NIIT Learning Systems Ltd (NIITMTS)

QFY26 Result Update | Managed Training Services

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

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Growth prospects improving, although macro uncertainty persists.

NIIT Learning completed the acquisition of Germany-based MST on July 9, marking its entry into the DACH region — Europe's fastest-growing L&D market. Despite macro headwinds, the company remains confident of delivering over 10% organic revenue growth in constant currency and sustaining a ~13% YoY CC growth run rate, supported by the MST acquisition.

NIIT MTS is witnessing a gradual recovery in demand, led by growth in the Tech & Telecom and Healthcare segments, along with contributions from the newly added Industrials vertical through MST. The company expects L&D spending to rise amid macro uncertainty as enterprises increasingly outsource to optimize costs—evident in the sustained growth of the Learning Delivery vertical.

AI-enabled revenue accounted for 10% this quarter, with adoption broad-based across services. While AI currently enhances delivery efficiency without immediate margin gains, management expects it to play a key role in aiding learning effectiveness and strengthening the relevance of its service offerings going forward.

Management maintains guidance of over 10% organic growth, with an additional 2–3% contribution expected from the MST acquisition. Margins are projected at 21–22% for the year, with pressure expected to ease in H2 as acquisition-related costs taper off.

Financial Summary

Y/E March	FY22	FY23	FY24	FY25	FY26e	FY27e
Sales	**11,323**	**13,618**	**15,535**	**16,533**	**19,259**	**22,013**
EBITDA	2,916	2,935	3,622	3,555	3,852	4,843
Margins	**26%**	**22%**	**23%**	**22%**	**20%**	**22%**
PAT	2,021	1,922	2,132	2,277	2,155	3,177
Growth	**N.A**	**-5%**	**11%**	**7%**	**-5%**	**47%**
EPS (Rs.)	**17.5**	**14.3**	**15.8**	**16.7**	**15.7**	**23.1**
P/E (x)	18.3	22.4	20.3	19.1	20.3	13.9
RoCE (%)	**48%**	**30%**	**31%**	**26%**	**23%**	**25%**
RoCE (%)	37%	25%	22%	19%	15%	19%
RoIC (%)	**88%**	**41%**	**43%**	**36%**	**29%**	**32%**

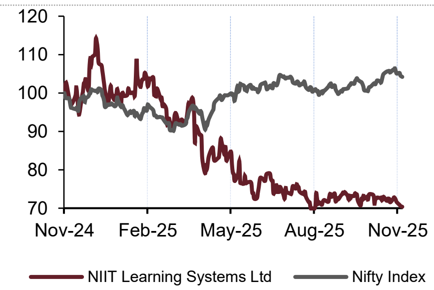
Source: Dalal & Broacha Research, Company

Rating	TP (Rs)	Up/Dn (%)
BUY	**416**	**30**

Market data		
Current price	**Rs**	**319**
Market Cap (Rs.Bn)	(Rs Bn)	44
Market Cap (US$ Mn)	(US$ Mn)	494
Face Value	Rs	2
52 Weeks High/Low	Rs	520 / 300.05
Average Daily Volume	('000)	189
BSE Code		543952
Bloomberg		NIITMTS

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	**Sep-25**	**Jun-25**
Promoters	34.21	34.21
Public	65.79	65.79
Total	**100.00**	**100.00**

Source: Bloomberg

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Concall Highlights:

MST Acquisition:

NIIT has acquired Germany-based MST Group for €22.7 mn through its subsidiary, marking its entry into the fast-growing DACH L&D market. The acquisition adds seven customers in the Industrials segment, spanning automotive and energy. Growth momentum is expected to pick up from Q3, as the European market remains seasonally soft in Q2. MST is expected to contribute an incremental 2–3% to topline growth, with margins comparable to NIIT MTS.

Growth Prospects:

The company continues to face macro headwinds due to elongated decision-making cycles. Despite this, growth remains steady, supported by new client additions, cross-selling, and contract expansions. MST is driving inorganic growth, while the Learning Delivery segment has gained traction.

A CAPEX of ₹100 Mn is being undertaken to enhance capabilities. AI-enabled revenue contributed 10% of total revenue this quarter, reflecting the company's readiness to adapt to evolving customer needs. Management expects AI to support margin improvement and drive growth in the practice segment over the medium term.

Growth momentum is expected to continue in the Telecom & Technology and Healthcare verticals, while the Professional Services segment faces a seasonal slowdown, with demand likely to pick up later in the fiscal year.

Operational Highlights:

During the first half the company recorded a OCF of 1,086.

