

NIIT Technologies Limited

CMP Rs. 193.0
HOLD

Result Update
Q1FY11

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NIIT Tech reported a good first quarter. The YoY topline Growth is 33% and QoQ growth is 21%. The spike is on account of BSF order being included. Excluding the order the growth is still at a YoY level of 21%.

The company has bagged a good chunk of domestic business. They are also participating in the R-APDRP program just like other IT players, as a System Integrator. Overall 9% of revenue contribution is through the Govt Segment. The longer term implication of this would be a slightly reduced margin since Govt contracts are price competitive. Also, there would be a general increase in the average number of receivable days.

The company is clocking really good capacity utilization of about 82% consistently. This might be because of strictly controlled hiring in order to maintain the margin.

Cash position of the company stands at Rs. 217.9 crores as of June 2010. The company does have an exposure to the European market, and has shown a decline of ~3% this quarter. How it impacts the longer term revenue from EU is to be seen.

Valuation:

There has been no change in the assumptions so far and the business is being valued at less than 2 times sales, which seems to be fair at CMP Rs. 193.0. The business isn't ridiculously priced to merit a sell call either. We recommend to keep holding on to it.

Although Mphasis still looks good at CMP Rs. 607.0.

Financials >>

Quarterly Financials

Earnings Statement					
YE March (Rs. Mn.)	Q1FY11	Q4FY10	Q-Q(%)	Q1FY10	Y-Y(%)
Net Revenues	2,914.0	2,392.0	21.82%	2,182.0	33.55%
Total Expenditure	2,373.0	1,863.0	27.38%	1,788.0	32.72%
Operating Profit	541.0	529.0	2.27%	394.0	37.31%
Other Income	24.0	(25.0)		(84.0)	
EBITDA	565.0	504.0	12.10%	310.0	82.26%
Depreciation	80.0	86.0	-6.98%	95.0	-15.79%
EBIT	485.0	418.0	16.03%	215.0	125.58%
Interest	0.0	0.0	0.00%	0.0	0.00%
PBT	485.0	418.0	16.03%	215.0	125.58%
Tax	70.0	(3.0)		37.0	
PAT before MI	415.0	421.0	-1.43%	178.0	133.15%
Minority Interest	6.0	8.0	-25.00%	2.0	200.00%
PAT after MI	409.0	413.0	-0.97%	176.0	132.39%
Equity Capital	588.0	588.0	0.00%	587.3	0.12%
EPS	6.94	7.03	-1.28%	3.00	131.33%
Ratio Analysis					
Profitability					
YE March	Q1FY11	Q4FY10	Q-Q(bps)	Q1FY10	Y-Y(bps)
OPM (%)	18.57%	22.12%	(355.0)	18.06%	50.9
EBITDA (%)	19.39%	21.07%	(168.1)	14.21%	518.2
EBIT (%)	16.64%	17.47%	(83.1)	9.85%	679.0
PAT (%)	14.04%	17.27%	(323.0)	8.07%	597.0

