Persistent Systems Limited

SOLID - **S**trong business model, **O**PD leader, **L**ong-term client engagement, **I**P business and **D**edicated team

1 July 2010

BUY	
CMP	**: INR414**
Target Price	**: INR525**

Investment rationale

Persistent is a Pune (Mah) based mid-size outsourced product development company, primarily focusing into infrastructure, telecom and life sciences verticals. It is counted amongst the leading domestic OPD player and derives majority of its revenues from the US, followed by Europe and Asia- Pacific.

Strong business model

The company is into outsourced development of software products which have very strong entry barriers due to lack of technical expertise and stricter deadlines.

OPD leader

Persistent has established itself as a leader in the niche outsourced product development market which is growing at a CAGR of 19.1%.

Long-term client engagement

Persistent has started investing and focusing aggressively in upcoming areas like Business Intelligence and Analytics, Cloud Computing and Enterprise Mobility, in order to fulfill demand of existing clients and expanding its client list too.

IP business

The company is developing IP driven products to improve yield and increase revenues by adding value to the customers.

Dedicated and experienced team

Persistent is led by Dr. Anand Deshpande an IIT alumnus who has a vast experience in technological products. This coupled with company's extensive ESOP policy has helped it maintain high utilisation and lower attrition rates.

Valuation

At the CMP of INR414, Persistent is trading at 9.5x, discounting its FY12e EPS of INR43.7. Taking into account company's focus on new technologies, growing client relationship and ramp up in IP business, it would not be unreasonable to give it a higher P/E multiple. Our target price of INR525 is based on 12x FY12e EPS of INR43.7, providing a 27% upside. We recommend a BUY on the stock.

Key Financials

INRm	2008a	2009a	2010a	2011e	2012e
Net revenues (INRm)	4,249	5,938	6,012	7,490	9,410
EBITDA (INRm)	913	914	1,464	2,098	2,589
EBITDA growth (%)	63	0	60	43	23
PAT (INRm)	832	661	1,150	1,419	1,747
PAT growth (%)	50	(21)	74	23	23
EPS (INR)	23.2	18.4	32.1	35.5	43.7
EPS growth (%)	44	(21)	74	11	23
P/E (x)	17.8	22.5	12.9	11.7	9.5
P/BV (x)	4.5	3.8	2.3	2.2	1.9
EV/EBITDA (x)	13.2	13.2	8.2	5.7	4.7
RoE (%)	25	17	18	19	20

Source: Company, Antique

Market data

Sector	:	Information Technology
Market Cap (INRbn)	:	16
Market Cap (USDbn)	:	0.4
O/S shares (m)	:	40
Free Float (m)	:	9
52-wk HI/LO (INR)	:	448/310
Avg 6m Vol ('000)	:	215
Bloomberg	:	PSYS IN
Reuters	:	PERS.BO

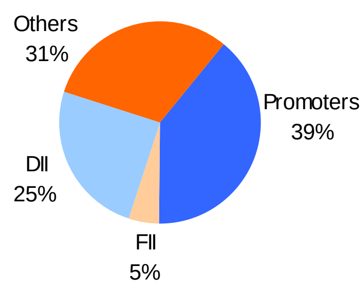
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	7	-	-	-
Relative	3	-	-	-

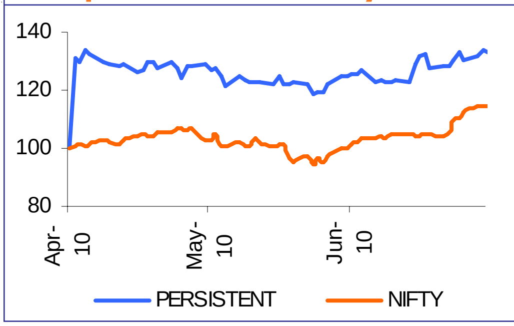
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance vs Nifty



Source: Bloomberg

Sandip Kumar Agarwal
+91 22 4031 3427
sandip.agarwal@antiquelimited.com

Company Overview

Came out with an IPO in March 2010 at INR310 per share

Persistent Systems Limited (NSE: Persistent) is a Pune (Mah) based leading outsourced product development (OPD) company promoted by Dr. Anand Deshpande in 1990. The company is into development of products, applications and functionality enhancement services. Persistent came out with an IPO in March 2010 at INR310 per share and was oversubscribed 93x of its issue. The client list of the company comprises ~300 companies with more than 37 exceeding the turnover of USD1bn. It derives its revenues from three main verticals Telecom, Infrastructure and Life Sciences, where it offers a wide range of services across product lifecycle.

