

May,2010

## Zylog Systems Ltd.

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**BUY @ CMP Rs 455**

**BSE CODE 532883**

Zylog is an ISO 9001 certified provider of Onshore, Offshore & Near shore technology services. The company offers IT outsourcing services, including offshore development and information technology outsourcing; application services consisting of application development, maintenance, and integration services; business intelligence and data warehousing services comprising consulting, reporting and analysis, and application management services; mobile computing services; replacement technology services; managed services in the areas of desktop management, security management, server and database management, and network monitoring; IT virtualization services; and quality assurance and testing services, including performance testing, functionality testing, white-box testing, security testing, product testing, and user acceptance testing.

### AREAS OF SERVICE

Company has strong presence and catering to clients in **Banking and Finance, Pharmaceutical, Healthcare & Life Sciences, Telecom, Retail, Utilities and Transportation, Consumer Electronics, Recycling, High-Tech and Computer Software industries.**

Its Product range consists of RTGS PayManager, a liquidity management product; AMLDetector, an anti money laundering solution, Cheque Truncation System consists of a data and image-capturing application, claims management system developed primarily for the insurance claim agents/brokers; iPage - forms processing, which provides image-based forms processing solution; and DPOnline system, a depository operation cum financial accounting system. The company also offers mobile solutions for Mobile Banking Solutions; supply chain management; insured Vehicle Accident Recovery System (iVARS), BPO services, e-Governance Solutions,

**CLIENTS:** Include reputed corporate names like Metlife, HSBC, JP Morgan Chase, GE, Barclays, IOB, SBI, Verizon, Pfizer, Daiichi Sankyo etc to name a few

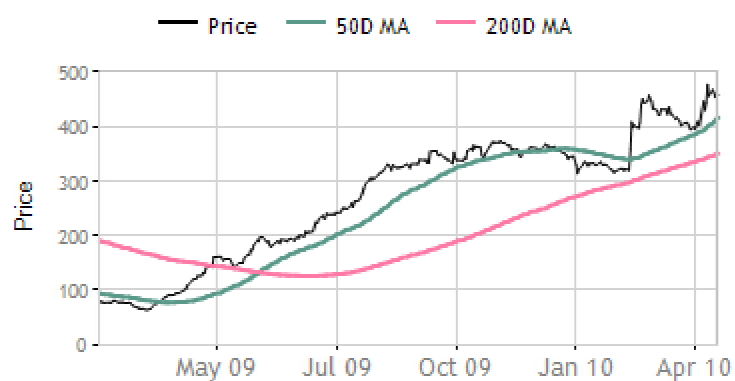
## SHAREHOLDING PATTERN

<b>Promoter</b>	<b>36.02%</b>
<b>FII</b>	<b>5.96%</b>
<b>DII</b>	<b>6.77%</b>
<b>Others</b>	<b>51.25%</b>
<b>Total</b>	<b>100.00%</b>

## LIST OF SHAREHOLDERS AS OF MARCH 2010

<b>UNIT Trust of India Investment Advisory Sevices Ltd A/c Ascent India Fund</b>	<b>6.99</b>
<b>BNP Paribas Arbitrage</b>	<b>1.82</b>
<b>Argonaut Ventures</b>	<b>3.37</b>
<b>Sivakumar K</b>	<b>1.26</b>
<b>Paulraj R</b>	<b>1.26</b>
<b>General Insurance Corporation Of India</b>	<b>2.81</b>
<b>S Sripriya</b>	<b>3.19</b>
<b>Sirish Kumar Rastogi</b>	<b>1.26</b>
<b>Sripriya S</b>	<b>1.67</b>
<b>Emprees Associagtes Pvt Ltd</b>	<b>1.50</b>
<b>EIF Coinvest V</b>	<b>3.95</b>
<b>United India Insurance Company Ltd</b>	<b>3.62</b>
<b>Srikanth Sripriya</b>	<b>1.22</b>
<b>Total</b>	<b>33.95</b>

## BSE SHARE CHART



## SUBSIDIARIES

Vishwa Vikas Services Ltd  
Zylog Systems India Ltd  
Zylog Systems Asia Pacific Pte Ltd  
Zylog Europe Ltd  
Zylog BV Ltd

## FINANCIALS

(in Cr.)	9-Dec	9-Sep	9-Jun	Mar-09 (Annual)
<b>Income Statement</b>				
Revenue	201.65	190.96	179.08	734.94
Other Income	2.6	-0.14	0.67	48.95
Total Income	204.25	190.82	179.75	783.88
Expenditure	-157.95	156.01	-146.36	-662.33
Interest	-3.64	-2.2	-2.14	-5.58
PBDT	42.66	32.61	31.25	115.98
Depreciation	-7.67	-6.71	-5.8	-19.37
PBT	34.99	25.9	25.45	96.61
Tax	-10.2	-4.99	-5.57	-11.44
Net Profit	24.76	20.92	19.88	85.17
<b>Equity</b>	<b>16.45</b>	<b>16.45</b>	<b>16.45</b>	<b>16.45</b>
<b>EPS</b>	<b>15.06</b>	<b>24.8</b>	<b>12.09</b>	<b>51.79</b>
CEPS	19.71	16.8	15.61	63.57

## EXPANSION & DIVERSIFICATION

Company is planning to invest around 400 to 450 cr for creating infrastructure which will help co to bag government products besides some overseas acquisitions. Also company is launching pilot project to give internet thru towers.

Apart from above co has bagged orders from Karnataka & Gujrat Transport to issue smart cards for the drivers it includes license and RC book which will contribute of revenue of Rs 200 crore.

Company is eyeing total revenue to tune of Rs 1000 crore for the current year from various segments.

## OUTLOOK

- 1) Company has robust growth history since past five years with sales CAGR of 51% and Profit CAGR of around 54% & operating profit in range of 16 to 18%
- 2) Well Qualified & Experienced management.
- 3) Derisked sales model

Looking at the opportunities that Zylog has & Global business model adapted by the company the prospective of the company is very lucrative. Company has attractive valuations with EPS of around Rs 51, PE of Rs 9. We recommend a **BUY** with a target of **Rs 540 with medium term view**.

**Target Price Rs 540**

### Disclaimer

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**We are not responsible for any losses that may occur due to change in company fundamentals, Markets etc.**