

Stock statistics 09 January 2008

Market Cap (Rs Mn)	: 3,433.50
52-Week high/low (Rs)	: 385/175
Face value	: 10
BSE Code	: 532494
NSE Code	: MICROTECH
Industry	: Software
Shares outstanding	: 1,05,00,000

Micro Technologies specialize in creating custom – tailored solutions for its clients. In delivering cutting – edge solutions, the company evolves and adapt to the latest technologies. It is basically a software company into security products, which includes vehicles security, mobile phones security and credit card security. Some of its clients includes Airtel, Idea, Mahindra & Mahindra, MTNL etc. The company focuses on clients objectives & provides customer satisfaction and provide quality driven, innovation fueled software solutions. The company is emerging as a leading solutions company.

The company is a global provider of security, safety and life-support solutions. Micro Technologies systems combine state-of-the-art technologies such as GPS, wireless communications, and business intelligence with a full array of sensors to ensure integrity, security and efficiency.

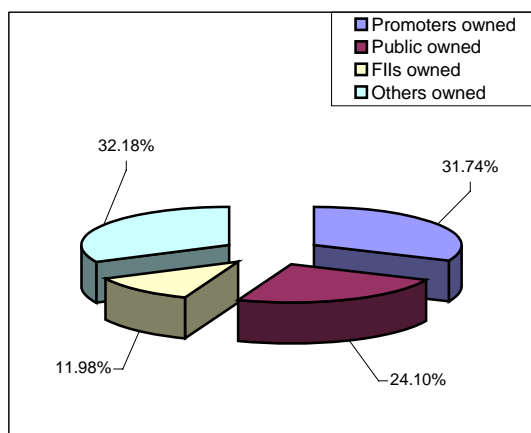
INDUSTRY OUTLOOK

The electronic security products industry is at a nascent stage in India. Consequently, the IT based security industry has few players. The Indian security market is changing due to the realization by companies and individuals that security pays in terms of reducing losses caused by theft, espionage, vandalism and terrorism. Individual security is also becoming a major concern in India, which is driving the development of a major market for individual sophisticated security based electronic products. The market currently offers a variety of security equipment ranging from traditional physical equipment to state-of-the-art electronic equipment

Therefore, the companies in the industry have got ample scope for expanding their operations and thereby enlarging their base both domestically as well internationally.

INVESTMENT RATIONALE

- The company is planning to expand rigorously by setting up more retail outlets for its security products with concentration on developing sophisticated and high end security and monitoring products for larger corporations. Micro Products are now accepted globally and now even larger corporations both Indian and International are interested in joining hands with Micro Technologies. The company is also setting up its base in countries like Middle East, US, UK, South Africa etc and is also consolidating in the field of innovative security solutions across the world. This expansion mode of the company is expected to generate huge volumes and would upgrade its growth path.
- The company is having strong clientele which includes Airtel, Idea, Mahindra & Mahindra, HPCL, MTNL etc from whom it gets large orders. The company caters to both corporate and individual clients. The strong distribution and franchise network enables the company to have single – point interface for addressing the customer requirements for that geographic area which helps company in building healthy client relations through which it drives its growth.

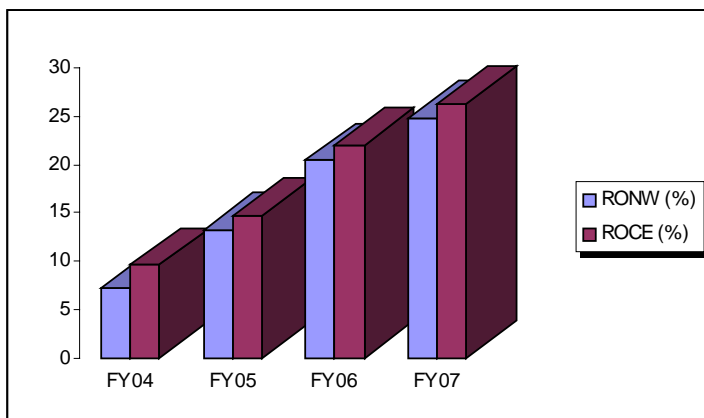
Shareholding Pattern (as on 30 Sep'07)

