>	EPS	21.7	30.3	33.1	37.9
EBITDA margin	19.7%	20.4%	18.9%	18.7%	P/E	13.4	9.6	8.8	7.7
PAT margin	14.0%	14.6%	12.5%	11.5%					
<b>Growth Ratios</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>FY'13E</b>					
Net Sales growth	-5.9%	34.9%	27.9%	25.0%					
EBITDA growth	-3.1%	39.9%	18.5%	23.5%					
PAT growth	11.2%	40.4%	9.9%	15.5%					

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