



NIIT Learning Systems Ltd (NLSL) reported ₹4,189 Mn in Q3FY25 revenue (+5% QoQ & YoY cc growth) with resilient growth driven by new customer additions, wallet share increase in existing clients, contract renewals, and strong performance in BFSI and Life Sciences. Generative AI advancements, cost optimization trends, and a robust deal pipeline position the company for Q4 acceleration, maintaining FY25 guidance of 7% cc growth and 22-24% margins, with a medium- to long-term target of 20% growth and 20% margins.

- **INR Revenue** came in at **INR 4,189 Mn**, +5.4% QoQ / +7 YoY and 1% above our estimates.
- **CC Revenue** growth at +5% QoQ/ +5% YoY
- **EBITDA** at **INR 916 Mn**, +4.7% QoQ / +1.6% YoY and 1% below our estimates.
- **EBITDA margins** stood at **21.9%**, vs 22% / 23% in Q2FY25 / Q3FY24 59 bps below our estimates.
- **PAT** came in at **INR 617 Mn**, +8.2% QoQ / +8.8% YoY and 10% above our estimates.
- **Adj PAT** came in at **INR 649 Mn**, +9.1% QoQ / +14.4% YoY and 11% above our estimates.
- **EPS** at **INR 4.54** in Q3FY25 vs 4.20/ 4.20 in Q2FY25 / Q3FY24 respectively.
- **Adj EPS** at **INR 4.78** in Q3FY25 vs 4.38/ 4.2 in Q2FY25 / Q3FY24 respectively.
- **Revenue Visibility** during the quarter stood at **USD 391 Mn**, +6.3% QoQ / +12.4% YoY. Furthermore, this quarter the company added 2 new MTS customers, signed 3 renewals and expanded scope of 2 contract.

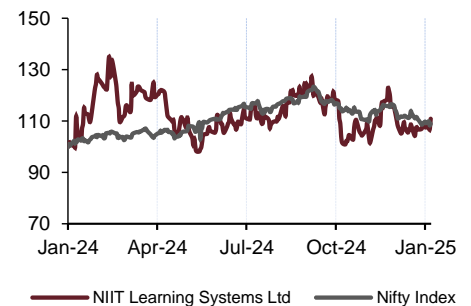
Rating	TP (Rs)	Up/Dn (%)
BUY	607	30

Market data

Current price	Rs	468
Market Cap (Rs.Bn)	(Rs Bn)	64
Market Cap (US\$ Mn)	(US\$ Mn)	735
Face Value	Rs	2
52 Weeks High/Low	Rs	576.9 / 385
Average Daily Volume	('000)	52
BSE Code		543952
Bloomberg		NIITMTS.IN

Source: Bloomberg

Performance



% Shareholding	Dec-24	Sep-24
Promoters	34.48	34.57
Public	65.52	65.43
Total	100.00	100.00

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	11,323	13,618	15,535	16,697	20,686	25,801
EBIDTA	2,916	2,920	3,622	3,809	4,773	5,919
Margins	25.8	21.4	23.3	22.8	23.1	22.9
PAT (adj)	2,021	1,922	2,132	2,388	3,318	4,120
Growth (%)	-	-4.9	10.9	12.0	38.9	24.2
EPS	3.50	15.45	16.02	18.39	24.46	30.37
P/E (x)	134	30	29	25	19	15
P/B (x)	50	8	6	5	4	4
EV/EBITDA (x)	-2	20	16	15	11	9
RoE (%)	37	27	22	21	23	23
ROCE (%)	48	29	31	29	31	31
RoIC (%)	200	67	55	56	64	70

Source: Dalal and Broacha

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Concall Highlights

Financial Performance:

- Revenue: ₹4,189 Mn (+7% YoY, +5% QoQ). Constant currency revenue growth stood at 5% YoY and QoQ.
- EBITDA: ₹946 Mn (+1% QoQ), with a margin of 22.6% (-97 bps QoQ, -129 bps YoY). Margin pressure resulted from weakness in management consulting, professional services, and a North American real estate contract.
- PAT: ₹617 Mn (+8% QoQ, +9% YoY), with EPS improving to ₹4.53 compared to ₹4.2 in Q2FY25.
- Net cash position: ₹6,999 Mn (+₹445 Mn QoQ).

