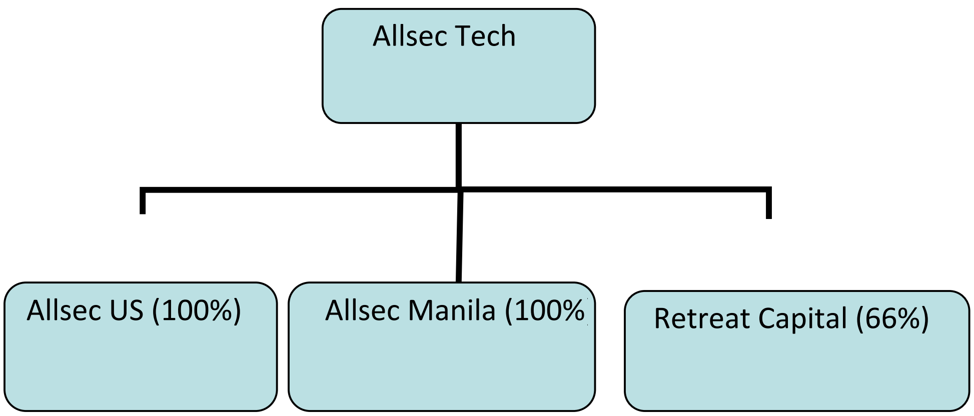
Techno Fundamental Note Potential Turnaround candidate December 27, 2012

HDFC Sec Scrip ID	Industry	CMP	Recommended action	Averaging Price Band	Sequential Targets	Stoploss	Time horizon
ALLTECEQTT	IT	Rs. 63.9	Buy at CMP and add on dips	Rs. 53 - Rs. 55	Rs. 93 and Rs.114	Rs. 50	1-2 quarters

Company Background

Allsec Technologies Ltd, a BPO established in 1998 is a leading provider of outsourced solutions in customer engagement, sales & retention and quality assurance for businesses across BFSI, Insurance, Telecommunication, Retail, Healthcare, Energy & Utilities and Technology. With more than decade of experience servicing multitude of clients, handling millions of transactions and observing a million of them, Allsec has the experience, expertise and customizable solutions that focus on customer delight.

The company has around 3338 seats with 2378 across India (7 Domestic delivery centers in major cities in India) and 960 internationally with delivery centers in USA, India and Manila for the international segment. It has the capability to offer delivery in multiple Indian languages.



(Source: Company; Figures in bracket indicate ownership)

Initially, company was only into exports till 2007 but after the global crisis in 2008, the company lost many overseas clients and it diversified into domestic business, which currently accounts for 55% of the total revenues.

With the acquisition of call center division of i2i Telesource Pvt. Limited, in the year 2008, the company added around 1000 seats for the domestic business. Another 1500 seats in different locations were also added and it has also relocated/upgraded most of the i2i facilities over a period of last 3 years. Today, Allsec has a pan India presence with facilities in locations such as Delhi, Mumbai, Hyderabad, Bengaluru, Chennai, Pune and Trichy. The Company has also invested in additional technology investments primarily to cater to its new client additions in the Domestic segment. Apart from India, it also has a capacity of 200 seats in Manila, Philippines, 200 seats at Retreat Capital and more than 50 seats in Dallas, USA.

The vision of Quality and Information security at Allsec is to institutionalize excellence in quality of service and security of data of Clients, customers and Organization by developing and deploying simple, efficient and effective processes using the latest Quality models in accordance with ISO 9001:2008 interlined with data security controls prescribed by International standards such as ISO 27001:2005. As part of its continuous improvement program, the company is recertified for ISO 9001:2008 (Quality Management System) and ISO 27001:2005 (Information Security Management). To take this to next paradigm, the company is recertified for PCI DSS and accomplished compliance with HIPAA for service delivery locations in India.

In addition to the existing PCI DSS and HIPAA compliance at Manila, the company has achieved PCI DSS certification for service delivery location at Dallas in US. Further, existing SAS 70 Type II certification for HR BPO services is graduated to ISAE 3402 certification in line with the new International auditing standard to realize higher levels of maturity and be consistent with business and market needs in HR outsourcing.

Acquisition of Retreat Capital in 2011

ATL had acquired Retreat Capital in 2011. Retreat Capital Management Inc., USA a Company incorporated in the State of California, is a default management solution company that offers outsourcing services designed to assist lenders, mortgage servicers and other institutions. The company had acquired 66% of the share capital from the promoter for cash of USD 2 million. The balance 34% is held by Arvin Wijay, the founder of the company. Retreat employs around 200 people.

