

JANUARY 28, 2019

	25-Jan	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	36,026	(0.5)	1.6	6.9
NIFTY Index	10,781	(0.6)	1.1	6.5
NSEBANK Index	27,115	(0.6)	1.5	9.3
NIFTY 500 Index	8,994	(0.9)	(0.1)	6.1
CNXMcap Index	17,013	(1.6)	(3.3)	4.5
BSESMCAP Index	14,000	(1.6)	(3.2)	2.9
World Indices				
Dow Jones	24,737	0.7	7.3	0.2
Nasdaq	7,165	1.3	8.8	(0.0)
FTSE	6,809	(0.1)	1.1	(1.9)
NIKKEI	20,774	1.0	3.5	(2.2)
Hangseng	20,774	1.0	3.5	(2.2)
Shanghai	27,569	1.7	8.6	12.0

Value traded (Rs cr)	25-Jan	% Chg Day
Cash BSE	2,774	3.0
Cash NSE	35,104	22.7
Derivatives	724,057	(55.9)

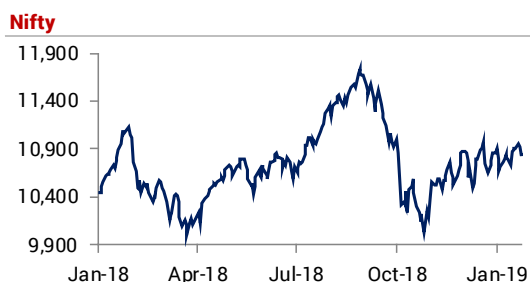
Net inflows (Rs cr)	24-Jan	MTD	YTD
FII	(195)	(3,876)	(3,876)
Mutual Fund	354	6,663	6,663

Nifty Gainers & Losers	Price	Chg	Vol
25-Jan	(Rs)	(%)	(mn)
Gainers			
Bharti Infra	280	6.4	11.8
HCL Tech	969	2.4	2.2
Yes Bank	220	2.0	183.4
Losers			
Zee Entertainment	318	(26.6)	74.3
Maruti Suzuki	6,513	(7.5)	3.1
Ultratech Cement	3,511	(7.4)	1.6

Advances / Declines (BSE)					
25-Jan	A	B	T	Total	% total
Advances	95	210	30	335	100
Declines	333	831	67	1,231	367
Unchanged	2	16	14	32	10

Commodity	25-Jan	% Chg		
		1 Day	1 Mth	3 Mths
Crude (US\$/BBL)	61.5	(0.2)	17.8	(20.8)
Gold (US\$/OZ)	1,303.2	1.7	1.7	5.7
Silver (US\$/OZ)	15.7	2.8	2.7	7.5

Debt / forex market	25-Jan	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.3	7.3	7.3	7.9
Re/US\$	71.2	71.1	70.1	73.3



Source: Bloomberg

News Highlights

- ▶ Union Commerce and Industry Minister Suresh Prabhu Sunday said new policies of the government will ensure the doubling of exports, currently pegged at USD 321 billion, in a few years. (ET)
- ▶ Concerned over a decline in GST revenues, tax officials are likely to examine the high usage of input tax credit (ITCNSE 0.11 %) to set off tax liability by businesses. (ET)
- ▶ Subhash Chandra's Essel Group said it reached an understanding with lenders having a pledge on **Zee** Group promoters' stake that a steep decline in the shares of group companies will not lead to a default. (ET)
- ▶ **Reliance** Jio is likely to enter the fray to buy half of promoter Subhash Chandra's stake in Zee Entertainment Enterprises (ZEEL) said sources, pitting it against international names such as Amazon, Apple, Tencent, and Alibaba, who are interested as well. (BS)
- ▶ **Coal India** supplied 360 million tonne (MT) coal to the power sector during April-December 2018, an increase of 7.9 cent over the year-ago period, according to official data. (BL)
- ▶ **Lupin** said that US health regulator has issued six observations after the inspection of a unit of its Pithampur facility in Madhya Pradesh. The inspection of Pithampur Unit -2 was carried out by the United States Food and Drug administration (USFDA) between January 14 and January 25, 2019. (ET)
- ▶ **Aurobindo Pharma** is recalling close to 5 lakh bottles of blood pressure lowering drugs in the US after the American health regulator found certain deviations from Current Good Manufacturing Practice (CGMP) regulations. (Mint)
- ▶ Café Coffee Day founder VG Siddhartha will offer alternative security to the income tax department to free up shares in **Mindtree** that have been attached, stalling attempts to sell his stake in the software company. (ET)
- ▶ Private equity firm KKR and **L&T Infotech** are getting ready for a contest over software company Mindtree even as key stakeholder VG Siddhartha moves the Central Board of Taxes (CBDT) on Monday to release his shares that have been attached. (ET)
- ▶ The restructuring of financial services firm **IIFL Holdings** through demerger of its finance, wealth and capital businesses into three separate entities, and listing them on the bourses is likely to be complete in the first quarter of the fiscal 2019-20. (Bloomberg Quint)
- ▶ **Security and Intelligence Services** is close to picking up 60 per cent in a Singapore company for about Rs 3.50 bn. The deal will happen in two tranches, and in the first tranche, SIS would pick up around 60 per cent stake. (ET)

