

## NIIT Technologies Limited

CMP Rs. 59.0  
BUY

Result Update  
Q3FY09

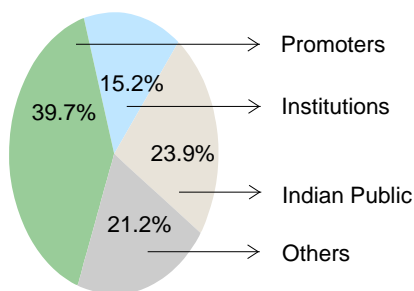
### Stock Data

Bloomberg : NITEC.IN  
Reuters : NITT.BO  
BSE Code : 532541  
NSE Code : NIITTECH  
BSE Group : B

### Stock Codes

Benchmark : Sensex  
52 Week H/L : 219.25/53.5  
Float : 60.3 Mn  
Mkt Cap : Rs. 3,463 Mn  
Face Value : Rs. 10.0

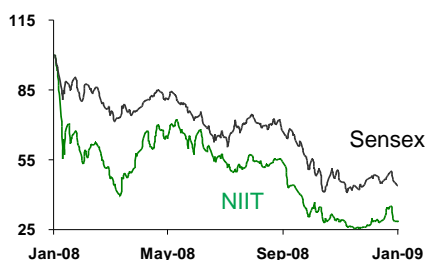
### Shareholding Pattern (as on Dec '08)



### Stock Returns

	1 Mth	3 Mths	6 Mths
NIIT	1.64	-21.16	-48.94
Sensex	-3.30	-18.40	-29.71

### Price Comparison



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NIIT Technologies Limited has reported a sharp drop in reported profits; over 50% drop both Q-Q & Y-Y purely on account of forex losses. Remember that NIIT Tech has had a 30 month hedge at a rate of \$=Rs. 41.51. The effective rate for the third quarter was \$=Rs. 49.65. The company had an overall negative foreign exchange impact of Rs. 189 Mn., including a translation loss of Rs. 115 Mn.

However, operationally, the company has done well, particularly in terms of margins. The margins have improved despite revenues being impacted by hedged positions. This has been on account of improved utilization & improvement in the offshore mix. Share of Offshore increased from 39% to 41%. Revenue Utilization sharply improved from 81% to 84.5% Q-Q on the backdrop of lower number of employees. The number of employees has dropped now for a third quarter in a row and presently stands at 4438.

The capex for the SEZ facility is going smooth and the company is likely to spend Rs. 30 Crs of the overall Rs. 40 Crs in the fourth quarter. A pending capex of ~Rs. 30 Crs would be incurred in FY10. Room Solutions contributed Rs. 301 Mn. to the topline & earned ~18% margins. It added one client in the quarter, taking the tally to 2 in the past 3 months since the launch of its new software. The business was however impacted by a weak pound.

The pipeline for Room remains robust for the coming quarters. Also, NIIT Tech is seeing a decent traction in the travel vertical. While the company is suffering on account of its call on the forex rates, the management has made a golden move to secure business from its long standing existing clients. The company has entered into multi-year contracts with most of its current clients, which is reflected in the significantly increased order intake of \$148 Mn, versus an average of \$65 Mn for the past 4 quarters.

The company has capitalized on the win-win formula of increased value to clients & increased offshoring to NIIT Tech and in the process, secured long term business, which will ward off any consolidation threats. Also as much as 64% of the business has been secured at the same rates for FY09 to be followed by some price increments. 15% will start with decline but will increase the pricing later. 10% have immediate price increments. Only ~5% of the order taken are clearly on discount.

The company is now very awkwardly placed in terms of the foreign exchange hedges and we have revised our estimates downwards in light of the same. However, on operational fronts, our confidence has further increased. The stock is still very cheaply priced at ~3x earnings. We maintain BUY.

### NIIT Tech: Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q309	Q209	Q-Q(%)	Q308	Y-Y(%)	9M'09	9M'08	Y-Y(%)
Net Revenues	2,485.0	2,587.0	-3.94%	2,338.0	6.29%	7,530.0	6,931.0	8.64%
Total Expenditure	2,039.0	2,128.0	-4.18%	1,893.0	7.71%	6,169.0	5,635.0	9.48%
Operating Profit	446.0	459.0	-2.83%	445.0	0.22%	1,361.0	1,296.0	5.02%
Other Income	(101.0)	81.0	-224.69%	60.0	-268.33%	42.0	191.0	-78.01%
EBITDA	345.0	540.0	-36.11%	505.0	-31.68%	1,403.0	1,487.0	-5.65%
Depreciation	107.0	104.0	2.88%	95.0	12.63%	323.0	290.0	11.38%
EBIT	238.0	436.0	-45.41%	410.0	-41.95%	1,080.0	1,197.0	-9.77%
Interest	0.0	0.0	0.00%	0.0	0.00%	0.0	0.0	0.00%
PBT	238.0	436.0	-45.41%	410.0	-41.95%	1,080.0	1,197.0	-9.77%
Tax	69.0	65.0	6.15%	56.0	23.21%	185.0	145.0	27.59%
PAT before MI	169.0	371.0	-54.45%	354.0	-52.26%	895.0	1,052.0	-14.92%
Minority Interest	2.0	4.0	-50.00%	6.0	-66.67%	10.0	9.0	11.11%
PAT after MI	167.0	367.0	-54.50%	348.0	-52.01%	885.0	1,043.0	-15.15%
Equity Capital	587.3	587.1	0.03%	586.9	0.07%	587.3	586.9	0.07%
EPS	2.85	6.25	-54.40%	5.92	-51.86%	15.07	17.77	-15.21%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q309	Q209	Q-Q(bps)	Q308	Y-Y(bps)	9M'09	9M'08	Y-Y(bps)
OPM (%)	17.95%	17.74%	20.5	19.03%	(108.6)	18.07%	18.70%	(62.4)
EBITDA (%)	13.88%	20.87%	(699.0)	21.60%	(771.6)	18.63%	21.45%	(282.2)
EBIT (%)	9.58%	16.85%	(727.6)	17.54%	(795.9)	14.34%	17.27%	(292.8)
PAT (%)	6.72%	14.19%	(746.6)	14.88%	(816.4)	11.75%	15.05%	(329.5)