Acquisition of Retreat Capital Management Inc last year seems a turning point by the company and the results of Retreat are very encouraging. The growth potential looks good and in the coming years, the contribution to Profit from Retreat business could be substantial. The company has also added few clients in the mortgage non-voice space and with Retreat's domain knowledge; business growth in this vertical can be achieved in coming years.

During September 2012 quarter, the Company had invested USD 64,000 in Centigral Inc, a Company incorporated in USA, by way of subscribing to its shares constituting 80% of the stock. ATL is continuing to pursue growth through the organic route in both the markets and sees very good traction for growth in both US and Domestic Markets.

Shareholding Pattern:

(as on 30-Sept-2012)	Shares	(%)
Promoters	5,349,525	35.1
FIIs	5,359,393	35.2
MF	552,962	3.6
Non Promoter Corporate Holding	335,489	2.2
Public & Others	3,640,957	23.9
Total	**15,238,326**	**100.0**

Private Equity investor First Carlyle had purchased 27.65% stake in ATL for $25.4 mn in FY07 through combination of preferential issue, open market purchase and open offer. This was raised to 30.86% in June 2009 quarter. The funds were used for US, Manila Facility, acquisition of Retreat Capital and rest for Capex and facility expenses. The group has nominated two directors on board of ATL.

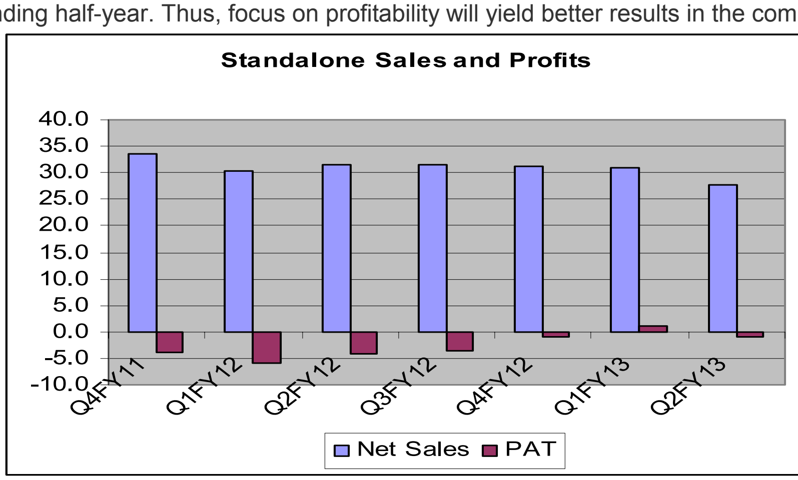
Apart from First Carlyle, DNB Fund Asian Smallcap holds 3.27% stake, while UTI Midcap Fund holds 2.99% stake. Ashish Dhawan (co-founder of private equity major ChrysCapital) holds 7.06% stake in the company.

Triggers

Rationalization of Domestic business

Post the slowdown in the international business in 2008, ATL focused on acquiring domestic clients in the telecom, insurance and utilities space. While it got enough work, due to the intense competition in the domestic voice BPO space and tough times in the telecom sector, its billing rates and margins kept dipping. This resulted in ATL registering losses for the past few years. Under-utilisation of capacity was also one reason for this predicament. Its standalone sales fell from a peak of Rs.37.3 cr in the Sept 2010 quarter (Rs.0.6 cr PAT) to an average of Rs.31 cr in FY12 with a loss at the net level of Rs. 14.7 cr.

From April 2012, ATL has taken several steps to cut the losses in the standalone operations. It has shut down centers (especially where the lease period has expired), reduced headcount, cut seat strength, refused orders that were giving low or no margins and reworked other domestic contracts so that they become profitable. Some effect of this is visible. The company has been steadily reducing seating capacity from 4374 in March 2012 to 2378 currently and is further looking at reducing it to 1400. In H1FY13 the standalone operations reported a 6% drop in topline but a nominal PAT of Rs.0.60 cr vs a loss of Rs.10.1 cr in the corresponding half-year. Thus, focus on profitability will yield better results in the coming years.