The company has developed and released more than 3,000 products till now; it has more than 18 years of experience working with software product companies. It provides full product development services including value-added products and services for all stages of the product life cycle with focus in telecommunications, life sciences, infrastructure and systems. It has started investing in emerging areas like cloud computing, analytics, enterprise mobility and enterprise collaboration and deploys approximately 4-6% of the team to develop IP driven products.

The company is backed by a team of 4,800+ professionals and operations spread across seven delivery centers (Pune, Goa, Hyderabad and Nagpur) and sales office in seven countries, with total seating capacity of 6,000 people. Persistent clocked revenues of ~INR6,000m in FY10 with EBIDTA of INR1,463 and EPS of INR32 for FY10 and derives majority of its revenues from the US region (85%), followed by Europe (8%) and Asia-Pacific (7%).

OPD market expected to grow at a CAGR of 19.1%

Per IDC reported that the offshore OPD market was approximately USD8bn as at the end of 2009 and is growing at a CAGR of 19.1%. Persistent derives more than 90% revenues from OPD and has the highest market share amongst the domestic players. We believe that Persistent offering is into products which is different than traditional services outsourcing model and gives it an edge over others, specially in downturns. The company is not only into product development but also provides end-to-end solution comprising development, maintenance and enhancement services. There is not much difference between fixed price contracts and time and material contracts in terms of topline or bottomline, as timelines and cost are fixed, while efforts vary with change in requirements, thereby pushing companies for faster delivery and executions.

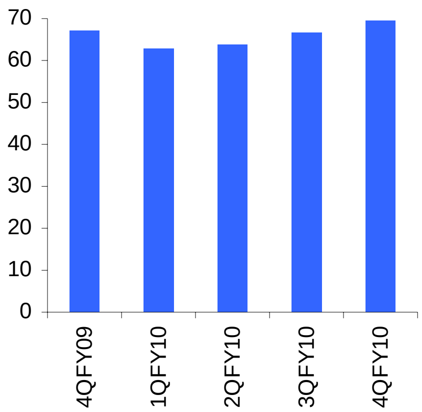
IP investments

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10
Technical time spent (%)	4.30	4.70	4.80	4.80	4.30
Competency Centre - (person month)	462	476	492	521	501

Source: Company

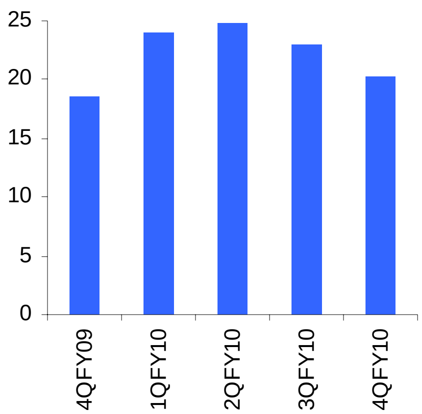
Persistent has used its balance sheet strength time and again to add meaningful acquisitions to its portfolio, it acquired 100% stake of ControlNet in October 2005 followed by Metrikus (India) in July 2007 and PaxPro in October 2009.

Infrastructure and systems (%)



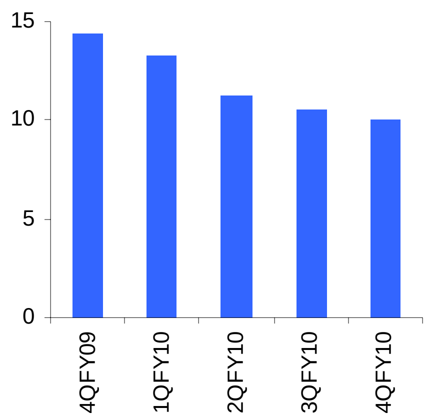
Source: Company

Telecom and wireless (%)



Source: Company

Life Sciences and Healthcare (%)



Source: Company

SOLID - Strong business model, OPD leader, Long-term client engagement, IP business and Dedicated team

Strong business model

Persistent has three main business verticals: Infrastructure and Systems, Telecom and Wireless and Healthcare and Life Sciences.

Infrastructure and systems

Persistent derives majority (~66%) of its total revenues from Infrastructure and Systems segment and works with almost all the top IT companies such as Microsoft (live office), IBM (Tivoli), SAP and all other major players. It has also developed platforms for Microsoft and search applications for Google. Its analytics and data infrastructure competency center comprises a team dedicated to the development of applications and technologies which are used to gather, provide access to, and analyse data and information about company operations. These technologies help companies to gain comprehensive knowledge of the factors affecting their business, thus enabling them for better business decisions. It offers the customer, complete analytics and data infrastructure solutions or components that can be adapted to current platforms. Persistent has expertise in the creation of custom complete analytics and data infrastructure applications.