### Data Points

Revenue Mix - Geography-wise	Dec 08	Sept 08	Jun 08	Mar 08	Dec 07
Americas	36.0%	31.0%	30.0%	33.0%	31.0%
EMEA <sup>^</sup>	47.0%	50.0%	52.0%	47.0%	49.0%
APAC	9.0%	9.0%	10.0%	8.0%	11.0%
India	8.0%	10.0%	8.0%	13.0%	9.0%
Total	100.0%	100.0%	100.0%	101.0%	100.0%

<sup>^</sup> Europe, Middle East & Africa

Revenue Mix - Vertical-wise	Dec 08	Sept 08	Jun 08	Mar 08	Dec 07
BFSI	43.0%	42.0%	42.0%	44.0%	42.0%
Transportation	27.0%	28.0%	28.0%	25.0%	26.0%
Retail & Manufacturing	14.0%	13.0%	13.0%	13.0%	12.0%
Others	16.0%	17.0%	17.0%	18.0%	20.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Revenue Mix - On:Off	Dec 08	Sept 08	Jun 08	Mar 08	Dec 07
Offshore	41.0%	39.0%	38.0%	37.0%	38.0%
Onsite	59.0%	61.0%	62.0%	63.0%	62.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Revenue from Top Clients	Dec 08	Sept 08	Jun 08	Mar 08	Dec 07
Top 5	33.0%	34.0%	34.0%	36.0%	36.0%
Top 10	46.0%	46.0%	46.0%	46.0%	46.0%
Top 20	62.0%	60.0%	60.0%	59.0%	58.0%

Significant New Customers	Dec 08	Sept 08	Jun 08	Mar 08	Dec 07
USA	0	1	1	1	0
EMEA	2	1	4	1	4
ROW	0	3	1	3	0
Total	2	5	6	5	4

Fresh Order Intake (Mn. \$)	Dec 08	Sept 08	Jun 08	Mar 08	Dec 07
USA	132	13	10	34	12
EMEA	16	46	24	31	25
ROW	0	16	9	16	22
Total	148	75	43	81	59
Executable over next 12 months	99	95	100	113	102
Revenue capacity utilization	84.5%	81.0%	78.0%	78.0%	78.0%

People	Dec 08	Sept 08	Jun 08	Mar 08	Dec 07
Total Resource	4,438	4,667	4,888	5,118	5,002
Direct People - Onsite	22.0%	23.0%	25.0%	23.0%	23.0%
Direct People - Offshore	78.0%	77.0%	75.0%	77.0%	77.0%