Key Statistics (as on 09 January 2008)

CMP	: 327
BV (FY'07)	: 158.72
PE	: 8.45
PB	: 2.06
Beta	: 1.51
Turnover (Rs Mn)	: 58.80
Net worth (Rs Mn)	: 1,442.70

FINANCIAL STATEMENT ANALYSIS

Particulars	Rs. mn				
	Q2FY07	Q3FY07	Q4FY07	Q1FY08	Q2FY08
Revenues	257.21	282.45	302.35	345.10	386.07
Growth (%)	-	9.81	7.05	14.14	11.87
Total Expenditure	151.43	162.25	181.15	199.72	219.64
Operating Profit	105.78	120.20	121.20	145.38	166.43
Growth (%)	-	13.63	0.83	19.95	14.48
OPM	41.13	42.56	40.09	42.13	43.11
Other Income	0.37	0.24	0.81	0.84	0.12
EBIDT	106.15	120.44	122.01	146.22	166.55
Interest	2.16	1.50	2.04	2.75	2.00
Depreciation	22.67	23.22	22.16	24.59	30.40
PBT	81.32	95.72	97.81	118.88	134.15
Tax	7.50	8.00	3.50	13.50	15.50
Adjusted PAT	73.82	87.72	94.31	105.38	118.65
Growth (%)	-	18.83	7.51	11.74	12.59
Adjusted NPM	28.70	31.06	31.19	30.54	30.73
Reported PAT	73.82	87.72	94.31	105.38	118.65
EPS	7.00	8.40	9.00	10.00	11.00
Equity Capital	105.00	105.00	105.00	105.00	107.50

The company has posted excellent results for the quarter ended Q2FY08. The net sales for the company surged to Rs 386 million for the Q2FY08 as against the net sales of Rs 257 million for the Q2FY07 with the growth rate of 50%. The operating profit grew up by 57% to Rs 166 million for the Q2FY08 versus the operating profit of Rs 106 million for the Q2FY07. The operating profit margin for the company stood at 43.11% for the Q2FY08 versus the operating profit margin of 41.13% for the Q2FY07. The EBITDA for the company rose to Rs 167 million for the Q2FY08 versus the EBITDA of Rs 106 million for the Q2FY07 with the growth rate of 57%. The EBITDA margin for the company stood at 43.14% for the Q2FY08 versus the EBITDA margin of 41.27% for the Q2FY07. The net profit for the company rose to Rs 119 million for the Q2FY08 as against the net profit of Rs 74 million for the Q2FY07 posting the growth rate of 61%. The company posted the net profit margin of 30.73% for the Q2FY08 versus the net profit margin of 28.70% for the Q2FY07.



The company has consistently generated wealth for its shareholders year over year. The risk – return trade - off for the company is very well managed and is within the reach of investors. The Return on Net Worth for the company stood at 7.20%, 13.20%, 20.40% and 24.80% for the financial year ended FY04, FY05, FY06 and FY07 respectively whereas Return on Capital Employed stood at 9.60%, 14.70%, 21.90% and 26.30% for the above financial year ended respectively. The company with its unique business model and resource management is expected to generate returns year over year for its investors and thereby driving the growth vehicle.

VALUATION

The company is pioneer and leader in the industry offering comprehensive range of services with the track record of executing large end to end mission critical projects. The company with unique business model and growth is expected to generate huge returns in the short – term to medium – term.

The stock at the current market price of Rs 327 is trading 8.45 times to its earnings and 2.06 times to its book value and is substantially under valued for investment.

Therefore, we are initiating 'BUY' signal on the stock with the target price of Rs 442 which is approximately 35% up from the current market price of Rs 327.

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