Telecom and wireless: Good demand for application development

In spite of operators facing stiff competition and price wars, it is a good time for application developers, facilitated further by OEMs, getting into the race to add more and more applications and tools to the instruments (mobile). Unofficially sources quoted that "Apple" paid more than USD1bn to develop applications for I-phone and I-pad in the last year. While domestic IT front-runners work with the OEMs where the demand is primarily driven by service providers, Persistent works mainly with the software vendors serving the OEMs. Within the telecom and wireless space, Persistent works with vendors in unified communication space and also benefits due to rapid changes in the applications.

Life Sciences and Healthcare

Persistent works with universities to develop search engines and software to tag research. Generally, a drug development life cycle varies from 7-11 years. During this time a lot of data is collected and recorded, for instance to develop an anti-cancer drug a lot of data related to customers anatomy and its response at every stage is required. There are a number of research laboratories and universities across the globe working on these drugs and Persistent helps them in developing tools to search data from research labs and universities across the world. This helps in reducing the overall lifecycle of the drug.

Persistent team is also focused on providing solutions and tools for systems biology, translational medicines, bioinformatics, laboratory informatics/automation and clinical research in informatics. It has deployed around 450 people in this segment and expects it to ramp up significantly. Currently, the company derives ~11% of revenues from this segment.

Upcoming verticals

Analytics

Data management and data analysis for quick decision making have become critical tool for any organisation, this coupled with increasing volumes of data enforces professional handling of the data which requires specialised tools. Persistent Systems team of domain experts with capabilities to process and manage data with the help of statistical techniques and visualisation enables it to deliver domain specific insights to the customer. The company works with customers who build tools and other infrastructure for analytics. Persistent also partners with the customers and deploys these tools for their end-customers.

Cloud computing

Cloud provides flexibility to end-customers to pay-per-use on services used. This usage/outcome based model is different from traditional IT model of outsourcing work. Cloud computing can deliver much better resource utilisation and thereby minimises costs significantly through infrastructure and resource sharing, which significantly reduces the marketing time for the product. It would not be an easy task for companies to redesign their products, undergo resource sharing and migrate existing systems and leverage on multiple-tenancy options.

Persistent works with its customers to build necessary components and enable them to deliver high-performance cloud computing platform. It has partnered with leading cloud platform vendors to facilitate software product companies to migrate their products to the cloud platform. The company has been able to build tools and systems to help companies determine and plan the process of migration to the cloud platform.

Enterprise mobility and collaborations

Company has made significant investments in R&D and marketing of new products

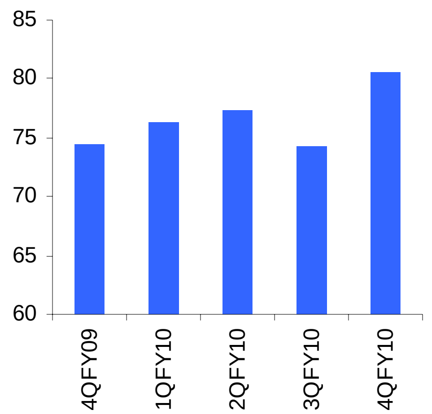
Persistent Systems work very closely with application developer and software providers to the mobility OEMs. Post launch of iPhone, smart phone penetration in the market has grown significantly. In the current market trend, smart phones, net books and mobile Internet devices have become an integral part of the enterprise and are being managed as a corporate resource. Persistent works with not only hand-set manufacturers but also with wireless network equipment companies and telecommunication infrastructure companies to build software solutions. It has build products that leverage technologies across search, email and messaging, text mining and analytics, social networking and web 2.0, integration of Microsoft Office and Sharepoint and other related areas. It provides a library of custom connectors sold as "Persistent branded custom connectors" to help in developing of enterprise search product to extract data from multiple enterprise data sources.

Revenue mix

Pricing model

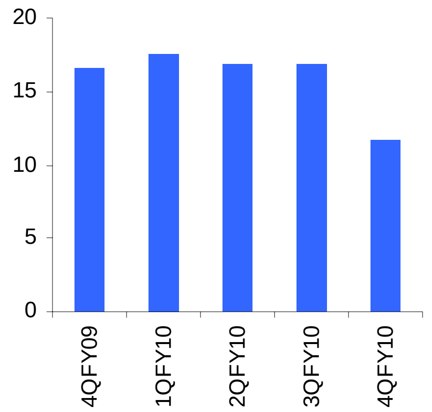
Although Persistent is similar to other IT services companies in terms of pricing and OPD services both on fixed price and time and material basis, but the contribution from time and material is significantly higher vis-à-vis the services company which enjoy more even distribution. In FY10, the company derived ~77.30% revenues from