Business Growth & Strategy:

- NIIT MTS posted resilient growth, driven by new customer ramp-ups and increased wallet share from existing clients.
- Added 2 new MTS customers, including a top 10 bank and a UK-based automobile client, bringing the total to 92 customers. Signed 3 contract renewals and expanded the scope of 2 contracts.
- Revenue visibility increased to \$391 Mn (+6.3% QoQ, +12.4% YoY).
- BFSI (+54.6% YoY) and Life Sciences (+36.2% YoY) were key growth drivers, while Technology & Telecom saw recovery (+7% YoY). Management consulting volumes declined (-17.7% YoY) due to cost-cutting pressures.

AI & Technology:

- AI, including Generative AI, is being increasingly leveraged to enhance project outcomes and operational efficiency in learning and development.
- The company won 39 Brandon Hall awards, with 13 focused on AI-powered innovations. Despite growing interest, enterprises remain cautious about enterprise-wide AI implementation.

Market Conditions:

- The business environment remains uncertain due to mixed economic indicators, geopolitical risks, and regional conflicts.
- Competitor restructuring presents an opportunity for NIIT MTS to gain market share. Partial recovery in customer spending is being observed, although some contracts, such as the North American retail real estate contract, face lower-than-expected volumes.

Other Highlights:

- Headcount increased by 33 QoQ to 2,356 employees.
- The company maintains a 100% contract renewal rate, with key client expansions driving growth.
- Cash and cash equivalents are at ₹7,769 Mn, with net cash at ₹6,999 Mn.
- The North American real estate training contract, which is up for renewal mid-year, will transition to a non-exclusive model, as regulators have mandated.
- This quarter's decrease in finance costs is attributed to partial debt repayment through installments and a revenue adjustment in professional services at St. Charles, which reduced acquisition-related costs. Going forward, acquisition-related costs, which were ₹43 million in previous quarters, are expected to stabilize at ₹39 million from the next quarter onwards.

Net Other Income/ (Expenses) for Q3FY25 includes:

- a. **Treasury Income:** INR 95 Mn
- b. **Acquisition-related expenses:** INR 33 Mn, which consists of:
 - i. A gain of INR 23 million due to fair value adjustment in Future Acquisition Liability for StC (previous quarter had an expense of INR 43 million)
 - ii. INR 14 million towards interest expense on loan related to the acquisition
 - iii. Exceptional expenses of INR 42 million related to inorganic growth initiatives
- c. **Scheme related Expense:** INR 5 million pertaining to ESOPs of NIIT Limited held by employees of NLSL at the time of demerger.
- d. **Other expenses** of INR 30 million, which includes:
 - i. Forex loss of INR 14 million
 - ii. Interest on Lease Liabilities INR 9 million
 - iii. Bank Charges of INR 9 million
 - iv. Misc Income of INR 2 million

Outlook

- FY25 guidance remains unchanged with 7% constant currency revenue growth and margins expected at the higher end of the 22-24% range.
- Performance is anticipated to accelerate in Q4, aligning with the medium- to long-term goal of 20% growth and 20% margins.

Valuation & Outlook

NIIT Learning Systems Ltd (NLSL) reported resilient performance in Q3FY25, getting on track with +5% CQGR with new customers ramping up and the wallet shares increasing in existing customers which was a drag in the previous quarters bodes well for future growth showing early signs of macro environment improving. Q3 being a seasonally weak quarter for profitability, the margins saw a 97 bps dip sequentially this quarter was impacted by lower volumes in management consulting and a North American real estate contract.

The company continues to demonstrate strong customer dynamics, adding two new MTS customers, including a top 10 bank and a UK-based automobile major (First ever Auto client), while renewing three contracts and expanding two. Their customer headcount has gone up to 92 customers and for the first time in last 5 quarters saw their revenue visibility growing in double digits growth in the last 5 quarters, signaling robust future growth prospects.

Sector performance was driven by BFSI (+54.6% YoY) and Life Sciences (+36.2% YoY), though management consulting volumes declined (-17.7% YoY) due to cost optimization efforts by clients. Generative AI investments have positioned NLSL as a leader in learning solutions, earning 39 Brandon Hall awards, including 13 for AI-powered innovations, while outsourcing demand continues to grow amid macroeconomic uncertainties.