What's Inside

- ▶ **Result Update:** Supreme Industries & NIIT Ltd

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, IE = Indian Express, BL = Business Line, BQ = BloombergQuint, ToI = Times of India, BSE = Bombay Stock Exchange, MC = Moneycontrol

Result Update

Stock Details

Market cap (Rs mn)	:	126665
52-wk Hi/Lo (Rs)	:	1448 / 936
Face Value (Rs)	:	2
3M Avg. daily vol (mn)	:	110,601
Shares o/s (mn)	:	127

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	49,663	57,240	65,412
Growth (%)	11.3	15.3	14.3
EBITDA	7,871	8,388	10,049
EBITDA margin (%)	15.8	14.7	15.4
PAT	3,971	4,295	5,287
EPS	31.3	33.8	41.6
EPS Growth (%)	5.4	8.2	23.1
BV (Rs/share)	149	169	196
Dividend/share (Rs)	12.0	12.0	12.0
ROE (%)	22.1	21.3	22.8
ROCE (%)	30.1	29.0	32.3
P/E (x)	31.9	29.5	24.0
EV/EBITDA (x)	16.4	15.3	12.6
P/BV (x)	6.7	5.9	5.1

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Dec-18	Jun-18	Mar-18
Promoters	49.7	49.7	49.7
FII	7.0	10.3	10.9
DII	22.8	18.9	18.7
Others	20.5	21.0	20.7

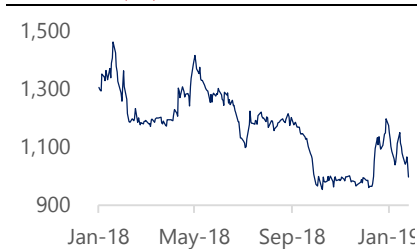
Source: Bloomberg, BSE

Price Performance (%)

(%)	1M	3M	6M
Supreme Industries	(9.8)	(0.1)	(17.4)
Nifty	1.1	6.5	(3.2)

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

Pankaj Kumar

pankajr.kumar@kotak.com
+91 22 6218 6434

SUPREME INDUSTRIES LTD

PRICE Rs.998

TARGET Rs.1165

BUY

Supreme Industries Ltd (SIL) Q3FY19 result was lower than our estimates on account of lower than estimated volume and EBITDA margins.

Key Highlights

- The company reported 10.3% yoy growth in revenue (Vs 13.2% yoy growth estimates) driven by 4.4% yoy growth in volume and 6% yoy growth in realization. The volume growth was below our estimates due to 10% yoy decline in packaging film segment as the company faced stiff competition from new entrants in cross laminated film business and lower volume in industrial segment.
- EBITDA margin at 12.5% and was below our estimates of 13.8% due to inventory losses. During the quarter, polymer prices corrected sharply by 13-15% and the impact of inventory loss was mostly taken in Q3FY19 with minor impact expected in Q4FY19 as well.
- The company has maintained its guidance of over 10% volume growth and over 15% growth in FY19E revenue, whereas it reduced the guidance for EBITDA margins by 50bps to 14-15%.

Valuation & outlook

- SIL has gained market share in plastic pipes segment and is positive on strong growth in the same in Q4FY19 as well based on demand from building segment. We have cut our FY19E & FY20E EPS estimates by 3.1% and 3.3% respectively on lower volume assumptions in packaging film business.
- The stock is presently trading at PE of 29.5x and 24x on FY19E and FY20E revised EPS of Rs 33.8 and Rs 41.6 per share, respectively. We maintain BUY rating on the stock with revised target price of Rs 1165 (vs Rs 1205), valuing the stock at 28x on FY20E earnings.