Time and material (%)



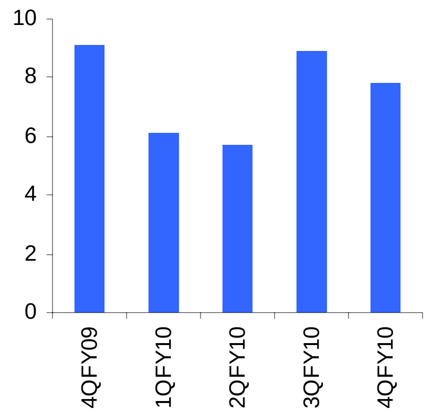
Source: Company

Fixed price (%)



Source: Company

IP driven (%)



Source: Company

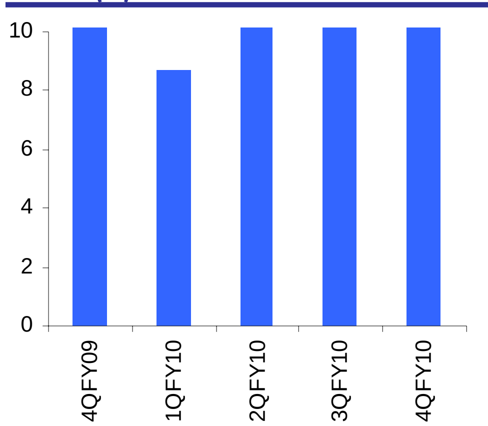
time and material contracts and ~15.50% from fixed price contracts, while revenues from licenses and royalties constituted ~7.20% of the total revenues. It provides services for a fixed price and agrees to complete the project within a fixed time where the scope of project is reasonably clear. The company also offers the option of royalty and revenue sharing to customers depending on the requirement of customer, spending capacity and nature of product. The company is strategically focused to increase the contribution from this segment to 20% in coming years.

The risk with fixed price contracts is cost overruns and execution delays in spite of significant software product development knowledge and past project experiences. The company at the same time also has an edge over other players in fixed price contracts, due to existence of product IPs which helps them increase project efficiency and cut execution time significantly and thereby save costs.

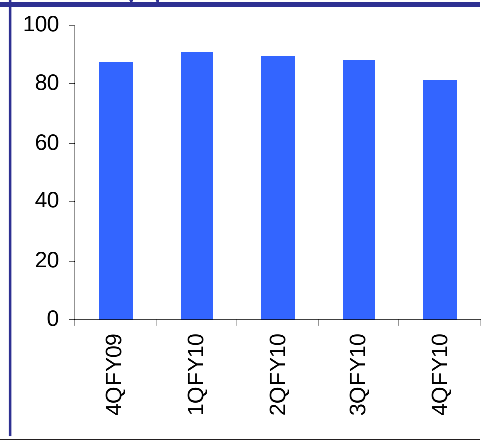
Onsite/Onshore mix

Persistent derives revenue from services and products offered onshore and offshore. The offshore revenues mainly consist of software development and related services performed from facilities in India, while onshore revenues comprise software services performed at clients' premises or at company's premises outside India. Service performed at a client site or outside India typically generates higher revenues per employee than the same service performed at facilities in India.

Onsite (%)



Onshore (%)



Source: Company

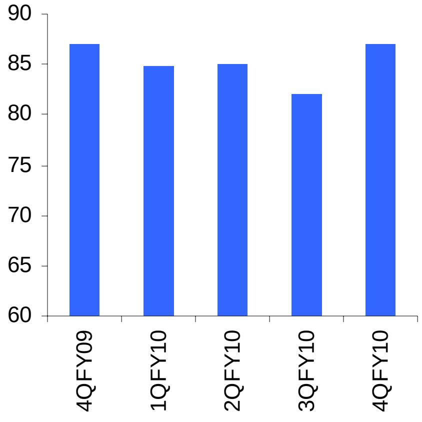
Geographic mix

North America, Europe and Asia Pacific

- North America: Currently, Persistent derives ~85% of the revenues from clients located in the US region. The company is looking forward to expand its presence in Europe and other regions. In FY08 and FY09, due to economic slowdown, in the US, clients reduced and postponed their IT spending significantly and underwent cut and postponement of product releases which affected the demand significantly.