## NIIT : Financials

Earnings Statement					Balance Sheet				
Particulars (Rs. Mn.)	FY07	FY08	FY09E	FY10E	Particulars (Rs. Mn.)	FY07	FY08	FY09E	FY10E
Total Revenues	8,858.6	9,415.1	10,015.0	10,716.1	Equity Capital	391.0	587.0	592.9	598.8
- Growth (%)	45.8%	6.3%	6.4%	7.0%	Share Application money	3.7	2.4	2.4	2.4
Total Expenditure	7,056.0	7,652.4	8,198.0	8,772.6	Reserves	3,307.5	3,823.7	4,528.9	5,323.1
Operating Profit	1,802.6	1,762.7	1,817.0	1,943.5	Shareholders Funds	3,702.5	4,413.1	5,124.2	5,924.4
- Growth (%)	56.0%	-2.2%	3.1%	7.0%	Minority Interest	149.3	49.5	61.5	75.3
Other Income	148.6	146.1	(59.0)	100.0	Borrowed Funds	793.2	646.8	496.8	496.8
EBITDA	1,951.2	1,908.8	1,758.0	2,043.5	Total Liabilities	4,645.0	5,109.5	5,682.5	6,496.5
- Growth (%)	63.6%	-2.2%	-7.9%	16.2%	Fixed Assets	1,530.2	2,377.5	2,929.2	3,431.2
Depreciation	434.7	388.8	430.0	498.0	Investments	1,444.3	1,311.4	1,311.4	1,311.4
EBIT	1,516.6	1,520.0	1,328.0	1,545.5	Current Assets				
Interest	1.0	10.8	10.0	10.0	Inventory	2.9	5.6	5.0	5.0
PBT	1,515.6	1,509.2	1,318.0	1,535.5	Sundry Debtors	1,860.6	2,178.3	2,225.6	2,381.3
Tax	185.3	137.7	254.0	307.1	Loans & Advances	427.7	710.0	751.1	803.7
PAT Before MI	1,330.2	1,371.5	1,064.0	1,228.4	Cash & Bank Balance	943.5	660.3	563.5	903.6
Minority Interest	37.8	18.9	12.0	13.9	Other Current Assets	146.5	93.4	99.4	106.3
PAT	1292.44	1352.61	1052.00	1214.55	Current Liabilities				
- Growth (%)	95.0%	4.7%	-22.2%	15.5%	Liabilities	1,269.5	1,565.9	1,669.2	1,786.0
					Provisions	521.4	728.7	600.8	727.4
					Net Current Assets	1,590.3	1,353.2	1,374.5	1,686.5
					Net Deferred Tax	80.1	67.4	67.4	67.4
					Total Assets	4,645.0	5,109.5	5,682.5	6,496.5
Ratio Analysis					Cash Flow				
Particulars	FY07	FY08	FY09E	FY10E	Particulars (Rs. Mn.)	FY07	FY08	FY09E	FY10E
OPM (%)	20.3%	19%	18%	18%	Opening Cash & Bank	923.8	943.5	660.3	563.5
EBITDA (%)	22.0%	20%	18%	19%	Profit After Tax	1,292.4	1,352.6	1,052.0	1,214.6
PAT (%)	14.6%	14%	11%	11%	Invnt Income	(148.6)	(146.1)	59.0	(100.0)
Interest Cover (x)	1,512.9	140.8	132.8	154.6	Interest Paid	1.0	10.8	10.0	10.0
EPS (Rs.)	22.0	23.0	17.7	20.3	Depreciation	434.7	388.8	430.0	498.0
P/E (x)	2.7	2.6	3.3	2.9	Deferred Taxation	(6.9)	22.5	0.0	0.0
P/BV (x)	0.9	0.8	0.7	0.6	Others	(8.8)	(241.0)	(50.4)	(61.1)
BVPS (Rs.)	63.1	75.2	86.4	98.9	Change in Working Cap	(21.6)	(46.1)	(118.2)	28.1
Market Cap (Rs. Mn.)	3,460.4	3,463.2	3,497.8	3,532.8	CF - Operating Activities	1,542.2	1,341.6	1,382.4	1,589.6
M Cap/Sales (x)	0.4	0.4	0.3	0.3	Change in Fixed Assets	(1,077.6)	(1,069.6)	(981.7)	(1,000.0)
EV (Rs. Mn.)	3,310.1	3,449.8	3,431.2	3,126.1	Change in Investments	(794.9)	132.8	0.0	0.0
EV/EBITDA (x)	1.7	1.8	2.0	1.5	Investment Income	148.6	146.1	(59.0)	100.0
EV/Sales (x)	0.4	0.4	0.3	0.3	CF - Investing Activities	(1,723.8)	(790.8)	(1,040.7)	(900.0)
ROCE (%)	32.6%	29.5%	23.2%	23.6%	Increase in Equity	(2.5)	(195.6)	5.9	5.9
RONW (%)	34.9%	30.6%	20.5%	20.5%	Changes in Minority Interest	86.0	(99.8)	12.0	13.9
Debt/Equity Ratio (x)	0.2	0.1	0.1	0.1	Changes in Borrowings	373.0	(146.4)	(150.0)	0.0
Inventory T/o Days	0.1	0.2	0.2	0.2	Interest Paid	(1.0)	(10.8)	(10.0)	(10.0)
Debtors T/o Days	75.6	83.3	80.0	80.0	Dividend Paid	(254.2)	(381.5)	(296.4)	(359.3)
Advances T/o Days	17.4	27.1	27.0	27.0	CF - Financing Activities	201.4	(834.1)	(438.6)	(349.5)
Creditors T/o Days	51.6	59.9	60.0	60.0	Net Change in Cash	19.8	(283.3)	(96.8)	340.1
Working Cap T/o Days	64.6	51.7	49.4	56.7	Closing Cash & Bank Bal	943.5	660.3	563.5	903.6
Fixed Assets T/o (Gross)	2.3	2.2	2.1	1.8					
DPS (Rs.)	6.5	6.5	5.0	6.0					
Dividend Payout (%)	19.7%	28.2%	28.2%	29.6%					
Dividend Yield (%)	11.0%	11.0%	8.5%	10.2%					

# Disclaimer

## Disclosure of Interest Statement

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

NIIT Tech

YES

YES

NO

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