



## Telefolio Plus

3i-Infotech

In exponential growth phase

The company has various strategies in place to meet its promising sales and net profit guidance for FY 2008

Buy	3i Infotech
BSE Code	532628
NSE Code	3IINFOTECH
Bloomberg	III@IN
Reuter	TIIN.BO
52-week High/Low	Rs 323 / Rs 123
Current Price	Rs 281 (as on 27th April 2007)

### Related Tables

▶ [3i-infotech: Consolidated Financials](#)

▶ [3i-infotech: Consolidated Results](#)

▶ [3i-infotech: Segment Results](#)

3i Infotech is one of the very well-diversified mid-sized IT companies with significant exposure to software products as well as services, in US as well as non-US and Indian markets and successfully growing inorganically as well as organically.

### Soaring financials

The company reported consolidated revenues of Rs 210.19 crore up by 75%. Product business grew by 85% to Rs 107.60 crore contributing 51% of revenues & Software services grew by 63% to Rs 103.37 crore contributing 49% of the revenues. The operating margins improved by 370bps to 25% due to dip in cost of revenue by 220bps to 53.4% as a % of sales and dip in SG&A by 150bps to 21.6% as a % of sales. Gross Profit margin of Products business improved by 140bps to 53.9% & that of software services improved by 120bps to 37.4%. The resultant operating profits surged by 105% to Rs 52.46 crore. PAT after minority interest stood at Rs 32.22 crore, up 84%.

For the year ended March 2007, consolidated revenue grew by 57% to Rs 655.32 crore. During the year, the company acquired E-Enabler, Rhyme Systems, Stex Software and Genesis Imaging & Allied Technologies. Net profit surged by 81% to Rs 103.75 crore.

### Confident management

Commenting on the results, Mr. V. Srinivasan, Managing Director & CEO, 3i Infotech Limited, said, "The year 2006-07 has been a memorable one for 3i Infotech Limited. The Company took some strategic decisions, which will contribute to significant growth in the coming years. These include the entry of the company in the Mutual Fund vertical, both in the products and services space. We also launched the first ever Insurance Business Exchange in India, expanded in the domestic BPO space, made an entry into the UK market through a significant acquisition and also made the first insurance product sale in that geography. This year also saw the company successfully complete two FCCB issues and maintain the impressive growth trajectory."

### Acquisitions drive the growth

The company had raised approximately US\$ 70 million towards acquisitions. Out of this the company has utilized approximately US\$ 50 million dollars towards acquisitions and the balance is remaining to be utilized, a major part of which will also be utilized towards acquisitions already disclosed. All acquisitions carried out by the company have been EPS accretive and in niche areas where the company wants to grow.

During September 2006 quarter, the company acquired 100% shares of G4 Software Technologies (India) Limited and 50.50% shares of Delta Services (India) Private Limited. 3i Consulting Inc. (100% subsidiary of the acquired 100% shares of Edge Technologies Inc. The consolidated results of operations for the quarter include the results of operations of these companies.

During September 2006 quarter, the company has initiated the process of merger of its wholly owned subsidiaries viz. SDG Software Technologies Limited and Datacons Private Limited with itself and the same is in progress.

In September 2006 quarter, 3i Infotech also signed an agreement to acquire UK based asset management and brokerage software company, Rhyme Systems. This acquisition complements 3i Infotech's foray into UK's lucrative BFSI market. Rhyme Systems, a profitable company with revenue of over 15 million pounds (equivalent to 28 million US dollars) has eight of the top eleven UK private wealth asset management companies as its clients. Some of the prestigious clients are Brewin Dolphin, Coutts RBS, Jupiter, M&G, Barclays and LCH Clearent. Rhyme has two products for the asset management industry namely rhymeSIGHT & Quasar and three products for broking industry namely, Altimis, Fiscal and Arrow. These products enable asset, fund and private wealth managers to achieve optimum performance through market leading software.

It also bought out e-enable, a company engaged in business intelligence and Stex Software, a workflow and document imaging software and associated services business.

3i Infotech's exponential growth during the fiscal has been driven by a mix of organic and inorganic strategies thus allowing the company to make an entry into new segments such as Mutual Funds and add new solution offerings in the area of Business Intelligence, eCommerce, Document Imaging and workflow etc. Additionally this strategy has allowed the company to fill perceived gaps in the range of offerings across the BFSI sector.

### **Business Highlights:**

- The company successfully entered new spaces such as Mutual Funds and launched the Kochi Development centre for product research and development, with a focus on enhancing the M Fund product suite
- Significant headway was made into the e governance space in India and US , with prestigious projects being won in these geographies
- Company made significant progress in insurance arena with the launch of Premia Insurance Broking eXchange (IBX)- a first of its kind subscription based Internet solution for insurance industry.
- The Company also launched its BPO offering for the Mutual Funds business with a view to offering Registrar & Transfer (R&T) Agency and Fund Accounting Services for this sector
- Company extended its Business in new Horizons, in this fiscal UK contributed 6% of total revenues and would consistently try to enter the newer markets currently studying the opportunities in South America, central Asia and other developing areas.
- In the Indian operations company will aggressively foray in the rural markets and is positive about the GDP growth and boom in the markets like retail sector and others which would create demand for its BFSI products.
- In BPO Sector Company is following Hub and spoke model and acquired some key accounts in Mauritius.
- Company is not following cost arbitrage model hence would not get much affected by the fluctuations in Forex markets.
- Company is expecting a decent growth in BPO, Managed services and Business Intelligence services. Company is expecting a growth in revenues of 10-12% in near future in the BPO services.

