

RESULTS REVIEW

Financial Technologies India Ltd

Hold

Share Data

Market Cap	Rs. 108.7 bn
Price	Rs. 2,465.65
BSE Sensex	20,873.33
Reuters	FITE.BO
Bloomberg	WWTC IN
Avg. Volume (52 Week)	0.06 mn
52-Week High/Low	Rs. 3,048 / 1,641.35
Shares Outstanding	44.1 mn

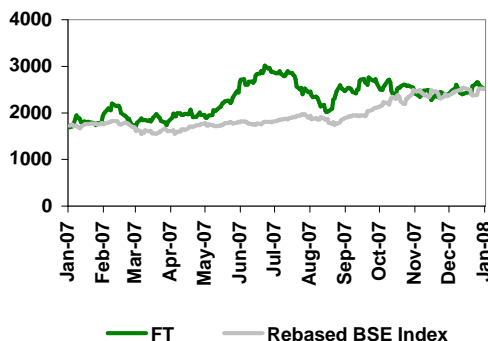
Valuation Ratios (Consolidated)

Year to 31 March	2008E	2009E
EPS (Rs.)	26.9	36.1
+/- (%)	69.5%	34.2%
PER (x)	91.7x	68.4x
EV/ Sales (x)	28.5x	20.5x
EV/ EBITDA (x)	75.9x	56.2x

Shareholding Pattern (%)

Promoters	47
FII's	34
Institutions	1
Public & Others	18

Relative Performance



Performance at par with valuations

In Q2'08, Financial Technologies (India) Limited (FT) posted decent results. The topline increased by 15.8% qoq to Rs. 309.5 mn, on a standalone basis. EBITDA went up by 116.6% qoq due to a reduction in staff costs and other expenses. This huge increase is also attributable to an exceptionally low EBITDA in Q1'08. EBITDA and EBIT margins recorded a rise of 18.3% each, to stand at 39.4% and 37.7% respectively. PAT, at Rs. 233.7 mn, improved by 12% qoq. EPS stood at Rs. 5.12 for Q2'08.

FT has remarkably improved over its disappointing performance in Q1'08. The major subsidiaries of the Company, MCX, DGCX and NBHC continue to gain traction in their respective areas of operation. Various investment banks and financial institutions have shown confidence in the Company's promising growth potential by acquiring stakes in MCX. Going forward, the proposed listing of the MCX IPO can add to the shareholders' value and can provide an upside to our valuations.

The stock is trading at a forward FY08E P/E of 91.7x and at a forward EV/Sales of 28.5x for the same year. Based on our analysis, we believe that the stock is fairly valued at the current levels. Maintain Hold.

Key Figures (Standalone)

Quarterly Data	Q2'07	Q1'08	Q2'08	YoY%	QoQ%	H1'07	H1'08	YoY%
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(Figures in Rs mn, except per share data)

Net Sales	213	267	310	45.1%	15.8%	378	589	55.9%
EBITDA	98	56	122	24.0%	116.6%	157	192	22.3%
Net Profit	263	209	234	(11.0)%	12.0%	363	450	23.9%

Margins(%)

EBITDA	46.1%	21.1%	39.4%			41.6%	32.6%
NPM	123.1%	78.1%	75.5%			96.2%	76.4%

Per Share Data (Rs.)

EPS	6.0	3.3	5.1	(13.9)%	54.4%	8.2	9.5	14.8%
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Note: Financials excluding exceptional Project Divestment Income representing partial stake sale in MCX

Result Highlights

Operational efficiency bolsters operating margins

FT clocked revenue at Rs. 309.5 mn, up 15.8% qoq and 45.1% yoy, on a standalone basis. EBIDTA jumped by 116.6% qoq to Rs. 122 mn. This extraordinary increase can be attributed to a reduction in employee cost and decrease in other expenditure, and also to the fact that EBITDA was remarkably low in Q1'08. FT was successful in bringing down staff cost as a percentage of net sales from 45.7% in Q1'08 to 37.6% in Q2'08 and other expenditure from 33.2% to 23%. Consequently, the EBITDA margin shot up by 1,835 bps qoq to stand at 39.4%. EBIT margin, at 37.7%, recorded a rise of 1,830 bps qoq.

PAT went up by 12% qoq to Rs. 233.7 mn. However, the PAT margin declined by 258 bps to stand at 75.5%. EPS stood at Rs. 5.12 for Q2'08. The Company earned an exceptional project divestment income of Rs. 4.1 bn in Q2'08, as it sold a partial stake in its subsidiary company, Multi Commodity Exchange of India Limited (MCX).

MCX continues to be the market leader

Among the Company's subsidiaries, MCX witnessed an increase in its market share from 70% in the prior quarter to 75% in this quarter. MCX has steadily expanded its market presence from 55% in Q1'07 to 75% in Q2'08. Fourteen new members were added on its platform in Q2'08. The daily average traded turnover surged by 21.5% yoy to Rs. 84.7 bn. Though Dubai Gold & Commodities Exchange (DGCX) recorded a fall in the number of contracts from 0.26 mn in Q1'08 to 0.2 mn in Q2'08, the total value of the contracts traded climbed up by 4% qoq to USD 9.4 bn. National Bulk Handling Corporation Ltd. (NBHC) gained traction in the commodity management space with the network of storage facilities (warehouses and cold storages) at 297, up from 255 in Q1'08.

NBHC augmenting its network

Key Events

- Merrill Lynch, Citigroup, and IL&FS each have taken a 5% equity stake in MCX while ICICI and Kotak Mahindra Bank have acquired 3.6% and 1% stake, respectively. The deal has valued MCX at USD 1 - 1.1 bn.

- FT has partnered with OMX, a leading player in the field of power exchange solutions, to provide technology solutions to the Indian Energy Exchange.

Key Risks

Key concerns to our rating include a slower-than-expected increase in the number of licenses issued to traders by FT for its STP business and a slow down in bullion, commodities and forex markets. On the other hand, the proposed listing of the MCX IPO can provide a positive trigger to our rating.

Outlook

FT has remarkably improved over its disappointing performance in Q1'08. Net sales grew at an impressive rate and several cost cutting measures resulted in the enhancement of operating margins. The major subsidiaries of the Company, MCX, DGCX and NBHC continued to gain foothold in the commodity trading and management arena. A number of investment banks and financial institutions have acquired stakes in MCX in order to be a part of the Company's growth story.

The stock is trading at a forward FY08E P/E of 91.7x and at a forward EV/Sales of 28.5x for the same year. Based on our analysis, we believe that the stock is fairly valued at the current levels. Maintain Hold.

MCX, DGCX and NBHC continue to gain ground

Key Figures (Consolidated)

Year to March	FY05	FY06	FY07	FY08E	FY09E	CAGR (%)
(Figures in Rs. mn, except per share data)						(FY07-09E)
Net Sales	574	1,820	2,645	3,779	5,241	40.8%
EBITDA	295	1,046	1,030	1,417	1,913	36.3%
Net Profit	211	709	701	1,185	1,590	50.6%
Margins(%)						
EBITDA	51.5%	57.5%	38.9%	37.5%	36.5%	
NPM	36.8%	39.0%	26.5%	31.4%	30.3%	
Per Share Data (Rs.)						
EPS	5.1	16.1	15.9	26.9	36.1	50.8%
PER (x)	51.6x	106.1x	155.4x	91.7x	68.4x	

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