

January 8, 2010

## Rating matrix

Rating : **SUBSCRIBE**

## Issue Details

Issue opens	11-Jan-10
Issue closes	13-Jan-10
Issue size (Rs crore)	Rs155 - Rs165
No of shares on offer	1.15 crore
- Fresh Issue to the public	0.57 crore
- Offer for sale	0.57 crore
QIB ( 50% )	0.57 crore
Non Institutional ( 15% )	0.17 crore
Retail ( 35% )	0.40 crore
Minimum lot size	30 shares
Market cap (Post issue) (Rs. Crore)	Rs.682 – Rs.726

## Objects of the Issue

Particulars	Amount (Rs. Crore)
Capital Expenditure	Rs 25.7 crore
Acquisitions	Rs 38 crore
Repayment of Debt	Rs 8.5 crore
General Corporate pupose	Rs 16.7-22.4 crore

## Fact Sheet

	Pre-Issue	Post-Issue
No of shares (In crore)	3.8	4.4
Promoters (%)	78.0	63.8
Others (%)	22.0	10.0
Public (%)	-	26.2

## Financial Summary

Rs. Crore	FY07	FY08	FY09
Sales	347.7	340.2	489.5
EBITDA	15.1	25.0	58.1
PAT	10.1	17.5	45.1
EPS (Rs per share)	2.7	4.6	11.8
EBITDA margin (%)	4.3	7.3	11.9
PAT margin (%)	2.9	5.1	9.2

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## Infinite Computer Solutions Ltd

Price band Rs 155 - 165

## Large clients aiding growth...

Infinite Computer Solutions Ltd (Infinite) is a provider of infrastructure management, intellectual property (IP) leveraged solutions and IT services focused on the telecom, media, technology, manufacturing and healthcare industries. The services offered span from application management, packaged application, independent validation and verification, managed platform & product engineering services.

#### ■ Marquee client base

Since inception, the company has maintained its policy of working with global companies. Its performance over the years has been a direct result of growth of its top clients. The company counts Verizon, IBM, ACS, AOL and Fujitsu among its marquee clients. The consistency of its performance is evidenced from the fact that over the past years its top clients have remained the same, even during times of vendor consolidation.

#### ■ Performance delivery during challenging times

The company has seen its revenues grow 44% in FY09 even on the back of the global slowdown, which resulted in the muted performance of the Indian IT industry. Larger peers like Infosys and TCS grew by 30% and 22%, respectively.

#### ■ Domain knowledge

The company has developed domain expertise in the telecom industry. Infiniti has had long-term relations with Verizon. AOL has helped it move from conventional services to higher value-added services like IMS, IP leveraged solutions and convergence among others.

## Concerns

- The company derives a high percentage of its revenues (92% in H1FY10) from its top 10 clients and 89% of its revenues from the US geography. Any reduction in spend from top clients could have a material impact on the performance of the company
- CARE has assigned an IPO grade of 2/5, which reflects below average fundamentals compared to listed firms

## Valuations

The half yearly annualised EPS for FY10E on post-IPO fully diluted equity works out to Rs 16.8. At the offer price band of Rs 155-165, the IPO is available at 9.2x the lower price band and 9.8x the upper price band of its FY10E annualised post-issue EPS. The stock is reasonably priced from a valuation perspective. We advise our clients to **SUBSCRIBE** for listing gains.

## Exhibit 1: Valuation Metrics

(Rs Crore)	FY07	FY08	FY09	H1FY10
Net Sales	347.7	340.1	489.5	317.4
EBITDA Margin (%)	4.3	7.4	11.9	18.0
Depreciation	3.2	3.5	5.0	2.9
Interest	0.5	1.8	1.9	1.6
Reported PAT	10.0	18.0	45.0	37.1
EPS (Rs)	2.6	4.7	11.8	9.7
Post Issue Diluted EPS (Rs)	2.3	4.1	10.2	8.4

Source: Company, ICICIdirect.com Research

## Company Background

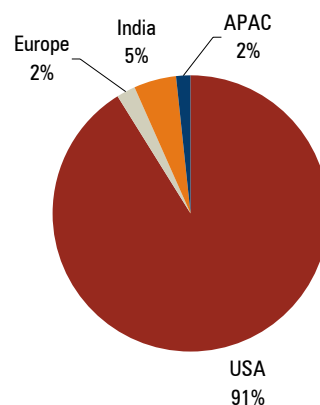
### Business

Infinite, promoted by Sanjay Govil with employee strength of 2648, is a provider of infrastructure management, intellectual property (IP) leveraged solutions and IT services, focused on the telecom, media, technology, manufacturing and healthcare industries. The services span from application management outsourcing, packaged application services, independent validation & verification, product development & support, to higher value-added offerings, including, managed platform and product engineering services. Through the acquisition of Comnet the company has also been able to cater to original equipment manufacturers (OEMs) and independent software vendors (ISVs). The company's solutions for telecom service providers range from consulting on business and operating processes to the development of their business support system (BSS) and OSS systems as well as integration of those systems with underlying network technologies.