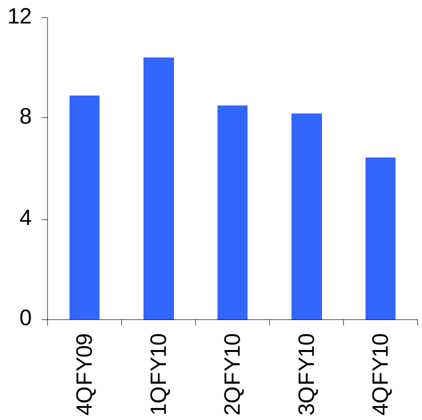
- Natural Shield from European trouble: Persistent has got almost no exposure to Europe compared to its peers. The company is shielded by the European and Euro crisis as most of its revenues is derived from the US region and is dollar denominated. The company intends to increase its presence in the European region and had recruited a regional manager to develop business in that geography.

North America (%)



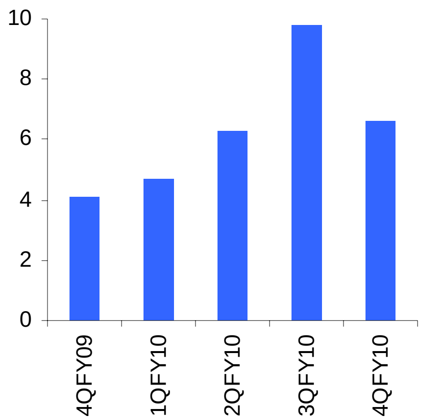
Source: Company

Europe (%)



Source: Company

India and Asia Pacific (%)



Source: Company

OPD leader

According to IDC forecast worldwide Outsourced Product Development (OPD) is estimated to grow at a 16.7% CAGR to USD65.7bn over CY09-13E, while offshore OPD market is expected to grow at a CAGR of 19.1% over the same period. The OPD business is actually a fundamental shift in the value chain from the traditional IT offshoring business (for cost saving) to a more sophisticated level which requires significant product knowledge, architecture expertise and technological expertise to develop and deploy a product. Product development work also varies from application development on grounds of flexibility in terms of customisation, skill -sets and execution modes (need to follow the processes) and stringent timeline triggered by shorter product life cycles and obsolescence due to new launches.

According to "Trends That Will Reshape R&D Post Recession by" Forrester Research Inc: Almost all product companies have chopped their R&D budget by 15-30% as a part of cost cutting initiatives although the product releases have gone up during the same time. Thus product managers are left with no choice other than to outsource more product development work. This leaves more time to market them and at the same time allows meeting stringent deadlines irrespective of non-availability of manpower.

Persistent has both technological expertise and end-to-end solutions offering to meet the requirements of fast growing offshore OPD market. The company has established its credibility with more than 3,000 product releases in the last five years with overall experience of 18 years in product development (of which last 10 years are substantial). Foreseeing the change, the company has pro-actively dedicated 4-5% of its software professionals in R&D of the products.

We believe mounting cost-cutting pressures, shorter product/application life cycles and stiff competition between OEMs to launch new products will increase the OPD work significantly and at the same time throw new challenges of quicker execution, which we believe Persistent is well-prepared to deliver.

Long-term client engagement

Persistent has successfully established long-standing relationships with leading global software vendors, as of date company has more than 37 customers (with more than USD1bn revenues). Persistent has been able to increase its large and medium client revenue contribution in the last five quarters, however, some clients have shifted from small to medium during the same period.

Customer engagement (USD)

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10
Large (>3m)	6	7	7	8	8
Medium (>1m, <3m)	20	18	15	19	23
Small (up to 1m)	200	185	174	168	164
Repeat Business (in %)	85.4	97.5	93.0	87.8	88.6

Source: Company

IP business

Persistent portfolio comprises more than 37 customers with revenues exceeding USD1bn

Persistent strategically focuses on IP driven business primarily for three reasons: first, this business gives consistent cash flow to the company for a longer period of time; second, it is a non-linear source of revenue, where margins are high; and third, it helps the company to improve yields/efficiencies. We believe under-utilisation of resources in product companies coupled with technical and cost constraints have paved the way for outsourcing and risk reward sharing of R&D work. The company's IP driven revenues have grown from a meager ~1% to ~7% in the last three years which perfectly aligns with company's target of deriving ~20% of total revenues from this business.

Dedicated team

Persistent is co-founded by Dr. Anand Deshpande (IIT alumnus, Currently CMD). We believe with strong technical background, relevant product experience and commitment to the organisation, the whole senior management team will help Persistent to meet new challenges in the OPD business and thereby deliver strong results (refer the table below).

