

IT **SUBEX LTD**

Ready to fly....

Initiating Coverage

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Subex Ltd (Subex) is a ₹ 482.7 crore (March 2011) company and one of the leading providers of Operations and Business Support System (OSS/BSS) to the telecom operators across the globe. Subex mainly offers Business Optimization and Service Fulfillment solutions. For Business Optimization, it has pioneered the concept of Revenue Operation Centre (ROC), and it also offers scalable Managed Service solutions to various customers. Subex customers include 16 of top 20 wireless operators worldwide.

Investment Summary:

Pressure on global telecom industry to work in favor of Subex:

Presently, global telecom Industry is under unfavorable situations. Mainly due to down falling ARPU's, regulatory pressures, market saturation and cut-throat competition. Also, global mobile operators are losing an estimated US\$ 40bn (Rs 4000 crore) every year through avoidable revenue leakages. In this scenario telcos need to focus on their expenses, revenue leakages and network services etc. Since, Subex is expertise in providing various solutions like Revenue Assurance which can help the telco's to conquer over such problems and therefore it will remain a good opportunity for the Subex in coming future.

Improving financials:

In recent quarters, company has observed growth in annuity revenue from previous 32% to 42 % in FY11 and expected to rise in future by 50-51%. Similarly, its overall product revenue in FY11 improved to Rs 427.96 crores, up by 8% (Y-o-Y) also its product EBITDA margins (increased from previous ~20.3 % to 28% now, and expected to rise more). Its net profit (before exceptional items) is improved by 302.54% (Y-o-Y), at Rs 83.82 crores. Further, we expect with successful redemption of FCCB1, its debt-equity ratio will get improved from current (>2) to (<1) by FY13.

Improving order book due to new avenue:

Subex has gained highest ever order intakes in FY11, which is about US\$ 92 million (Rs 414 crores). This shows the huge growth of around 45% (Y-o-Y) in order books of the company and expected to lead more with rising demands for products solutions and other opportunities like:

Managed Service solutions- helps service providers to meet successfully with their ever-changing business, technology and customer requirements. Its growing demand among telcos has resulted in improving average contract size and hence, long time revenue generation opportunity for Subex. Therefore, Managed Services can be anticipated as next trigger in revenue sharing model for coming future.

Increasing clients' concentration: Subex is catering globally to various telecom operators, mostly from America, Middle East, Africa and Asia Pacific region and till now it has more than 210 customers worldwide including big and small telecom players. Also, its customer base includes 26 of the world's 50 biggest telecommunications service providers. Now, it is planning to expand its reach in western European market so as to tap more clients.

Rating	BUY
Target Price	₹86
CMP	₹62
Upside	40%
Sensex	18,732

Key Data	
Bloomberg Code	SUBX IN
Reuters Code	SUBX.BO
NSE Code	SUBEX
Current Share o/s (mn)	69.3
Diluted Share o/s (mn)	69.3
Mkt Cap (₹bn/\$mn)	4/99
52 WK H/L (₹)	94.9/45.25
Daily Vol. (3M NSE Avg)	2225275
Face Value (₹)	10
Beta	1.37
1 USD/₹	44.5

Shareholding Pattern	(%)
Promoters	11.7
FII	19.9
Others	68.4

Price Performance (%)			
	1M	6M	1yr
SUBEX	10.7	-21.2	12.3
NIFTY	7.3	-3.6	5.1

Source: Bloomberg; *As on 19th July, 2011

Innovative services/software products to maintain leadership in the industry:

To fulfill the requirements of global telecom operators, Subex is now focusing to have efficient solutions for each of its clients based on their needs. Therefore it is developing various innovative solutions to maintain its leadership in the industry and currently, Subex has 16 patents globally (8 granted while 8 are pending) which are expected to rise in coming future.

With ongoing changes in telecom industry Subex is working continuously to cater the clients effectively and efficiently with new innovative products/services. (Recently, Subex introduced latest version 7.0 for Revenue operation centre (ROC) and new Prepaid Channel Assurance Solution which will help telcos to control operations for their large number of prepaid subscribers efficiently). And therefore Subex is centering on its R&D unit to bring out new solutions for telcos and to gain competitive edge over others.

Valuations:

Subex is currently trading at over 3.9x FY13E EPS of Rs 15.75. We believe that in future it will get benefits due to its non linear business model, strong order intake in coming years and leadership in BSS/OSS segment. Considering all the facts and past trend of the company we have compared it with small IT companies -3i Infotech Ltd , Geometric Ltd and given it a P/E of 5.5x FY13E EPS translating to target price of Rs.86 with an expected 40% potential upside from the CMP 62.

