

NIIT Technologies Limited

CMP Rs. 187.0
HOLD

Result Update
Q3FY10

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NIIT Tech reported a flat topline this quarter registering a 7% decline YoY. Despite that PAT grew 111% YoY. The topline was eroded by Rs. 128 Mn, on account of crystallization of hedging losses. In spite of this, the operating margins are at ~22%, excl. the hedging losses, the margins would be at 26%.

The company has been growing steadily over the past quarters, adjusting their headcount to improve their margins. Although after a gap of 6 quarters, hiring has resumed and 197 employees have been added. Hiring is a good sign, although this time the non-linear business has also been a dominant contributor to the topline (@ 27% of total revenues).

As at Q3FY10, cash position is very good at Rs. 1,663 Mn.

The company plans to initiate their cloud computing services from next year in joint venture with Hitachi. This would be another addition to their non-linear business. Even though the need for cloud services has been felt, adoption is still a big challenge and it needs to be seen how the company handles it going ahead.

After having a tough year on account of reduced revenues and hedging losses, the hedging strategy can be expected to be more conservative. In the forthcoming quarters, if the Rupee stands to rise against the dollar the company will end up paying less against their hedging losses.

The subsidiary (UK) Room Solutions has also been showing consistent growth, contributing Rs. 283 Mn this quarter.

At Rs. 187 NIIT Tech trades at ~10 times P/E (TTM). With the overall outlook being positive and the odds of these expectations being already factored in, are very high. We recommend a HOLD for NIIT Technologies.

NIIT : Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q3FY10	Q2FY10	Q-Q(%)	Q3FY09	Y-Y(%)	9M'09	9M'08	Y-Y(%)
Net Revenues	2,301.0	2,263.0	1.68%	2,485.0	-7.40%	6,746.0	7,530.0	-10.41%
Total Expenditure	1,794.0	1,804.0	-0.55%	2,039.0	-12.02%	5,386.0	6,169.0	-12.69%
Operating Profit	507.0	459.0	10.46%	446.0	13.68%	1,360.0	1,361.0	-0.07%
Other Income	(15.0)	15.0		(101.0)	-85.15%	(84.0)	42.0	
EBITDA	492.0	474.0	3.80%	345.0	42.61%	1,276.0	1,403.0	-9.05%
Depreciation	89.0	90.0	-1.11%	107.0	-16.82%	274.0	323.0	-15.17%
EBIT	403.0	384.0	4.95%	238.0	69.33%	1,002.0	1,080.0	-7.22%
Interest	0.0	0.0	0.00%	0.0	0.00%	0.0	0.0	0.00%
PBT	403.0	384.0	4.95%	238.0	69.33%	1,002.0	1,080.0	-7.22%
Tax	48.0	62.0	-22.58%	69.0	-30.43%	147.0	185.0	-20.54%
PAT before MI	355.0	322.0	10.25%	169.0	110.06%	855.0	895.0	-4.47%
Minority Interest	2.0	1.0	100.00%	2.0	0.00%	5.0	10.0	-50.00%
PAT after MI	353.0	321.0	9.97%	167.0	111.38%	850.0	885.0	-3.95%
Equity Capital	588.0	587.3	0.12%	587.3	0.12%	588.0	587.3	0.12%
EPS	6.01	5.47	9.87%	2.85	110.88%	14.46	15.07	-4.07%
Ratio Analysis								
Profitability								
YE March	Q3FY10	Q2FY10	Q-Q(bps)	Q3FY09	Y-Y(bps)	9M'09	9M'08	Y-Y(bps)
OPM (%)	22.03%	20.28%	175.1	17.95%	408.6	20.16%	18.07%	208.6
EBITDA (%)	21.38%	20.95%	43.6	13.88%	749.9	18.91%	18.63%	28.3
EBIT (%)	17.51%	16.97%	54.5	9.58%	793.7	14.85%	14.34%	51.1
PAT (%)	15.34%	14.18%	115.6	6.72%	862.1	12.60%	11.75%	84.7