The company has developed domain expertise in the telecom industry, which accounted for 59% of its revenues in FY09

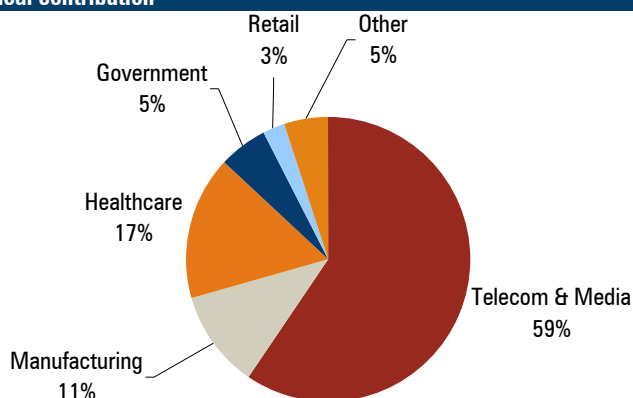
The company derives more than 90% from the US. However, recent order win from Europe has resulted in contribution from the US declining to 88.6% in H1FY10

### Exhibit 2: Geographical split



Source: Company, ICICIdirect.com Research

### Exhibit 3: Vertical contribution



Source: Company, ICICIdirect.com Research

The company has a diversified portfolio although telecom is the major revenue driver

## Investment rationale

### ■ Marquee client base

Since its inception, the company has been working with Global 1000 companies. Its clientele includes names such as Verizon, IBM, ACS, AOL and Fujitsu among others. The company has successfully undergone three vendor consolidations from one of its top clients, which highlights its significance and relation with top clients. The company has grown primarily driven by the growth of its top clients. We believe these clients could act as a huge reference point and aid the company in garnering additional business, going ahead. The company has seen its client base increase from 26 in FY05 to 70 as on September 30 2009.

**Exhibit 4: Top clients performance**

(Rs crore)	FY07	FY08	FY09	1HFY10
Top Client	125.9	127.2	195.8	110.8
Growth (%)		1.1	53.9	
% Contribution	36.2	37.4	40.0	34.9
Top 5 Client	269.5	261.9	391.1	266.0
Growth (%)		-2.8	49.3	
% Contribution	77.5	77.0	79.9	83.8
Top 10 Client	291.4	282.3	431.7	291.7
Growth (%)		-3.1	52.9	
% Contribution	83.8	83.0	88.2	91.9

Source: Company, ICICIdirect.com Research

### ■ Performance delivery during challenging times

The company has shown industry leading growth in FY09 with its revenues increasing 44%. Infinite has also seen its EBITDA margin improving from single digits in FY08 to 11.9% in FY09 and 18% in H1FY10, which is comparable to other midcap players in the industry.

### ■ Domain knowledge

The company has developed domain expertise in the telecom industry. Infiniti has had long-term relations with Verizon. AOL has helped it move from conventional services to higher value-added services like IMS, IP leveraged solutions and convergence among others. In August 2007, the company acquired Comnet International Co, which expanded Infiniti's service offerings into OEM and ISV, thereby covering the entire gamut of telecom offerings.

## Key concerns

- **High dependence on few clients**

The company derives a high percentage of its revenues (92% in H1FY10) from its top 10 clients and 89% of its revenues from the US geography. Any reduction in spend from top clients could have a material impact on the performance of the company.

- **CARE rating**

CARE has assigned a rating of 2/5 indicating below average fundamentals, primarily driven by the size of the company and its presence in a competitive sector.

## Financials & valuations

The company has reported strong growth over the past year. The revenues of the company have increased 44% in FY09 to Rs 489.5 crore. In H1FY10, the company has already achieved 65% of FY09 revenues. The company has also been able to improve its EBITDA margin from 7.4% in FY07 to 11.9% in FY09 and 18.0% in H1FY10.

The company has demonstrated a high level of stickiness with its key clients. A striking example of this has been that the company's top 5 clients have remained constant over the past few years. The company has survived three vendor consolidations undertaken by a large US telecom player, which highlights the strategic nature of the relationship Infiniti shares with its clients.

The issue is priced at 9.2x and 9.8x its annualised FY10 EPS of Rs 16.8 at the lower and upper end of the price band, respectively. We have used Mastek and Nucleus as comparables as they have similar topline as Infiniti. The stock compares in line with these peers in terms of valuations. Hence, we recommend **SUBSCRIBE** to the issue for listing gains.

