

Industry	Telecom Infrastructure
Close Price(Rs)	268
FY10 Target(Rs)	491
52 Week H/L(Rs)	820/256.5
Volumes (BSE+NSE)*	100001
Shares O/S	100mn
Market Cap	Rs26.8bn
Free Float	64.15%
Bloomberg	TANS@IN
Reuters	TNSL.BO
*Three month avg	

Share Holding Pattern		
Particulars	No. of Shares	% Holding
Promoters	35847100	35.85
Public & Others	13846650	13.85
Institutions	3187548	3.19
Corporate	8044932	8.04
Foreign	39073770	39.07
Total	100000000	100.00

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Financial Highlights

Y/E March 31st	Sales	Growth (%)	OPM (%)	PAT	EPS (Rs)	P/E (x)	P/S (x)
2007	2218.5	252.0%	49.8%	927.9	9.3*	37.4	12.1
2008	4597.6	107.2%	46.8%	1631.1	16.3*	16.4	5.8
2009E	7495.7	63.0%	44.8%	2345.2	23.0	11.4	3.6
2010E	10775.3	43.8%	43.8%	3273.3	32.7	8.2	2.5

* EPS adjusted for stock split

Q4FY08 Result Update

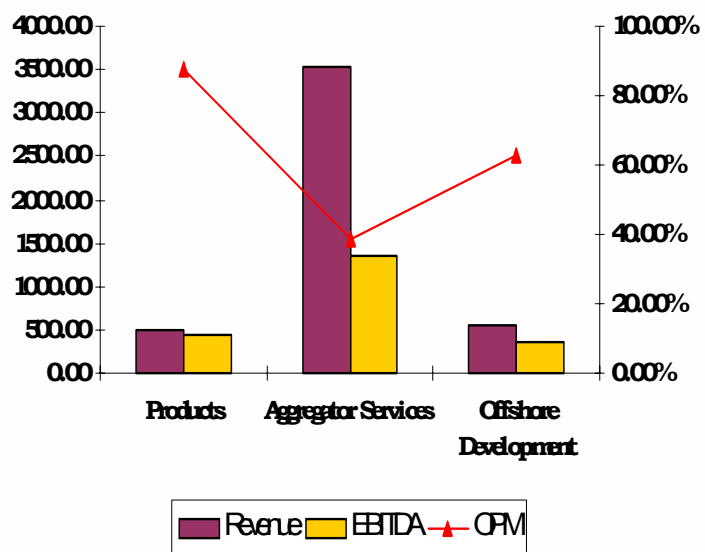
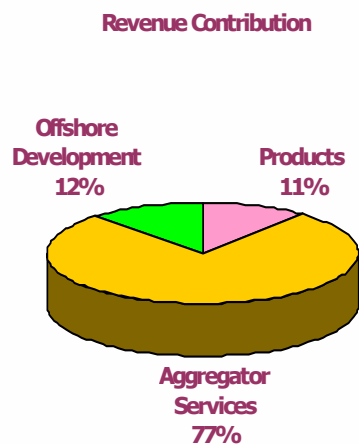
Tanla Solutions Ltd. (JSL) has declared the results for Q4FY08. The company's Consolidated Net Revenues for Q4FY08 stands at Rs1436.4mn, recording a YOY growth of 84% over the Consolidated Net Revenues of Rs780.4mn for Q4FY07.

Result Highlights

- * At a cConsolidated Net Sales of Rs1436.4mn for Q4FY08, TSL has recorded a growth of 20.4% QOQ over the Consolidated Net Sales of Rs1193.4mn for Q3FY08.
- * The operating profits stands at Rs695.2mn for Q4FY08 as compared to Rs362.3mn for the same period last fiscal. This translates into an OPM of 48.4% for Q4FY08 as against 46.4% for Q4FY07.
- * The EBITDA for Q3FY08 was Rs568.3mn on Net sales of Rs1193.4mn (an OPM of 47.6%). The OPM for Q4FY08 has improved when compared to that of Q4FY07 mainly due to the lower 'cost of sales'. Expansion to new geographies through the existing relations with mobile operators resulted in lower costs.
- * Net Profit stands at Rs500mn for the quarter as compared to Rs340.4mn for the same period last fiscal, showing a growth of 46.9% YOY. This translates into an EPS of Rs10 for the quarter on outstanding shares of 50mn (pre stock split).
- * Revenue contribution from different geographies for Q4FY08 is Ireland Rs101.94mn, UK Rs628.7mn, Dubai Rs104.81mn, Singapore Rs130.71mn and Standalone Rs431.62mn.

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- * The revenue contribution from different business segments for FY08 is as shown below:



- * Other Income component of Rs35.7mn mainly comprises of dividend and interest income. As on March 31 2008, the unutilized funds from the IPO proceeds stand at Rs867.2mn.
- * TSL has signed agreements with Airtel, BSNL, Idea, Reliance and Vodafone for bulk business. The company will buy bulk sms from operators and resell it to enterprises for the latter's marketing. The company expects its India operations to start contributing revenues from end Q1FY09.

Valuation and Outlook

TSL posted Consolidated Net sales of Rs1436.4mn as against our expectation of Rs1391.5mn and EBITDA of Rs695.2mn as against our expectation of Rs642.9mn. We expect Consolidated Net Sales of Rs7495.7mn for FY09E and to Rs10775.3mn for FY10E.

