



RESULT FLASH NOTE

Q1FY12

CMP: ₹ 172

UNDER REVIEW

As on July 19, 2011.

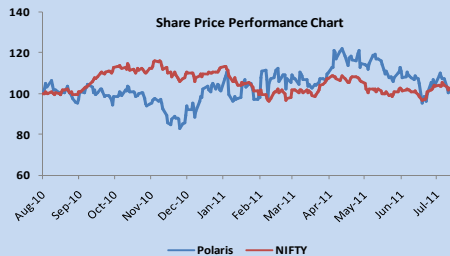
Market Cap. (₹. Mn.)	17,164
52 Week High/Low	₹215/132
Book Value	₹104
Face Value	₹5

Codes

BSE Code	532254
NSE Symbol	POLARIS
Bloomberg Code	POL IN
Reuters Code	POLS.BO

Shareholding Pattern

	Jun 2011	Mar 2011	Dec 2010
Promoters	29.0	29.0	29.0
FII	25.8	24.5	19.1
DII	15.1	16.2	14.9
Others	30.1	30.3	37.0



Share Price Returns (%)

	1M	6M	12M
Absolute	-5.3	4.2	-16.0
Relative	-7.2	7.1	-19.4

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Results much in line; Margins impacted

Polaris result is much in line with our expectations. The company won 11 Intellect deals in Q1FY12. Revenue clocked 28% YoY growth and touched the \$100 mn mark. However, it was not able to maintain its operating and net margins which fell by 130bp and 330bp on back of salary hikes and incremental tax rate.

- In \$ terms, topline grew to \$100.65 mn (4% QoQ , 28% YoY){our expectation: \$100.2 mn}. In ₹ terms, revenue stood at ₹4,502 mn (3% QoQ , 24.9% YoY) {our expectation: ₹ 4,507mn}.
- EBITDA rose to ₹635 mn (9% QoQ, 11% YoY). EBITDA margin fell by 130bp QoQ from 17.2% in Q4FY11 to 15.9%. And EBIT margin down by 157bp on QoQ basis.
- In \$ terms, Net Income declined to \$9.97mn (22% QoQ , 2% YoY). In ₹ terms, Net Income fell to ₹ 445 mn (-23% QoQ , -5% YoY) {our expectation: ₹ 452 mn}. Net margin dropped by 330 bp QoQ from 13.2% in Q4FY11 to 9.9% in Q1FY12.
- Incremental tax rate has shot up to 27.5% from the previous levels of ~15%.
- EPS for the quarter was ₹ 4.46 {our expectation: ₹4.56} as compared to ₹5.76 in Q4FY11.
- Cash and equivalents stood at ₹4,170 mn.
- The company recorded 11 new Intellect wins.
- Revenue contribution from Americas, Europe, IMEA and Asia Pacific was 47%, 25%, 12% and 16% respectively.

Financial Summary (₹ mn)

	Q1FY12	Q4FY11	Q1FY11	QoQ	YoY
\$ Revenue (\$mn)	\$100.7	\$96.8	\$78.9	4.0%	27.6%
Revenue	4,502	4,375	3,606	2.9%	24.9%
EBIT	618	670	472	-7.7%	30.9%
EBIT margin	13.7%	15.3%	13.1%	(157)	64
Net Income	445	576	466	-22.8%	-4.6%
Net margin	9.9%	13.2%	12.9%	(329)	(305)
EPS (₹)	4.46	5.76	4.66	-22.6%	-4.3%

meet
 opportunity

- Our reports are available on Bloomberg < JAYP >
- Please refer to the disclaimer at the end of the report



From Jaypee Institutional Equities Desk

Equity Research Products	
1. Initiating Coverage	In depth analysis coupled with detailed explanation of investment rationale
2. IPO Note	In depth analysis of an IPO with a recommendation for the same
3. Result Preview	Prediction of results to be announced with a view on margins for the stock
4. Result Review	Analysis of the results and view on the stock after the results
5. Event Update	Analysis of stock/sector specific event which has occurred and its impact
6. Economic Update	Analysis of IIP, GDP, Inflation and six core industries
7. Commodity Outlook	Future outlook on bullion, base metals and energy products
Derivatives Research Products	
1. Pair Trades	Identification of stock pairs based on co integration and correlation
2. NIFTY Strategies	Strategies based on market view e.g., straddle, skew, condor etc
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4. Numero-Mania	Monthly repository of trading strategies from the Derivatives Desk
Daily Reports	
1. Morning Glance	Daily update of global news before the Indian markets open
2. Post Market Update	Daily market action and key statistics in a nutshell
3. Currency Update	Analysis of the domestic currency market with an outlook for the day
4. Commodity Update	Snapshot of the commodity market with an outlook for the day
5. Derivatives Daily	Daily update of the activities in the Derivatives segment
6. Derivatives Weekly	Weekly update of the activities in the Derivatives segment
7. Rollover Analysis	Daily analysis of the rolls during the expiry week every month

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*A **Buy** recommendation implies an upside of 10% or more from the current levels.*

*A **Sell** recommendation implies a downside of 10% or more from the current levels.*

*A **Neutral** recommendation implies an upside/downside of less than 10% from the current levels.*

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Polaris Software Labs Limited

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20 July 2011

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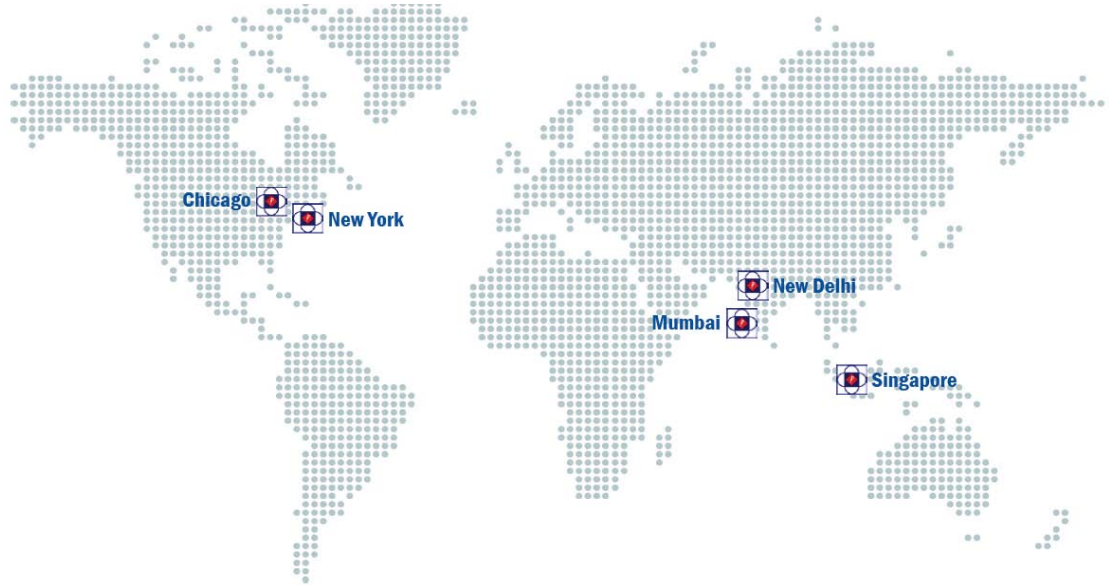
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