- The year 2006-07 has been a memorable one for 3i Infotech Limited. The Company took some strategic decisions, which will contribute to significant growth in the coming years. These include the entry of the company in the Mutual Fund vertical, both in the products and services space.
- They also launched the first ever Insurance Business Exchange in India, expanded in the domestic BPO space, made an entry into the UK market through a significant acquisition and also made the first insurance product sale in that geography
- This year also saw the company successfully complete two FCCB issues of €15 million and €30 million, both listed on the Singapore Stock Exchange and convertible over a five-year period.

### Strong order book

The company has a pending order book of Rs 277.80 crore in products business & Rs 290.90 crore in services business.

### FY 2008 to see revenues at Rs 1000 –1100 crore and EPS at Rs 24.4-26.2

The company expects revenue for FY08 in the range of Rs. 1000 - 1100 crore growth of 52.6 – 67.9%, Net Profit in the range of Rs 145 – 155 crore growth of 39.8 – 49.4% and an EPS range of Rs. 24.4 – 26.2 without diluting for FCCBs closed before March 31, 2007 growth of 32.4 – 42.2% and a range of Rs. 20.1 – 21.5 fully diluted for the above FCCBs, on a pre Bonus capital.

### Valuation is attractive

The Board of Directors has recommended a 1:1 bonus issue and an equity dividend of Rs 2 per share of face value of Rs 10.00.

In FY 2008, we expect the company to register sales and net profit after minority interest of Rs 1065.00 crore and Rs 145.79 crore. On current equity of Rs 56.2 crore and face value of Rs 10 per share, EPS works out to Rs 25.9. Diluted EPS (considering full conversion of pending FCCBs) works out to around Rs 20.2, which is discounted only 13.9 times by the current share price of Rs 281.

### 3i-infotech: Consolidated Financials

	0503 (12)	0603 (12)	0703 (12)	0803 (12P)
Net Sales	289.18	417.81	655.32	1065.00
OPM (%)	16.6	20.5	20.5	22.4
OP	48.02	85.76	158.53	238.56
Other Income	2.85	6.23	15.46	19.33
PBIDT	50.87	91.99	173.99	257.89
Interest (Net)	10.77	7.98	20.9	33.44
PBDT	40.1	84.02	153.09	224.45
Depreciation	18.84	26.05	43.26	64.89
PBT before EO	21.26	57.96	109.83	159.56
EO	0.687	-0.02	0.00	0.00
PBT after EO	20.57	57.98	109.83	159.56
Current Tax	-11.53	0.32	5.35	12.76
PAT	32.1	57.66	104.48	146.79

Minority Interest	0.00	0.23	0.74	1.00
Net Profit attributable to consolidated group	32.1	57.43	103.75	145.79
EPS (Rs) *	6.2	10.8	18.4	25.9
Diluted EPS (Rs)&	4.5	8.0	14.4	20.2

\* on current equity of Rs 56.20 crore; Face Value of Rs 10  
& on diluted equity of Rs 72.17 crore  
(P): projections; EO: Extraordinary item  
EPS is calculated after excluding EO and relevant tax  
Figures in Rs crore  
Source: Capitaline Corporate Databases

3i-infotech: Consolidated Results

	0703 (3)	0603 (3)	Var. (%)	0703 (12)	0603 (12)	Var. (%)
Net Sales	210.19	119.99	75	655.32	417.81	57
OPM (%)	25.0	21.3		20.5	20.5	
OP	52.46	25.55	105	158.53	85.76	85
Other Income	0.77	1.60	-52	15.46	6.23	148
PBIDT	53.23	27.15	96	173.99	92.00	89
Interest (Net)	6.12	2.48	147	20.90	7.98	162
PBDT	47.11	24.68	91	153.09	84.02	82
Depreciation / Amortization	13.10	6.49	102	43.26	26.05	66
PBT before EO	34.01	18.19	87	109.83	57.97	89
EO	0.00	0.00		0.00	0.00	
PBT after EO	34.01	18.19	87	109.83	57.97	89
Current Tax	1.97	0.61	221	5.35	0.30	999
PAT	32.05	17.57	82	104.48	57.67	81
Minority Interest	-0.17	0.06	-411	0.74	0.23	224
Net Profit attributable to consolidated group	32.22	17.52	84	103.75	57.44	81
EPS *	22.9	12.4		18.4	10.2	

\* Annualized on current equity of Rs 56.20 crore. Face Value: Rs 10  
Var. (%) exceeding 999 has been truncated to 999  
EO: Extraordinary items; LP: Loss to Profit, PL: Profit to Loss  
EPS is calculated after Excluding EO and Relevant Taxes  
Figures in Rs crore  
Source: Capitaline Corporate Database

3i-infotech: Segment Results

	0703 (3)	(%) of Total	Var. (%)	0703 (12)	(%) of Total	Var. (%)
<b>Segment Revenue</b>						
Products	107.60	51	85	331.93	49	70

Software Services	103.37	49	63	338.85	51	48
Total Revenue	210.97	100	74	670.77	100	58
<b>Gross Profit</b>						
Products	57.97	59	90	180.23	57	76
Software Services	40.76	41	68	138.37	43	60
Total	98.73	100	80	318.60	100	69
<b>Gross profit Margins (%)</b>						
Products	53.9			54.3		
Software Services	39.4			40.8		

Figures in Rs crore

Source: Capitaline Corporate Database