Y/E Rs Cr	Revenue	YoY %	EBITDA	YOY %	PAT	YoY %	EPS	P/E	EV/EBITDA	ROE %	ROCE %
FY09	572.56	18%	64.61	187%	(188.36)	177%	-54.06	-1.1	13.15	-37.6	4.1
FY10	474.78	-17%	93.19	44%	100.30	-153%	17.30	3.6	9.79	34.9	10.1
FY11	492.59	4%	141.16	51%	78.77	-21%	11.37	5.4	6.43	37.6	18.7
FY12E	568.68	15%	182.49	29%	86.37	15%	12.43	4.9	4.30	29.1	23.6
FY13E	661.06	17%	199.34	9%	109.82	17%	15.75	3.9	2.16	27.0	26.3

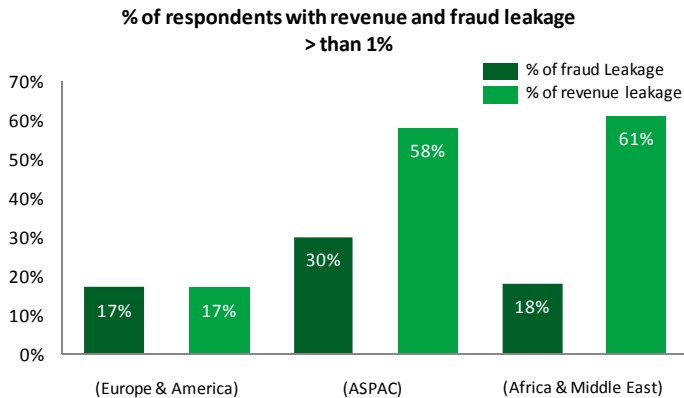
Source: Company Networth Research

Investment Summary:

Pressure on global telecom industry to work in favor of Subex:

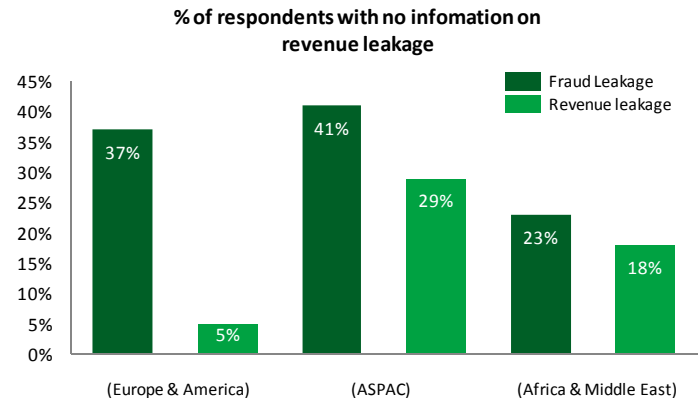
Presently, global telecom Industry is under unfavorable conditions mainly due to down falling ARPU's, regulatory pressures, market saturation and cut-throat competition. Also, global mobile operators are losing an estimated US\$ 40bn (Rs 4000 crore) every year (which is ~1-3% of total revenue generated by telecom industry) through avoidable revenue. As per the study conducted by a private firm in 2009, revealed that most of the developing markets (i.e. Asia Pacific, Africa & Middle East) indicated leakages greater than 1% and up to 10% in some cases, whereas developed markets (Europe & America) indicated strong trends on lower revenue leakages. Similarly in many cases telco's are not even able to recover or figure out from which operations revenue leakages take place. Relating to this fact we have shown in the graph (I) below- region wise operator/respondents with revenue and fraud leakages (> 1%). While, graph (II) shows about the region wise operators/respondents with no information about leakages. Revenue and fraud leakages occur mainly due to fraud, incomplete/incorrect usage data, and poorly optimized call routing and inadequate credit management. Hence this is a very serious matter for global telecom operators in current pressurized situation.

Exhibit 1: Percentage of respondents with revenue & fraud leakage > than 1%



Source: Company, Networth Research, KPMG

Exhibit2: Percentage of respondents with no information on revenue leakage



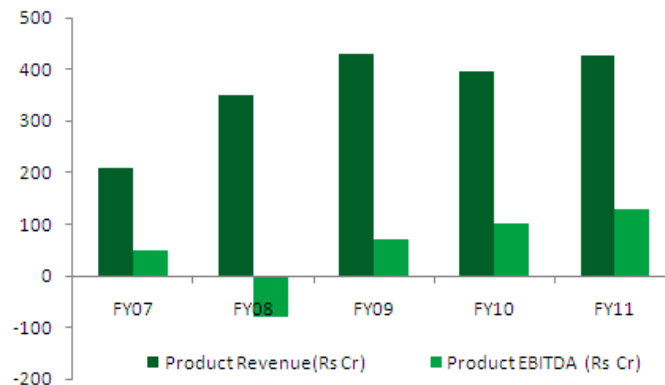
Source: Company, Networth Research, KPMG

To overcome these problems telco's needed to focus on controlling of their expenses, revenue leakages and network services etc. Though, Subex is expertise in providing the **Fraud Management** and **Revenue Assurance Solution** which will help the telcos to conquer over such problems effectively and efficiently. Therefore, we believe that such painful circumstances for telecom industry can act as a good opportunity for the Subex in terms of large number of orders to provide effective solutions/ measures in future.

Improving financials:

Subex has witnessed improved margins with increase in order intakes. In line with that, company has observed growth in annuity revenue from previous 32% to 42 % in FY11 and further expected to rise in future by 50-51%. Similarly, its overall product revenue in FY11 has improved to Rs 427.96 crores, up by 8% (Y-o-Y) and product EBITDA at Rs 140.01 crores, up by 48.47% (Y-o-Y). Also its product EBITDA margins improved (from previous ~20.3 % to 28% now and still expected to grow more). Similarly, net profit (before exceptional items) is improved by 302.54% (Y-o-Y), at Rs 83.82 crores. Further we believe that company will be able to perform same increasing margin scenario in future with reduction in its debts.

