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Newly-acquired Biz, Clientele to Help NIIT in Quarters Ahead

Stock outperforms broader market over 6 mths

Mid-Cap Mantra

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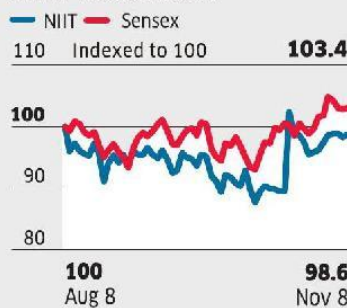
Among the mid-tier IT services players, NIIT Technologies posted strong financial growth during the September 2011 quarter. Despite uncertainties in the macro environment, the company ended the quarter with a healthy order book size which comes as a huge positive. It, however, continues to maintain a cautious stand going ahead given the global economic turmoil.

During the September 2011 quarter, NIIT Tech posted a 13% jump in its top line to ₹371 crore against the previous quarter. This can be attributed to a 12.5% jump in the volume spread across geographies and segments. Its bottom line rose 3% to ₹43 crore.

The company's operating margin stood at 14.8% during the quarter — 370 basis points down sequentially. The drop can be attributed to ₹12 crore of one-time charge accrued on the back of legal settlements pertaining to the two acquisitions made by the company during the quarter — Proyecta Sistemas de Informacion in Spain and joint venture with Morris Communication in the US. Adjusting the one-time expense, the margin stood at 18.1% during the quarter.

On the back of healthy performance over the past few quarters, NIIT Tech's stock has outperformed the broader market over the last six months. It gained more than 25% during the period against a 12% fall

NIIT Vs Sensex



in the benchmark Sensex.

The company is expected to sustain the momentum in the coming quarters as well, given the healthy order inflow, new customer additions and contribution from the newly-acquired businesses. During the quarter, the company received fresh orders worth \$200 million — the highest in all the past quarters resulting in a total order book size of \$232 million executable over the next 12 months. In the government space, the company secured two contracts from the Police Department of two states for implementing the Crime and Criminal Tracking Network System (CCTNS).

At the current market price of ₹223, the stock trades at seven times its earnings for the trailing twelve months, which is in line with the other industry peers of similar size. Given the increased clientele and service offerings from the newly-acquired businesses and healthy order book size, the company is expected to fare well in the coming quarters.

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