Improvement in Exports business

During FY12, there was a fall in exports revenue by 40%, though this was compensated by an increase in Domestic business. Due to a sharp reduction in exports revenue during the year, which is its main strength, the results for the year have been below par. In the last quarter of FY11, the company lost one of the top clients from USA which affected the performance very badly in FY12. Drop in exports revenue is also due to market conditions in USA not improving during the year. The new businesses have only gone to backfill lost business during last year and this has resulted in a reduced revenue growth from USA, which has always been a dominant market.

Even though economy in US and UK is not showing great signs of improvement, the company believes it will see significant growth in the next few years. With additional focus on business development in US, company believes that growth in business from the US and UK is achievable in the years to come. Exports contribution went up to 45% of total revenues during September 2012 after falling to 33% in FY12 from 48% in FY11.

During FY13, the company has added a few clients and also increased volumes with existing clients. The company is also in talks with existing clients to explore new opportunities and is confident of getting back to the old days of higher exports and profitability.

Potential turnaround at consolidated level in FY13

ATL’s acquisition of Retreat Capital in 2011 has led to stable top-line performance in FY2012. It has compensated the loss of overseas clients in ATL and strategic client rationalization in the domestic market. While the company continued to bleed at the net level in FY12 on a consolidated basis, with sharp improvement in performance of Retreat Capital in H1FY13 and expectations of continued good performance in H2FY13E, the company may more than offset the losses at other subsidiaries, mainly Manila and US. Retreat Capital reported Revenues of Rs 96 crore and PAT of Rs 19 crore in H1FY13. The management expects to sustain the topline and margins going ahead. The Manila subsidiary is expected to turnaround by quarter ending March 2013 (due to new client acquisition and better capacity utilization) while it may still report loss at the net level during FY13 and a profit in FY14. While the revenues of domestic business may come down, profitability is expected to improve.

Further Retreat Capital has plans to enter into related business areas but a lot would depend on the capital that it can get access to.

Manila subsidiary to turnaround by March 2013

Manila centre was setup in 2009 and has a seat capacity of around 600. This is a strategic centre for the business as many US Clients prefer Manila as a Delivery Centre. Due to overall market conditions in USA, the business for this center was affected which has resulted in loss situation in Manila centre also. Capacity utilization which has been around 30% during H1FY13 has been steadily improving and now stands at 80%. With increased possibility of billing from existing and new clients in the current and future years, the company feels the loss situation in Manila centre will be reversed by March 2013.

Core Competency across verticals and service lines

The strategy of Allsec has always been to grow by developing its expertise in specific verticals. This has helped it sharpen its training & processes for specific domains enabling it to achieve domain specialization resulting in delivering quality solutions to each of its customers. The company has been in the international business for 10 years and has continuously refined its offerings to suit this market. It has expanded its offering in the domestic market by positioning its services to suit the domestic business with its unique features like multi language requirements etc. Currently its horizontals of specialization are in Customer Life cycle management, telemarketing, collections, Quality assurance, Payroll management, mortgage, technical support and Web development support. The company looks to grow in each of these horizontals and also identify and develop vertical specialization in other geographies and domains to grow its offerings continuously.

Client Acquisition and growth of Non voice business

The focus on winning fresh clients across geographies where the company can serve on the strength of its core competencies on the basis of its track record of delivery and positive client references is an ongoing process. Allsec is also in the process of extending its core competency in the Indian domestic markets. There has been a steady increase in the domestic business especially in retail and BFSI segments. With its philosophy of long-term client relationships, which has served it well with international clients, the company is sure that it will be able to maintain its track record and strike long-term relationships with all its domestic clients as well.

In non-voice segment, with the growth of domestic call center business, the Quality Assurance process triggered great interest in many of the captive/ outsourced centers of domestic Telecom and BFSI segment clients. Having acquired knowledge and experience of servicing in different Indian languages and with the Pan-India presence, there are enough opportunities to grow this multifold. Post the acquisition of Retreat mortgage business, there has been a considerable increase in revenues from this business and the company sees a visibility of high growth in the coming years. Its strength in the platform based HR-BPO business is its track record of delivery coupled with responsive services which has helped it grow this business steadily. The company is now making significant investments in a cutting edge technology platform and this coupled with strong process and domain strength, it expects that its Payroll business will have a significant growth across geographies in the next year.

Industry Overview

The BPO industry in India has become one of the most significant growth catalysts for the country's economy. In the last decade, the industry has grown 16 times in size. In addition to fuelling India's economy, direct and indirect employment creation is estimated at 4.5 million. India is the leading BPO destination, accounting for over 37% of total global sourcing BPO revenues, followed by Canada and Philippines.