Quarterly performance table - Consolidated

Particulars Rs Mn	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Net Sales	14104	12783	10.3%	13162	7.2%
Expenditure	12348	10806	14.3%	11037	11.9%
RM Cost	9734	8488	14.7%	8632	12.8%
Employee Cost	628	598	5.1%	598	5.1%
Other Expenditure	1986	1721	15.4%	1807	9.9%
EBITDA	1756	1977	-11.2%	2125	-17.3%
EBITDAM%	12.5%	15.5%		16.1%	
Other Income	74	5	1386.0%	55	35.6%
PBIDT	1831	1982	-7.6%	2179	-16.0%
Depreciation	455	428	6.4%	473	-3.7%
Interest	52	79	-33.6%	104	-49.9%
PBT	1324	1476	-10.3%	1603	-17.4%
Share of profit & loss from Associates	-52	84		25	
PBT (Aft share of P&L from Asso.)	1271	1560	-18.5%	1628	-21.9%
Tax	462	518	-10.9%	555	-16.9%
PAT	809.8	1042.2	-22.3%	1072.8	-24.5%
Equity Capital	254.1	254.1	0.0%	254.1	0.0%
EPS	6.4	8.2	-22.3%	8.4	-24.5%

Source: Company

Revenue growth below estimates, volume disappoints

SIL reported 10.3% yoy growth in revenue (vs estimates of 13.2% yoy growth) which was driven by 4.4% yoy growth in volume (vs estimates of 6.3% yoy growth) and 6% yoy growth in realization. The volume growth was below our estimates as it witnessed 10.6% yoy decline in volume in packaging business and slow growth rate of 2.2% yoy in industrial and 5.1% in consumer segment.

The volume in packaging segment took a hit on increased competition from new entrants in cross laminated film business. The competitors sold the product at 15-20% discount and impacted the growth of the company. The company has offered discounts for its products, but still faced challenges in beating competition. The company expects challenging business environment in the segment to continue in coming quarters as well. In packaging film business, the company is focusing on new products and markets and new value added products which will take time to come back on track.

SIL is positive on plastic pipes business and has grown at faster than market in Q3FY19. The company is positive on demand from affordable housing segment as well as agri segment. In consumer segment, the company focused on high value furniture rather than commoditized furniture and is positive on consumer demand from the segment. Based on this, the management has maintained its guidance of over 10% volume growth in FY19E which implies ~20% volume growth in Q4FY19.

Segment-wise volume of plastic products business

Sales tonnes	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Plastic Pipes	70026	64435	8.7%	56627	23.7%
Packaging	15667	17486	-10.4%	10443	50.0%
Industrial	9885	9673	2.2%	11453	-13.7%
consumer	5404	5143	5.1%	4650	16.2%
Total	100982	96737	4.4%	83173	21.4%

Source: Company

Segment wise realization of plastic products business

Realization Per Kg	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Plastic Pipes	114	103	10.5%	121	-5.3%
Packaging	196	183	7.3%	199	-1.6%
Industrial	201	199	1.0%	222	-9.2%
consumer	200	178	12.5%	204	-2.2%
Total	140	132	6.0%	149	-6.1%

Source: Company

EBITDA margin took a hit on inventory loss, reduced margin guidance by 50 bps

The EBITDA margin in the quarter was at 12.5% and was below our estimates of 13.8% due to inventory losses. During the quarter, polymer prices corrected sharply by 14-18% and the impact of inventory loss is mostly taken in Q3FY19 with minor impact expected in Q4FY19 as well. The company expects raw material prices to stabilize at lower level in Q4FY19. The company also witnessed lower realization in packaging film business due to discount offered in cross laminated film business. The company will not take any further reduction in the price of cross laminated films and hence expects it to stabilize at current levels. The company has reduced EBITDA margins guidance for FY19E by 50 bps to 14-14.5% (vs earlier guidance of 14.5-15%). PAT for the quarter declined by 22% yoy to Rs 809 mn (Vs estimates of Rs 1bn).

Segmental EBITDA margins in plastic products business

	Q3FY19	Q3FY18	Q2FY19
Plastic Pipes	12.3%	13.2%	13.0%
Packaging	14.5%	21.9%	15.7%
Industrial	9.9%	13.6%	11.1%
Consumer durables	15.6%	17.3%	16.5%

Source: Company

Status of capex plan

The company is targeting for Rs 3 to 3.5 bn capex in FY19E. In the current year, it has done capex at 11 of its existing units of which it completed capex at 10 units. It expects production at Khopoli to begin in Q1FY20. This would increase the capacity of the company by 50,000 tonnes to over 600,000 tonnes in FY19E.

Further, the operations at company's green field plant at (Ghiloth) Rajasthan is progressing well. In addition, constructions at greenfield plant at Jadcherla in Telangana is progressing well with production of furniture and Roto are expected before end of Q4FY19. Foam production at the site is expected in Q1FY20.

Other highlights

- Composite cylinder business has not received any major order from domestic market recently, as oil marketing companies are yet to place orders after the initial pilot order. As of now, SIL is getting orders from international markets
- The gross debt at the end of the quarter stood at Rs 3.3 bn with average cost of borrowing at 6.6%.
- The share of value added products was 38% in Q3FY19 as against 40% in Q3FY18. The company intends to increase this share in the longer run.

