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Volume: 3 Issue: 50 December 19th 2011

Technical View: Cash Market

Nifty showed selling pressure for second consecutive week and made long black candlestick pattern on weekly charts. Nifty closed below support in 4680-4725 levels. Sentiment may remain weak below 4700 levels and selling pressure may be seen. If Nifty manages to maintain above 4700 levels then recovery may also be seen.

For trading during the coming sessions, trend deciding level is 4650. If Nifty shows strength above 4650 levels then we may see rally 4725/4800/4880/4950-5000. If Nifty doesn't sustain above 4650 levels then selling pressure till 4570/4525/4450 may also be seen.

Recommendation for Monday- Intra Day Trading

Scrip (LTP)	Action	At Price	For Target of	Stop Loss	Duration
ITC (195)	BUY	IN 195-192	199-202	191	1 day
IBREALEST (46.70)	SELL	IN 47-48	44-42	49.50	1 day

Technical View: NIFTY Future

Duration	Action	Entry Zone	For Target of	Stop Loss
For Monday	Buy	4580-4600	4660	4550
For the Week	Buy	4550-4600	4685-4730	4520

Fundamental Call

Company	Recommendation	At Rate(Rs)	Target(Rs)
Ashok Leyland Ltd	Buy	25-25.50	29
Polaris Financial Technology Ltd	Buy	125.05	150

News Roundup

- India's benchmark indices ended this week with huge losses of around 4.5%. Sensex closed at 15491 after losing over 4.45% and Nifty closed at its 25-month low at 4651 down by 4.4 %. All the sectoral indices, ended the week in negative territory. CNX PSU Bank was the top loser of the week with loss of 9% followed by CNX Realty.
- IIP for month of October 2011 fell to its 28 month lowest level and registered contraction of 5.1%. According to the data, IIP stood at -5.1% in October 2011 compared to 11.37% in October 2010. During the first seven months of current financial year, IIP growth stood at 3.5% compared to 8.7% in the same period of 2010. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of October 2011 stood at 120.9, 165.9 and 152.1 respectively, with the corresponding growth rates of (-) 7.2%, (-)6.0% and 5.6%
- RBI for the first time since March 2010, kept the key policy rates unchanged. In the mid-quarter monetary policy review, the RBI kept its repo rate constant at 8.5% and reverse repo rate at 7.5%. The RBI also left the cash reserve ratio (CRR), unchanged at 6%. Bank rate was also maintained at 6%.
- The global rating agency Fitch, has revised downward its real Gross Domestic Product (GDP) growth forecast for India to 7% in current financial year from 7.5%. It has also revised down its forecast for Fiscal year 2013 from 8% and 2014 from 8.5% to 7.5 and 8% respectively.
- Headline inflation measured by the WPI for the month of November 2011 fell to its lowest level in last 12 months, stood at 9.11% as compared to 9.73% in last month. The decline in headline inflation is on the back of the sharp decline in prices of primary articles and food articles. However, in the month of November, manufactured products and fuel and power article, showed surge in prices, it increased to 7.7% and 15.48% as compared to 7.66% and 14.79% respectively.
- Weekly food inflation fell to a nearly four-year low of 4.35% for the week ended December 3, the fifth successive decline and the lowest rate of food inflation since the week ended February 23, 2008. The decline was mainly on the back of reducing prices of onion, potato, vegetables and egg, meat and fish. The easing of food inflation is in line with the government's expectations.
- Union Finance Minister Pranab Mukherjee said that maintaining the fiscal deficit at 4.6% of the Gross Domestic Product (GDP) is a serious challenge. In this year's Budget, the government has estimated the fiscal deficit at Rs 4, 12,817 crore or 4.6% of the GDP. However, by the first half of the current financial year, the fiscal deficit crossed Rs 2.8 lakh crore or 68% of the Budget Estimate (BE).
- India's forex reserves dropped \$69 million to \$306.77 billion during the week ended Dec 9, 2011 against \$306.84 billion, mainly on account of revaluation of currencies in the reserves.
- In the ongoing review of financial firms by the three major Rating agencies, Fitch Ratings has downgraded seven global banks based in Europe and the United States, citing "increased challenges" in the financial markets. Bank of America Corp., Goldman Sachs and Citigroup are the few which had their credit grades cut by Fitch, along with Barclays, Credit Suisse, Deutsche Bank and BNP Paribas.
- China's manufacturing sector's health showed some improvement in December over the previous month's final print but continued to be under 50 that separates expansion from contraction. HSBC's flash purchasing managers' index (PMI) fell to 49 in December.
- The sentiments have changed for the worst. The medium to short term trend has definitely turned bearish. However after a huge fall of almost 200 points in a single day and almost 460 points in 7 trading days, some bounce back can be expected in next couple of days. Nifty is likely to consolidate within 4500-5000 range in medium term.