Exhibit 3: Product Revenue (In crores) and Product EBITDA (In %) growth:



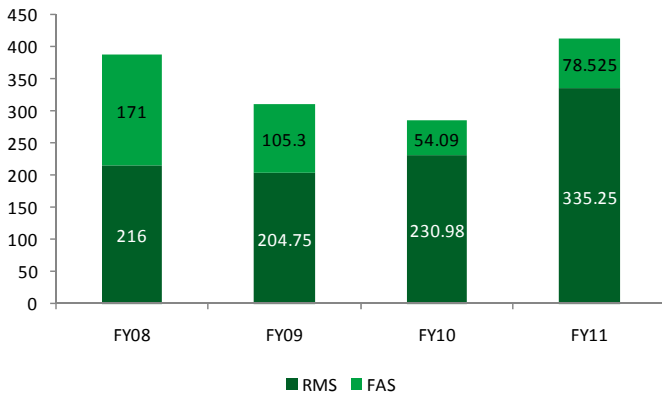
Source : Company Networth Research

The management expects that it will redeem its FCCB1 worth US\$51mn in March 2012 using internal accruals and by taking additional debt (of ~US\$ 44 million as per our assumptions, considering 1US\$=45.5Rs), we believe that it will help the company to reduce some debt burden as compared to historical debt trend and helps it to improve its debt-to-equity (<1) by FY13.

Improving order book:

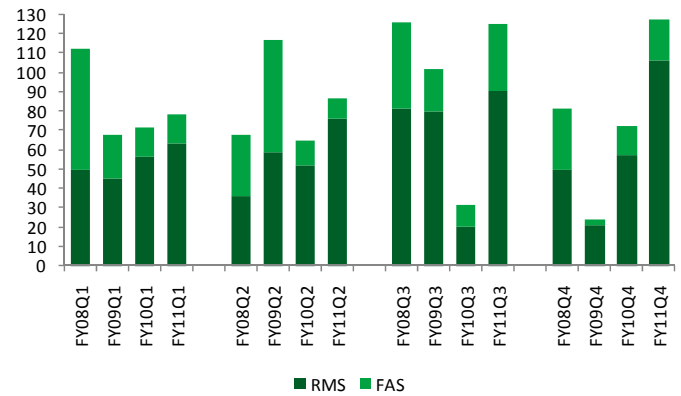
Subex has gained highest ever order intakes in FY11, which is about US\$ 92 million (Rs 414 crores). This shows the huge growth of around 45% (Y-o-Y) in orderbook of the company and with upcoming avenues due to shrinking margins in global telecom industry it expects much more rise in its orderbook in coming future. If we observe, the order intake comprising RMS (Revenue Maximization Solutions) and FAS (Fulfillment & Assurance Solutions) for different years, the data shows that order book is continuously increasing and with wide portfolio (ROC based products and Managed Services) Subex will be able to fulfill each and every requirement of telcos efficiently. Along with this, addition of new clients every year will definitely help Subex to gain novel heights in near-terms. Its current qualified pipeline is US\$ 418 million (Rs.1881 crores). With increasing competitive scenario, we believe Subex will able to maintain conversion rate of >(18-20)% in future. Till (Q4FY11), company has an order book of US\$ 60 million (Rs 270 crores) for FY12 vs. US\$ 49 million (Rs 220.5 crores) same time last year and we expect order book to improve more in coming quarters. Also, we believe major part of revenues will be contributed by product software services and through other new innovative services.

Exhibit 4: Order Intake Year wise (In Rs crore)



Source: Company, Networth Research,

Exhibit 5: Order Intake Quarter wise (In Rs crore)



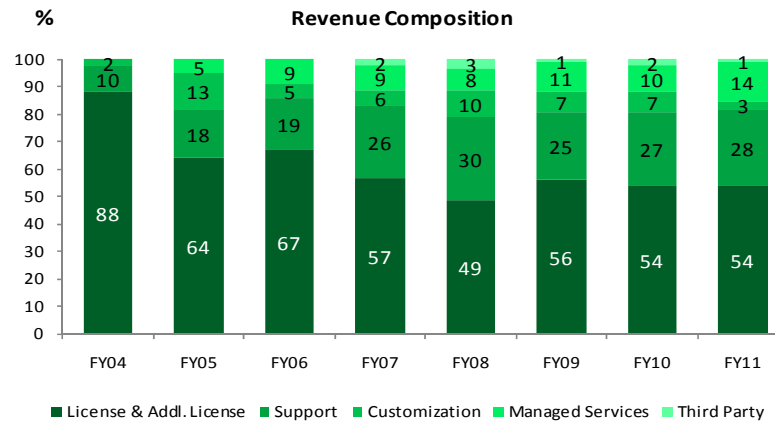
Source: Company, Networth Research

Foray in Managed Services- a long term revenue opportunity :

Subex mainly offers Business Optimization and Service Fulfillment services. Apart from its domain expertise in products it is now focusing on providing ROC platform based Managed Services solutions to its clients. Recently, it has started operating scalable Managed Services for few of its major clients. This service helps telcos to meet their requirements with continuous changing business, technology and customer requirements through proper focusing on strategic, operational and cost benefits over present competitive scenario. Therefore many telcos have started providing long term contracts for Managed Services to improve their operations in terms of cost and customer experience. With such a shift of business model, Subex's average contract size is increasing and also it is getting long term revenue opportunities from its customers. Hence we can anticipate a significant growth in revenues. Similarly if we see the long term backlog projects (RMS) which is at US\$ 40mn (Rs 180 crore) in FY12 as compared to US\$ 27mn (Rs 121.5 crore) in FY11 also indicates the growing opportunity prospects for the company. On analyzing revenue composition model shown below, we observed that the share of contribution from Managed Services is increasing rapidly while the revenue contribution from other segments is decreasing. However, in future also share of revenue from Licenses & Additional Licenses is likely to dominate the total revenues. Similarly, Managed Services will follow increasing trend in coming future.

