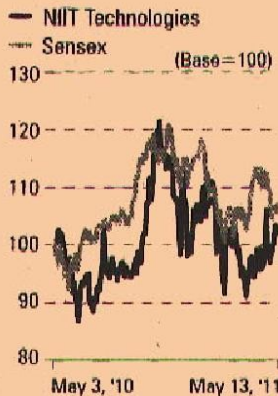




### NIIT Tech: Size does matter

While operational performance is good, analysts believe company needs scale



**THE COMPANY, FOR INSTANCE, derives 27 per cent of its revenues from non-linear initiatives**

NIIT Technologies has deployed the cargo-handling systems across some major airports in the Asia Pacific region (Beijing, Taiwan and Hong Kong), in partnership with Singapore Airport Terminal Services (SATS). Similarly, in the commercial insurance market, the company has a sizeable share in the Lloyd's insurance market in London. The company is following a two-pronged approach when it comes to development and management of such technology. In some sectors, it has developed IP assets to offer platform-based services, and where it does not have, it partners with owners of IP assets, as is the case with SATS. The company has developed industry expertise in verticals such as travel, insurance, manufacturing and healthcare.

Like most midcap companies, analysts have been worried about the volatility in the quarterly revenues. However, over the last few quarters, this has stabilised.

#### IMPRESSIVE OPERATIONAL PERFORMANCE

NIIT Technologies has reported a strong top line growth of 8.9 per cent quarter-on-quarter to \$68.9 million. The IT services revenues grew 9.3 per cent sequentially to \$50.5 million, driven by a 7.8 per cent volume growth. The management believes that it is confident of improving margins on the back of its non-linear initiatives, NIIT Technologies is among the few midcap IT companies, which has shown tremendous consistency in their earnings performance in the last few quarters, says Sharekhan. In the three preceding quarters, it has shown a 9.4 per cent compounded quarterly growth rate (CQGR) in revenues and a 7.2 per cent CQGR in net profit. However, some analysts believe the company needs scale to manage different cycles in the business. While the management acknowledges that it needs scale, it believes in being a preferred partner for its clients, that's big enough.

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