BPO industry today is a diversified sector spanning across multiple services and becoming the hotbed for knowledge workers in the country. India headquartered; multinational firms, Global in-house centers and niche firms are building the sector in the country contributing to process excellence, transformation and best practices. Indian BPO industry is undergoing a transition. While the second phase of Indian outsourcing industry has begun, a new set of challenges like economic slowdown and flourishing market of Philippines are the latest challenges.

While the global macro economic scenario remained uncertain, the industry exhibited resilience and adaptability in continually reinventing itself to retain its appeal to clients. Embracing emerging technologies, increased customer-centricity, deepening focus on new markets, adopting new business models are some successful growth strategies followed by the industry.

The BPO export segment grew by 13% to reach USD 16 billion in FY 2012. In the last few years, the BPO segment has been focusing on re-engineering itself in order to deliver transformational impact on customers. BPO firms are increasing onshore and near shore footprint to enable customer entry to local markets. Firms have also been actively implementing non linear growth initiatives. US continue to drive exports in this year also. BFSI vertical is set to increase its share of exports, while telecom registered a de-growth. Emerging verticals like retail, healthcare, media and utilities recorded significant growth in this year.

Domestic BPO segment is expected to have grown by 17% in FY 2012, to reach Rs.14,900 crore, driven by demand from voice-based (including local language) services and increasing adoption by both traditional and emerging verticals.

BPO firms move from efficiency to effectiveness – focusing on re-engineering themselves in order to deliver transformational impact to customers – follow a 'Verticalised' approach by developing in-depth capabilities across verticals; increase onshore footprint and implement non-linear growth initiatives.

Indian BPO firms are developing future-ready solutions– platform + cloud and creating customer impact through service delivery excellence. Knowledge services segment is the fastest growing among BPO segments at over 15%; Indian Companies have pioneered outsourcing in areas such as data analytics, data management and legal services. Data analytics is expected to grow 19%, much faster than BPO industry average; key drivers include emergence of analytic tools, rising volumes of data, increased data-driven decision making and emergence of on-demand models.

Concerns:

Increase in Competition in Domestic business and pressure on pricing

As competition increases, acquiring and retaining customers would be challenging. In a highly competitive environment, customers have tough expectations on pricing.

Global uncertainty

Eurozone crisis is a cause of concern and any major upheaval can affect short-term performance of the Company with increased economic uncertainties. As majority of its business is from US, any downturn in US economy can adversely impact its business.

High Attrition

Allsec is in an industry where attrition is one of the major concern areas. Allsec has an annual attrition of 40% and is within the industry benchmark, which ranges between 30% and 50%.

The Company also faces tough challenge in getting employable manpower from the large manpower pool available. Allsec has been investing a lot of resources for training candidates on the basic skills that are required to make them employable. These are also done through partnering with educational institutions and governmental organizations.

The attrition rate in the Domestic segment is also on similar lines. Allsec has extended its learning in the International segment to Domestic market and necessary processes are in place to ensure that right candidates are being hired, trained and retained. However, the availability of employable candidates is higher in the pool available for Domestic segments.

Further, efforts are also taken in the direction of training, employee referral scheme, employee satisfaction surveys and other creative activities to address the threat posed by attrition.

Geographical Concentration of Clients

ATL's revenues are still dependent on clients located in the United States/United Kingdom or from Indian subsidiaries of such companies and it is looking to increase revenues from US/UK clients. The growth that it has achieved in the domestic market will reduce this risk although with lower margins. The company believes that with the growth this year internationally, it will achieve an optimum mix of clients, though this is dependant on favorable client addition in US/UK geographies.

Exchange Fluctuation

Movements in exchange rates continue to be a major threat. The current economic slow down and possible reduction in price by the existing customers may adversely affect the earnings and expenditure in foreign currency. The company is currently adopting hedging strategies as approved by the Board and in addition use bank balances in foreign currency to meet its foreign currency liabilities. These measures would assist in reducing the impact of unfavorable movements in exchange rates. However, the results of operation will be affected if the rupee-dollar rates continues to behave in a volatile manner in future or rupee appreciates significantly against dollar and other currencies.

Employee cost pressures

Company's most significant costs are the salaries and related benefits of its operations staff and other employees. Wage costs in India have historically been significantly lower than wage costs in the United States and other developed countries, which has been one of its competitive advantages in the international market. However, wages in India are increasing at a faster rate compared to the developed countries, which may reduce its competitive advantage in relation to pricing. The company may need to increase the levels of employee compensation more rapidly than in the past to remain competitive and to attract necessary employees. Wage increases in the long-term may reduce its profit margins in both the domestic and international businesses.