The company has recorded an improvement in OPM from 47.6% in Q3FY08 to 48.4% in Q4FY08. We expect the company to record OPMs of 44.8% and 43.8% in FY09E and FY10E respectively.

We estimate PAT to be Rs2345.2mn and Rs3273.3n for FY09E and FY10E respectively. On an equity base of 100mn shares (after the stock spilt) this translates into an EPS of Rs23.5 and Rs32.7 for FY09E and FY10E respectively.

The board of Tanla Solutions has recently approved stock spilt in the face value of the equity share from Rs2 to Rs1 each and May 9 2008 was the record date for the same.

Maintaining our earlier valuation of 15x PE, we arrive at a price target of Rs491 (FV of Rs1) for FY10E and thus recommend **'Buy'**. (Previous recommendation 'Accumulate' @ 611 (FV of Rs2): 25th January, 2008).

Quarter ended (Rsmn)	Q4FY08	Q4FY07	FY08
Sales	1436.4	780.4	4597.6
<i>Growth</i>	84.0%		107.2%
Overseas	1434.0	780.4	4593.9
Domestic	2.4	0.0	3.7
Expenditure	741.1	418.2	2444.3
Cost of Sales	583.2	384.3	2012.2
Selling & Marketing Exp.	92.9	18.4	272.9
General & Administrative Exp.	65.0	15.4	159.3
EBITDA	695.2	362.3	2153.2
OPM (%)	48.4	46.4	46.8
Depreciation	106.8	56.9	234.7
EBIT	588.5	305.4	1918.5
Interest	0.0	0.0	0.0
EBT	588.5	305.4	1918.5
Other Income	35.7	72.9	174.2
PBT	624.2	378.3	2092.7
Tax	109.4	25.3	441.6
Def. Tax	14.8	12.5	20.0
PAT	500.0	340.4	1631.1
Exceptional Items	0.0	0.0	0.0
PAT after Exceptional Items	500.0	340.4	1631.1
<i>Growth</i>	46.9%		75.8%
NPM (%)	34.8	43.6	35.5
EPS	10.0	6.8	32.6

Consolidate Income Statement				
Particulars (Rsmn)	FY07	FY08	FY09E	FY10E
Sales	2218.5	4597.6	7495.7	10775.3
<i>Growth</i>	252.0%	107.2%	63.0%	43.8%
Overseas	2214.0	4593.9	7480.7	10764.5
<i>Growth (Overseas)</i>	257.5%	107.5%	62.8%	43.9%
Domestic	4.4	3.7	4.1	4.3
<i>Growth(Domestic)</i>	-59.4%	-17.1%	11.8%	4.5%
Expenditure	1113.6	2444.3	4137.5	6051.8
Cost of Sales	986.4	2012.2	3310.0	4841.4
Selling & Marketing Exp.	72.1	272.9	517.2	756.5
General & Administrative Exp.	55.1	159.3	310.3	453.9
EBITDA	1104.9	2153.2	3358.1	4723.5
OPM (%)	49.8	46.8	44.8	43.8
Depreciation	80.4	234.7	479.0	626.2
EBIT	1024.6	1918.5	2879.1	4097.3
Interest	0.0	0.0	0.0	0.0
EBT	1024.6	1918.5	2879.1	4097.3
Other Income	73.7	174.2	26.2	23.1
PBT	1098.2	2092.7	2905.3	4120.4
Tax	155.2	441.6	535.7	810.3
Def. Tax	15.1	20.0	24.3	36.8
PAT	927.9	1631.1	2345.2	3273.3
<i>Growth</i>	206.8%	75.8%	43.8%	39.6%
Exceptional Items	0.0	0.0	0.0	0.0
PAT after Exceptional Items	927.9	1631.1	2345.2	3273.3
<i>Growth</i>	206.8%	75.8%	43.8%	39.6%
NPM (%)	41.8	35.5	31.3	30.4
EPS	9.3*	16.3*	23.5	32.7

* EPS adjusted for stock spilt

Consolidate Balance Sheet				
Particulars (Rsmn)	FY07	FY08	FY09E	FY10E
Current assets of which	2202.8	5784.1	8742.7	12778.7
Cash & equivalents	1260.2	3728.5	5271.8	7449.6
Receivables	789.7	1889.4	3080.4	4428.2
Product under development	0.0	0.0	0.0	0.0
Loans and advances	153.0	166.2	390.5	900.9
Investments	2651.1	867.2	130.4	115.0
Gross block	528.9	1609.1	2623.5	3232.6
Acc Depreciation	48.3	276.3	748.5	1330.4
CWIP	211.8	110.0	200.0	55.0
Net Block	692.4	1442.9	2075.0	1957.2
Misc. Exp. Not written off/Goodwill	221.9	215.1	208.3	163.9
Total assets	5768.2	8309.3	11156.4	15014.9
Current liabilities of which	284.1	1310.7	2094.6	2976.4
CL	113.5	826.9	1360.3	1989.6
Provisions	170.6	483.8	734.3	986.8
Deferred tax liability	22.1	20.0	24.3	36.8
Borrowings	0.0	0.0	0.0	0.0
Shareholders' funds	5462.0	6978.5	9037.5	12001.7
Equity	100.0	100.0	100.0	100.0
Reserves	5362.0	6878.5	8937.5	11901.7
Total liabilities & equity	5768.2	8309.3	11156.4	15014.9

NOTES

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