Financials

Earnings Statement							
Particulars (Rs. Mn.)	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Total Revenues	4,933.3	5,432.0	6,075.3	8,858.6	9,415.1	9,799.4	9,137.0
- Growth (%)		10.1%	11.8%	45.8%	6.3%	4.1%	-6.8%
Total Expenditure	4,201.8	4,475.1	4,919.5	7,056.0	7,652.4	8,136.2	7,249.0
Operating Profit	731.5	956.9	1,155.8	1,802.6	1,762.7	1,663.2	1,888.0
- Growth (%)		30.8%	20.8%	56.0%	-2.2%	-5.6%	13.5%
Other Income	65.8	71.9	36.9	148.6	146.1	179.4	(109.0)
EBITDA	797.3	1,028.8	1,192.7	1,951.2	1,908.8	1,842.6	1,779.0
- Growth (%)		29.0%	15.9%	63.6%	-2.2%	-3.5%	-3.5%
Depreciation	362.4	368.7	389.5	434.7	388.8	421.7	358.0
EBIT	434.9	660.1	803.2	1,516.6	1,520.0	1,420.9	1,421.0
Interest	23.6	26.6	13.5	1.0	10.8	31.8	0.0
PBT	411.4	633.5	789.7	1,515.6	1,509.2	1,389.1	1,421.0
Tax	66.6	35.8	114.8	185.3	137.7	224.1	144.0
PAT Before MI	344.8	597.7	674.9	1,330.2	1,371.5	1,165.0	1,277.0
Minority Interest	13.6	12.3	12.0	37.8	18.9	16.6	13.0
PAT	331.21	585.43	662.90	1292.44	1352.61	1148.40	1264.00
- Growth (%)		76.8%	13.2%	95.0%	4.7%	-15.1%	10.1%
Ratio Analysis							
Particulars	FY04	FY05	FY06	FY07	FY08	FY09	FY10
OPM (%)	14.8%	17.6%	19.0%	20.3%	19%	17%	21%
EBITDA (%)	16.2%	18.9%	19.6%	22.0%	20%	19%	19%
PAT (%)	6.7%	10.8%	10.9%	14.6%	14%	12%	14%
Interest Cover (x)	18.5	24.8	59.5	1,512.9	140.8	44.7	
EPS (Rs.)	22.9	10.1	11.4	22.0	23.0	19.6	21.5
P/E (x)	8.4	8.0	11.9	13.2	4.5	2.7	8.0
P/BV (x)	1.5	2.0	2.9	4.6	1.4	0.8	1.7
BVPS (Rs.)	132.3	39.7	46.7	63.1	75.2	66.0	98.6
Market Cap (Rs. Mn.)	2,797.2	4,676.8	7,884.5	17,008.7	9,068.9	4,580.7	15,170.4
M Cap/Sales (x)	0.6	0.9	1.3	1.9	1.0	0.5	1.7
EV (Rs. Mn.)	2,960.2	4,288.4	7,380.9	16,858.4	9,055.5	3,343.8	13,492.4
EV/EBITDA (x)	3.7	4.2	6.2	8.6	4.7	1.8	7.6
EV/Sales (x)	0.6	0.8	1.2	1.9	1.0	0.3	1.5
Cash per share		35.3	40.7	61.1	33.6	27.0	32.2
ROCE (%)	16.1%	21.9%	24.7%	32.6%	29.5%	32.7%	23.5%
RONW (%)	17.3%	25.4%	24.5%	34.9%	30.6%	29.6%	21.8%
Debt/Equity Ratio (x)	0.3	0.2	0.2	0.2	0.1	0.1	0.0
Inventory T/o Days	0.3	0.4	0.4	0.1	0.2	0.4	0.0
Debtors T/o Days	89.8	78.8	71.1	75.6	83.3	71.1	72.9
Advances T/o Days	34.4	21.6	25.2	17.4	27.1	33.2	0.0
Creditors T/o Days	63.8	52.8	52.6	51.6	59.9	119.6	86.7
Working Cap T/o Days	81.1	98.0	91.8	64.6	51.7	24.0	110.2
Fixed Assets T/o (Gross)	2.3	2.3	2.3	2.3	2.2	2.1	1.6
DPS (Rs.)	20.0	5.5	6.0	6.5	6.5	5.0	0.0
Dividend Payout (%)	58.3%	36.3%	35.0%	19.7%	28.2%	25.6%	0.0%
Dividend Yield (%)	10.4%	6.8%	4.4%	2.2%	6.3%	9.6%	0.0%

Financials

Balance Sheet							
Particulars (Rs. Mn.)	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Equity Capital	96.6	386.5	386.5	391.0	587.0	587.3	588.0
ESOP	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Share Application money pending allotment	289.9	0.0	13.9	3.7	2.4	1.7	0.0
Reserves	1,530.6	1,914.5	2,309.4	3,307.5	3,823.7	3,286.6	5,210.0
Shareholders Funds	1,917.1	2,301.0	2,709.9	3,702.5	4,413.1	3,875.6	5,798.0
Minority Interest	39.0	51.3	63.3	149.3	49.5	21.9	28.0
Borrowed Funds	600.8	539.6	420.2	793.2	646.8	347.9	217.0
Total Liabilities	2,556.8	2,891.9	3,193.4	4,645.0	5,109.5	4,245.5	6,043.0
Fixed Assets	1,117.2	954.3	949.1	1,530.2	2,377.5	3,157.1	3,140.0
Investments	334.0	438.3	649.4	1,444.3	1,311.4	0.0	0.0
Current Assets							
Inventory	4.3	6.2	6.1	2.9	5.6	10.9	0.0
Sundry Debtors	1,230.5	1,189.3	1,200.7	1,860.6	2,178.3	1,934.9	1,851.0
Loans & Advances	471.0	326.2	425.9	427.7	710.0	903.7	0.0
Cash & Bank Balance	437.8	927.9	923.8	943.5	660.3	1,584.8	1,895.0
Other Current Assets	84.1	100.3	171.3	146.5	93.4	171.4	1,250.0
Current Liabilities							
Liabilities	874.6	796.8	888.0	1,269.5	1,565.9	3,256.8	2,200.0
Provisions	242.2	274.7	290.9	521.4	728.7	695.5	0.0
Net Current Assets	1,110.8	1,478.5	1,549.0	1,590.3	1,353.2	653.6	2,796.0
Miscellaneous Exp W/Off	6.3	2.1	0.0	0.0	0.0	0.0	0.0
Net Deferred Tax	11.4	18.7	45.9	80.1	67.4	434.8	107.0
Total Assets	2,556.8	2,891.9	3,193.4	4,645.0	5,109.5	4,245.4	6,043.0

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

NIIT Technologies

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