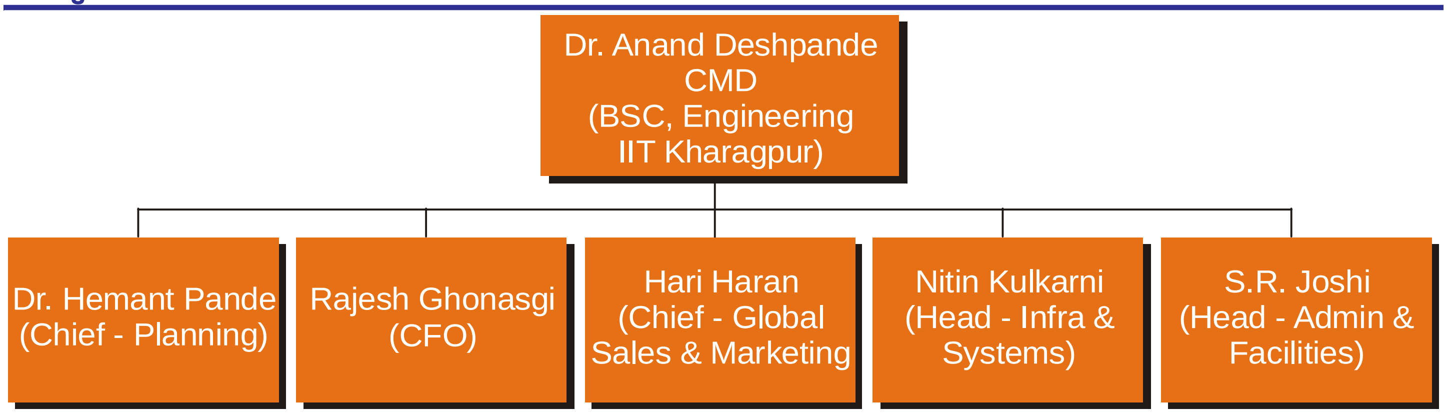
IP business grew from 1-7% in the last three years

Team

Name	Head	Educational Background
Mukesh Agarwal - Since 1995	Life Science & Healthcare	Diploma (BTE) & B.E (Computers)
Rama Sastry-Since 1999	Delivery Excellence	Masters (IIT - Madras)
Dr. Hemant Pande-Since 2000	Enterprise Product	B-Tech (IIT - Mumbai)
Asit Shah -Since 2001	Strategic Accounts	Master's - Wisconsin University
Dr. R. Venkateswaran- Since2002	Telecom Business	Masters (IIT - Mumbai)
Nitin Kulkarni - Since 2006	Infrastructure & Systems	B.E. (Mumbai University)
Dr. Srikanth Sundarajan - Since 2006	COO	IIT, Madras

Source: Company

Management structure



Source: Company

Balance Sheet

Cash balance and acquisitions

Cash & cash equivalents of ~INR2,800m

Persistent has a strong balance sheet with cash and cash equivalents of INR2,800m as on March 31, 2010 (Ex- Refunds to Shareholder). It generated free cash flow of ~INR1,150m in FY10 (capital expense of only INR500m). The company is planning to invest ~INR1,150m in FY11e.

Stakeholders

'Intel 64 Operations' invested twice in Persistent once in 2000 and then again in 2006. In 2006, other investors like Gabriel Venture Partners and Norwest Venture Partners also invested into the company. Pre-IPO, all the three players taken together were holding ~22.5% stake into the company, which post IPO have come down to ~19%.

Hedges for next four quarters at an average of 48/USD

Persistent follows a policy of hedging 40-60% of the net exposure, where net exposure means exposure excluding natural hedges (payments in same currency, etc.); net exposure is ~85% of total revenues. The company generally hedges for the next four quarters and has hedges of USD ~80m at an average conversion of INR48.4/USD.

EBIDTA margins, facilities and human resources

Persistent reported EBIDTA margin of 24.3% for FY10, we believe the margins are quite impressive and will be driven further due to suitable onshore/offshore mix and increase in non-linear sources of revenues (royalties), further augmented by higher scale and improvement in billing rates.

Persistent currently has seven delivery centers (India based) and seven sales offices in four cities and seven countries. It has a seating capacity of 5,500 expandable to 6,000. The company has employee strength of ~4,600 as on Mar 31, 2010 and intends to add 1,100-1,200 people in FY11e (net additions).

