

NIIT TECHNOLOGIES LTD.

Result Update

CMP	480
Target Price	535
Previous Target Price	-
Upside	11%
Change from Previous	-

Market Data

BSE Code	532541
NSE Symbol	NIITTECH
52wk Range H/L	632 /335
Mkt Capital (Rs Cr)	2,936
Av. Volume	408483
Nifty	7422

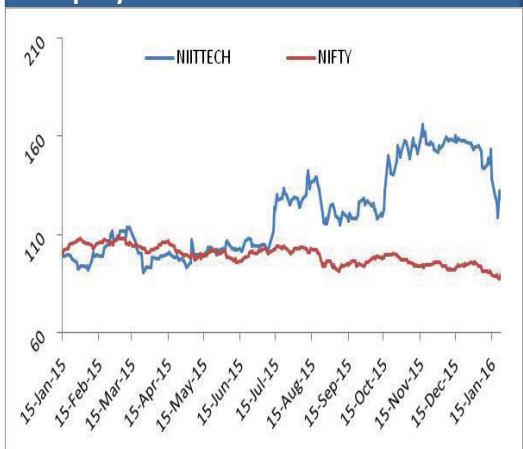
Stock Performance

	1Month	3 Month	1Year
Absolute	-18.48	-16.1	29.4
Rel.to Nifty	-13.2	-9.0	41.4

Share Holding Pattern-%

	2QFY16	1QFY16	4QFY15
Promoters	30.8	30.9	30.9
FII			
DII			
Public	69.2	69.1	69.1

Company Vs NIFTY



View & Valuation :

We expect good growth from Travel & Tourism vertical in FY'17 and the BFSI expected to be softer. However, the MFG and Govt verticals expected to improve going forward. Company's Order wins in the recent quarters have been healthy, lending visibility on revenue growth. Company expects muted growth in Q4FY16 due to completion of certain projects in the Travel vertical. At a CMP of Rs 502, trades at 9x FY15E earnings. We retain "Neutral" view on the stock with a price target of Rs 535.

Q3FY16_Result Update

NIITTECH reported Q3FY16 soft revenue earning at 0.1% QoQ and 14% YoY growth, RS 678 Crore. The revenue was remained flat in constant currency term and there was currency gain on 0.1% of revenue. EBITDA margins improved by 3.6% QoQ and 43.4% YoY, INR 123.6 Crore which led by lower hedging gain but currency impact has been negligible. Net profit margin up by 8.8% QoQ and 53.9% YoY, INR 74.2 Crore which response for lower tax rate 21% due to business moved to SEZ.

Operating highlights

In terms of geographies, US was flat at 0.1%, Europe declined 2.7%, while India grew 11% QoQ. On the term of business vertical BFSI grew by 2.1% QoQ which contribute 38% of revenue. BSFL segment was florist in US but decline in Europe since NITL had higher revenues in Q2 on account of successful implementation of Navigator (Policy Management System). Transportation decline by 3.7% QoQ which contribute 36% due to major programs going live last quarter in the US. Manufacturing grew by 8.1% QoQ which contribute 9% of revenue. Government was up 30% QoQ due to large deal executing for Maharashtra Govt.

Other Aspect :

Headcount declined sequentially by ~75 people during the Dec'15 quarter. The head count stands during the quarter 9517. Utilization was 17.8% during Q3FY16 and attribution was 13.6% during Q3FY16.

Company spend capex during the quarter INR 29.5 Crore in which 17 crore was expended in greater Noida campus. Debtor day in Q3FY16 was 90days.

Financials	FY12	FY13	FY14	FY15	FY16
Sales	1576	2021	2305	2372	2678
EBITDA	270	333	354	336	472
Net Profit	197	213	231	114	278
EBIDTA%	17.1%	16.5%	15.4%	14.2%	17.6%
P/E	8.2	8.0	10.6	18.7	11.8

(Source: Company/Eastwind)

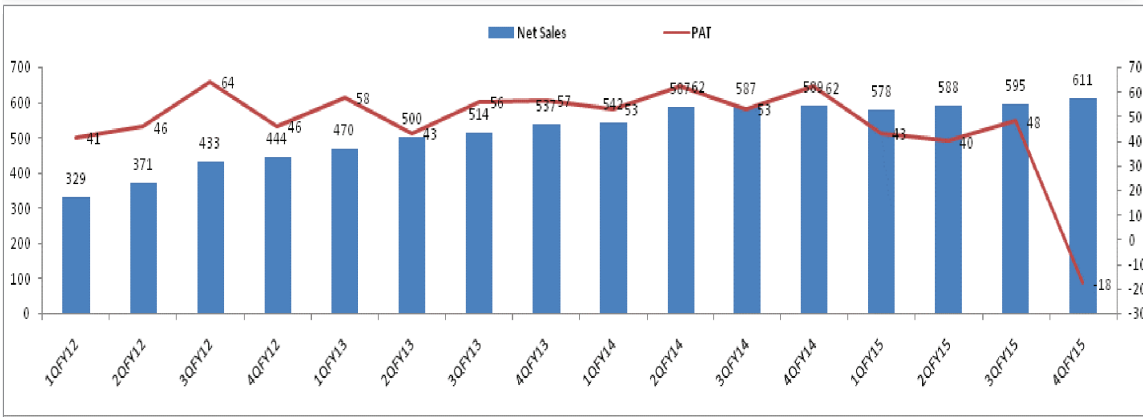
Order Book :

NIIT Tech secured new order \$123 million leading to \$301 million of firm business executable over next 12 months. The order intake from U.S was \$50 million , EMEA was 55 million & reest of the world was 18 million. Company secured the large deal of U.K. regulator from Ofcom deal which is £23m over a six year period which includes an initial term of 4 years and extensions. NIIT Tech will help Ofcom manage its infrastructure and application systems and offer a customer focused service to improve the users' experience of ICT services.