Market Indices

SECTORAL INDICES				
INDICES	9-Dec-11	16-Dec-11	Change (%)	Difference
BSE				
Sensex	16213.46	15491.35	-4.45	-722.11
Bankex	10157.05	9420.85	-7.25	-736.20
IT Index	5733.49	5712.42	-0.37	-21.07
Metal Index	10420.30	9682.99	-7.08	-737.31
FMCG Index	3989.17	3961.27	-0.70	-27.9
Cap. Goods Index	9394.87	8427.17	-10.30	-967.7
Realty Index	1577.13	1447.43	-8.22	-129.7
Consumer Durables Index	5704.59	5226.36	-8.38	-478.23
OIL & GAS	8021.95	7676.21	-4.31	-345.74
AUTO	8521.71	8106.88	-4.87	-414.83
Healthcare Index	5958.72	5873.19	-1.44	-85.53
PSU Index	6844.62	6429.30	-6.07	-415.32
Mid-Cap Index	5620.85	5277.27	-6.11	-343.58
NSE				
S&P CNX Nifty	4866.70	4651.60	-4.42	-215.10
Bank Nifty	8811.10	8171.90	-7.25	-639.20
CNX IT Index	6135.25	6112.55	-0.37	-22.70
S&P CNX 500	3830.85	3647.95	-4.77	-182.90

GLOBAL INDICES				
INDICES	9-Dec-11	16-Dec-11	Change (%)	Difference
US Market				
NASDAQ	2646.85	2555.33	-3.46	-91.52
Dow Jones	12184.26	11866.30	-2.61	-317.96
S & P 500	1255.19	1219.66	-2.83	-35.53
European Market				
FTSE 100	5529.21	5387.34	-2.57	-141.87
CAC 40	3172.35	2972.30	-6.31	-200.05
Asian Market				
Nikkei	8536.46	8401.72	-1.58	-134.74
Strait Times	2694.60	2659.22	-1.31	-35.38
Hang seng	18586.23	18285.39	-1.62	-300.84
Shanghai Comp.	2315.27	2224.84	-3.91	-90.43

Institutional Activity (Equity)

INSTITUTIONAL ACTIVITY (Equity)

(Rs. In Cr)			
Day Wise	Purchase	Sale	Net
FII Activity*			
Friday	1771.67	2020.24	-248.57
Monday	1522.08	1950.38	-428.30
Tuesday	1597.52	2158.32	-560.80
Wednesday	2246.43	2386.56	-140.13
Thursday	2991.84	3315.12	-323.28
Friday (Provisional)	2235.54	2455.79	-220.25
Total	12365.08	14286.41	-1921.33
DII Activity			
Friday	985.02	869.81	115.21
Monday	1116.61	950.32	166.29
Tuesday	1251.49	769.56	481.93
Wednesday	1022.94	573.35	449.59
Thursday	986.71	938.62	48.09
Friday	1159.08	823.78	335.30
Total	6521.85	4925.44	1596.41

*Source from NSE

Weekly Sectoral Roundup

Out performer	Under performer	Neutral
HC (-1.44%)	CG (-10.3%)	AUTO (-4.87%)
FMCG (-0.7%)	CD (-8.38%)	OIL&GAS (-4.31%)
IT (-0.37%)	REALTY (-8.22%)	
	BANK (-7.25%)	
	METAL (-7.08%)	
	PSU (-6.07%)	

Weekly Top Gainers

Name	close	pclose	%change
WELCORP	80.95	67.05	20.73
BRFL	260.1	243.45	6.84
MPHASIS	343	324.65	5.65
TATACOMM	201.15	190.5	5.59
COREEDUTEC	281.8	271.5	3.79

Weekly Top Losers

Name	close	pclose	%change
SINTEX	63.05	93	-32.2
ESSAROIL	47.75	67	-28.73
AREVAT&D	143.65	201.05	-28.55
MOSERBAER	13.65	17.75	-23.1
PANTALOONR	139.65	181.55	-23.08

Outlook for the Week

Nifty opened the week at 4906.85 levels and after making initial weekly high and 4910.25 levels, Nifty showed selling pressure and made new 52 week low at 4628.20 levels. Nifty closed the week in red at 4651.60 levels with 4.41% loss. Volumes were higher than previous week. Nifty showed selling pressure for second consecutive week and made long black candlestick pattern on weekly charts. Nifty closed below support in 4680-4725 levels. Sentiment may

remain weak below 4700 levels and selling pressure may be seen. If Nifty manages to maintain above 4700 levels then recovery may also be seen.

For trading during the coming sessions, trend deciding level is 4650. If Nifty shows strength above 4650 levels then we may see rally 4725/4800/4880/4950-5000. If Nifty doesn't sustain above 4650 levels then selling pressure till 4570/4525/4450 may also be seen.

NIFTY Futures View

Nifty Dec Future opened at 4912.00 touched the high of 4915 then due to long unwinding coupled with short buildup tested the low of 4624.50 & closed at 4643.15, decreased by 242.75 pts. (-4.97%) on weekly basis. Technically speaking 4500-4550 zones would act as a support & 4800-4850 range would act as a resistance for the coming week.

View for Medium term Traders: On Medium term basis, Nifty has support around 4500 level. Medium term resistance would be around 4850 mark.

Trading strategy for Short term Traders: We are recommending buying strategy for short term traders. Long position may be taken in the zone of 4550-4600 with the SL of 4520 for the target of 4685-4730.

For day-trading purpose on Monday: Long position may be taken in the range of 4580-4600 with the SL of 4550 for the target of 4660.