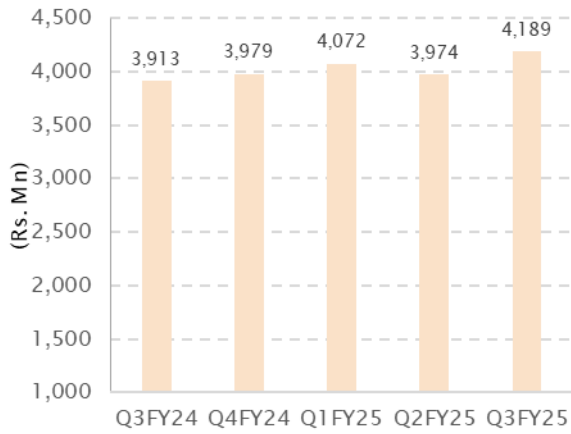
Looking ahead, management maintains its FY25 revenue growth guidance of 7% in constant currency, with margins expected at the higher end of the 22-24% range. The company remains focused on its medium- to long-term aspiration of 20% organic growth and 20% margins, with a target of \$400-500 Mn revenue by FY27. **NIIT Learning Systems is currently trading at 25.5x / 19.1x / 15.4x FY25e / FY26e / FY27e EPS respectively. Taking the above factors into consideration, we reiterate our BUY rating and our target multiple of 20x FY27e EPS to arrive at a TP of INR 607.**

Quarterly Deviation Sheet

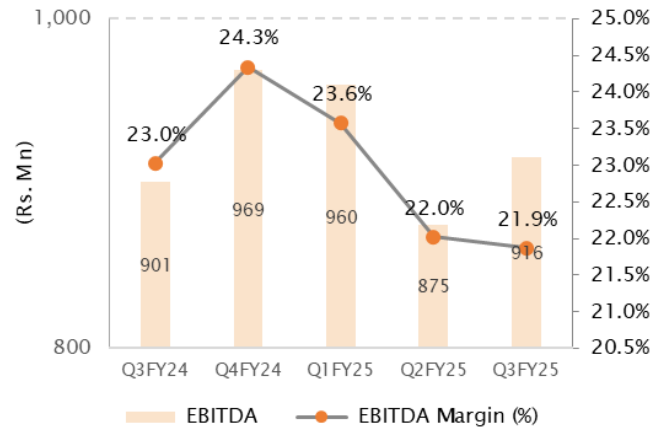
(Rs.Mn)	Q3FY25	Q2FY25	QoQ Growth (%)	Q3FY24	YoY Growth (%)	Q3FY25E	Diff
Revenue from Operations	4,189	3,974	5.4%	3,913	7.0%	4,133	1%
Other Income	103	126	-18.4%	72	42.7%	100	
Total Income	4,292	4,101	4.7%	3,985	7.7%	4,233	1%
COGS	7	0		0		0	
Employee Benefits Expense	2,017	1,978	2.0%	1,911	5.6%	2,027	0%
Professional & Technical outsourcing	811	702	15.6%	738	10.0%	785	3%
Other Expenses	437	419	4.4%	364	20.1%	393	11%
Total Expenses	3,273	3,099	5.6%	3,012	8.7%	3,205	2%
EBITDA (Excluding Other Income)	916	875	4.7%	901	1.6%	928	-1%
Depreciation and Amortisation	159	153	4.4%	143	11.8%	153	
EBIT / PBIT	860	849	1.3%	831	3.5%	876	
Finance Costs	5	71	-93.6%	55	-91.7%	71	
EBT/ PBT (Before Exceptional items)	855	778	9.9%	776	10.2%	805	6%
Exceptional Items	42	32		-		32	
Tax Expense	195	175	11.7%	208	-6.1%	212	
Net Profit after Tax	617	570	8.2%	568	8.8%	560	10%
Adj. PAT	649	595	9.1%	568	14.4%	583	11%
Earning Per Share	4.54	4.20	8.1%	4.20	8.0%	4.1	
Adj Earning Per Share	4.78	4.38	9.0%	4.20	13.6%	4.3	11%
No of Shares Diluted (mn)	136.0	135.9		135.0		135.9	
Margins Analysis (%)			bps		bps		
Gross Margins	32.3%	32.6%	-26	32.3%	-2	32.0%	34
EBITDA Margins (Excl Other Income)	21.9%	22.0%	-15	23.0%	-116	22.5%	-59
PAT Margins	14.7%	14.4%	39	14.5%	23	13.5%	119
Effective Tax Rate %	24.1%	23.5%	56	26.8%	-278	27.5%	-345
Cost Analysis (%)			bps		bps		
COGS as a % to sales	0.2%	0.0%	16	0.0%	17	0.0%	17
EE Cost as a % to sales	48.2%	49.8%	-162	48.8%	-67	49.0%	-87
Outsourcing Expenses as a % to sales	19.4%	17.7%	171	18.8%	52	19.0%	36
Other exps as a % to sales	10.4%	10.5%	-10	9.3%	114	9.5%	93