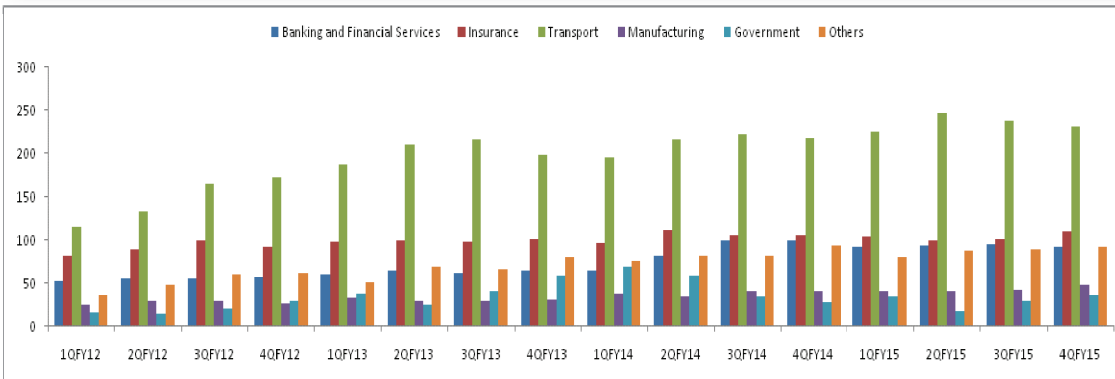
Key takeaways from Conference call :

- > Company expects muted growth in Q4FY16 due to completion of certain projects in the Travel vertical.
- > Management indicated greater traction for it's digital business (closed 5 deals in the current quarter) and expects decision making on 1 another large deal to conclude in the ensuing quarter.

Revenue & PAT Trend :



Business Vertical Segment's Revenue Trend:



View & Valuation :

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Financials Snap Shot

INCOME STATEMENT				
	FY13	FY14	FY15	FY16E
Revenue	2021	2305	2372	2678
Other Income	23	30	17	19
Total Revenue	2044	2335	2390	2697
COGS	112	165	98	0
GPM	1	1	1	1
Other Expenses	462	492	597	521
EBITDA	333	354	336	472
EBITDA Margin (%)	16%	15%	14%	18%
Depreciation	57	62	92	109
EBIT	276	292	244	363
Interest	5	4	6	0
PBT	293	318	256	383
Tax	75	80	54	86
Tax Rate (%)	26%	25%	21%	0%
Reported PAT	213	231	114	278
Dividend Paid	51	55	58	61
No. of Shares	6	6	6	6

Souce: Eastwind/Company

RATIOS				
	FY13	FY14	FY15	FY16E
EPS	35.4	38.0	18.7	45.5
Book Value	184.5	221.2	225.4	261.0
DPS	8.5	9.0	9.5	10.0
Payout (incl. Div. Tax.)	24%	24%	51%	22%
Valuation(x)				
P/E	8.0	10.6	18.7	11.8
Price / Book Value	1.5	1.8	1.5	2.0
Dividend Yield (%)	3.01%	2.24%	2.72%	1.87%
Profitability Ratios				
RoE	19%	17%	8%	17%
RoCE	25%	22%	18%	23%
Turnover Ratios				
Asset Turnover (x)	1.3	1.3	1.2	1.2
Debtors (No. of Days)	82.0	89.4	93.2	88.0
Inventory (No. of Days)	0.7	0.8	1.3	1.3
Creditors (No. of Days)	28.8	29.1	33.2	33.0
Net Debt/Equity (x)	0.01	0.00	0.00	0.00

Souce: Eastwind/Company

BALANCE SHEET				
	FY13	FY14	FY15	FY16E
Share Capital	60	61	61	61
Reserves	1034	1263	1296	1532
Net Worth	1111	1343	1376	1593
Long term Debt	6	5	5	0
Short term Debt	0	0	0	0
Deferred Tax	0	0	0	0
Total Capital Employed	1117	1348	1381	1593
Net Fixed Assets	466	582	678	828
Capital WIP	28	116	116	19
Debtors	454	564	606	646
Cash & Bank Balances	233	221	269	347
Trade payables	159	184	216	0
Total Provisions	106	115	181	38
Net Current Assets	630	719	623	775
Total Assets	1539	1801	1977	2189

Souce: Eastwind/Company

	FY13	FY14	FY15	FY16E
OP/(Loss) before Tax	293	318	256	326
Depreciation	57	62	92	109
Direct Taxes Paid	(72)	(104)	(92)	(86)
Operating profit before work	355	389	415	477
CF from Op. Activity	235	145	338	(231)
Capital expenditure on fixed	(93)	(140)	(188)	(259)
CF from Inv. Activity	(113)	(100)	(177)	(259)
Repayment of Long Term Bo	(0)	(0)	0	0
Interest Paid	(2)	(1)	(3)	0
Divd Paid (incl Tax)	(57)	(55)	(65)	(61)
CF from Fin. Activity	(91)	(53)	(66)	(61)
Inc/(Dec) in Cash	30	(7)	14	(551)
Add: Opening Balance	165	202	217	269
Closing Balance	202	217	224	(282)

Souce: Eastwind/Company