Overdue receivables

The Company has not made provisions towards certain Receivables aggregating to Rs. 6.13 crore in respect of two foreign customers, where amounts are substantially overdue. On the basis of available information and regular confirmation of balances from customers showing their intent to pay the same, the Company is confident of recovering the entire amount and therefore not made any provision in the books of accounts. The Auditors have however made an observation in their Report regarding this.

Dependency on one or few major clients:

Though the dependency on one client (client concentration) has reduced over years, ATL could still get impacted by a departure of one or two large clients. Something similar has happened to ATL in 2008 and 2011. It took quite some time to recover from these blows. Recurrence of such events could impact the topline and bottomline of ATL for some quarters.

Extraordinary write-offs could impact the PAT in H2FY13

ATL has closed some centers and reduced headcount recently. It could thus have to write off some extraordinary expenses/loss on account of this in H2FY13.

Going forward a large portion of the profits for ATL are likely to reside in subsidiaries. Hence ATL would depend on dividend flows from subsidiaries to onward distribute dividends to its shareholders.

Conclusion

The market opportunity for both large and medium sized global BPO providers will continue in both traditional industries like Banking, Insurance, Manufacturing, Telecom, etc and the new areas like Life sciences, Health care, Pharmaceuticals, Logistics, Media including Social Media and significant untapped opportunities will continue to emerge for a global provider.

For instance, the current Health care Regulations in US will throw up a range of opportunities extending beyond traditional functions and services. The key is to provide efficient and effective services and if the services are structured where the advantage of various regions are tapped by a global service provider to provide smart services, then these will be in premium for the emerging needs.

North America is expected to continue leading the demand and UK is continuing to be a huge market for growing needs to provide efficient and effective servicing. The Indian Global Service providers with a strong Indian base, near shore presence, seamless platform to deliver from any market and superior technology skills are poised to take advantage of the emerging requirements.

Allsec Technologies has emerged as one of the leading players in the outsourced solutions space in customer engagement, sales & retention and quality assurance for businesses across BFSI, Insurance, Telecommunication, Retail, Healthcare, Energy & Utilities and Technology. With the acquisition of Retreat Capital, the company has been reporting strong performance over the last few quarters. On the back of expectations of continued strong performance of Retreat Capital and potential turnaround at other subsidiaries, the company is expected to be back in green in FY13E.

The company has no major capex plans going forward. Potential turnaround, Sound management, Healthy balance sheet and good Institutional holding could be the major triggers for the stock in the near term. Client concentration and Attrition could impact its performance in a particular period.

We think one can buy Allsec Tech at CMP of Rs.63.9 and add on dips between Rs.53 – Rs.55 (~3.7x -3.9x FY14E EPS) for a target of Rs.93 (6.5x FY14E EPS) and Rs.114 (8x FY14E EPS) over the next 1-2 quarters.

Quick Estimates - Consolidated:

Particulars (Rs. in Cr)	FY11	FY12	FY13E	FY14E
Net Sales	**158.5**	**183.1**	**339.7**	**361.8**
% Growth (y-o-y)	17.6	15.5	85.5	6.5
EBITDA	**2.8**	**-1.0**	**62.2**	**78.9**
% Growth (y-o-y)	-140.1	-135.8	-6317.0	26.9
Minority Interest	0.0	2.3	13.0	15.0
PAT	**-7.6**	**-17.0**	**15.0**	**21.8**
% Growth (y-o-y)	-25.0	124.0	-188.3	45.4
EPS	**-5.0**	**-11.1**	**9.8**	**14.3**
% Growth (y-o-y)		124.0	-188.3	45.4
PE	**-13.4**	**-6.0**	**6.7**	**4.6**

*- Quick Estimates (Source: Company Reports, HDFC Sec Research)

Quarterly Financials - Standalone

Rs. Cr.