CAPEX for H1 in line with guidance of Rs.100Mn for each quarter.

Debt has been added onto the books due to the acquisition causing slight uptick in finance cost which will persist for FY26.

Professional and technical outsourcing expenses rose to 26% of sales as the company remains cautious on adding fixed employees. This, along with a change in revenue mix, is expected to persist until greater business visibility returns.

Tax rate for H1 came in at ~33% which was due to the acquisition. Tax should normalize to ~29% for the whole year.

Valuation & Outlook

NIITMTS is back on its growth path and vision of 20-20 Revenue growth and EBITDA margins. While the company remains cautious deal execution and new client additions are helping with organic growth along with the acquisition helping achieve mid-teens CC growth. We see this growth run rate to continue for the next coming few quarters.

The management has guided for >10% organic growth with remaining 2-3% coming from MST with margin in the range of 20-21% with acquisition related costs out of the way. The tech and telecom vertical is showing strong growth with AI enabled revenue continuing to show sign of growth helping provide services more effectively.

We revise our rating on the stock to 'BUY', as improving demand trends, supportive management guidance, and contributions from newly acquired verticals indicate a recovery and strong growth outlook ahead. We assign a 18x P/E multiple to FY27e EPS reaching a target price of Rs.416 having an upside potential of 31% from current CMP.

Quarterly Result Analysis

Rs.Mn

Particular	2QFY26	1QFY26	QoQ Growth (%)	2QFY25	YoY Growth (%)
Revenue	4,757	4,514	5%	3,974	20%
Revenue ($Mn)	**54**	**53**	**3%**	**48**	**15%**
Other Income	83	131	-36%	126	-34%
Total Income	**4,840**	**4,644**	**4%**	**4,101**	**18%**
Employee Cost	2,088	2,009	4%	1,978	6%
Outsourcing Expenses	1,253	1,150	9%	702	79%
Other Expenses	468	436	7%	419	12%
Total Opex	**3,830**	**3,609**	**6%**	**2,397**	**60%**
EBITDA (ex of Other Income)	**927**	**904**	**3%**	**875**	**6%**
Depreciation	184	181	2%	153	20%
EBIT	**826**	**854**	**-3%**	**849**	**-3%**
Finance Cost	73	61	**20%**	71	**3%**
PBT (After Exceptional Item)	**693**	**730**	**-5%**	**745**	**-7%**
Tax Expenses	223	237	-6%	175	28%
Reported PAT	**470**	**493**	**-5%**	**570**	**-18%**
Reported EPS	**3.4**	**3.6**	**-5%**	**4.2**	**-18%**
Adjusted PAT	511	535	-5%	595	-14%
Adjusted EPS	3.7	3.9	**-5%**	4.4	**-15%**
Margins (%)					**Changes in BPS**
EBITDA (ex of Other Income)	**19.5%**	**20.0%**	**-54**	**22.0%**	**-253**
PAT Margins	9.9%	10.9%	**-105**	14.4%	**-448**
Tax Rate	32.2%	32.5%	**-25**	23.5%	**875**
Other Operational Matrix					**Changes in BPS**
Employee Cost as a % of sales	44%	45%	**-63**	50%	**-589**
Outsourcing as a % of sales	26%	25%	**85**	18%	**868**
Other Expense as a % of sales	10%	10%	**19**	11%	**-70**

Source: Dalal & Broacha Research, Com pany

Financials

Profit & Loss

Particular	FY22	FY23	FY24	FY25	FY26e	FY27e
Revenue	**11,323**	**13,618**	**15,535**	**16,533**	**19,259**	**22,013**
Cost	8,407	10,683	11,913	12,978	15,407	17,170
EBITDA	**2,916**	**2,935**	**3,622**	**3,555**	**3,852**	**4,843**
Depreciation & Amort	423	471	592	619	761	834
EBIT	**2,633**	**2,614**	**3,350**	**3,385**	**3,514**	**4,475**
Interest Cost	10	144	327	208	319	244
PBT (After Exeptional I	2,622	2,285	2,971	3,066	3,032	4,301
Tax Rate	22.9%	15.9%	28.2%	25.7%	28.9%	0
PAT	**2,021**	**1,922**	**2,132**	**2,277**	**2,155**	**3,177**
Adjuestd PAT	2,021	2,079	2,170	2,360	2,271	3,125
EPS (Rs.)	**17.5**	**14.3**	**15.8**	**16.7**	**15.7**	**23**
Adjuestd EPS	17.5	15.4	16.0	17.3	16.6	23