Nifty Trend Watch

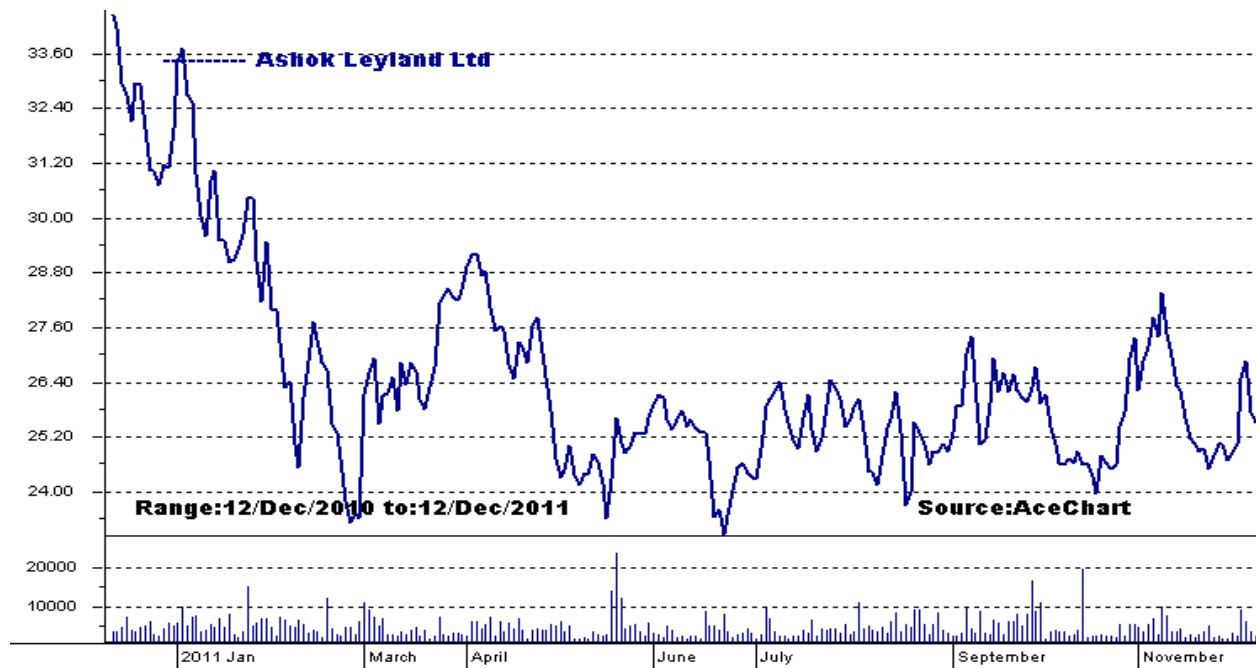
Date	Nifty	Cash	December Future
16-12-2011	Close Today	4650	4643.15
Week Beginning 19-12-2011	R2	4880/4950-5000	4880/4950-5000
	R1	4725/4800	4725/4800
	Weekly Trend Deciding	4650	4650
	S1	4570/4525	4570/4525
	S2	4450	4450

Nifty Weekly



INVESTMENT IDEA

Report Date	12 Dec 2011
Company Name	Ashok Leyland Ltd
Recommendation	Buy in range Rs. 25-25.50 (Medium risk-Medium return)
Target price	Rs 29
Stop loss	Rs. 23.80



Technical View & Recommendation

The stock had witnessed quite a major correction from the high levels of 40-41 to the lows of 23-22.50 during Nov'10 to June'11. After witnessing almost 50% correction, the stock is currently in a consolidation phase, which is showing signs of upward breakout. Ashok Leyland has been trading in an upward channel for last couple of months with consistent volumes. MACD and RSI both are moving upwards and are indicating more scope for upside in coming days. Even the retracement levels from the high to the low are indicating towards retracement to at least 27.40 from current levels. Small resistance is placed at around the same (27.40-28), above which the stock has potential to reach 29 in medium term. A buy is recommended in the stock at CMP for the target of 29 with a stop loss of 23.80 on daily closing basis.

Company profile

Ashok Leyland (ALL) is a flagship company of the Hinduja Group, one of the largest commercial vehicle manufacturers in India with a turnover of US \$ 2.5 billion in 2010-11. Company was founded in 1948 by Raghunandan Saran, as Ashok Motors in collaboration with Austin Motor Company, England. In 1950, Ashok Motors and Leyland, UK agreed to collaborate and reached an agreement in which Ashok Motors got sole rights to import, assemble and progressively manufacture Leyland trucks for seven years. An important landmark was achieved in 1954 when the Government approved the progressive manufacture of Leyland commercial vehicles and a license for the manufacture of 1,000 Comets a year was granted to the company. In 1955, the company got its present name as it got renamed as 'Ashok Leyland' with equity participation from Leyland Motors, Ltd.

Over the years, Ashok Leyland has played an important role as a provider of close to 700,000 vehicles and as the largest supplier of logistics vehicles to the Indian Army. Headquartered in Chennai, India, company's manufacturing footprint is pan-India with two facilities in Prague (Czech Republic) and Ras Al Khaimah (UAE).

The product portfolio of ALL includes-

- Buses -From 18 seaters to 80 seaters,
- Trucks - comprehensive range of trucks for a variety of applications: long-hauls, distribution, construction or mining.
- Light Vehicles -DOST, the first LCV from the Ashok Leyland Nissan JV, rolls out to the market.
- Defence -company offer end-to-end solutions to meet the logistics' requirements of the armed forces with platforms like Stallion, RHINO and FOX.
- Power Solutions -Under the brand name, Leypower, company offer complete power solutions for a variety of applications. Leypower symbolizes "power uninterrupted".

