

Rewriting education model

SNAPSHOT

BSE ticker code	: 500304
NSE ticker code	: NIITLTD
Major activity	: Computer Education
Chairman	: Rajendra S Pawar
Equity capital	: Rs 33.09 crore; FV Rs 2
52 week high/low	: Rs 107 / Rs 35
CMP	: Rs 73
Market Capitalisation	: Rs 1207.79 crore
Recommendation	: Buy

NIIT is engaged in the business of providing training with a whole gamut of content, delivery and educational platforms for corporate sector, individuals and schools. The stock is a safe investment with good chances of appreciation. **Just consider:**

- The company has three main business segments, corporate learning group (CLG), skills and careers group (SCG) and school learning group (SLG). A leading corporate training company, NIIT offers managed training services (MTS) to leading organisations mainly in North America and Europe. The company's SCG business delivers a diverse range of learning and talent development programmes in BFSI, soft skills, business analytics, retail sales enablement, management education, vocational skills, digital media marketing and new-age IT. The SLG segment provides technology-based learning to over 15,000 government and private schools in India, Bhutan, South Africa and the Middle East. Prospects for all these three businesses are quite promising.

- Global spending on corporate

training currently amounts to \$ 135 billion of which US spending is around \$ 85 billion. Over the past few years, the corporate training budget in USA has grown at a healthy pace spurred by an economic recovery.

- CLG, which accounts for 60 per cent of revenues for December 15 quarter, grew by 17 per cent y-o-y and operating margin remained steady at 12 per cent. The company added one new MTS (managed training service) customer, taking the total number to 27, and the revenue visibility stands at \$ 195 million with order intake of US \$ 27 million in Dec'15 quarter. While CLG has been doing well for NIIT, it was facing some challenges in its SCG and SLG businesses. In the SCG segment, the company's capacities have been underutilised while in the SLG business, it has seen its receivable days rise sharply. However, the new management at the company has undertaken an extensive restructuring for both SCG and SLG units, with reduced seat capacity of 33 per cent and headcount by 24 per cent while the product portfolio has been pruned from 190 to 67.

For the 9-months ended Dec'15, at a consolidated level, the company reported a net sales growth of five per cent to Rs 768 crore and net profit grew 291 per cent to Rs 49.60. For FY16, we expect the company to register a consolidated EPS of Rs 4.1 and Rs 5.5 for FY17. At the current market price of Rs 73, the share trades at 13.3 times estimated FY17 earnings. ■

PERFORMANCE INDICATORS

(Rs. in Crore)

Year	Net Sales	Net profit	EPS (Rs)	Div (%)	BV (Rs)	RONW (%)
2013-14	951.00	17.77	1.1	80.00	25.41	-2.20
2014-15	957.38	-138.53	-ve	00.00	49.14	-5.49
2015-16 (E)	1021.84	68.11	4.1	75.00	51.74	-2.1
2016-17 (E)	1142.94	90.22	5.5	75.00	55.74	1.4