Pricing and yield (USD/ppm)

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10
Billing rates					
Onsite	12,525	12,408	12,379	12,052	12,564
Offsite	3,528	3,497	3,548	3,616	3,546
Yield	2,744	2,631	2,801	3,080	3,190

Source: Company

Seating capacity (all owned except Hyderabad)

Pune -Bhageerath	550
Pune - Aryabhata	2,550
Pune - Hinjewadi	1,000
Pune -Panini	200
Goa	300
Nagpur	700
Hyderabad	200
Total	5,500

Source: Company

Employee data

	1QFY10	2QFY10	3QFY10	4QFY10
Technical	3,757	3,977	4,190	4,321
Sales and BD	68	70	67	71
Rest	256	258	261	270
Total employees	4,081	4,305	4,518	4,662
Attrition rate (%)	12.4	10.5	10.8	13.7

Source: Company

Key assumptions

Growth assumptions (%)	
Long term growth rate	2
Persistent Premium/(Disc)	0
CAPM assumptions (%)	
Ke	10.7
R F R	8.0
Beta	0.9
Rp	3.0

Source: Company, Antique

Terminal value

Sum of PV of FCF for explicit forecast (INRm)	10,791
WACC (%)	10.7
Terminal Growth (%)	2.0
PV of terminal value	9,523
Terminal value as % of total value	47
Total Value	**20,315**

Source: Company, Antique

Intrinsic value

Enterprise value	20,315
- Debt	-
+ Cash	2,800
Net debt	(2,800)
Equity value (Mkt Cap)	23,115
Diluted shares (m)	40
Intrinsic value	578

Source: Company, Antique

Valuation and Risk Factors

The intense competition between mobility OEMs to provide equipments with more and more applications and tools had thrown significant opportunity for the software vendors. Persistent being one of the key players in OPD business is well-positioned to grab this opportunity. Based on the above, we forecast a revenue growth of ~25% in FY11e and EBITDA margins of 28% for Persistent Systems. Other key assumptions are shown in the adjacent table.

We have used both DCF and relative valuation methodology to arrive at a fair value for Persistent. On DCF basis (assumption on the adjacent table), at a WACC of 10.7% and long term growth of 2%, we derive an intrinsic value of INR578.

Keeping in mind currency risk and global macro environment to which the company is exposed to, we did a stress analysis of company's value varying on these two parameters. At INR/USD range of INR40-49 and utilisation of 73 -77%, we arrive at a price band of INR537-671. We believe that in long-term, the INR/USD range would be between INR41-45 and utilisation between 73-76%, hence we have taken average of the value with these two variables and arrive at an intrinsic value of INR580.

Sensitivity analysis (impact on intrinsic value)

	Utilisation				
	73%	**74%**	**75%**	**76%**	**77%**
40	537	544	547	554	560
41	549	555	559	566	572
42	561	567	571	578	585
43	570	577	581	588	595
44	582	589	593	600	607
45	593	600	605	612	619
46	607	615	619	626	634
47	619	626	631	638	646
48	631	638	643	651	658
49	642	650	655	663	671

Average: INR580

Source: Company, Antique

On a relative basis, Persistent is currently (CMP:INR414) trading at a P/E of 9.5x, discounting its FY12E EPS of INR43.7. It would be unfair to compare Persistent with Infosys, TCS, Wipro, as they derive majority of revenues from software services and very small proportion from OPD business. Taking into account "**SOLID** - **S**trong business model, **O**PD leader, **L**ong term client engagement, **I**P business and **D**edicated Team" factor and company's capability to manage margins and growth in tough times and amidst currency headwinds, we believe it would not be unreasonable to give it a P/E multiple at high end of mid cap companies (8x-12x) range implying a target price of INR525 discounting its FY12e EPS of INR43.7.

Taking lower of the above three values: INR578 (DCF), INR580 (Stress Analysis) and INR525 (Relative basis), we initiate coverage on Persistent with a BUY rating and a target price of INR525, implying 27% upside from current levels.

Risks

- **Currency risks and US concentration:** Persistent derived ~85% of its revenues from the US geography in FY10. Any significant slowdown or terrorist attack in the region can impact it significantly. Although Persistent follows a defensive hedging policy - it may not be able to defend its revenues if rupee appreciates significantly - as majority of the billing happens in USD terms.

- **Cost overruns and deadlines:** In the OPD model, the timelines and cost are fixed while requirements vary significantly - this can result in cost overruns and execution delays thereby leading to cancellation of contracts and loss of margins.

- **Attrition rates and talent acquisition:** Post 2008-09, the IT business has improved significantly and had brought in supply side constraints even for major players like Infosys, Wipro and TCS. Since OPD business requires higher skill sets comparatively, thereby retaining employees without giving significant hikes could be a challenge. Supply side constraints can result into higher attrition rates and margin erosions.

- **Tax rate:** The new DTC might result into company paying higher taxes which can negatively impact its earnings.We are factoring a tax rate of 22% in our estimates.