Recent developments

- Ashok Leyland reported impressive growth in top line during Q2FY12. Total income at 3094.6 crores registered an increase of 14% YoY and 24% QoQ, on the back of higher pricing. Despite the increased sales turnover, company witnessed a slight 7.8% decline to 154 crores in Q2 net profit on YoY basis due to high raw material costs. The result was also adversely affected by moderate volume growth and slowdown in mining activity in southern India, where it has 50% market share. Additionally, higher interest rates and fuel prices also affected the vehicle demand of the company. Sequentially the company has posted encouraging results with sales registering 24% increase and bottom line witnessing 79% increase. Both operating and PAT margins have increased considerably QoQ. Sale of vehicles for the quarter stood at 23,659 units with domestic volumes at 20,429 and International operations contributed 3,230 registering a rise of 37.4%.
- ALL is aggressively pursuing joint venture and collaboration agreements with international companies to maintain its leadership position across various segments. Company has entered into a 50:50 Joint Ventures (JV) with Nissan Motor Company (Japan) for Light Commercial Vehicles and John Deere (USA) for construction equipment. Another JV with Continental AG (Germany) is for developing automotive Infotronics while the one with the Alteams Group is for producing high press die casting extruded aluminum components for both the automotive and telecommunication sectors.
- According to the management, the company is on track to sell more than 100,000 vehicles in FY12. Moreover, the company expects to sell about 12,000 vehicles from its joint venture with Nissan, the first light truck from which was introduced recently. Company also expects the freight rates to stabilize across the country. Management can consider increasing prices of its products in January'12 to offset higher input costs.

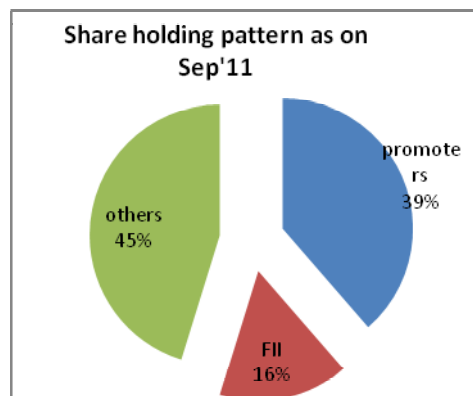
- With the crisis in Middle Eastern region subsiding, company expects to perform better in export market going ahead. As it is the growth in Sri Lanka and Bangladesh markets have been sustained by the company. Already, exports for HY 1FY'12 registered 35% increase over HY1FY'11. ALL is targeting 30% growth (13000 vehicles) in FY '12 from 10306 in FY11. Moreover share of exports in Total volume is expected to reach 15% in 3 years. Company has witnessed impressive growth in terms of exports in last couple of years and is likely to maintain its momentum in coming fiscals as well.
- Higher exports & defense volumes have improved the non-cyclical revenue. From 64% in H1FY11 the share has decreased by 3% in H1FY12 to 61%. Going ahead the company is targeting to achieve non-cyclical revenue share of 50% in next few years.
- ALL has recorded almost 50% growth in distribution network over 2 years. 30 touch points were added in H1FY11. Since company already has a strong presence in South , out of these more than 75% have been added in regions other than South India. Management expects ALL network in North India will match the network in Southern India in next few months. Including Exports of 13000 vehicles and LCV sales, ALL is likely to cross 1 lac sales volume in FY12 [excluding LCV (Sunrise) Volumes]. ALL is well positioned to improve its market share as capacity will not be a constraint since Capacity addition in Uttarkhand will be sufficient to take care of next 2 years requirements.
- ALL will increase its presence on Delhi roads by supplying 700 Cluster CNG buses to Delhi. Ms. Sheila Dikshit, Chief Minister of Delhi, flagged off 50 Ashok Leyland CNG buses (BS4) to ply in identified clusters in the city in Nov;'11. These front-engines, semi-low floor buses form the initial lot of a total of 700 such buses to be supplied the company in the coming months.
- Ashok Leyland has been aggressively expanding its network in the African market with network offices in Nigeria and Ghana in the West; Malawi and Mozambique in the South; Kenya and Tanzania in the East, apart from the offices in South Africa and Egypt. Further expanding its international presence, ALL, marked its entry into the Tanzanian market by bagging an order for 723 trucks, buses and special application vehicles. The order that is worth around \$36.56 million has been received from the Government of Tanzania. These vehicles will be used for logistical purposes by the government and the Company will complete deliveries by end of the FY12.
- To maintain its leadership position as the largest supplier of logistics vehicles to the Indian Army and to further exploit the overseas opportunities in this segment, ALL has promoted a new entity Ashok Leyland Defence Systems. The company has signed an MoU with the renowned Krauss-Maffei Wegmann (KMW) of Germany, to extend its product line-up to include tactical vehicles and develop other advanced defence systems.
- Recently the company has gone in for price increase approx 1% (Rs 8000 to 12000) on its various products models to counter the increase in raw material prices. Management could go in for another round of increase in coming months to maintain the operating margins at 10.5%.

Key Financial Data

Key Details	
Share Capital (Rs Cr)	266.07
Face Value(Rs)	1
52 Wk High/Low	36.8/22.5
Market Cap (Rs Cr)	7117.31
EPS (Rs.TTM)	2.19

Particulars (Rs. Crores)	Sep'11	Sep'10	% chg YoY	June'10	% chg QoQ
Net Sales	3094.57	2713.96	14.02	2495.51	24.01
Oth Op Inc.	0.00	0.00	0.00	0.00	0.00
Total Inc.	3094.57	2713.96	14.02	2495.51	24.01
Total Exp.	2763.42	2409.12	14.71	2250.89	22.77