Managed services are now becoming basic need for telecom operators worldwide by helping them in shifting their structure, strategy and operating models as per the ever changing business needs and will remain in high demands in future too. Industry experts expect the Managed services market to grow by 14% (Y-o-Y) in coming years and hence will contribute more in revenues.

Exhibit 6: Revenue Composition (In %)

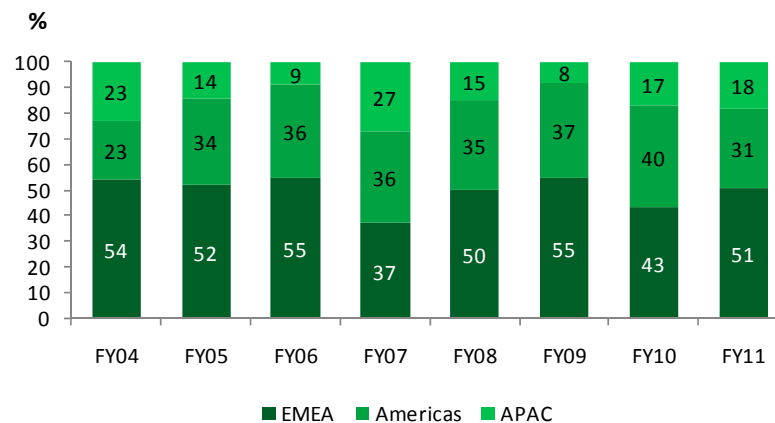


Source : Company Network Research

Increasing clients concentration:

Subex caters to various telecom operators in US, Middle East, Europe, Africa and Asia Pacific region and till date it has over 210 customers worldwide including big and small telecom players and over 300 installation sites across 80 countries. Also, its customer base includes 26 of the world's 50 biggest telecommunication service providers viz. AT&T, Telefonica, Verizon, Vodafone and Bharti Airtel etc. It was observed that globally there were around 500-600 telecom operators worldwide and out of it Subex is catering only 210+ clients, therefore we expect that still a big market is remain untapped and there are more avenues for Subex to expand its business reach. If we see the geographical clients of Subex it shows that maximum number of orders belongs to EMEA (Europe, Middle East and Africa) countries and it is trying to tap opportunities in Western European market where it has less presence. Also recently it bagged Revenue Operations Centre (ROC) managed services deal from a European Mobile solution provider.

Exhibit 7: Geographical Order Mix (In %)



Source : Company Network Research

Innovative services/software to maintain leadership in the industry:

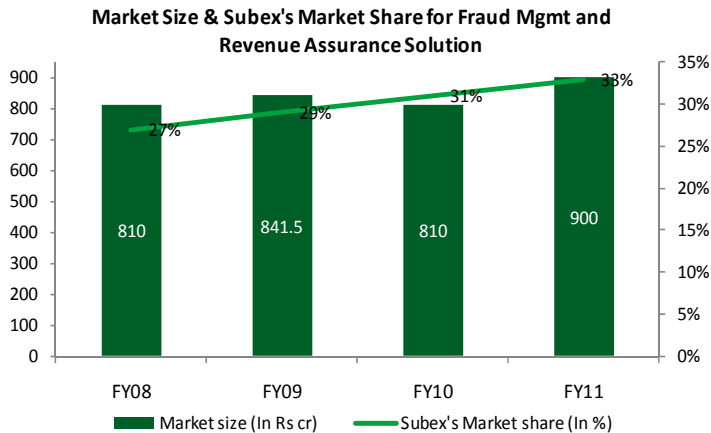
Subex's most of the products are based on **Revenue Operation Centre (ROC)** platform which is its main pioneered domain for all of its product solutions. To fulfill the needs of global telecom operators based on ever changing business dynamics in different geographies, Subex has always focused on developing efficient custom-made solutions. Recently the company has launched its latest **version 7.0 for ROC-data integrity solution and 4.1 for Revenue assurance**, also it introduced its latest innovative solution-**"Prepaid Channel Assurance solution"** which is very helpful for operators because their major revenue comes from prepaid clients and this solution is based on advance analytics technique to reconcile and report accurately all the operations as per the customer's (prepaid) transaction. Hence, this solution helps service providers in intellectual decision making by managing accurate data reports on real time basis across all channels, banks merchant service providers & service vendors and thus, improves operational and financial controls around customer payment transactions and cash management processes. Innovative solutions are key reason for maintaining its leadership in the industry and currently the company has 16 patents globally (8 granted & 8- pending) which are expected to rise more in coming future. Thus, to get a hold on ever changing market Subex is now concentrating on strengthening of its R&D unit to bring more innovative and efficient solutions for its clients and to maintain its leadership in the industry.

Leading Business and Operating Support system (BSS/OSS) provider for telecom applications :

Currently black clouds are hovering over global telecom industry and with such volatile situations telco's need to bank on the efficient BSS/OSS (based applications like Revenue Maximization and Service Management) in order to expand market share while keeping cost down. Also these technologies will help telcos to work on real time basis and to resolve any problem/error before it comes into existence and hence will help to fulfill their customer needs and to maintain proper relationship with them. Similarly new technologies like 3G, 4G, WiMax, and Value added services (VAS), mobile TV and video applications etc. have resulted in increased complexity in operation and requires continuous up gradations. Thus, BSS/OSS plays efficient role in organizing all these operations in efficient manner by streamlining the processes and making system usage cheaper.

