

NIIT Technologies Limited

CMP Rs. 105.0
Accumulate

Result Update
Q4FY09

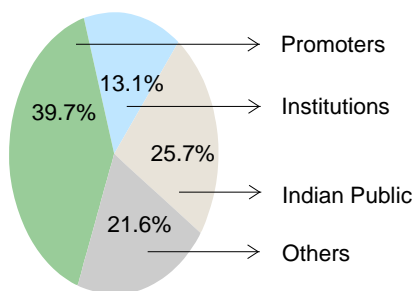
Stock Data

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

Stock Codes

Benchmark : BSE500
52 Week H/L : 150.90/42.50
Float : 35.4 Mn
Mkt Cap : Rs. 6,163 Mn
Face Value : Rs. 10.0

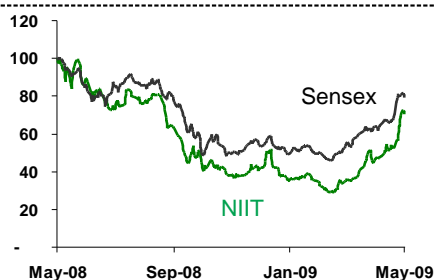
Shareholding Pattern (as on Mar '09)



Stock Returns

	1 Mth	3 Mths	6 Mths
NIIT	53.39	117.12	83.91
BSE500	23.72	58.67	56.90

Price Comparison



Raunak Onkar - raunak@ppfas.com

NIIT Tech reported a subdued Q4 with consolidated revenues down 9% from Q3 at Rs.2270 Mn from Rs.2485 Mn. A Rs.221 Mn loss on account of crystallization of effective hedges was realized this quarter. Operating margins for the quarter remain flat at ~18% (incl. hedging losses) & ~25% (excl. hedging losses). The company reported a 57% growth in Q4 PAT at Rs.263 Mn recovering from a steep drop in Q3FY09 at Rs.167 mn. In Q4 the impact on the topline is registered due to three main factors, Currency, Hedging & Volume; which contributed a negative 3%, 1% & 4% respectively.

On an annual basis the consolidated revenues grew only by 4% to Rs.9799 Mn from Rs.9415 Mn on account of Rs.542 Mn forex related loss reported for the year. Operating margins for the year were 17% (incl. Hedging losses) & 21% (excl. Hedging losses). PAT for FY09 declined by 15% to Rs.1148 Mn from Rs.1352.61 Mn in FY08.

The company reported a utilization rate of 81% for FY09 which is on account of the steady reduction in employee strength over the year. At the end of the year the total headcount stands at 4,238. The reduction in the number of employees over the year is one of the main cost control measures employed by the company along with a 2% increase in the offshore revenues as compared to FY08. This impact can be seen on the annual operating margin which grew by 200 bps as compared to FY08 (excl. hedging losses).

Geographically, US contributed to 31% of the revenues & EMEA, APAC & India contributed 50%, 10% & 10% respectively. The vertical mix for FY09 shows 43% contributed by BFSI, 28% & 13% respectively from Transportation & Retail.

Q4FY09 saw a fresh order intake of \$46 Mn as compared to \$148 Mn in Q3FY09 out of which only \$97Mn is executable over the next 12 months. Last quarter's spike in addition of new business can be attributed to the advanced booking of orders from Q4 to Q3 which includes the British Airways contract executable over the next 5 years. Non-linear business added 6 clients this year, but the response to these services is too early to quantify as a trend.

Concerns pertaining to vendor consolidation remain looming on the horizon, although NIIT Tech finds itself very well placed in their specialized verticals & the odds that they will retain these relationships remain high on account of their expertise in these verticals. One outlook that looks positive for the company would be, as rupee gets stronger the extent of forex related losses reduces.

As of FY09, the company is available at 5.4x, we recommend to ACCUMULATE at 5x at ~Rs.95.