PE (X)	12.23
Price/BV (X)	2.35



PBIDT	331.16	304.84	8.63	244.62	35.38
Dep.	85.93	64.06	34.15	84.66	1.50
Other Inc.	10.33	6.24	65.55	4.12	150.78
Interest	62.70	39.49	58.79	53.35	17.53
PBT	192.85	207.53	-7.07	110.73	74.16
Tax	38.77	40.47	-4.20	24.48	58.37
PAT	154.08	167.06	-7.77	86.25	78.64
PBDITM	10.70%	11.23%	-53bps	9.80%	90bps
PATM	4.98%	6.16%	-118 bps	3.46%	152 bps
EPS	0.58	0.63		0.32	

Concerns

- Rising input costs of cost of inputs and high interest costs are likely to adversely affect the margins of the company. Moreover, any further hikes in interest rates are also likely to adversely affect the demand for the company's vehicles.
- The company enjoys almost 50% market share in South India. Recent adverse developments like the strikes following demand for formation of Telangana state and the slowdown in mining activities has led to slower sales growth in its major market. Going ahead, further disruption in the sentiments and the economic activities in South could lead to lower sales realization and lower margins.
- Fluctuation in foreign exchange rate could lead to unpredictable income from overseas operations and could also adversely affect the payment outgo.
- General economic slowdown could lead to lower sales growth for the company's tractors and LCV's.

Polaris Financial Technology Ltd. Update

Buy

Price- Rs. 125.05
Date: 14th Dec, 2011

Company Back ground

Polaris Financial Technology (PFL) earlier known as Polaris software is a financial technology service provider, incorporated in 1993 headquartered in Chennai. PFL services 9 of the top 10 global banks and 7 of the 10 top global insurance companies. It offers comprehensive software solutions for core banking, corporate banking, wealth management, asset management and insurance. Apart from expertise in BFSI products, the company also offers custom application development, Infra Management and BPO services.

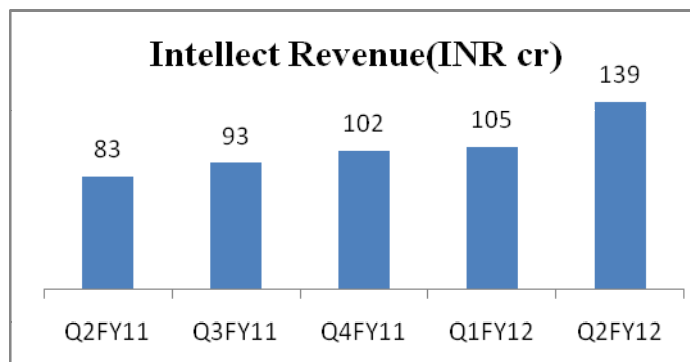
PFL has a good exposure to BFSI sector. The Company provides Intellect Suite of Products namely Intellect Cards, Intellect Front Office, Intellect Universal Banking, Intellect Consumer Finance, Intellect Cash & Liquidity, Intellect Risk & Treasury, Intellect Portals, Intellect Wealth Management and Intellect Securities Services. Over the last two decades Polaris has implemented its solutions and services among 200 of the world's largest financial institutions. Its journey began with providing end to end retail banking solution to Citigroup India and later in 2002 PFL acquired 100% stake in the Citigroup's subsidiary, Orbitech Solution. In due course, Polaris has grown inorganically acquiring companies like Laser soft, Arbitech, SEEC etc to cater different segments of the financial sector. Presently PFL has 10000+employees with presence in 29 countries across the globe.

Investment rationale:

Impressive Q2FY12 result: In Q2FY12 PFL has delivered a good set of numbers despite various macroeconomic challenges.

- In Q2FY12 PFL's revenue registered a growth of 31% y-o-y to Rs 510cr driven by strong performance from intellect businesses
- Intellect revenues post a growth of 68%y-o-y to Rs 139cr while the service revenue witnessed a growth of 21% y-o-y to Rs370.4cr .During the quarter PFL has 12 Intellect wins which came across various banking and insurance verticals.
- EBDITA up by 25.4% y-o-y to Rs 75.5cr while operating margins saw a decline of 69bps on y-o-y owing to wage hike. But on sequential basis there is healthy margin recovery of 71 bps on the back of strong performance of intellect business.
- PAT grew by 12.2% y-o-y to Rs 54cr as against Rs50cr in Q1FY11.
- Product margin for the current quarter is at 22.12% and services margin is at 12%. Capital expenses incurred during the quarter are Rs.25cr. Revenue mix for on-site and offshore stood at 40.85% and 59.15% respectively.
- Quarter revenues were well distributed with Americas contributing 45.43 %, Europe 22.40 %, IMEA 15.25 % and Asia Pacific 16.92%. Utilisation for the quarter stood at 80%.

Growing Intellect business: Intellect suite is a set of most comprehensive pack of solutions designed for the Corporate, Retail and Investment Banking segments. Having highly exposed to BFSI sector, PFL provides Intellect Suite of Products namely Intellect Cards, Intellect Front Office, Intellect Universal Banking, Intellect Consumer Finance, Intellect Cash & Liquidity, Intellect Risk & Treasury, Intellect Portals, Intellect Wealth Management and Intellect Securities Services. Over the last five-six quarters Intellect deal wins increased significantly aided by focused investment on promotional activity, modular based approach, recommendation from global analyst community and strong presence in APAC, Middle East and Africa region. During Q2FY12 Intellect product business has witnessed a strong growth of 68%y-o-y and 32% q-o-q. That led to Intellect contribution moves upwards to 27% of Polaris Revenues.



