

April 05, 2010

C.M.P:
Rs.851.00

Target Price:
Rs.980.00

1 Year Comparative Graph



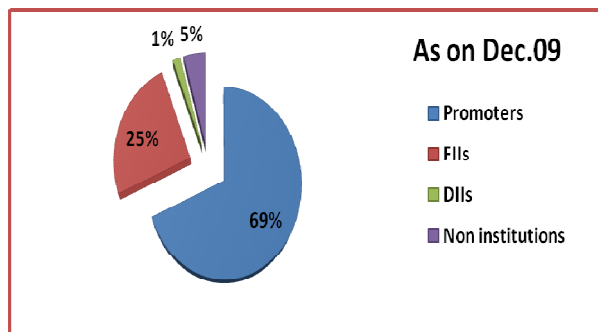
TULIP TELECOM LTD

BSE SENSEX

Stock Data

Sector	Telecom Sector
Face Value	Rs.10.00
52 wk. High/Low (Rs.)	Rs.1250.00/355.10
Volume (2 wk. Avg.)	11835
BSE Code	532691
Market Cap (Rs.mn)	24679.00

Share Holding Pattern



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SYNOPSIS

- Tulip Telecom Limited is a data telecom service and IT solutions provider.
- Tulip is India's largest MPLS VPN player and has been the front-runner in provisioning and managing multi location wide area networks for various industry verticals.
- During Q3FY10, company witnessed significant successes from the Government, Utilities, BSFI and Telecom segments.
- During the quarter company phase 1 of last mile fiber roll out completed in 10 large cities & phase 2 started for expansion of last fiber in 20 additional cities across India.
- Implementation of State Wide Area Networks proceeding as per plan.
- During the quarter company fourth data center commissioned in Bangalore and new customers including some of India's largest service providers signed up.
- Company is planning to focus even more on the Government sector, in order to address the infrastructure requirements of various initiatives.
- The topline and bottomline of the company is expected to grow at a CAGR of 23% & 17% over 2008 to 2011E.

Financials (Rs.mn.)

	FY09	FY10E	FY11E
Net Sales	16144.03	19607.56	22548.69
EBIDTA	3711.52	5644.67	6322.11
PAT	2505.28	2677.31	2964.51
EPS (Rs)	86.39	92.32	102.22
P/E	9.85	9.22	8.32

Financials (Rs.mn)	Dec09	Dec08	% Change
Net sales	5008	4417	13.37
PAT	686	496	38.12
EPS (Rs)	23.66	17.12	38.20

- ✓ Company is planning to focus even more on the Government sector, in order to address the infrastructure requirements of various initiatives.
- ✓ The company signed on various existing and new customers across various sectors like IDBI Home Finance, Etisalat, Tata AIG, DLF and Dow.

Investment Rationale

• Repurchases FCCBs worth US\$ 12 mn

Tulip repurchased FCCBs worth US\$12mn which resulted in savings of Rs74mn for the quarter. Outstanding FCCB has reduced to US\$97mn.

• Eyes US firm

Tulip Telecom plans to acquire an IT-managed services company in the US. . The company has set aside Rs 200 crore for the acquisition and has appointed merchant bankers to scout for a suitable firm in the US.

• Order worth Rs 95 cr

Tulip Telecom bags order worth Rs 95 cr for Madhya Pradesh State Wide Area Network (MPSWAN). The network will be established on the BOOT model. It also involves the maintenance of the project for a period of 5 years.

• Focus on Corporate data services

The Company is planning to reduce its dependence on its network integration business and focus on corporate data services that include managed services and data centers business.

Valuation

At the current market price of Rs.851.00 the stock is trading at a P/Ex of 9.22x for FY10E and 8.32x for FY11E. The EPS of the stock is expected to be at Rs.92.32 and Rs.102.22 for FY10E and FY11E respectively. On the basis of price to book value, the stock trades at 3.46x and 2.45x for FY10E and FY11E respectively. The company's aggressive strategy to roll out fibre network is visible on the growth revenue front. The older clients and newer clients coming on the fibre network roll out are generating higher realization for company. We recommend a "BUY" on the stock with a target price of Rs.980.00 for medium to long term.

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