NIIT Tech: Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q409	Q309	Q-Q(%)	Q408	Y-Y(%)	12M'09	12M'08	Y-Y(%)
Net Revenues	2,270.0	2,485.0	-8.65%	2,485.0	-8.65%	9,800.0	9,416.0	8.64%
Total Expenditure	1,866.0	2,039.0	-8.48%	2,017.0	-7.49%	8,035.0	7,652.0	9.48%
Operating Profit	404.0	446.0	-9.42%	468.0	-13.68%	1,765.0	1,764.0	5.02%
Other Income	5.0	(101.0)	-	(56.0)	-108.93%	47.0	135.0	-78.01%
EBITDA	409.0	345.0	18.55%	412.0	-0.73%	1,812.0	1,899.0	-5.65%
Depreciation	100.0	107.0	-6.54%	99.0	1.01%	423.0	389.0	11.38%
EBIT	309.0	238.0	29.83%	313.0	-1.28%	1,389.0	1,510.0	-9.77%
Interest	0.0	0.0	0.00%	0.0	0.00%	0.0	0.0	0.00%
PBT	309.0	238.0	29.83%	313.0	-1.28%	1,389.0	1,510.0	-9.77%
Tax	40.0	69.0	-42.03%	(8.0)	-600.00%	225.0	137.0	27.59%
PAT before MI	269.0	169.0	59.17%	321.0	-16.20%	1,164.0	1,373.0	-14.92%
Minority Interest	6.0	2.0	200.00%	10.0	-40.00%	16.0	19.0	11.11%
PAT after MI	263.0	167.0	57.49%	311.0	-15.43%	1,148.0	1,354.0	-15.15%
Equity Capital	587.3	587.3	0.00%	587.0	0.05%	587.3	587.0	0.05%
EPS	4.48	2.85	57.19%	5.29	-15.31%	19.55	23.07	-15.19%
Ratio Analysis								
Profitability	Q409	Q309	Q-Q(bps)	Q408	Y-Y(bps)	9M'09	9M'08	Y-Y(bps)
OPM (%)	17.80%	17.95%	(15.0)	18.83%	(103.6)	18.07%	18.70%	(62.4)
EBITDA (%)	18.02%	13.88%	413.4	16.58%	143.8	18.63%	21.45%	(282.2)
EBIT (%)	13.61%	9.58%	403.5	12.60%	101.7	14.34%	17.27%	(292.8)
PAT (%)	11.59%	6.72%	486.6	12.52%	(92.9)	11.75%	15.05%	(329.5)

Data Points

Revenue Mix - Geography-wise	FY04	FY05	FY06	FY07	FY08	FY09
Americas	39.0%	35.0%	39.0%	32.0%	32.0%	31.0%
EMEA [^]	37.0%	43.0%	43.0%	50.0%	50.0%	50.0%
APAC	12.0%	12.0%	10.0%	10.0%	10.0%	10.0%
India	13.0%	10.0%	8.0%	8.0%	9.0%	10.0%
Total	101.0%	100.0%	100.0%	100.0%	101.0%	101.0%

[^] Europe, Middle East & Africa

Revenue Mix - Vertical-wise	FY04	FY05	FY06	FY07	FY08	FY09
BFSI	28.0%	31.0%	33.0%	42.0%	44.0%	43.0%
Transportation	17.0%	23.0%	26.0%	25.0%	25.0%	28.0%
Retail & Manufacturing	24.0%	15.0%	16.0%	12.0%	12.0%	13.0%
Others	32.0%	31.0%	25.0%	21.0%	19.0%	16.0%
Total	101.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Revenue Mix - On:Off	FY04	FY05	FY06	FY07	FY08	FY09
Offshore	34.0%	43.0%	43.0%	36.0%	38.0%	40.0%
Onsite	66.0%	57.0%	57.0%	64.0%	62.0%	60.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Revenue from Top Clients	FY04	FY05	FY06	FY07	FY08	FY09
Top 5	32.0%	36.0%	43.0%	39.0%	36.0%	33.0%
Top 10	47.0%	50.0%	54.0%	50.0%	47.0%	45.0%
Top 20	65.0%	65.0%	67.0%	65.0%	60.0%	60.0%

Fresh Order Intake (Mn. \$)	FY04	FY05	FY06	FY07	FY08	FY09
USA	56	53	34	71	69	170
EMEA	64	66	52	102	102	108
ROW	23	31	36	36	57	33
Total	143	150	122	209	228	311

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)	4.6	10.4	9.2	4.8	4.6	5.4
P/BV (x)	0.8	2.6	2.2	1.7	1.4	1.2
BVPS (Rs.)	132.3	39.7	46.7	63.1	75.2	88.9
Market Cap (Rs. Mn.)	1,521.8	6,087.3	6,087.3	6,158.3	6,163.3	6,163.3
M Cap/Sales (x)	0.3	1.1	1.0	0.7	0.7	0.6
EV (Rs. Mn.)	1,684.8	5,698.9	5,583.7	6,008.0	6,149.9	6,096.7
EV/EBITDA (x)	2.1	5.5	4.7	3.1	3.2	3.3
EV/Sales (x)	0.3	1.0	0.9	0.7	0.7	0.6
ROCE (%)	16.1%	21.9%	24.7%	32.6%	29.5%	24.0%
RONW (%)	17.3%	25.4%	24.5%	34.9%	30.6%	22.0%
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	0.2
Debtors T/o Days	89.8	78.8	71.1	75.6	83.3	80.0
Advances T/o Days	34.4	21.6	25.2	17.4	27.1	27.0
Creditors T/o Days	63.8	52.8	52.6	51.6	59.9	60.0
Working Cap T/o Days	81.1	98.0	91.8	64.6	51.7	49.8
Fixed Assets T/o (Gross)	2.3	2.3	2.3	2.3	2.2	2.0
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 (%)	19.0%	5.2%	5.7%	6.2%	6.2%	4.8%

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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 Tech

NO
YES
NO

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