In the current quarter PFL's Intellect business has shown strong performance which included

- Intellect won the second mega deal of over Rs 40 crore, coming close on the heels of the Reserve Bank of India deal
- Two global majors for Retail and Corporate Banking picked Intellect Cash Management and Intellect Liquidity solutions.
- Polaris to lead the transformational agenda for their European
- Intellect Cash Management and Intellect Liquidity solutions to be deployed in a large banking and financial services organization with around 7,500 offices in 87 countries.
- Intellect Insurance goes live in Canada's largest bank with offices in 57 countries to offer better products and services to its customers.

Management is quite hopeful to see traction in the intellect business in the coming quarter also despite global slowdown over the European debt concern.

Management upgraded earning guidance: Polaris management has upgraded its FY12 earning guidance from Rs1968cr-2014 to Rs2014-2060 that is a revenue growth between 27-30%.management also upwardly revised their FY12 EPS to Rs 23.47 from Rs 22.65. The management has not given specific guidance for EBITDA margin, but the company guidance at EPS clears that in the coming quarter margin would expanded on the back of strong business growth. It is expected that revenue from the RBI deal would actively contribute towards the revenue growth during FY12. As per the guidance the funnel in US and Europe both are very healthy. PFL is in talks with almost 35 banks out of 50 banks in US in which it is expecting some positive outcome for intellect business. Similarly management is hopeful on the part of their Europe business despite of economic slowdown.

Large clientele and strong business relations with them: Polaris has more than 100 clients, some of which are large banks like Citi, Polaris' oldest and biggest client. DSO at 57 days is in line with the IT industry, indicating good customer relations. PFL's Intellect products continuing, its leadership journey in the financial technology industry adding more clients in the recent past from the domestic as well as international front. It is believed PFL is ramping up top accounts through aggressive pricing and service delivery and it will keep driving growth of the company.

Industry Opportunities: Over the past few years, the Indian information technology (IT) and IT enabled Services (ITeS) industry has been on a steady growth trajectory. The IT industry, alone, has played a pivotal role in placing India on the world map as a major knowledge-based economy and outsourcing hub. Between April 2000 and August 2011, the computer software and hardware sector received cumulative foreign direct investment (FDI) of USD 10787 million. The government wants to increase the IT exports from current USD59billion to USD 200 billion by 2020. Apart from this, domestic demand for IT and ITeS service also increased significantly with the growing internet user and extensive use of emerging new IT technology by major industries. The model of cloud computing has attracted attention of organizations of all sizes as the technology offers lower operational costs, scalability and mobility at every level. Therefore companies who are in IT& ITeS sector are expected to extract these industry

opportunities to capitalize their growth. PFL one of the recognized ITeS player would be beneficial from the upcoming opportunities of this sector.

Other Development:

- Polaris successfully launched the World's Largest FT Grid with the capacity to cater to 100 million customers (MC) in partnership with Iden Trust and IBM. It will enable Polaris to offer its Financial Technology infrastructure and banking products on a pay-per-use (cloud) model to banks and financial institutions through a ready-to-use platform with industry-standard hardware, middleware, RDBMS and network connectivity components changing the face of banking globally.
- Polaris successfully conducted the first ever 'Polaris Financial Technology E-Conference', bringing together analysts, partners, customers, industry leaders and associates across 3 continents and 4 time zones. The one-of-its-kind FT e-conference, held in Chennai, highlighted the importance of Collaboration, Assimilation and Networking. Being in the BFSI sector for over 25 years, Polaris has used innovative and contemporary financial technology to continually build expertise and deliver efficiency.

Risk & Concerns

- **Currency movement:** Adverse currency movements can result in loss and margin erosion. Polaris gets most of its revenue in USD and GBP and in Euros. Thus PFL subjected to risk any adverse movements in these currencies.
- **Economic uncertainties:** Current economic uncertainties on global front could impact the performance of the company
- **High Competition:** Core banking solution market is very competitive with multiple players present in every layer. PFL has already achieved its due recognition in the market due to its module based solutions and high level of customer services. But there is every chance of losing clients in a competitive scenario.
- **Protest against outsourcing:** Backlash against outsourcing in US and Europe can result in delayed or suspended projects.
- **Higher Tax rate:** If tax rate rises from the current level as expected by management, then it will reduce the net earnings of the company.
- **Higher attrition:** PFL is also exposed to problem of higher attrition like other IT companies

Recommendation:

PFL has come out with a good set of numbers during the quarter (Q2FY12) driven by a strong performance in Intellect business. Its Intellect products are gaining popularity with recognition in the global BFSI market. Growth opportunities in US and APAC region is expected to drive the revenue going forward. Management's upward revisions of earning guidance express the confidence that, PFL is all set to see a growth ahead. The stock is trading at a forward earnings multiple of 5.7x of FY12E. Investors can buy at this counter for a target of Rs150 in medium term.

