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NIIT Technologies Ltd. (NTL) is an IT services company, with a global presence across 18 countries through various verticals. NTL has presence in select industry segments such as Travel & Transportation (T&T), Banking & Financial Services and Insurance (BFSI). T&T segment currently forms the highest share of revenues at 40%. Further, NTL has more than 250 clients around the world.

Key Developments

Marquee clients base:

NTL has a broad-based clientele. The revenue contribution from the Top 10 customers stood at ~45% in FY15. In 9MFY16, the company has added 10 new clients.

Domain expertise of NTL:

In FY15, NTL derived 40% of revenues from T&T and 33% from BFSI segment. Revenues from T&T vertical has grown at a CAGR of ~28% over FY11-15, while revenue from the BFSI segment has grown at a ~15% CAGR over FY11-15.

Digital Push:

The contribution of Digital to the total revenues of the company has increased from 9% in FY15 to 15% in Q3FY16. NTL's focus on Digital is in the areas of a) Customer experience, b) Analytics, c) Cloud and d) Digital integration. The company has bagged 5 new digital engagements in Q3FY16

Order book:

NTL's current order book stands at USD 301 mn. The orders bagged during Q3FY16 included USD 50 mn from the US, USD 55 mn from EMEA and USD 18 mn from ROW. The company added 4 new customers during the quarter including new large engagement with Ofcom (total value of the contract is GBP 23.30 mn).

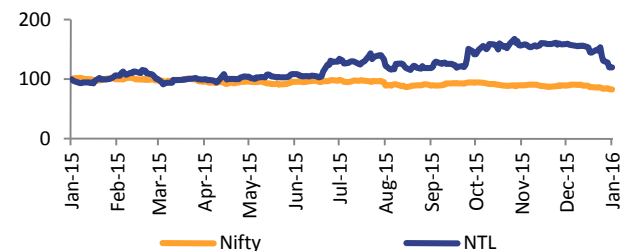
Market Data

CMP (Rs.)	509
Face Value	10
52 week H/L (Rs.)	631/326
Adj. all time High (Rs.)	631
Decline from 52WH (%)	19.3
Rise from 52WL (%)	56.1
Beta	1.0
Mkt. Cap (Rs.Cr)	3,107
Enterprise Value(Rs. Cr)	2,872

Fiscal Year Ended

	FY13	FY14	FY15
Total revenue (Rs.cr)	2,021	2,305	2,372
Adj. Profit (Rs.cr)	213	231	194
Share Capital (Rs.Cr)	60	61	61
EPS (Rs.)	35.4	38.0	31.8
P/E (x)	8.0	10.6	11.0
P/BV (x)	1.5	1.8	1.5
ROE (%)	21.0	18.8	14.3

One year Price Chart



Shareholding	Dec15	Sep15	Diff.
Promoters (%)	30.8	30.8	(0.0)
Public (%)	69.2	69.2	0.0
Others (%)	0.0	0.0	0.0

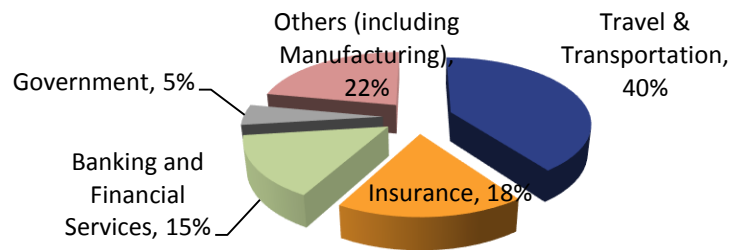
NTL has presence in select industry segments such as Travel & Transportation (T&T) and Banking & Financial Services and Insurance (BFSI).

NIIT Technologies Ltd: Business overview

NIIT Technologies is a global IT services company addressing the requirements of clients across the Americas, Europe, Middle East, Asia and Australia. The Company's portfolio of service offerings includes Application Development and Maintenance, Infrastructure Management Services, Digital Services and Business Process Management. It services the requirements of marquee customers across a broad spectrum of key verticals such as Travel and Transportation, Banking and Financial Services, Manufacturing, Media and the Government. NTL has presence in select industry segments such as T&T and BFSI. T&T segment currently forms the highest share of revenues at 40%.