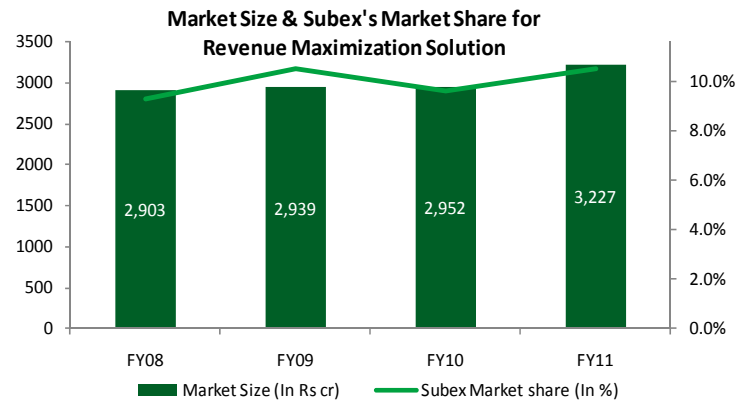
Subex is one of the prime BSS/OSS solution suppliers in global telecom industry and has been the market leader in Business Optimization for last three consecutive years. It provides various products/services as a part of BSS/OSS technologies. As shown in graphs below, (I) market size and Subex's market share for Fraud Mgmt & Revenue Assurance Solution and (II) shows market size and Subex's market share for Revenue Maximization Solution. From this we can expect that BSS/OSS to play an essential role in telecom Industry by providing effective measure in network & service operations to telecom operators. And this will remain an enduring opportunity for Subex in future.

Exhibit 8: Market size & Subex's Market share for Fraud Mgmt and Revenue assurance solution



Source: Company, Networth Research, Analysis Mason

Exhibit 9: Market size & Subex's Market share for Revenue Maximization solution



Source: Company, Networth Research, Analysis Mason

Based on BSS/OSS applications, Subex is the global leader in Business Optimization/Revenue Maximization solutions for communications service providers. In FY11 its Business Optimization order intake was US\$ 75.4 million (Rs 339.4 crores), a rise of 45% (Y-o-Y). In future, Subex expects further rise in its order intake and market share whose major part will be primarily accounted by Business Optimization Solutions.

Industry View:

Since, global telecom industry is facing hard challenges mainly in case of managing their operations competently. However, the greatest challenge for telco's is to improve continuously their Average Margin Per User (AMPU) and Average Revenue Per User (ARPU) which is reducing due to decreasing voice revenues, high competition and falling tariffs. It's becoming difficult for the companies to retain existing customers and to provide proper services with upcoming new technologies (3G, 4G etc.) globally to its subscribers. New data services –Value added services(VAS), mobile TV, and video services has increased extra content load on telco's and to control it they need to have suitable operating facilities which can be sort out by implementing integrated OSS/BSS and Managed Services operations through partnering with effective vendors. Also, global mobile operators are losing an estimated 1-3% of their total revenues every year through avoidable revenue and fraud leakages and with such a scenario, telecom operators need to focus on, billing/charging cycle and their network operating process to detect the leakages by using efficient revenue assurance solutions from trusted vendor. With increasing numbers of subscribers and services, it's becoming difficult for telco's to control and maintain operations accurately and in such case they are moving towards outsourcing of their operations to IT companies. Hence, we believe that with ongoing needs for OSS/BSS in telecom industry would ramp up their demands for solution providers/vendors to higher extent in coming years because global telecom industry is in need of effective operations at lesser cost.

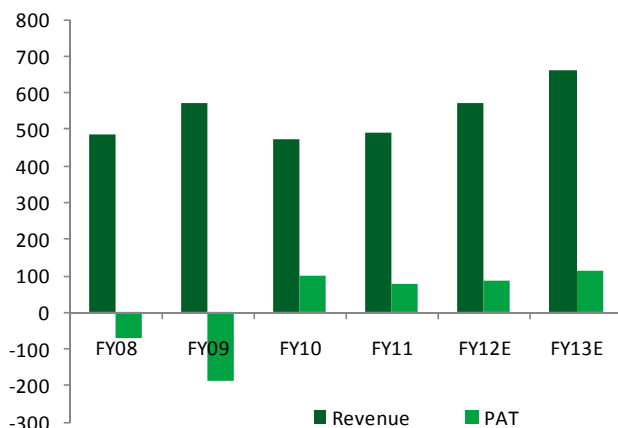
Business Outlook:

In current scenario, global telecom players are under stress and every player is facing different nature of difficulties. All these loop holes in the telecom industry works in favor of Subex. The company is working proficiently to identifying these problems related to operations and provides best suited solution in product or service terms to its customers. India has 14 telecom operators and every telecom player is facing pressurized situation which can be said as a good break for Subex to add new clients apart from incumbents. To cater to the growing demand for 3G & 4G services, telecom operators will need an efficient platform to support operations in proper and controlled manner for which Subex's pioneered ROC domain/Managed Services is said to be the best available product and will act as a trigger for Subex to gain competitive edge over its peers in long run. Similarly, global telecom industry is expecting to view large number of Merger and Acquisition in coming future and with increase in size of companies after M&A would definitely provide an extra benefit to Subex in terms of large operational area i.e. large revenue basket. Also, we believe Subex will maintain good conversion rate (18-20 %) to increase its order intakes out of growing qualified pipeline in coming future Hence, considering all this aspects of industry, we believe that Subex is poised to grow.