Financials:

<i>Earnings Table</i>		<i>(Rs Cr)</i>		
<i>Particulars</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12E</i>
Net Sales	1377.95	1353.76	1586.33	1887.73
<i>Change %</i>		-1.76	17.18	19.00
Total Income	1389.70	1346.76	1645.40	1930.73

<i>Balance Sheet</i>		<i>(Rs Cr)</i>		
<i>Particulars</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12E</i>
Share Capital	49.34	49.48	49.60	49.60
Reserves	723.33	822.99	982.95	1148.39
Shareholder's Fund	772.67	872.47	1032.55	1197.99

Total Expenses	1144.42	1131.74	1372.44	1623.45
PBDIT	233.52	195.60	239.28	287.28
Depreciation	38.78	35.02	33.66	40.58
PBIT	151.39	179.70	239.31	266.70
Interest	0.74	0.91	1.15	2.10
PBT	150.65	178.79	238.16	264.60
Tax	20.86	25.53	35.88	47.62
Reported PAT	129.79	153.26	202.28	216.98
Adjusted PAT	129.54	153.26	202.28	216.98
<i>Change %</i>		<i>18.31</i>	<i>31.98</i>	<i>7.27</i>
Cash Profit	168	188.28	235.94	257.56

Loan Funds	0.36	2.46	5.72	5.26
deffered tax lib	-3.05	-3.42	-9.34	-9.34
Total Liabilities	769.98	871.51	1031.47	1193.92
Net Fixed Assets	248.78	277.72	358.07	427.49
Investments	244.25	389.67	384.30	400.00
Net Current Assets	276.95	204.12	289.10	366.43
Total Assets	769.98	871.51	1031.47	1193.92

<i>Key Ratios</i>				
<i>Particulars</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12E</i>
EBDIT (%)	16.95	14.45	15.08	15.22
PBIT (%)	10.89	13.34	14.54	13.81
PAT (%)	9.40	11.32	12.75	11.49
RoCE (%)	25.19	18.35	19.80	20.50
RoE (%)	16.77	17.57	19.59	18.11
Debt-Equity	0.00	0.00	0.01	0.00

<i>Valuations</i>				
<i>Particulars</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12E</i>
Adj. EPS (Rs)	13.13	15.49	20.39	21.87
Cash EPS (Rs)	17.06	19.03	23.78	25.96
BV Per Share	78.30	88.16	104.09	120.77
Div. per share	2.75	3.50	4.50	4.50
P/E	9.53	8.07	6.13	5.72
P/BV	1.60	1.42	1.20	1.04
M-Cap/Sales	0.90	0.91	0.78	0.66

Derivatives Statistics

SYMBOL	PCR OI			TOTAL FUTURES OI		
	PREV. WEEK	CURR. WEEK	% CHANGE	OI PREV. WEEK	OI CURR WEEK	% CHANGE
BANKNIFTY	0.79	0.88	11.39	1,885,425	2,231,000	18.33
MININIFTY	0.58	0.44	-24.14	1,268,900	1,566,080	23.42
NIFTY	1.08	0.93	-13.89	22,074,050	25,524,100	15.63
ACC	1.37	1.06	-22.63	999,000	818,500	-18.07
AMBUJACEM	1.40	1.23	-12.14	8,026,000	7,782,000	-3.04
AXISBANK	0.33	0.48	45.45	6,513,250	8,827,750	35.54
BAJAJ-AUTO	0.94	1.22	29.79	1,047,750	990,750	-5.44
BHARTIARTL	0.46	0.39	-15.22	12,883,000	12,494,000	-3.02
BHEL	0.46	0.32	-30.43	11,334,500	12,331,250	8.79
BPCL	0.78	0.89	14.10	963,500	931,500	-3.32
CAIRN	0.40	0.36	-10.00	10,087,000	10,347,000	2.58
CIPLA	2.24	1.64	-26.79	2,589,000	2,637,000	1.85
COALINDIA	0.44	0.38	-13.64	8,295,000	7,992,000	-3.65
DLF	1.05	0.64	-39.05	22,139,000	22,555,000	1.88
DRREDDY	1.15	1.05	-8.70	710,500	625,750	-11.93
GAIL	0.50	0.51	2.00	1,751,500	1,465,000	-16.36
GRASIM	0.64	0.59	-7.81	542,500	746,625	37.63
HCLTECH	0.57	0.70	22.81	3,310,500	2,845,500	-14.05
HDFC	0.83	0.55	-33.73	7,309,500	8,013,500	9.63
HDFCBANK	1.09	0.73	-33.03	14,303,000	14,406,625	0.72
HEROMOTOCO	0.89	0.55	-38.20	1,119,125	1,051,500	-6.04
HINDALCO	0.97	0.87	-10.31	18,700,000	18,260,000	-2.35
HINDUNILVR	0.89	0.94	5.62	9,364,000	8,623,000	-7.91
ICICIBANK	0.40	0.33	-17.50	12,500,250	12,309,750	-1.52
IDFC	0.57	0.46	-19.30	25,778,000	28,038,000	8.77
INFY	0.80	0.68	-15.00	2,578,000	2,706,500	4.98
ITC	0.55	0.55	0.00	21,892,000	18,028,000	-17.65
JINDALSTEL	0.40	0.62	55.00	4,052,000	4,544,500	12.15
JPASSOCIAT	0.63	0.46	-26.98	35,376,000	37,172,000	5.08
KOTAKBANK	1.03	0.98	-4.85	3,995,000	4,945,000	23.78
LT	0.46	0.29	-36.96	4,840,750	5,920,750	22.31
M&M	0.57	0.39	-31.58	4,469,000	4,162,000	-6.87
MARUTI	0.75	0.66	-12.00	2,600,250	2,747,250	5.65
NTPC	0.65	0.60	-7.69	14,916,000	17,612,000	18.07
ONGC	0.33	0.31	-6.06	9,154,000	9,034,000	-1.31
PNB	0.88	0.76	-13.64	3,608,750	3,884,250	7.63
POWERGRID	0.27	0.31	14.81	6,904,000	5,660,000	-18.02

