

**NIIT Technologies Limited**

CMP Rs. 193.0  
HOLD

Result Update  
**Q4FY10**

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NIIT Tech reported a decent 4th quarter for FY10, with a YoY topline growth of ~6% against a bottom line growth of ~57% over the same period. Most of the gain in the bottom line is on account of higher deferred tax assets and more volume growth from tax exempt units.

This year has been an interesting one for NIIT Tech. The Indian Govt. has emerged as a new, promising long term client for many Indian IT companies. Domestic business (mostly Govt.) has become almost 8% of total revenues for the year for NIIT Tech. Since these contracts are long term in nature, it gives a significant time for the company to prove its capability, but its domestic nature brings in less than off-shore like margins. As the company diversifies into adding more domestic busines into its portfolio, with respect to its offshored revenue, it will be important to observe how the company manages the margin pressure. This is on the back drop of resumed hiring, after a long period of head count reduction.

For a long time, NIIT tech has enjoyed utilization rates which are close to the top industry metric. This has mainly been possible on account of declining head count. Going ahead, a 70% to 73% utilization rate should be sustainable with a steady inflow of volume over rising head count.

The company engages in a lot of non-linear activities, which form almost a quarter of this year's revenues. It is a good sign, since the dependence on head count would be reduced as non-linear work increases. But as a fact of the offshoring business model, it becomes very difficult to drive growth without having a greater share of the pie coming from linear services. It remains to be seen how these non-linear services help the company improve their margins. Also the new deal with Hitachi in cloud computing services is due shortly, which might also be another interesting implementation of these non-linear initiatives.

**Valuation**

NIIT Tech is trading at a PE of 9 times at CMP of Rs 193. In relation to other businesses of its size, it is very close to its intrinsic value range. There wouldn't be any significant advantage in buying this business now. We recommend a HOLD.

**Financials >>**

## Quarterly Financials

Earnings Statement					
YE March (Rs. Mn.)	Q4FY10	Q3FY10	Q-Q(%)	Q4FY09	Y-Y(%)
Net Revenues	2,392.0	2,301.0	3.95%	2,270.0	5.37%
Total Expenditure	1,863.0	1,794.0	3.85%	1,866.0	-0.16%
Operating Profit	529.0	507.0	4.34%	404.0	30.94%
Other Income	(25.0)	(15.0)		5.0	
EBITDA	504.0	492.0	2.44%	409.0	23.23%
Depreciation	86.0	89.0	-3.37%	100.0	-14.00%
EBIT	418.0	403.0	3.72%	309.0	35.28%
Interest	0.0	0.0	0.00%	0.0	0.00%
PBT	418.0	403.0	3.72%	309.0	35.28%
Tax	(3.0)	48.0		40.0	
PAT before MI	421.0	355.0	18.59%	269.0	56.51%
Minority Interest	8.0	2.0	300.00%	6.0	33.33%
PAT after MI	413.0	353.0	17.00%	263.0	57.03%
Equity Capital	588.0	588.0	0.00%	587.3	0.12%
EPS	7.03	6.01	16.97%	4.48	56.92%
Ratio Analysis					
Profitability					
YE March	Q4FY10	Q3FY10	Q-Q(bps)	Q4FY09	Y-Y(bps)
OPM (%)	22.12%	22.03%	8.1	17.80%	431.8
EBITDA (%)	21.07%	21.38%	(31.2)	18.02%	305.3
EBIT (%)	17.47%	17.51%	(3.9)	13.61%	386.3
PAT (%)	17.27%	15.34%	192.5	11.59%	568.0

## Financials

Earnings Statement							
Particulars (Rs. Mn.)	FY04	FY05	FY06	FY07	FY08	FY09	FY10Apx
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	FY10Apx
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)	8.2	8.0	11.9	13.2	4.5	2.7	8.0
P/BV (x)	1.4	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.)	2,710.3	4,676.8	7,884.5	17,008.7	9,068.9	4,580.7	15,170.4
M Cap/Sales (x)	0.5	0.9	1.3	1.9	1.0	0.5	1.7
EV (Rs. Mn.)	2,873.2	4,288.4	7,380.9	16,858.4	9,055.5	3,343.8	13,492.4
EV/EBITDA (x)	3.6	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 (%)	10.7%	6.8%	4.4%	2.2%	6.3%	9.6%	0.0%

## Financials

Balance Sheet							
Particulars (Rs. Mn.)	FY04	FY05	FY06	FY07	FY08	FY09	FY10Apx
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

# Disclaimer

## 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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NO

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