Balance Sheet

Particular	FY22	FY23	FY24	FY25	FY26e	FY27e
Non Current Assets						
Fixed Assets	160	470	727	600	544	468
Intangible Assets	712	1,280	1,262	1,266	1,617	1,434
Goodwill	344	4,342	4,408	4,519	6,129	6,179
Other Non current Ass	253	353	712	699	736	976
Total Non current Assets	**1,468**	**6,445**	**7,108**	**7,085**	**9,027**	**9,056**
Current Assets						
Receivables	1,394	2,155	2,250	2,515	2,889	3,302
Cash and Cash Equiva	3,526	2,785	2,844	3,424	3,440	4,132
Investments	994	2,826	3,474	3,843	4,228	5,073
Other Current Assets	2,100	2,858	4,655	5,013	5,950	6,455
Total Current Assets	8,015	10,624	13,223	14,796	16,507	18,962
Total Assets	**9,483**	**17,069**	**20,331**	**21,880**	**25,534**	**28,018**
Equity						
Share Capital	1,156	269	271	272	274	275
Reserves	4,296	7,434	9,504	11,827	13,782	16,629
Total Equity and Reserv	**5,452**	**7,703**	**9,774**	**12,099**	**14,055**	**16,905**
Non Current Liabilities						
Borrowings	-	916	683	450	1,100	780
Other Non Current Lia	23	2,155	1,885	1,452	1,412	1,032
Total	**23**	**3,071**	**2,568**	**1,902**	**2,512**	**1,812**
Current Liabilities						
Payables	882	1,006	906	990	1,249	1,499
Borrowings	80	242	247	257	457	257
Other Current Liabiliti	3,045	5,047	6,836	6,632	7,261	7,546
Total Current Liabilities	**4,008**	**6,296**	**7,989**	**7,879**	**8,966**	**9,302**
Total Equity and Liability	**9,483**	**17,070**	**20,331**	**21,880**	**25,534**	**28,018**

Source: Dalal & Broacha Research, Company

Cash Flow

Particular	FY23	FY24	FY25	FY26e	FY27e
Cash Flow From Operations					
PBT	2,471	3,023	3,177	3,195	4,231
Non Operating Items					
Depreciation	471	592	619	761	834
Interest Income	151	319	449	423	465
Others	398	501	500	622	596
CFO Before WC Changes	**3,189**	**3,868**	**3,877**	**4,155**	**5,195**
WC Changes	-1,015	-52	-484	-442	-364
CFO After WC Changes	**2,174**	**3,816**	**3,393**	**3,714**	**4,831**
Tax	625	729	805	876	1,123
CFO	**1,617**	**2,786**	**2,471**	**2,637**	**3,669**
Cash Flow From Investing					
CAPEX	**1,350**	**-485**	**-495**	**-296**	**261**
Investments	**-5,291**	**-1,196**	**-767**	**-479**	**-1,410**
Others	2,358	-298	132	-527	-309
CFI	**-2,654**	**-1,819**	**-1,292**	**-2,911**	**-1,508**
Cash Flow from Financing					
Repayment/Proceeds of loans	**1,159**	**-229**	**-224**	**850**	**-520**
Proceeds from shares	-	74	74	-	-
Interest Paid	-47	-97	-80	-186	-129
Payment of Lease Liability	-39	-93	-102	52	-77
Others	-53	-36	-11	-77	-253
CFF	**1,020**	**-693**	**-726**	**316**	**-1,455**

Key Ratios

Particular	FY23	FY24	FY25	FY26e	FY27e
Profitability					
EBITDA Margins	**22%**	**23%**	**22%**	**20%**	**22%**
EBIT Margins	19%	22%	20%	18%	20%
PAT Margins	**14%**	**14%**	**14%**	**11%**	**14%**
Growth					
Sales Growth	20%	14%	6%	16%	14%
EBITDA Growth	1%	23%	-2%	8%	26%
PAT Growth	-5%	11%	7%	-5%	47%
EPS Growth	-18%	10%	6%	-6%	47%
Per Share (Rs.)					
EPS	14.3	15.8	16.7	15.7	23.1
Dividend	-	2.3	2.8	2.4	3.5
Free Cash Flow	2,966	2,301	1,976	2,341	3,930
Valuation					
P/E (x)	22.2	20.1	18.9	20.1	13.7
Div Yield	0%	1%	1%	1%	1%
Return					
RoE	25%	22%	19%	15%	19%
RoCE	30%	31%	26%	23%	25%
RoIC	41%	43%	36%	29%	32%

Source: Dalal & Broacha Research, Company

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