RANBAXY	0.27	0.21	-22.22	4,602,000	4,239,500	-7.88
RCOM	0.56	0.50	-10.71	21,178,000	23,354,000	10.27
RELIANCE	0.53	0.48	-9.43	13,203,000	12,242,000	-7.28
RELINFRA	0.74	0.46	-37.84	4,453,500	4,089,500	-8.17
RPOWER	0.35	0.28	-20.00	18,228,000	17,972,000	-1.40
SAIL	0.22	0.16	-27.27	18,898,000	16,872,000	-10.72
SBIN	0.88	0.44	-50.00	8,473,250	9,396,000	10.89
SESAGOA	0.36	0.25	-30.56	9,031,000	9,523,000	5.45
SIEMENS	0.89	0.96	7.87	618,500	561,750	-9.18
STER	0.26	0.11	-57.69	28,008,000	28,886,000	3.13
SUNPHARMA	0.85	0.84	-1.18	2,845,000	2,512,500	-11.69
TATAMOTORS	0.71	0.56	-21.13	41,564,250	40,250,000	-3.16
TATAPOWER	0.39	0.49	25.64	8,451,000	7,027,000	-16.85
TATASTEEL	0.94	0.53	-43.62	19,759,500	21,485,000	8.73
TCS	1.25	1.23	-1.60	6,089,500	6,056,000	-0.55
WIPRO	1.29	1.01	-21.71	3,377,000	3,595,000	6.46

Nifty Stock Level (Cash)

SCRIPS	LTP	R1	R2	S1	S2	trend
ACC	1128.75	1171.00	1214.00	1093.00	1057.00	Downtrend
AMBUJACEM	152.95	161.00	170.00	146.00	139.00	Downtrend
AXISBANK	904.05	977.00	1050.00	863.00	821.00	Downtrend
BAJAJ-AUTO	1650.75	1702.00	1753.00	1606.00	1561.00	Downtrend
BHARTIARTL	336.55	357.00	377.00	323.00	308.00	Downtrend
BHEL	240.40	261.00	282.00	228.00	215.00	Downtrend
BPCL	527.80	554.00	580.00	504.00	479.00	Downtrend
CAIRN	297.70	312.00	327.00	287.00	276.00	Downtrend
CIPLA	331.70	341.00	351.00	321.00	310.00	Uptrend
COALINDIA	300.75	316.00	332.00	289.00	277.00	Downtrend
DLF	194.95	212.00	229.00	185.00	174.00	Downtrend
DRREDDY	1605.30	1649.00	1694.00	1551.00	1497.00	Uptrend
GAIL	377.75	397.00	416.00	362.00	345.00	Downtrend
GRASIM	2370.15	2447.00	2525.00	2286.00	2202.00	Downtrend
HCLTECH	412.35	426.00	440.00	400.00	387.00	Uptrend
HDFC	626.35	653.00	680.00	609.00	591.00	Downtrend
HDFCBANK	415.30	441.00	468.00	399.00	383.00	Downtrend
HEROMOTOCO	1925.70	2017.00	2109.00	1867.00	1808.00	Downtrend
HINDALCO	125.90	134.00	142.00	120.00	113.00	Downtrend
HINDUNILVR	392.80	405.00	418.00	380.00	367.00	Uptrend
ICICIBANK	676.00	726.00	776.00	645.00	613.00	Downtrend
IDFC	104.45	110.00	116.00	100.00	95.00	Downtrend
INFY	2724.50	2788.00	2852.00	2663.00	2601.00	Uptrend
ITC	195.80	202.00	208.00	192.00	187.00	Downtrend
JINDALSTEL	516.95	539.00	562.00	496.00	475.00	Downtrend
JPASSOCIAT	59.10	64.00	69.00	56.00	52.00	Downtrend
KOTAKBANK	481.55	496.00	511.00	468.00	454.00	Downtrend
LT	1072.65	1190.00	1308.00	1007.00	941.00	Downtrend
M&M	660.05	699.00	739.00	634.00	608.00	Downtrend
MARUTI	931.55	979.00	1027.00	896.00	860.00	Downtrend
NTPC	160.95	168.00	176.00	156.00	151.00	Downtrend
ONGC	250.30	263.00	276.00	242.00	233.00	Downtrend
PNB	828.65	905.00	981.00	786.00	742.00	Downtrend
POWERGRID	98.10	102.00	107.00	94.00	90.00	Downtrend
RANBAXY	382.65	413.00	444.00	363.00	343.00	Downtrend
RCOM	66.95	75.00	84.00	62.00	57.00	Downtrend
RELIANCE	721.85	806.00	890.00	677.00	631.00	Downtrend
RELINFRA	349.50	385.00	421.00	328.00	306.00	Downtrend
RPOWER	74.60	83.00	91.00	70.00	64.00	Downtrend
SAIL	74.75	82.00	90.00	70.00	65.00	Downtrend
SBIN	1679.10	1829.00	1979.00	1597.00	1514.00	Downtrend

SESAGOA	162.05	173.00	185.00	155.00	148.00	Downtrend
SIEMENS	649.35	686.00	723.00	627.00	604.00	Downtrend
STER	89.20	99.00	110.00	83.00	77.00	Downtrend
SUNPHARMA	514.10	529.00	544.00	500.00	485.00	Downtrend
TATAMOTORS	172.40	185.00	197.00	164.00	154.00	Downtrend
TATAPOWER	88.75	96.00	104.00	83.00	77.00	Downtrend
TATASTEEL	364.95	393.00	422.00	349.00	333.00	Downtrend
TCS	1146.30	1185.00	1224.00	1120.00	1093.00	Downtrend
WIPRO	403.65	418.00	432.00	393.00	381.00	Downtrend

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