Assumptions:

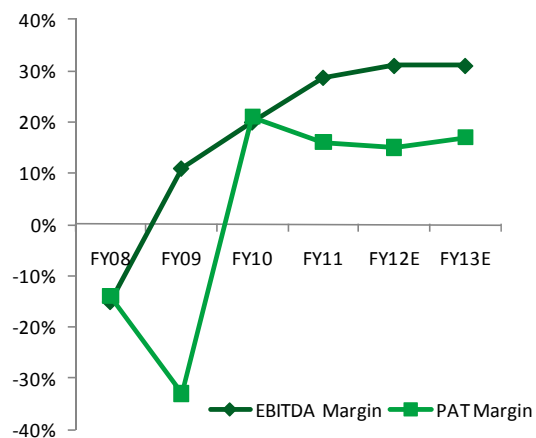
We expect Subex's top line to grow by 15-16% during FY12-13E benefiting from new orders and wide product/services portfolio for its clients. We expect the EBITDA margin to increase from current 28% to ~32% in FY12E and FY13E. We expect the bottom line of the company to grow at a rate of ~15% and 17% in FY12E and FY13E respectively.

Exhibit 10: Expected Revenue and PAT trend (In crore)



Source: Company, Networth Research

Exhibit 11: Expected EBITDA and PAT Margin trend (In %)



Source: Company, Networth Research

Risks & Concerns:

Heavy load due to FCCB's:

Presently, Subex is has two FCCB's (FCCB1 and FCCB2) Due to which its D/E stands at 2.6. As a result, Subex already has been in a bad phase for a while however it is now trying to improve its condition:

FCCB 1 – US\$ 39 million outstanding will be redeemed in March 2012 for US\$ 53 million – (As per the company, internal accruals and additional bank debt should be adequate to meet this obligation).

FCCB 2 – US\$ 54.8 million outstanding – redemption amount in March 2012 will be US\$ 78 million – conversion at Rs. 80.31 (company is planning for extension of due date and key bondholders are supporting extension of unconverted portion).

Thus, Subex is currently walking on a tight rope and any kind of uncertainty in its planning or downturn in the industry may create double whammy effect for the company in terms of high debt under its financials.

Intense competition:

As Subex is leading Business & Operating Support System provider in global industry but many big software firms (Amdocs, HP and Oracle) and small players (C Vidya, WeDo and Neural technologies) are emerging rapidly in the market and expanding their market reach. Therefore due to high competitive scenario in the industry Subex may loose its market share if it will not work in more efficient and effective way.

Geographical concentration risks:

As per the latest data Subex earns most of its revenue from foreign countries (America, EMEA and APAC) and which is much higher than domestic earnings. Therefore, any uncertain happening in these geographies or currency deviation may create adverse effect on revenues of the company.

Valuations:

Subex is currently trading at over 3.9x FY13E EPS of Rs 15.75. We believe that in future it will get benefits due to its non linear business model, strong order intake in coming years and leadership in BSS/OSS segment. Also we estimate redemption of FCCB1 using additional debt (~US\$ 44 million) and rest by internal accrual will be done in March 2012. Considering all the facts and volatile behavior of the company in the past, and comparing it to small IT companies -3i Infotech Ltd , Geometric Ltd and we have given it a P/E of 5.5x FY13E EPS translating to target price of Rs.86 with an expected 40% potential upside from the CMP 62.

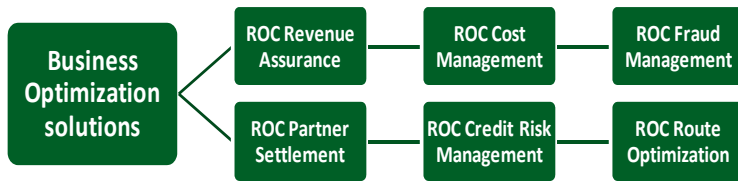
Company Profile:

Incorporated in 1992, Subex Ltd is a leading Operations & Business support system (BSS/OSS) provider across globe. Its products/solution helps the communication service providers (CSPs) to achieve an edge over its competitors through Business Optimization and Service Agility by improving their operational efficiency to deliver enhanced service experience to subscribers. These products/services act as an underpinning solution to improve the revenues and margins by identification and elimination of leakages in the revenue chain.

The company mainly operates in Business Optimization and Service Fulfillment areas. Under **Business Optimization**, Subex provides solutions through its pioneered concept - **Revenue Operation Centre (ROC)** which has solutions for Revenue Assurance, Cost Management, Fraud Management, Credit Risk Management, Route Optimization and Partner Settlement.

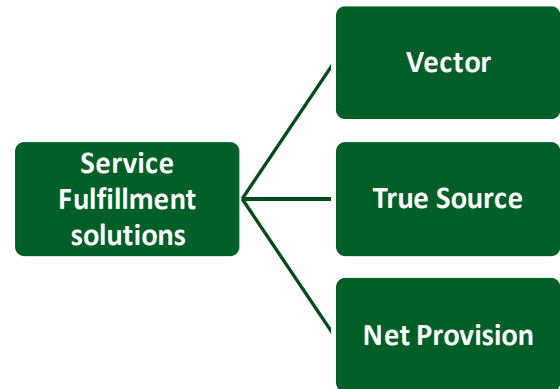
Service fulfillment solution helps telcos to fulfill the needs of their subscribers through provisioning and activation of services. Subex is now shifting its business model towards **Managed Services** which helps Subex to earn high annuity revenue due to its nature of long term projects and growing opportunity in this segment.