Outlook and valuation

SIL management believes that the plastic demand from pipes segment to be strong on account of government emphasis on infrastructure activities and favourable policies related to affordable housing. We like SIL for its track record of profitable growth with high returns ratios and believe that its strong product profile and long term benefits from GST will support its growth in the longer run. We have cut our FY19E & FY20E EPS estimates by 3.1% and 3.3% respectively on lower volume assumptions in packaging film business. The stock is presently trading at PE of 29.5x and 24x on FY19E and FY20E revised EPS of Rs 33.8 (Vs Rs 34.9) and Rs 41.6 (vs Rs 43) per share, respectively. We maintain BUY rating on the stock with revised target price of Rs 1165 (vs Rs 1205), valuing the stock at 28x on FY20E earnings.

Revision in estimates

Particulars (Rs mn)	Previous		Revised		% Change	
	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Revenue	57,656	67,243	57,240	65,412	-0.7%	-2.7%
EBITDA	8,781	10,519	8,388	10,049	-4.5%	-4.5%
EBITDA margin (%)	15.2	15.6	14.7	15.4	-55 bps	-24 bps
PAT	4,434	5,469	4,295	5,287	-3.1%	-3.3%
EPS	34.9	43.0	33.8	41.6	-3.1%	-3.3%

Source: Kotak Securities - Private Client Research

Company Background

Supreme Industries Ltd (SIL) established in 1942, is engaged in the business of plastic and related products with a long history in Indian plastic industry. It is one of the major players in the plastic pipes business with 14% domestic market share (FY17) with established brand equity. It is largest plastic processor in India processing over 3.4 lakh tonne per annum. The company manufactures and sells diverse range of plastic products broadly categorized across 5 different verticals, plastic piping system, packaging products, industrial products, consumer products, and composite products with FY17 revenue contribution of 56%, 22%, 14%, 7% and 1% respectively. Its products cater to diverse sectors such as Agriculture, Infrastructure, Housing, Packaged Foods, Sports goods, Potable Water Supply & Sanitation, Auto, Electronics, Horticulture, Floriculture, etc. It has 25 plants located across India with gross block of ~Rs 23 bn (FY17) and adding three more plants with capex of Rs 4.25-4.5 bn.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Revenues	44,623	49,663	57,240	65,412
% change yoy	50.7	11.3	15.3	14.3
Direct Cost	28,917	32,858	38,729	43,931
Employee Cost	2,117	2,419	2,709	3,034
Other Expenses	5,970	6,516	7,414	8,397
Total Expenses	37,004	41,792	48,852	55,362
EBITDA	7,619	7,871	8,388	10,049
% change yoy	65	3	7	20
Depreciation	1,543	1,672	1,814	2,061
EBIT	6,076	6,200	6,574	7,988
Other Income	51	48	170	170
Interest	303	219	224	132
Profit Before Tax	5,825	6,028	6,520	8,026
% change yoy	77	3	8	23
Tax	2,058	2,057	2,225	2,739
as % of EBT	35	34	34	34
PAT	3,767	3,971	4,295	5,287
% change yoy	84	5	8	23
Shares outstanding (mn)	127	127	127	127
EPS (Rs)	29.6	31.3	33.8	41.6
DPS (Rs)	15.0	12.0	12.0	12.0
CEPS(Rs)	41.8	44.4	48.1	57.8
BVPS(Rs)	133.5	149.1	168.9	196.5

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Pre-Tax Profit	5,825	6,028	6,520	8,026
Depreciation	1,543	1,672	1,814	2,061
Interest & others	197	219	224	132
Change in WC	(1,209)	(527)	(54)	(449)
Tax Paid	(1,705)	(2,057)	(2,225)	(2,739)
Operating Cash Flow	4,650	5,335	6,279	7,031
Capex	(2,099)	(2,705)	(4,000)	(3,500)
Free Cash Flow	2,551	2,629	2,279	3,531
Investments & others	77	(222)	0	0
Investment cash flow	(2,022)	(2,928)	(4,000)	(3,500)
Equity Raised	0	0	0	0
Debt Raised	(1,331)	(306)	0	(2,000)
Dividend	(459)	(1,784)	(1,784)	(1,784)
Interest & other fin activity	(314)	(759)	(224)	(132)
CF from Financing	(2,104)	(2,849)	(2,007)	(3,916)
Change in Cash	524	(442)	272	(385)
Opening Cash	238	762	320	592
Closing Cash	762	320	592	208