Source: Dalal & Broacha Research, Company

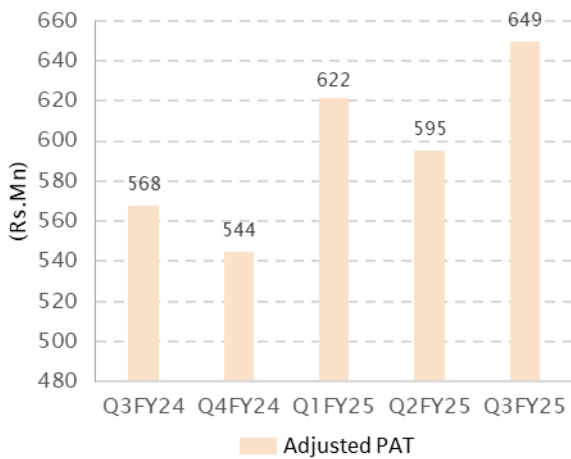
Net Sales Trajectory



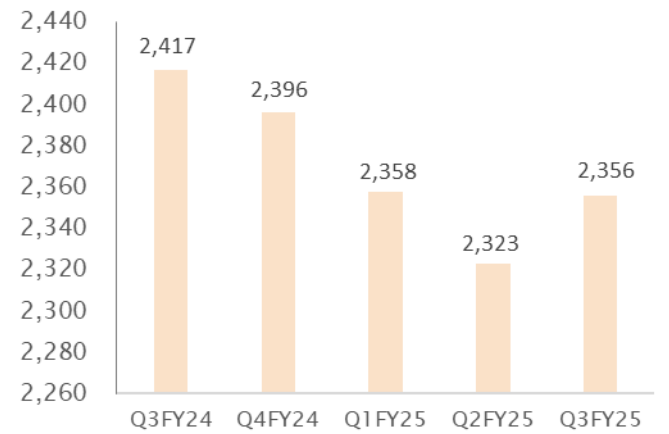
EBITDA Trajectory



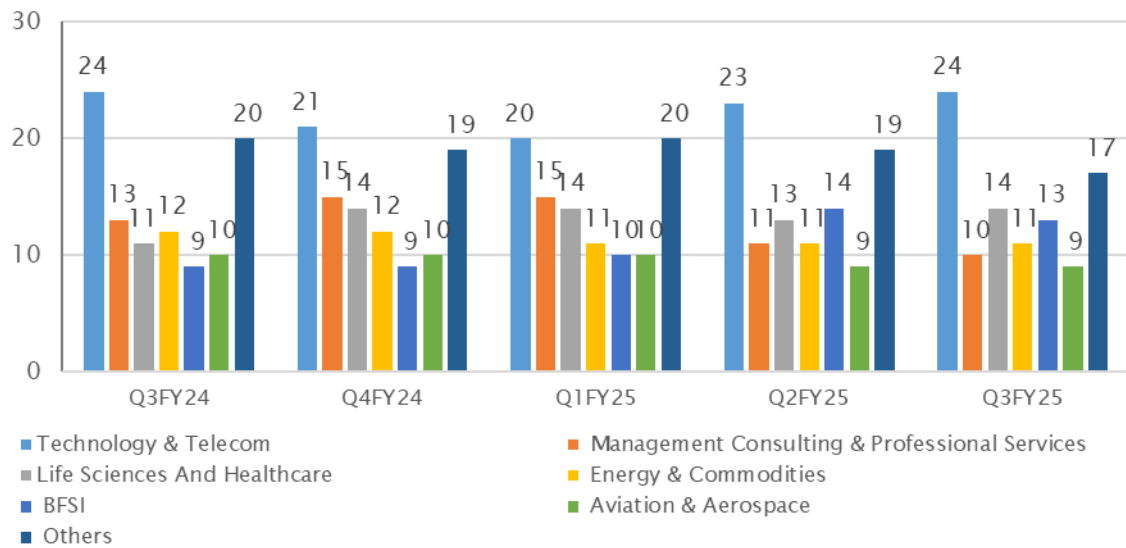
PAT Trajectory



Headcount Trajectory



Revenue Mix by Sector



Source: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	11,323	13,618	15,535	16,697	20,686	25,801
Operating Expenses	-7,489	-9,418	-10,464	-11,175	-13,869	-17,468
Other Expenses	-918	-1,280	-1,449	-1,713	-2,044	-2,413
Operating Profit	2,916	2,920	3,622	3,809	4,773	5,919
Depreciation	-423	-471	-592	-573	-574	-631
PBIT	2,493	2,449	3,030	3,236	4,199	5,288
Other income	139	151	319	426	495	495
Interest	-10	-129	-327	-222	-148	-138
PBT	2,622	2,471	3,023	3,440	4,546	5,644
Profit before tax (post exceptional)	2,622	2,285	2,971	3,294	4,546	5,644
Provision for tax	-601	-363	-839	-906	-1,227	-1,524
Reported PAT	2,021	1,922	2,132	2,388	3,318	4,120
Owners PAT	2,021	1,922	2,132	2,388	3,318	4,120
Adjusted Profit (excl Exceptionals)	2,021	2,079	2,170	2,494	3,318	4,120