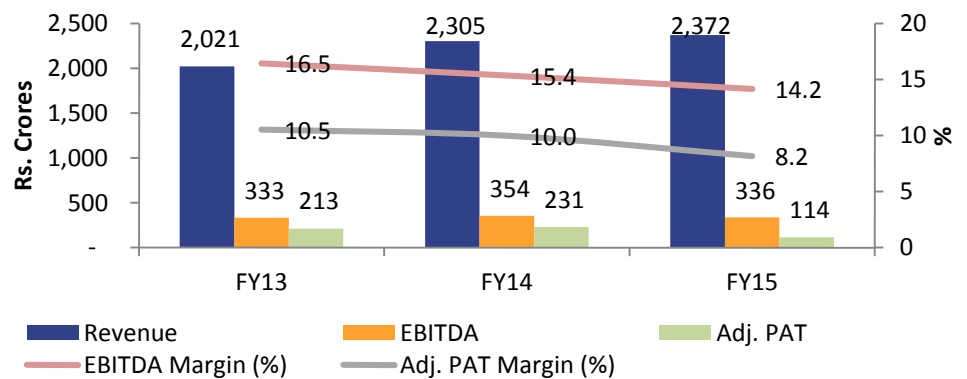
The company has global presence across 18 countries with over 250 clients. US accounts for the major chunk at 44% followed by EMEA (36%) and RoW (20%). NIIT Technologies has a broad-based clientele, with the Top 10 customers constituting about 45% of FY15 revenues.

Revenue mix across verticals



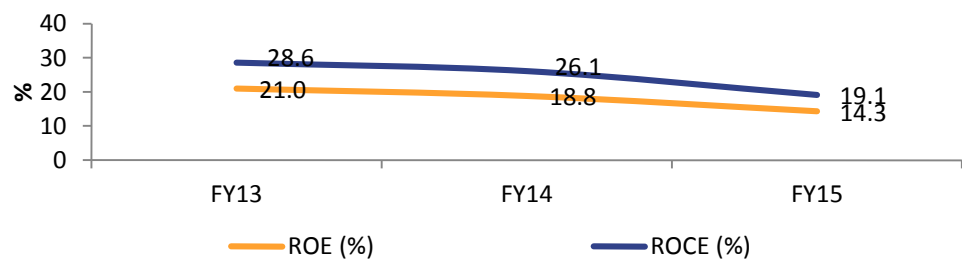
Source: Company, In-house research

Financial snapshot of NIIT Technologies Ltd.



Source: Company, In-house research

Return Ratios Trend



Source: Company, In-house research

The contribution of digital revenue increasing from 9% in FY15 to 15% in Q3FY16.

NTL forayed into Digital Integration by acquiring 51% stake in Incessant Technologies.

Revenues from T&T vertical have grown at a CAGR of ~28% over FY11-15.

Digital Services

In FY11, NTL entered into a partnership with Hitachi to provide reliable and scalable Cloud infrastructure. NTL has identified four functional areas for implementing its digital services strategy viz 1) Digital experience, 2) Cloud, 3) Analytics and 4) Digital integration. NTL is expanding its presence in the digital services with the contribution of digital revenue to overall topline. The contribution has increased from 9% in FY15 to 15% in Q3FY16. The company has also bagged 5 new digital engagements in Q3FY16.

Acquisition of Incessant Technologies

The company has forayed into Digital Integration by acquiring 51% stake in Incessant Technologies, a global BPM specialist. Incessant has over 300 consultants who are certified practitioners having strong relationships with more than 20 clients coupled with strong partnership with leading platform providers like Pegasystems and Appian. The revenue contribution from Incessant in Q3FY16 was Rs. 35 Crores with operating margin of more than 30%.

Change in business mix

The company has changed its business mix in favour of international markets from its earlier focus on domestic government projects. The government projects are generally fixed price contracts and thus the margins are less or constrained. The EBITDA margin has consistently declined from ~19% in FY11 to ~15% in FY15. It was also impacting the receivables as the receivable days increased from 77 days in FY12 to 93 days in FY15. The reduced emphasis on domestic system integration projects led to reduction in government revenue share from 8% in FY14 to 5% in FY15. This trend continued further in Q3FY16, as the contribution from this business shrank to 3% of the overall revenues.

In 9MFY16, operating profit grew ~41% to Rs. 347.2 Crores with operating margins expanding by 340 basis points to 17.4%. The revenue contribution from the US business of the company has increased from 31% in FY11 to 44% in FY15.

Focus on select industry verticals

NTL is one of the major players in Travel and Transportation (T&T) space. It has expertise in the Airline, Travel Distribution, Surface Transport, Airports and Logistics space. T&T segment currently accounts for majority (40%) of the overall revenues in FY15. The company opted inorganic growth strategy to strengthen its position in the Travel & Transportation space through the acquisition of Softech GMBH in FY09 and Spain based software services company Proyecta in FY12. The company has been serving the T&T industry globally for more than 30 years and has strategic partnership with IATA. It is involved with industry initiatives like StB, eCargo, Passenger Standards, SIS, and NDC. The company caters to more than 100 active customers worldwide, providing technologies to more than 50 airlines globally, serving to over a third of the Travel industry transactions across the globe, deploying IT solutions at more than 20 airports globally, etc. Revenues from T&T vertical has grown at a CAGR of ~28% over FY11-15.

Historically, the BFSI segment has grown at a ~15% CAGR over FY11-15.

