



i-flex Ltd.
Result Update – FY06

Market Performer (Rs. 1319)
52 Wk H/L: Rs. 1457 / 620

i-flex reported robust revenue growth of 15.4% QoQ at Rs4.6bn on the back of 25.4%QoQ growth in product revenue, which was driven by 115% QoQ growth in license fees. Tank size during the quarter declined to \$65mn from \$ 72.5mn due to license fee bookings of \$29.5m during the quarter. 27 customers were added during the quarter, including two tier I banks for FLEXCUBE and one tier I bank for Reveleus Basel II. Services revenue grew 4.7% QoQ, with revenue from all top customers excluding Citigroup declining during the quarter. KPO revenue declined 5.9% QoQ to Rs67mn.

For the year ended FY06, revenues were up by 30% to Rs 14.8bn which is in line with our expectations. Net profits increased by 2.2% to Rs 2.4bn, which is slightly below our expectations of Rs 2.5bn. When compared with last year earnings without considering amortization arising out of acquisitions and losses in the KPO division, profits were up by 16% YoY. Total employees at the end of FY06 stood at 6858 an increase of 44% over FY05.

Given the strong tank size and revenue visibility, we rate the stock a Market Performer and maintain a price target of Rs. 1550.

Earnings Summary (Consolidated)

Y/E	Sales	Growth	EBITDA	Margin	Net Profit	EPS	Growth	P/E	Div. Yield
31 Mar	Rs mn	(%)	Rs mn	(%)	Rs mn	Rs	%	X	%
05A	11386	41.4	2692	23.6	2324	31.1	14.2	42.1	0.4
06A	14835	30.3	2799	18.9	2376	31.2	0.3	42.0	0.5
07E	19473	31.3	4568	23.4	3350	44.8	43.5	29.2	0.7
08E	24875	27.8	6210	25.0	4530	60.6	35.3	21.5	0.8

- **Strong order booking:** I-flex has had a good year on the product side with total order intake for the year at \$ 77mn, an increase of 34% over FY05. The tank size for the company stood at \$65mn down from \$ 72.5mn in Q3FY06 due to an all time high record booking of \$29.5mn in Q4FY06.
- **Oracle's association – yielding results:** i-flex has started drawing on Oracle's global infrastructure, brand and resources. In the current quarter I-flex had won two tire I banks for FLEXCUBE, one each in Europe and North America. i-flex has won a Tire I customer for REVELUS. IN FY06 I-flex has added a total of 98 customers including 65 customers for their product business. The product business is currently the growth driver for I-flex
- **Services business-showing traction:** Services business grew by 4.7% QoQ after a de-growth of 1.1% in Q3FY06 largely on account of a 4.7% growth in the Citigroup account. i-flex has added 6 clients in the current quarter and a total of 33 employees for the full year in the services business. The company has added a total of 905 employees in the services business in FY06. The KPO business had a total of 543 employees at the end of FY06.

Quarterly Results Table (Consolidated)

Particulars	4QFY06	3QFY06	% Chg	FY06	FY05	% Chg
Net Sales	4577	3965	15.4	14826	11386	30.2
Total Expenditure	2997	3062	-2.1	12027	8694	38.3
Operating profit	1580	903	75.0	2799	2692	4.0
OPM (%)	34.5	22.8		18.9	23.6	
Other Income	115	-13	884.6	266	248	7.2
Depreciation & Amortization	142	113	25.7	460	309	48.9
Interest	0	0	0	0	0	0
Profit Before Tax	1553	777	99.9	3055	2951	3.5
Tax	153	237	-35.4	580	627	-7.5
Tax (%)	9.8	30.5		19.6	21.2	
Prior period items	0	58	n.a.	-97	0	n.a.
Profit after tax	1400	482	190.5	2376	2324	2.2
Shares (mn)	76.1	76.1		76.1	74.7	
EPS	18.4	6.3		31.2	31.1	

This document has been prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable, **HDFC Bank Limited ("HDFC Bank") does not warrant its completeness and accuracy.** Whilst we are not soliciting any action based upon this information, all care has been taken to ensure that the facts are accurate and opinions given fair and reasonable. **This information is not intended as an offer or solicitation for the purchase or sale of any financial instrument.** Recipients of this information should rely on their own investigations and take their own professional advice. Neither HDFC Bank nor any of its employees shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material.

HDFC Bank and its affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material may from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies) mentioned herein. HDFC Bank may at any time solicit or provide commercial banking, credit, advisory or other services to the issuer of any security referred to herein. Accordingly, information may be available to HDFC Bank, which is not reflected in this material, and HDFC Bank may have acted upon or used the information prior to, or immediately following its publication.