

Jan.  
17

# Investor Briefing

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**NITT TECH.**

## SECTOR: COMPUTERS

<b>Sensex:</b>	<b>28,121.89</b>
<b>CMP (Rs):</b>	<b>370</b>
<b>Target price (Rs):</b>	<b>460</b>
<b>52 Week h/l (Rs):</b>	<b>486/328</b>
<b>FV (RS)</b>	<b>10.00</b>
<b>Market cap ( cr):</b>	<b>2,259.88</b>
<b>Avg volume</b>	<b>5255</b>
<b>Industry P/E</b>	<b>23.43</b>
<b>P/E</b>	<b>12.66</b>
<b>EPS</b>	<b>29.27</b>
<b>BSE code:</b>	<b>532541</b>
<b>NSE code:</b>	<b>NITTECH</b>

Prices as on 17 Jan, 2015

## Shareholding pattern

<b>Dec '14</b>	<b>(%)</b>
<b>Promoters</b>	<b>30.9</b>
<b>Institutions</b>	<b>51.0</b>
<b>Public &amp; others</b>	<b>18.1</b>

## Performance rel. to sensex

	<b>Opm%</b>	<b>Npm %</b>	<b>EPS</b>
<b>NITTECH</b>	<b>21.62</b>	<b>13.35</b>	<b>7.28</b>
<b>TCS</b>	<b>40.37</b>	<b>30.16</b>	<b>29.16</b>
<b>HEXAWARE</b>	<b>29.78</b>	<b>23.28</b>	<b>2.67</b>
<b>CYIENT</b>	<b>33.76</b>	<b>22.54</b>	<b>6.60</b>

## COMPANY OVERVIEW:

NIIT Technologies is a leading IT solutions organization, servicing customers in the Americas, Europe, Asia and Australia. NIIT Technologies adheres to major global benchmarks and standards, having secured the ISO 9001:2000, Information Security Management accreditation and follows global standards of development. It has been assessed at Level 5 of SEI CMMi version 1.3. Its Business Process Outsourcing arm conforms to the highest quality standards such as COPC and Six Sigma. Its data center operations are assessed at the international ISO 20000 IT management standards.

## SECTOR OUTLOOK:

The IT sector has remained tepid for the last two years and fall in discretionary spending is the key reason for the same. On the contrary, BPO industry is expanding at a swift pace compared to the IT services sector which is yet to revive from the financial crisis turmoil way back in 2008.

NASSCOM revised the growth guidance lower for IT software companies to 9% - 11% for FY13 and 12-14% for FY14.

An increase in discretionary spending by clients especially in America and Europe will further revive the sector. Recent survey of US and European companies signals the prospects of business outlook improving in next one year which eventually will allow the companies to ramp up new projects and spend more on technology.

## Growth Review:

Management expects the revenue growth momentum to show improvement in CY15. Moreover, increase in utilization levels, low transition costs, increased offshore mix and better growth trajectory could add to the operating margin.

Lower revenue in EU and AAI impacted TTL growth. However, falling energy prices and digital spend are expected to have a positive impact. Improvement in client's AUMs is expected to benefit BFS. Insurance continues to see some challenges. However, the management believes the decline in Top-10 Insurance client may have bottomed out.

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### PERFORMANCE HIGHLIGHTS:

NIIT Technologies (NIIT Tech) Q3FY15 performance was combination of hits and misses compared to PLe/Consensus' expectation. The company reported order intake of \$109m (5.8% QoQ), with order executable marginally down by 0.7% QoQ to \$296m. We expect performance to strengthen over CY15. NIIT Tech reported a revenue decline of 1.1% QoQ to US\$96.1m, but grew by 1.2% QoQ in INR terms to Rs5,953m. EBITDA margins expanded by 51bps to 14.5%, due to rupee depreciation, productivity gain and utilization improvement.

### HIGHLIGHTS THE FACT:

- 1) *The company reported order intake of \$109m (5.8% QoQ), with order executable marginally down by 0.7% QoQ to \$296m that includes higher component of new engagements.*
- 2) *EPS grew by 20.5% QoQ to Rs7.9 (PLe: Rs6.9, Cons.: Rs7.5) due to lower depreciation (high in Q2FY15 due to AAI project) and higher other income on account of forex and treasury gain.*
- 3) *The order executable over the next 12 months grew by 11.7% YoY to \$296m (@cc: \$300m). The company bagged 1 large deal (\$25mn+) with an insurance major in US.*
- 4) *Increase in utilization levels, low transition costs, increased offshore mix and better growth trajectory could add to the operating margin.*
- 5) *EBITDA margins expanded by 51bps to 14.5% (PLe: 14.2%, Cons.: 14.5%), due to rupee depreciation, productivity gain and utilization improvement.*

### TECHNICALLY VIEW:

*The stock is currently close above 50 days and 100 days, moving average that is all about good bullish signal on daily base. RSI & MFI is present at 63 and 35 respectively, which is sideways for the support come around 350-340. The stock is currently in sideways and now some upside is seen with major support is found 340 level. ADX is above 20 showing uptrend signal on the daily base. Hence Entry would be around 360-370 for the target would seen in the near term is 460.*

### VALUATION & OUTLOOK:

The clients' specific issues are behind. We expect turnaround in CY15 in growth along with margin expansion. We are factoring in improved revenue momentum to improve in H1FY16 along with margin uptick. Retain our "BUY" rating. We revise our target price as we roll our model to FY17 to Rs 460

### CONCLUSION:

NIIT Technologies (NIIT Tech) Q3FY15 performance was combination of hits and misses compared to Consensus' expectation. The company reported order intake of \$109m with order executable marginally done by the company in FY16. we retain our Buy recommend in this script with a price target of Rs 460 in short term to medium term outlook. So Entry would be around 360-370 as recomanded in this counter.