Exhibit 12: Business Optimization Solution



Source: Company, Networth Research

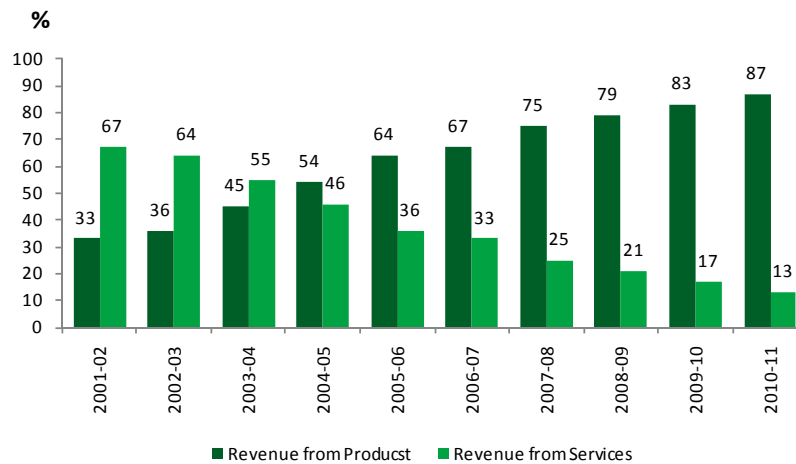
Exhibit 13: Service Fulfillment Solution



Source: Company, Networth Research

It also offers telecom software services which are basically staff augmented services for telco's which is now loosing its pace. But now Subex is more concentrating on generating revenues through product business rather than services because of increased demand for products solutions. As shown in the graph below the status of Product vs. Services revenues trend which clearly resembles that product revenues are increasing as compared to services and we expect in future also it will follow same movement.

Exhibit 14: Product versus Services Revenues (In %)



Source : Company Networth Research

Subex is presently working in different geographies mainly America, (Europe, Middle East and Africa) EMEA and Asia Pacific (APAC) where it has more than 210 small and big (telco's) customers (16 out of top 20 wireless operators worldwide and 26 out of the world's 50 biggest telecommunication service providers)

Global customer snapshot:

Americas	AT&T, Bell, Claro, Comcast, Level(3), Nuvox, Rogers, Sprint, T mobile, Telefonica, Telmex, Telus, Verizon etc.
EMEA	Airtel Africa, BT, COLT, Orascom, Polkomtel, Saudi Telecom, Swisscom, Telecom Egypt, Telecom Italia, Telekom Slovenije, Telenor, Vodafone, Zain etc.
APAC	BSNL, dtac, Idea, Indosat, Maxis, Rel. Com, Star Hub, Telecom Malaysia, Telstra etc. Some recently added customers- Optus, PLDT, MTS, Videocon, Jawaal

Subsidiaries:

- Subex Technologies Ltd
- Subex (UK) Ltd
- Subex Americas INC

Management Profile:

Mr Subhash Menon (Founder Chairman, Managing Director & CEO) - Founded Subex in 1992 and has been its CEO since inception. Under his stewardship, Subex has transformed from a Systems Integrator in the telecom hardware space to a leader in the telecom software space with a niche focus in revenue maximization. He is B.E. in Electrical Engineering, and has over 20 years of experience in the areas of general management, sales and marketing. In past he has held senior positions with companies like Controls & Switchgears Co. Ltd, and Eltel Industries.

Sudeesh Yezhuvath (Chief Operating Officer & Wholetime Director) - Heads the overall operations of Subex, (excluding the legal and financial functions) he is associated with Subex since 1993 and has been instrumental in building the software business of Subex. He holds a B. Tech degree in Instrumentation and Control and has over 16 years of experience in the telecom field.

Mark Nicholson (Chief Technology Officer) of Subex where he is responsible for the company's long-term technology strategy and for driving the definition, direction and development of the Subex software suite. He holds a Bachelor of Science (Honors) degree in Computer Science and has over 27 years of experience with many well know enterprises like Syndesis, Nortel eBusiness Solutions, AT&T Wireless, Rogers AT&T, Thomson Financial and Harlequin Mills.

Other Management Executives: Vinod Kumar (Group President), **Sanjeev Aga (Independent director)** Anuradha (Senior VP-Engineering), Monisha Tambay (VP-HR), Greg LeNeveu (President-Americas), Paul Skillen (President-EMEA), Shekaran Y Menon (President -APAC), Ramanathan J (Vice President-Finance) and David Halvorson (General Counsel).