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Paid - Up Equity Capital	254	254	254	254
Reserves	16,703	18,695	21,206	24,710
Net worth	16,957	18,949	21,460	24,964
Borrowings	2,790	2,484	2,484	484
Net Deferred Tax	1,163	1,134	1,134	1,134
Total Liabilities	20,910	22,567	25,078	26,581
Gross Block	22,983	25,521	29,521	33,021
Accumulated Depreciation	10,350	11,958	13,772	15,833
Net block	12,633	13,597	15,749	17,188
Capital work in progress	459	626	626	626
Total fixed assets	13,092	14,223	16,375	17,814
Investments	1,972	2,194	2,194	2,194
Inventories	7,769	6,970	8,493	9,706
Sundry debtors	2,753	3,820	3,921	4,301
Cash and equivalents	762	320	592	208
Loans and advances & Others	67	62	65	68
Total current assets	12,785	12,595	14,494	15,706
Sundry creditors and others	6,767	6,461	8,035	9,182
Provisions	173	204	204	204
Total CL & provisions	6,940	6,664	8,238	9,385
Net current assets	5,845	5,930	6,256	6,321
Other Assets (net)	1	219	253	253
Total Assets	20,910	22,567	25,078	26,581

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19E	FY20E
EBITDA margin (%)	17.1	15.8	14.7	15.4
EBIT margin (%)	13.6	12.5	11.5	12.2
Net profit margin (%)	8.4	8.0	7.5	8.1
Receivables (days)	21	24	25	24
Inventory (days)	55	54	54	54
Payable (days)	50	49	49	49
Net Working Capital (days)	41	43	39	35
Asset Turnover (x)	2.0	2.0	2.1	2.1
Net Debt/ Equity (x)	0.1	0.1	0.1	0.0
RoCE (%)	32.8	30.1	29.0	32.3
RoE (%)	25.0	22.1	21.3	22.8
P/E (x)	33.7	31.9	29.5	24.0
P/BV (x)	7.5	6.7	5.9	5.1
EV/EBITDA (x)	16.9	16.4	15.3	12.6
EV/Sales (x)	2.9	2.6	2.2	1.9

Source: Company, Kotak Securities – Private Client Research

Result Update

NIIT LTD

Stock Details

Market cap (Rs mn)	:	14071
52-wk Hi/Lo (Rs)	:	125 / 61
Face Value (Rs)	:	2
3M Avg. daily vol (Nos)	:	1,095,528
Shares o/s (mn)	:	167

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	8,505	8,873	9,946
Growth (%)	0.6	4.3	12.1
EBITDA	746	841	1,069
EBITDA margin (%)	8.8	9.5	10.7
PAT	17	-35	183
EPS	3.8	5.8	8.0
EPS Growth (%)	53	54	39
BV (Rs/share)	43	48	54
Dividend/share (Rs)	2.0	2.0	2.0
RONW (%)	1.6	-2.2	7.5
ROCE (%)	7.3	7.9	12.9
P/E (x)	19.0	12.4	8.9
EV/EBITDA (x)	15.5	13.8	10.3
P/BV (x)	1.6	1.5	1.3

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Dec-18	Jun-18	Mar-18
Promoters	31.6	31.7	32.0
FII	15.5	16.9	17.0
DII	12.3	11.8	11.0
Others	40.4	39.4	40.0

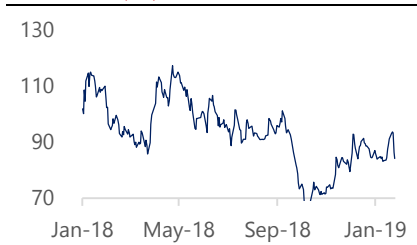
Source: Bloomberg, BSE

Price Performance (%)

(%)	1M	3M	6M
NIIT Ltd	(3.9)	16.3	(14.1)
Nifty	1.1	6.5	(3.2)

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

PRICE Rs.85

TARGET Rs.115

BUY

NIIT Ltd 3QFY19 revenue were marginally above our estimates at Rs.22.78bn v/s our estimate of Rs.22.45bn. Margins at 8.8% were about 170bps below our estimates and were flat on a YoY basis. 3QFY19 growth was led by continued growth in CLG business which contributed about 71% of the total revenue for the company during the quarter.