### Exhibit 5: Comparative Valuations

Company	Revenue			EBITDA Margins			EPS			Price	P/E		
	FY08	FY09	FY10	FY08	FY09	FY10	FY08	FY09	FY10		FY08	FY09	FY10
Mastek	916	965	813	18	17	17	44	52	44	392	9	7	9
Nucleus	289	328	297	25	15	18	19	10	13	153	8	15	12
Infiniti*	340	489	635	7	12	18	4	10	17	165	40	16	10

\* FY10 sales and EPS have been annualised EBITDA margin of 1H FY09 have been maintained

Source: Company, ICICIdirect.com Research

## Financial Summary

	(Rs crore)			
Year End March	FY07	FY08	FY09	1HFY10
<b>Revenue</b>	<b>347.7</b>	<b>340.1</b>	<b>489.5</b>	<b>317.4</b>
Personnel	209.8	189.4	243.3	152.4
Operating & Other Expenses	122.9	125.7	188.1	107.9
<b>Expenditure</b>	<b>332.7</b>	<b>315.1</b>	<b>431.4</b>	<b>260.3</b>
<b>EBITDA</b>	<b>15.1</b>	<b>25.0</b>	<b>58.1</b>	<b>57.1</b>
EBITDA Margin (%)	4.3	7.4	11.9	18.0
Depreciation	3.2	3.5	5.0	2.9
<b>PBIT</b>	<b>11.9</b>	<b>21.5</b>	<b>53.1</b>	<b>54.2</b>
PBIT Margin	3.4	6.3	10.8	17.1
Interest	0.5	1.8	1.9	1.6
Other Income (expense)	1.2	1.4	6.4	0.7
Income Before Income Taxes	12.6	21.0	57.6	53.4
Income Tax	2.5	3.5	12.5	11.4
PAT	10.1	17.5	45.1	41.9
Minority Interest	0.1	0.5	0.1	0.0
Exceptional Item	0.0	0.0	0.0	4.8
<b>Net Profit</b>	<b>10.0</b>	<b>18.0</b>	<b>45.0</b>	<b>37.1</b>
Net Profit Margin (%)	2.9	5.3	9.2	11.7

	(Rs crore)			
As on 31st March	FY07	FY08	FY09	1HFY10
<b>Share Capital</b>	<b>38.0</b>	<b>38.1</b>	<b>38.2</b>	<b>38.2</b>
Equity	38.0	38.1	38.2	38.2
<b>Reserves</b>	<b>57.4</b>	<b>75.7</b>	<b>116.0</b>	<b>152.8</b>
Share Application Money	0.1	0.0	0.0	0.0
General Reserves	2.9	2.9	2.9	2.9
Securities Premium	0.5	0.6	0.6	0.6
Currency Translation Reserve	-1.4	-1.8	-6.6	-7.5
Capital Reserve	0.1	0.1	0.1	0.1
Profit/(Loss) Account	55.1	73.9	119.0	156.6
<b>Shareholders funds</b>	<b>95.3</b>	<b>113.8</b>	<b>154.2</b>	<b>191.0</b>
Debt	6.7	19.0	20.7	23.9
Secured Loans	6.7	19.0	20.7	23.9
Unsecured Loans	0.0	0.0	0.0	0.0
Minority Interest	0.1	0.0	0.0	0.0
Preliminary expenses not written off	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>102.1</b>	<b>132.8</b>	<b>174.9</b>	<b>215.0</b>
Gross Fixed Assets	44.4	57.8	74.3	76.2
Less: Depreciation	9.6	19.8	24.5	27.4
<b>Net Fixed Assets</b>	<b>34.8</b>	<b>38.0</b>	<b>49.8</b>	<b>48.9</b>
Goodwill	0.3	41.5	41.0	41.0
Capital WIP	6.1	3.7	0.0	0.6
Investments	0.0	0.0	0.0	0.0
Software dev. under progress	0.0	5.3	0.0	0.0
Deferred Tax Asset	3.7	5.1	7.4	12.8
<b>Current Assets</b>	<b>170.7</b>	<b>188.6</b>	<b>301.4</b>	<b>331.6</b>
Accounts Receivable	121.9	148.8	253.8	237.3
Cash & Bank Balances	19.3	15.0	24.3	34.4
Loans & Advances	17.3	20.2	17.4	21.7
Other CA	12.2	4.5	5.9	38.2
<b>Current Liabilities</b>	<b>113.6</b>	<b>149.5</b>	<b>224.6</b>	<b>219.9</b>
Sundry Creditors	113.0	144.0	215.3	203.4
Provisions	0.6	5.5	9.3	16.4
<b>Net Current Assets</b>	<b>57.1</b>	<b>39.1</b>	<b>76.7</b>	<b>111.7</b>
<b>Total Assets</b>	<b>102.1</b>	<b>132.8</b>	<b>174.9</b>	<b>215.0</b>

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Buy: Between 10% and 20%;

Add: Up to 10%;

Reduce: Up to -10%

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