Financials:

Balance Sheet:					
Rs in cr	2009	2010	2011	2012E	2013E
SOURCES OF FUND:					
Shareholder's Funds					
a)Share Capital	39.48	63.70	75.63	75.63	75.63
b)Reserve & surplus	461.27	223.85	133.78	220.59	329.69
Total	500.75	287.54	209.41	296.22	405.64
Loan Funds					
Deferred Tax Liability (Net)	0.13	0.10	0.09	0.09	0.09
Total	1590.24	921.80	755.21	774.18	759.75
APPLICATION OF FUNDS:					
Fixed Assets					
a)Gross Block	172.40	160.51	163.86	172.86	181.86
Less: Accumulated Depreciation	143.97	140.94	150.83	163.79	177.43
Net Block	28.43	19.58	13.03	9.07	4.42
Add: Capital Work-in-progress	2.24	0.00	0.00	0.00	0.00
Total	30.67	19.58	13.03	9.07	4.42
Goodwill on consolidation	1536.64	1036.64	865.69	865.69	865.69
Deferred Tax asset	4.25	1.22	1.22	1.22	1.22
Current Assets, Loans and Advances					
a) Sundry Debtors	62.23	47.92	60.54	70.11	81.50
b) Cash and balances	18.74	7.24	4.12	10.90	15.10
c) Loans and advances	60.46	53.90	47.76	59.14	68.75
d) Unbilled revenue	68.32	43.81	81.72	93.48	108.66
Total:	209.76	152.86	194.14	222.73	258.91
Less: Current Liabilities and Provisions	307.37	303.04	318.85	335.42	385.60
Net Current Assets	-97.61	-150.17	-124.71	-112.69	-126.69
Miscellaneous expenditure	1.46	1.46	0.00	0.00	0.00
Total	1590.24	921.80	755.21	774.18	759.75

Profit & Loss:					
Rs in cr	2009	2010	2011	2012E	2013E
Sales & Service	558.49	463.08	482.75	568.68	661.06
Other Income	14.07	11.70	9.84	0.00	0.00
Total Income	572.56	474.78	492.59	568.68	661.06
Expenditure					
Hardware, software& support expenses	12.39	11.81	7.97	10.24	11.90
Personnel Expenses	386.68	296.83	261.51	283.95	334.82
Other Operating Expenses	107.28	71.42	81.96	92.00	115.00
Miscellaneous Expense amortised	1.59	1.54	0.00	0.00	0.00
Total expenses	507.94	381.59	351.43	386.19	461.72
PBDIT	64.61	93.19	141.16	182.49	199.34
Depreciation and amortization expenses	21.29	14.82	10.51	12.96	14.00
PBIT	43.33	78.37	130.65	169.53	185.70
Less: Financial cost(Net)	43.48	47.42	42.42	61.83	47.15
PBT before Exceptional Items	(0.16)	30.95	88.23	107.70	136.44
Exceptional Items	(171.76)	79.47	(5.04)		
PBT	(171.92)	110.42	83.19	107.53	138.18
Total tax	16.45	10.13	4.42	21.26	26.94
PAT	(188.36)	100.30	78.77	86.11	109.14
Add: Bal. brought forward from previous year	55.73	(132.64)	(32.34)	46.43	132.80
Profit available for appropriation	(132.64)	(32.34)	46.43	132.54	241.69
Appropriation:					
Dividend-					
Equity Shares-Final Dividend	0.00	0.00	0.00	0.00	0.00
Tax on distributed profits	(132.64)	0.00	0.00	0.00	0.00
Surplus/(Deficit) carried to bal. sheet	(132.64)	(32.34)	46.43	132.54	241.69

Cash Flow Statement:					
Rs in cr	2009	2010	2011	2012E	2013E
Net Profit Before Tax	-171.92	110.42	83.19	107.69	136.44
Net Cash from Operating Activities	82.31	45.65	39.55	156.88	201.57
1Net Cash (Used in)/from Investing Activities	-11.48	-4.74	-3.95	-21.97	-22.64
Net Cash (Used in)/from Financing Activities	-76.88	-49.73	-41.04	-129.73	-173.42
Net changes in Cash & Cash Equivalents	-6.05	-8.82	-5.25	2.93	5.79
Cash & Cash Equivalents (Open. Bal.)	23.118	18.741	7.24	4.11	9.29
Cash & Cash Equivalents (Clos. Bal.)	17.067	9.920	1.994	9.29	14.80

Ratios:						
Rs in cr	Year	2009	2010	2011	2012E	2013E
P&L Ratios						
EBITDA margins		11.3%	19.6%	28.7%	31.1%	31.0%
PBT margins		-30%	17%	17%	19%	21%
Adj. PAT margins		-33%	21%	16%	15%	17%
Interest coverage		1.5	2.0	3.3	3.0	4.0
Balance Sheet Ratios						
LT.Debt/Equity		2.18	2.21	2.61	1.61	0.87
Cross Ratios						
Asset Turnover		0.36	0.52	0.65	0.74	0.87
Debtors Turnover		9.20	9.91	8.14	8.11	8.11
Debtors Receivable (Days)		40	37	45	45	45
Loans and Advances (Days)		39	41	35	38	38
Payables Turnover		0.92	0.62	0.67	0.69	0.72
Payables days		45	67	58	60	60
Per share numbers						
Market cap		223.9	371.1	429.7	429.7	429.7
Enterprise Value		850	913	908	784	430
EPS		-54.06	17.30	11.37	12.43	15.75
EV/Sales		1.5	1.9	1.8	1.3	0.6
EV/EBITDA		13.15	9.79	6.32	4.21	2.09
P/E		-1.1	3.3	5.4	4.3	3.3
P/BV		0.12	0.20	0.28	0.20	0.15
CMP		62	62	62	62	62
BV		501	288	210	296	405
Return Ratios						
ROE%		-37.6	34.9	37.6	29.2	27.0
ROCE%		4.1	10.1	18.7	23.6	26.3

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