Key Highlights

- Revenue grew by ~9% YoY. EBITDA margin at 8.8% were below our estimates of 10.5%, largely due to higher than expected loss in the government school business. There was no revenue from the Government school business but it had tail end expenses which is expected to continue till end of FY19. Corporate Learning Group (CLG) (71% of revenue) grew by ~25% YoY and has been leading the performance which is expected to continue the momentum going forward.
- SNC and school business reported a de growth of ~8.25% and ~67% YoY respectively. SNC which contributed about 28% of the revenue for the company reported revenue of Rs.634mn for the quarter. EBITDA margins for SNC business were up by ~200bps YoY at ~2.5%. Management believes there is a room for margin improvement with change in the product mix with 'Stackroute' and TPAAS. School business which contributes about 2% of the total revenue for the company reported revenue of Rs.30mn for the quarter. School business is expected to see growth by 4QFY19 as it is a seasonally strong quarter and cost related to exit of Government school business is expected to be over.
- Revenue visibility and number of MTS clients remains strong for CLG business at USD 255mn and 42 clients respectively. Within SNC business share of beyond IT and enrollment was at 42% and 29277 from 37% and 33966 in previous quarter. Uptake in share of beyond IT was impressive during the quarter whereas a dip in number of enrollment was a bit negative. IP led business now contributes ~99% of the total School business revenue.

Valuation & outlook

SNC and school business have been a constant drag on overall financial performance of the company, and we believe it would take few more quarters to stabilize. CLG continues to report 25%+ growth and management remains confident of continuing the momentum going forward. We have marginally lowered our revenue estimates for the school business whereas upgrade for the SNC business on back of change in the product mix. We expect revenue growth of 8% CAGR over FY18-20E and EBITDA margin to improve by 190bps over FY18-20. We maintain BUY with a revised target price of Rs.115 (Rs.110 earlier).

Nipun Gupta

nipun.gupta@kotak.com

+91 22 6218 6433

Quarterly performance table

(Rs.mn)	3QFY19	2QFY19	QoQ (%)	3QFY18	YoY (%)
Income	2278	2285	-0.3	2094	8.8
Expenditure	2078	2066		1910	
EBIDTA	200	219	-8.7	184	8.5
Depreciation	95	84		102	
EBIT	105	135	-22.2	82	27.4
Other Income	-82	-53		-6	
PBT	23	82	-72.0	76	-69.9
Tax	58	83		52	
PAT	-35	-1		24	
Share of profit	230	261		174	
Adjusted PAT	195	260	-25.0	198	-1.7
E O items	0	0		0	
Shares (mns)	165.8	165.8		165.8	
EPS (Rs)	1.2	1.6		1.2	
Margins (%)					
EBIDTA (%)	8.8	9.6		8.8	
EBIT (%)	4.6	5.9		3.9	
Net Profit (%)	-1.5	0.0		1.2	

Source: Company

Corporate Learning Group continues to deliver consistent performance

The CLG business continues to register stable revenue growth of 25% YoY, this is the fourth successive quarter of 25% plus growth. CLG now contributes ~71% of revenue up from 60% a year back, though the margins have remained flattish. The margins at 14.5% declined by 10bps sequentially. NIIT signed two new MTS customers one with a large pharma company and second with a healthcare company taking the count to 42. Company also expanded the engagement with existing customers. NIIT has been selected as a partner of choice for a large comprehensive RFP which is currently under contracting. This is the third comprehensive deal in last one year and half. Currently company has about 40 of 250 fortune 1000 companies which leaves enough headroom for scaling up by acquiring new clients. Eagle has been successfully integrated into NIIT's CLG business and management is quite positive of good traction building up in the consolidated offerings portfolio. Eagle's core competency is in new application roll outs within life science vertical. We expect 20% CAGR revenue growth with marginal improvement in margins over FY18-20E.

Concall Takeaways

- Within CLG Business there is temporary slowdown in couple of existing customers due to M&A activity. This is expected to continue in 4Q as well. New contract like that of Reco will accelerate from next year.
- Within SNC business focus has been on new initiatives. All initiatives are improving visibility. For TPAAS company has received mandates from few customers.
- Stackroute grew by 50% YoY. It added one large global System integration as its client. They are looking to re skill their engineers. A large PSU bank also awarded a contract for onboarding 2500 employees, part of this project was completed in this quarter.
- Other income includes interest and forex loss. Rs.52mn is towards forex loss which is due cross currency volatility. Balance is towards interest which includes notional interest towards deferred payment for acquisition.

- Due to no benefit from consolidation of Eagle in 4Q and expected slowdown in 2 customers due to ongoing M&A activity, 4Q would be a muted quarter for CLG as compared to previous three quarters.
- Net debt are at Rs.573mn v/s Rs.599 mn in previous quarter. DSO stood at 77 days v/s 83 days in 3QFY18.
- Pitney Bowes contract is a five year contract with can be further renewed for two more years. The deal has gone live.