NIIT : Financials

Earnings Statement						
Particulars (Rs. Mn.)	FY04	FY05	FY06	FY07	FY08	FY09
Total Revenues	4,933.3	5,432.0	6,075.3	8,858.6	9,415.1	9,799.4
- Growth (%)		10.1%	11.8%	45.8%	6.3%	4.1%
Total Expenditure	4,201.8	4,475.1	4,919.5	7,056.0	7,652.4	8,136.2
Operating Profit	731.5	956.9	1,155.8	1,802.6	1,762.7	1,663.2
- Growth (%)		30.8%	20.8%	56.0%	-2.2%	-5.6%
Other Income	65.8	71.9	36.9	148.6	146.1	179.4
EBITDA	797.3	1,028.8	1,192.7	1,951.2	1,908.8	1,842.6
- Growth (%)		29.0%	15.9%	63.6%	-2.2%	-3.5%
Depreciation	362.4	368.7	389.5	434.7	388.8	421.7
EBIT	434.9	660.1	803.2	1,516.6	1,520.0	1,420.9
Interest	23.6	26.6	13.5	1.0	10.8	31.8
PBT	411.4	633.5	789.7	1,515.6	1,509.2	1,389.1
Tax	66.6	35.8	114.8	185.3	137.7	224.1
PAT Before MI	344.8	597.7	674.9	1,330.2	1,371.5	1,165.0
Minority Interest	13.6	12.3	12.0	37.8	18.9	16.6
PAT	331.21	585.43	662.90	1292.44	1352.61	1148.40
- Growth (%)		76.8%	13.2%	95.0%	4.7%	-15.1%
Ratio Analysis						
Particulars	FY04	FY05	FY06	FY07	FY08	FY09
OPM (%)	14.8%	17.6%	19.0%	20.3%	19%	17%
EBITDA (%)	16.2%	18.9%	19.6%	22.0%	20%	19%
PAT (%)	6.7%	10.8%	10.9%	14.6%	14%	12%
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
P/E (x)	8.2	18.5	16.4	8.5	8.1	9.6
P/BV (x)	1.4	4.7	4.0	3.0	2.5	2.8
BVPS (Rs.)	132.3	39.7	46.7	63.1	75.2	66.0
Market Cap (Rs. Mn.)	2,710.3	10,841.1	10,841.1	10,967.7	10,976.6	10,981.9
M Cap/Sales (x)	0.5	2.0	1.8	1.2	1.2	1.1
EV (Rs. Mn.)	2,873.2	10,452.8	10,337.5	10,817.4	10,963.2	9,745.0
EV/EBITDA (x)	3.6	10.2	8.7	5.5	5.7	5.3
EV/Sales (x)	0.6	1.9	1.7	1.2	1.2	1.0
Cash per share		35.3	40.7	61.1	33.6	27.0
ROCE (%)	16.1%	21.9%	24.7%	32.6%	29.5%	32.7%
RONW (%)	17.3%	25.4%	24.5%	34.9%	30.6%	29.6%
Debt/Equity Ratio (x)	0.3	0.2	0.2	0.2	0.1	0.1
Inventory T/o Days	0.3	0.4	0.4	0.1	0.2	0.4
Debtors T/o Days	89.8	78.8	71.1	75.6	83.3	71.1
Advances T/o Days	34.4	21.6	25.2	17.4	27.1	33.2
Creditors T/o Days	63.8	52.8	52.6	51.6	59.9	119.6
Working Cap T/o Days	81.1	98.0	91.8	64.6	51.7	24.0
Fixed Assets T/o (Gross)	2.3	2.3	2.3	2.3	2.2	2.1
DPS (Rs.)	20.0	5.5	6.0	6.5	6.5	5.0
Dividend Payout (%)	58.3%	36.3%	35.0%	19.7%	28.2%	25.6%
Dividend Yield (%)	10.7%	2.9%	3.2%	3.5%	3.5%	2.7%

NIIT : Financials

Balance Sheet						
Particulars (Rs. Mn.)	FY04	FY05	FY06	FY07	FY08	FY09
Equity Capital	96.6	386.5	386.5	391.0	587.0	587.3
ESOP	0.0	0.0	0.0	0.2	0.0	0.0
Share Appln Money	289.9	0.0	13.9	3.7	2.4	1.7
Reserves	1,530.6	1,914.5	2,309.4	3,307.5	3,823.7	3,286.6
Shareholders Funds	1,917.1	2,301.0	2,709.9	3,702.5	4,413.1	3,875.6
Minority Interest	39.0	51.3	63.3	149.3	49.5	21.9
Borrowed Funds	600.8	539.6	420.2	793.2	646.8	347.9
Total Liabilities	2,556.8	2,891.9	3,193.4	4,645.0	5,109.5	4,245.5
Fixed Assets	1,117.2	954.3	949.1	1,530.2	2,377.5	3,157.1
Investments	334.0	438.3	649.4	1,444.3	1,311.4	0.0
Current Assets						
Inventory	4.3	6.2	6.1	2.9	5.6	10.9
Sundry Debtors	1,230.5	1,189.3	1,200.7	1,860.6	2,178.3	1,934.9
Loans & Advances	471.0	326.2	425.9	427.7	710.0	903.7
Cash & Bank Balance	437.8	927.9	923.8	943.5	660.3	1,584.8
Other Current Assets	84.1	100.3	171.3	146.5	93.4	171.4
Current Liabilities						
Provisions	242.2	274.7	290.9	521.4	728.667281	695.5
Net Current Assets	1,110.8	1,478.5	1,549.0	1,590.3	1,353.2	653.6
Miscellaneous Exp W/Off	6.3	2.1	0.0	0.0	0.0	0.0
Net Deferred Tax	11.4	18.7	45.9	80.1	67.4	434.8
Total Assets	2,556.8	2891.9	3193.4	4645.0	5109.5	4245.4

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Disclosure of Interest Statement

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