

### Tulip IT Services Ltd

### Quarterly Flash

<b>CMP</b> :	Rs. 776	<b>Target Price</b> :	NR	<b>Date</b> :	April 26, 2007
<b>SENSEX</b> :	14308	<b>Recommendation</b> :	NR		

#### Views:

**Actuals v/s ARG Est.** Above Estimates

**Actuals v/s Consensus Est.** Above Estimates

**Absolute Performance** Good

#### Comments:

##### Topline

The company has posted an impressive growth in the topline by 63.8 % (YOY) and 31.1% (QOQ) mainly driven by the growth of 50% (QOQ) and 220% (YOY) in the corporate data services segment

##### Operating Profit

The operating profits grew by 82 % (YOY) and 22 % on a sequential basis. The company was able to expand the margins by 160 bps in the current quarter as compared to the corresponding quarter last year backed by growth in the corporate data services segment which enjoys higher margins.

##### Net Profit

The PAT grew by 62.1 % (YOY) and 31.1 % on (QOQ) mainly because of the economies of scale benefits and the increase in the other income.

#### Key Data

Bloomberg Code :	TITSL IN
Reuters Code :	TULP.BO
BSE Code :	532691
NSE Code :	TULIP
52-Week Range(H/L) :	836/162
Market Cap (Rs mn) :	22,504
Shares O/S (mn) :	29
Free Float (mn) :	9
3m Avg. Volume :	107551
Face Value :	10

#### Financials (Rs. mn)

Y/E Mar	Mar-05		ARG Estimates	
	Mar-05	Mar-06	Mar-07	Mar-08
<b>Net sales</b>	3,422	5,082	8,217	11,769
<b>Operating profit</b>	200	663	1,338	2,001
Operating margins (%)	5.8	13.0	16.3	17.0
<b>PAT</b>	134	490	919	1407
PAT margins (%)	3.9	9.6	11.2	12.0
FDEPS (Rs.)	11.2	16.9	31.7	48.5
PER (x)	69.5	45.9	24.5	16.0
P/B (x)	19.6	12.0	8.1	5.3
EV/ EBITDA (x)	110.6	33.8	17.0	11.4
Dividend Yield (%)	0.0	0.1	0.1	0.1
ROCE (%)	54.9	37.8	36.8	39.9
ROE (%)	56.3	41.8	39.6	40.0

#### Impact on-

**Financial Forecast :** The company is concentrating more on the corporate data services segment which would help expand the margins going forward.

**Target Price** : NR

**Recommendation** : NR

Quarterly Performance (Rs. mn)	1QCY06	2QCY06	3QCY06	4QCY06	1QCY07		Growth (%)		Variance Rs mn
					Actual	Estimate	YoY	QoQ	
Net Sales	1,776	1,427	1,851	2,220	2,910	2,719	63.8	31.1	191
- Operating expenses	1,514	1,246	1,563	1,827	2,432	2,243	60.7	33.1	189
<b>Operating profit</b>	<b>263</b>	<b>181</b>	<b>288</b>	<b>393</b>	<b>477</b>	<b>476</b>	<b>81.7</b>	<b>21.6</b>	<b>1</b>
Operating margin (%)	14.8	12.7	15.5	17.7	16.4	17.5			-110 bps
+ Other income	8	1	-	1	21	1	157.8	1,480.9	20
<b>EBITDA</b>	<b>271</b>	<b>182</b>	<b>288</b>	<b>394</b>	<b>499</b>	<b>477</b>	<b>84.0</b>	<b>26.5</b>	<b>21</b>
EBITDA margin (%)	15.3	12.8	15.5	17.8	17.1	17.5			-41 bps
- Depreciation	33	14	46	57	80	60	143.6	39.1	20
- Interest expense	15	21	17	38	50	42	223.5	31.1	8
<b>PBT</b>	<b>223</b>	<b>147</b>	<b>225</b>	<b>299</b>	<b>369</b>	<b>375</b>	<b>65.6</b>	<b>23.5</b>	<b>(6)</b>
- Taxes	19	9	23	24	38	70	103.1	57.3	(32)
<b>PAT</b>	<b>204</b>	<b>138</b>	<b>202</b>	<b>274</b>	<b>331</b>	<b>305</b>	<b>62.1</b>	<b>20.5</b>	<b>26</b>
+ Profit share in associates	-	-	-	-	-	-			-
- Minority interests	-	-	-	-	-	-			-
<b>Consolidated PAT</b>	<b>204</b>	<b>138</b>	<b>202</b>	<b>274</b>	<b>331</b>	<b>305</b>	<b>62.1</b>	<b>20.5</b>	<b>26</b>

**Disclaimer:** This note is to be read in conjunction with the disclaimer note as mentioned in the mail.

**Recommendation Guide:** Buy >30%; Outperformer (OP): 20 to 30%; Market Performer (MP): 10 to 20%; Under-Performer (UP): 0 to 10%; Sell: <0%; Not Rated (NR)