Company Background

Established in 1981, NIIT Limited, a global leader in Skills and Talent Development, offers multi-disciplinary learning management and training delivery solutions to corporations, institutions, and individuals in over 40 countries. The company ranks among the world's leading training companies owing to its vast, yet comprehensive array of talent development programs.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Net Sales	8,452	8,505	8,873	9,946
% Growth		0.6	4.3	12.1
Expenditure	7,779	7,759	8,032	8,878
% of Net Sales	92.0	91.2	90.5	89.3
EBITDA	673	746	841	1,069
EBITDA Margin (%)	8.0	8.8	9.5	10.7
Depreciation	456	400	367	390
EBIT	217	346	474	679
Interest Exps.	0	0	0	0
EBT	217	346	474	679
Exceptional Items	-	-	-	-
Other Income	-203	-169	-254	-180
PBT	14	177	220	499
Tax-Total	154	160	255	316
PAT	-140	17	-35	183
Income from Associate	549	609	997	1,153
Profit after tax	409	626	962	1,336
PAT Margin (%)	-2	0	0	2

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Net profit before tax	14	177	220	499
Depreciation	456	400	367	390
Interest	0	0	0	0
Other Income	203	169	254	180
Opt Profit before WC Changes	673	746	841	1,069
WC Changes	2,935	770	(906)	23
Cash Gene from Op.	3,608	1,517	-65	1,092
Direct Taxes Paid	(154)	(160)	(255)	(316)
Cash from Ope act	3,454	1,357	-319	776
Purchases of F.A /CWIP	(1,451)	(784)	(400)	(800)
Investment	(38)	(179)	-	-
Share from Associate	549	609	997	1,153
Cash from Inv Act	(940)	(354)	597	353
Issue of Eq Shares/Other reserve	-1,317	110	138	-
Net loans	(250)	(626)	340	73
Interest paid	-	-	-	-
Dividend paid & Others	-283	-283	-215	-333
Other Income	-279	-193	-260	-189
Cash from Fin Act	-2,129	-992	3	-449
Net Increase in Cash	384.6	10.7	280.7	680.7
Cash at Beginning	886	1,270	1,281	1,562
Cash at End	1,270	1,281	1,562	2,243

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Sources of Funds				
Equity Capital	332	333	333	333
Reserves and Surplus	6,504	6,897	7,655	8,649
Shareholders' Funds	6,836	7,230	7,987	8,981
Minority Interest	97	96	100	100
Total Loan Funds	1,553	928	1,268	1,341
Total Liabilities	8,486	8,253	9,355	10,422
Appl. Of Funds				
Net Fixed Assets	2,087	2,471	2,504	2,914
Investment	5,858	6,038	6,038	6,038
Inventories	18	28	90	90
Sundry Debtors	1,703	1,652	1,850	2,050
Cash and Bank Bal	1,270	1,281	1,562	2,242
Other Current Assets	2,273	1,771	1,270	1,398
Total Current Assets	5,264	4,732	4,772	5,780
Current Liabilities	4,723	4,987	3,958	4,309
Net Current Assets	541	-255	814	1,471
Total assets	8,486	8,253	9,356	10,423

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Per Share (Rs)				
EPS	2.5	3.8	5.8	8.0
Cash EPS	5.2	6.2	8.0	10.4
Book value	41.2	43.5	48.0	54.0
Margin (%)				
EBITDA	8.0	8.8	9.5	10.7
EBIT	2.6	4.1	5.3	6.8
PAT	-1.7	0.2	-0.4	1.8
Balance sheet Ratios				
Receivable (days)	73.5	70.9	76.1	75.2
Inventories (days)	0.8	1.2	3.7	3.3
Payables (days)	47.0	69.3	69.9	64.2
Debt equity ratio (x)	0.2	0.1	0.2	0.1
Return ratios (%)				
RONW	-8.7	1.6	-2.2	7.5
RoCE	0.4	7.3	7.9	12.9
Valuation (x)				
P/E	29.0	19.0	12.4	8.9
Price/Book value	1.7	1.6	1.5	1.3
EV/EBITDA	18.0	15.5	13.8	10.3
EV/Sales	1.6	1.5	1.5	1.3

Source: Company, Kotak Securities – Private Client Research

RATING SCALE

Definitions of ratings

BUY	– We expect the stock to deliver more than 12% returns over the next 12 months
ACCUMULATE	– We expect the stock to deliver 5% - 12% returns over the next 12 months
REDUCE	– We expect the stock to deliver 0% - 5% returns over the next 12 months
SELL	– We expect the stock to deliver negative returns over the next 12 months
NR	– Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
SUBSCRIBE	– We advise investor to subscribe to the IPO.
RS	– Rating Suspended. Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a Sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA	– Not Available or Not Applicable. The information is not available for display or is not applicable
NM	– Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE	– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM