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	1,156	269	271	271	271	271
Reserves	4,296	7,434	9,504	11,534	14,354	17,857
Net worth	5,452	7,703	9,774	11,805	14,626	18,128
Non Current Liabilites	23	3,068	2,568	2,349	2,279	2,301
Current Liabilites	4,008	6,298	7,989	8,192	8,629	9,207
TOTAL LIABILITIES	9,483	17,069	20,331	22,345	25,533	29,635
Non Current Assets	1,468	6,445	7,108	7,360	7,602	7,869
Fixed Assets	834	1,630	1,602	1,807	2,031	2,278
Goodwill	344	4,342	4,408	4,408	4,408	4,408
Right of Use Assets	37	120	386	386	386	386
Financial Assets	25	27	332	364	365	367
Deferred Tax Asset	160	192	148	153	157	162
Other Non Current Assets	68	134	231	243	255	268
Current Assets	8,015	10,624	13,224	14,986	17,931	21,767
Current investments	994	2,826	3,474	3,821	4,203	4,624
Inventories	5	1	1	1	1	1
Trade Receivables	1,394	2,155	2,250	2,419	2,997	3,738
Cash and Bank Balances	3,526	2,786	2,844	3,873	5,628	8,063
Other Financial Assets	1,942	2,653	4,356	4,574	4,803	5,043
Other Current Assets	153	202	298	298	298	298
TOTAL ASSETS	9,483	17,069	20,331	22,345	25,533	29,635

Cashflow (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	2,622	2,285	2,971	3,294	4,546	5,644
Depreciation	423	471	592	573	574	631
Net Chg in WC	-517	-1,150	-1,346	-107	-345	-430
Taxes	-466	-625	-729	-906	-1,227	-1,524
Others	704	635	1,299	233	160	150
CFO	2,766	1,617	2,787	3,088	3,707	4,472
Capex	-190	-407	-473	-467	-487	-510
Net Investments made	-557	-471	-389	-30	-	-
Others	82	-1,776	-957	-	-	-
CFI	-665	-2,654	-1,819	-497	-487	-510
Change in Debts	-129	1,090	-249	-320	-120	22
Div. & Div Tax	-744	-	-711	-358	-498	-618
Others	-17	-24	276	-884	-846	-932
CFF	-890	1,066	-683	-1,562	-1,464	-1,528
Total Cash Generated	1,211	29	284	1,028	1,756	2,434
Cash Opening Balance	1,320	2,531	2,560	2,844	3,873	5,628
Cash Closing Balance	2,531	2,560	2,844	3,873	5,628	8,063

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	25.8	21.4	23.3	22.8	23.1	22.9
NPM	17.6	15.1	13.7	14.6	15.7	15.7
Tax rate	-22.9	-15.9	-28.2	-27.5	-27.0	-27.0
Growth Ratios (%)						
Net Sales	-	20.3	14.1	7.5	23.9	24.7
Operating Profit	-	0.1	24.0	5.2	25.3	24.0
PBIT	-	-1.8	23.7	6.8	29.8	25.9
PAT	-	-4.9	10.9	12.0	38.9	24.2
Per Share (Rs.)						
Net Earnings (EPS)	3.50	15.45	16.02	18.39	24.46	30.37
Cash Earnings (CPS)	4.23	17.79	20.12	21.83	28.69	35.03
Dividend	-	-	5.25	2.65	3.68	4.57
Book Value	9.44	57.24	72.19	87.02	107.81	133.63
Free Cash Flow	2.83	7.24	6.91	17.29	20.69	26.19
Valuation Ratios						
P/E(x)	134	30	29.2	25.5	19.1	15.4
P/B(x)	50	8	6	5	4	4
EV/EBIDTA(x)	-2	20	16	15	11	9
Div. Yield(%)	-	-	1.12	0.57	0.79	0.98
FCF Yield(%)	0.61	1.55	1.48	3.69	4.42	5.60
Return Ratios (%)						
ROE	37%	27%	22%	21%	23%	23%
ROCE	48%	29%	31%	29%	31%	31%
RoIC	200%	67%	55%	56%	64%	70%

Source: Dalal & Broacha Research, Company

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