Financials

Profit and Loss Account (INRm)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
Revenues	4,249	5,938	6,012	7,490	9,410
Expenses	3,615	5,322	4,883	5,792	7,310
Operating Profit	633	617	1,128	1,698	2,100
Other income	256	69	112	122	139
EBIDTA	913	914	1,464	2,098	2,589
Depreciation	280	297	335	400	489
Interest expense	-	-	-	-	-
Profit before tax	889	685	1,241	1,820	2,239
Taxes incl deferred taxation	22	10	91	400	493
Extra ordinary Items	(35)	(15)	-	-	-
Profit after tax	832	661	1,150	1,419	1,747
Recurring EPS (INR)	23.2	18.4	32.1	35.5	43.7

Balance Sheet (INRm)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
Share capital	359	359	400	400	400
Reserves & surplus	2,921	3,589	5,990	7,077	8,415
Networth	3,280	3,948	6,390	7,477	8,815
Debt	-	-	-	-	-
Deferred tax liability	3	-	-	-	-
Capital employed	3,282	3,948	6,390	7,477	8,815
Gross fixed assets	2,928	3,372	3,715	4,865	5,365
Accumulated depreciation	1,286	1,573	1,881	2,281	2,770
Net assets	1,643	1,800	1,834	2,584	2,594
Capital work in progress	331	377	485	485	485
Investments	692	880	1,562	1,962	2,362
Current assets, loans & advances					
Inventory	na	na	na	na	na
Debtors	745	1,034	1,363	1,879	2,273
Cash & bank balances	113	165	1,918	1,354	2,066
Loans & advances and others	489	605	984	1,148	1,299
Current liabilities & provisions					
Creditors	575	744	1,394	1,572	1,902
Other liabilities & provisions	154	170	362	362	362
Net current assets	617	891	2,510	2,447	3,374
Application of funds	3,282	3,948	6,390	7,477	8,815

Per share data

Year ended 31st Mar	2008	2009	2010	2011E	2012E
No. of shares (m)	35.9	35.9	35.9	40.0	40.0
BVPS (INR)	91.5	110.1	178.1	186.9	220.4
CEPS (INR)	31.0	26.7	41.4	45.5	55.9
DPS (INR)	na	na	2.5	7.1	8.7

Margins (%)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
EBIDTA	21.5	15.4	24.3	28.0	27.5
EBIT	20.9	11.5	20.6	24.3	23.8
PAT	19.6	11.1	19.1	19.0	18.6

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
PBT	892	697	1,241	1,820	2,239
Depreciation & amortisation	280	297	335	400	489
Interest expense	-	-	-	-	-
Interest / Dividend Recd	256	69	112	122	139
Other adjustments	(244)	143	(329)	(122)	(139)
(Inc)/Dec in working capital	(45)	(386)	498	(501)	(215)
Tax paid	(115)	(108)	(248)	(400)	(493)
CF from operating activities	1,024	711	1,611	1,318	2,021
Capital expenditure	(507)	(487)	(475)	(1,150)	(500)
(Purchase)/Sale of Investments	(451)	(164)	(710)	(400)	(400)
Income from investments	26	45	44	-	-
CF from investing activities	(932)	(606)	(1,142)	(1,550)	(900)
Inc/(Dec) in share capital	(41)	(15)	1,246	-	-
Inc/(Dec) in debt	-	-	45	-	-
Dividends & Interest paid	(50)	(36)	(27)	(332)	(409)
CF from financing activities	(92)	(51)	1,264	(332)	(409)
Net cash flow	0	54	1,733	(564)	712
Opening balance	109	109	185	1,918	1,354
Closing balance	109	163	1,918	1,354	2,067

Growth indicators (%)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
Revenue	35	40	1	25	26
EBITDA	63	0	60	43	23
PAT	50	(21)	74	23	23
EPS	44	(21)	74	11	23

Valuation (x)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
PE	17.8	22.5	12.9	11.7	9.5
P/BV	4.5	3.8	2.3	2.2	1.9
EV/EBITDA	13.2	13.2	8.2	5.7	4.7
EV/Sales	2.8	2.0	2.0	1.6	1.3
Dividend Yield (%)	na	na	1	2	2

Financial ratios

Year ended 31st Mar	2008	2009	2010	2011E	2012E
RoE (%)	25	17	18	19	20
RoCE (%)	19	16	18	23	24
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
EBIT/Interest (x)	na	na	na	na	na

Source: Company Antique

Important Disclaimer:

	Firm	Directors	Analyst
Ownership in Stock	No	No	No

ANTIQUE

Antique Stock Broking Limited

Nirmal, 2nd Floor, Nariman Point, Mumbai 400 021.

Tel. : +91 22 4031 3444 • Fax : +91 22 4031 3445

www.antiquelimited.com