Rusmik Oza Head of Research rusmik.oza@kotak.com +91 22 6218 6441	Arun Agarwal Auto & Auto Ancillary arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439	Nipun Gupta Information Tech, Midcap nipun.gupta@kotak.com +91 22 6218 6433	Deval Shah Research Associate deval.shah@kotak.com +91 22 6218 6423
Sanjeev Zarbade Cap. Goods & Cons. Durables sanjeev.zarbade@kotak.com +91 22 6218 6424	Ruchir Khare Cap. Goods & Cons. Durables ruchir.khare@kotak.com +91 22 6218 6431	Jatin Damania Metals & Mining, Midcap jatin.damania@kotak.com +91 22 6218 6440	Cyndrella Carvalho Pharmaceuticals cyndrella.carvalho@kotak.com +91 22 6218 6426	Ledo Padinjarathala, CFA Research Associate ledo.padinjarathala@kotak.com +91 22 6218 7021
Teena Virmani Construction, Cement, Buildg Mat teena.virmani@kotak.com +91 22 6218 6432	Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	Pankaj Kumar Midcap pankajr.kumar@kotak.com +91 22 6218 6434	Krishna Nain M&A, Corporate actions krishna.nain@kotak.com +91 22 6218 7907	K. Kathirvelu Support Executive k.kathirvelu@kotak.com +91 22 6218 6427

TECHNICAL RESEARCH TEAM

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350	Faisal Shaikh, CFTe Research Associate faisalf.shaikh@kotak.com +91 22 62185499	Siddhesh Jain Research Associate siddhesh.jain@kotak.com +91 22 62185498
---	---	---	--

DERIVATIVES RESEARCH TEAM

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 6607 2231	Malay Gandhi malay.gandhi@kotak.com +91 22 6218 6420	Prashanth Lal prashanth.lalu@kotak.com +91 22 6218 5497	Prasenjit Biswas, CMT, CFTe prasenjit.biswas@kotak.com +91 33 6625 9810
---	---	--	--

Disclosure/Disclaimer

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution house. Kotak Securities Limited is a corporate trading and clearing member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). We are registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise/warning/deficiency letters/ or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to clients as well as our prospects.

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions - including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group.

We and our affiliates/associates, officers, directors, and employees, Research Analysts (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Kotak Securities Limited (KSL) may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. The views provided herein are general in nature and does not consider risk appetite or investment objective of particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with KSL. Kotak Securities Limited is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation. Kotak Securities Limited does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and take professional advice before investing.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Securities' prior written consent.

Details of Associates are available on www.kotak.com

1. "Note that the research analysts contributing to the research report may not be registered/qualified as research analysts with FINRA; and
2. Such research analysts may not be associated persons of Kotak Mahindra Inc and therefore, may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account

Any U.S. recipients of the research who wish to effect transactions in any security covered by the report should do so with or through Kotak Mahindra Inc. (Member FINRA/SIPC) and (ii) any transactions in the securities covered by the research by U.S. recipients must be effected only through Kotak Mahindra Inc. (Member FINRA/SIPC) at 369 Lexington Avenue 28th Floor NY NY 10017 USA (Tel:+1 212-600-8850).

Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services. Accordingly, any brokerage and investment services including the products and services described are not available to or intended for Canadian persons or US persons."

Research Analyst has served as an officer, director or employee of subject company(ies): No

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months: No

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report. Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No.

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

By referring to any particular sector, Kotak Securities Limited does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and take professional advice before investing. Such representations are not indicative of future results.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

"A graph of daily closing prices of securities is available at <https://www.nseindia.com/ChartApp/install/charts/mainpage.jsp> and http://economictimes.indiatimes.com/markets/stocks/stock_quotes. (Choose a company from the list on the browser and select the "three years" icon in the price chart)."

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com/www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097.

Telephone No: 42856825. SEBI Registration No: INZ000200137 (Member of NSE, BSE, MSE, MCX & NCDEX), AMFI ARN 0164, PMS INP00000258 and Research Analyst INH00000586.

NSDL/CDSL: IN-DP-NSDL-23-97. Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing. Investments in securities market are subject to market risks, read all the related documents carefully before investing. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com.

In case you require any clarification or have any concern, kindly write to us at below email ids:

- **Level 1:** For Trading related queries, contact our customer service at 'service.securities@kotak.com' and for demat account related queries contact us at ks.demat@kotak.com or call us on: Toll free numbers 18002099191 / 1860 266 9191
- **Level 2:** If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on 022-42858208.
- **Level 3:** If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Mr. Manoj Agarwal) at ks.compliance@kotak.com or call on 91- (022) 4285 8484.
- **Level 4:** If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach CEO (Mr. Kamlesh Rao) at ceo.ks@kotak.com or call on 91- (022) 4285 8301.