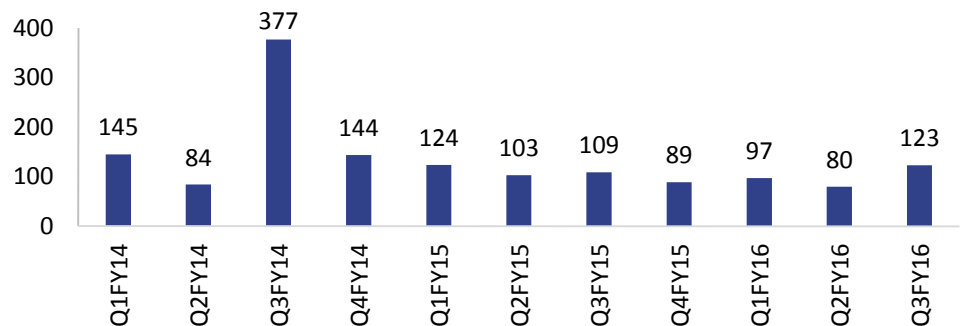
BFSI segment

BFSI segment is another major vertical of the company contributing 33% to the overall revenue in FY15. In the Banking and Financial Services (BFS) space, the company caters to mid-size banks, wealth management firms, hedge funds, broker dealers, and other financial institutions. In the Insurance space, the company provides solutions to Property & Casualty, Life & Pensions and Commercial & Reinsurance providers. Majority of the revenue comes from the US and the rest from UK through its subsidiary - NIIT Insurance Technologies. Historically, the BFSI segment has grown at a ~15% CAGR over FY11-15.

Improvement in the order book position

NTL has secured fresh orders worth USD 425 mn and 3 large deals during FY15, with 87% coming from the international markets. The company has added 19 new clients during FY15 compared to 16 in the FY14 mainly from the international operations. Further, NTL has bagged orders worth USD 123 mn during Q3FY16 with the order book executable over the next 12 months stand at USD 301 mn. The orders bagged during Q3FY16 included USD 50 mn from the US, USD 55 mn from EMEA and USD 18 mn from ROW. The company added 4 significant new customers during the quarter including new large engagement with Ofcom (total value of the contract is GBP 23.30 mn).

Order intake trend (USD mn)



Source: Company, In-house research

Balance Sheet (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Share Capital	60	61	61
Reserve and surplus	1,034	1,263	1,296
Net Worth	1,094	1,324	1,357
Minority Interest	17	19	19
Total Debt	6	9	8
Other non-current liabilities	28	31	34
Total Equity & Liabilities	1,145	1,383	1,419
Fixed Assets	466	582	678
Investments	82	55	55
Net current assets	548	668	572
Deferred tax assets	12	22	39
Other non-current assets	37	56	75
Total Assets	1,145	1,383	1,419

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13	FY14	FY15
Pre-tax profit	293	318	256
Net cashflow from operating activities	235	145	258
Net cash used in investing activities	(113)	(100)	(177)
Net cash used from financing activities	(91)	(53)	(66)
Net inc/dec in cash and cash equivalents	30	(7)	14

Financial performance snapshot

Net sales of the company stood at Rs. 2,372 Crores in FY15, a growth of 2.9% as compared to Rs. 2,305 Crores in FY14. The operating expenses of the company increased by 4.4% YoY to Rs. 2,037 Crores from Rs. 1,951 Crores during the year. The company's EBITDA fell by 5.2% YoY to Rs. 336 Crores in FY15 from Rs. 354 Crores in FY14. EBITDA margin contracted by 121 bps to 14.2% in FY15 from 15.4% in FY14. Adjusted profit decreased by 15.8% to Rs. 194 Crores in FY15 from Rs. 231 Crores in FY14. The Adj. NPM margins tapered by 182 bps to 8.2% from 10.0% during the above period.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Net revenue	2,021	2,305	2,372
Expenses	1,689	1,951	2,037
EBITDA	333	354	336
Depreciation	57	62	92
EBIT	276	292	244
Interest cost	5	4	6
Other Income	23	30	17
Profit Before Tax	293	318	256
Tax	75	80	54
Profit After Tax	218	238	202
Minority Interest	5	8	8
P/L from Associates	-	-	-
Adjusted PAT	213	231	194
E/o income / (Expense)	-	-	(80)
Net Profit	213	231	114

Key Ratios (Consolidated)

	FY13	FY14	FY15
EBITDA Margin (%)	16.5	15.4	14.2
EBIT Margin (%)	13.7	12.7	10.3
Adj. NPM (%)	10.5	10.0	8.2
ROCE (%)	28.6	26.1	19.1
ROE (%)	21.0	18.8	14.3
EPS (Rs.)	35.4	38.0	31.8
P/E (x)	8.0	10.6	11.0
BVPS(Rs.)	184.5	221.2	225.4
P/BVPS (x)	1.5	1.8	1.5
EV/EBITDA (x)	4.2	6.2	5.5



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