Particulars	Q2FY13	Q2FY12	Var. %	Q1FY13	Var. %	H1FY13	H1FY12	Var. %
Net Sales	27.7	31.6	-12.3	30.8	-10.0	58.5	62.1	-5.7
Total Expenditure	26.7	34.7	-23.2	28.1	-5.1	54.8	69.1	-20.7
Connectivity costs	1.9	2.0	-5.1	1.8	0.5	3.7	4.1	-10.0
Employee benefits expense	15.7	23.7	-33.8	18.5	-15.3	34.2	47.5	-28.0
Other Expenses	9.1	9.1	0.7	7.7	18.1	16.9	17.5	-3.5
EBITDA	1.0	-3.1	-132.9	2.7	-61.7	3.7	-7.1	-152.6
Other income	0.4	1.9		1.0		1.4	2.8	
EBITDA Incl. OI	1.4	-1.3	-211.2	3.7	-62.5	5.1	-4.3	-219.2
Interest	0.1	0.2	-18.8	0.2	-38.1	0.3	0.3	36.0
PBDT	1.3	-1.4	-189.4	3.5	-64.0	4.8	-4.5	-205.1
Depreciation	2.1	2.8	-24.2	2.3	-8.6	4.5	5.6	-19.8
PBT	-0.9	-4.2	-79.4	1.2	-174.4	0.3	-10.1	-103.0
Tax	0.0	0.0		0.0		0.0	0.0	
Reported PAT	-0.9	-4.2	-79.4	1.2	-174.4	0.3	-10.1	-103.0
Extra-ordinary Items	0.0	0.0	0.0	0.0		0.0	0.0	
Adjusted PAT	-0.9	-4.2	-79.4	1.2	-174.4	0.3	-10.1	-103.0
EPS (Rs.)	-0.6	-2.8	-79.4	0.8	-174.4	0.2	-6.6	-103.0
Equity	15.2	15.2		15.2		15.2	15.2	
Face Value	10.0	10.0		10.0		10.0	10.0	
OPM (%)	3.7	-9.9		8.7		6.4	-11.4	
PATM (%)	-3.1	-13.4		3.8		0.5	-16.3	

(Source: Company, HDFC Sec)

Quarterly Financials - Consolidated

Rs. Cr.

Particulars	Q2FY13	Q2FY12	Var. %	Q1FY13	Var. %	H1FY13	H1FY12	Var. %
Total Income	86.3	79.6	121.0	39.1	8.5	165.8	76.4	117.0
Total Expenditure	69.9	66.0	66.4	42.0	6	135.9	83.2	63.3
Connectivity costs	1.8	2.1	-16.0	2.2	-11.5	3.9	4.5	-13.7
Employee benefit expenses	55.0	50.3	105.5	26.7	9.2	105.3	53.6	96.4
Other expenses	13.1	13.6	0.4	13.1	-3	26.7	25.1	6.5
EBITDA	16.4	13.6	-650.8	-3.0	20.4	30.0	-6.8	-543.0
Other income	0.4	1.0		1.8		1.4	3.0	
EBIDTA incl. OI	16.8	14.6	-1569.3	-1.1	14.6	31.4	-3.8	-923.1
Interest	1.8	0.3	911.1	0.2	628	2.1	0.3	639.3
PBDT	14.9	14.4	-1231.1	-1.3	4	29.3	-4.1	-816.1
Depreciation	3.4	3.4	1.2	3.4	0.6	6.8	6.9	-0.9
PBT	11.5	11.0	-344.2	-4.7	5	22.5	-11.0	-304.3
Tax	4.9	5.7	920.8	0.5	-13.3	10.6	1.4	664.5
Reported PAT	6.6	5.3	-227.2	-5.2	24.5	11.9	-12.4	-196.2
Minority Interest	3.0	3.5		0.6		6.6	1.2	
Profit/Loss of Associate Company	0.0	0.0		0.0		0.0	0.0	
Net Profit after Min. Int. & P/L Ass. Co.	3.6	1.8	-161.8	-5.8	102.3	5.3	-13.6	-139.5
Extra-ordinary Items	0.0	0.0		0.0		0.0	0.0	
Adjusted PAT	3.6	1.8	-161.8	-5.8	102.3	5.3	-13.6	-139.5
EPS (Rs.)	2.3	1.2	-161.8	-3.8	102.3	3.5	-8.9	-139.5
Equity	15.2	15.2		15.2		15.2	15.2	
FV	10.0	10.0		10.0		10.0	10.0	
OPM (%)	19.0	17.1		-7.6		18.1	-8.8	
PATM (%)	4.1	2.2		-14.8		3.2	-17.7	

(Source: Company, HDFC sec)

Profit & Loss A/c Consolidated

YE March (Rs. Cr.)	FY11	FY12
Net Sales	**158.5**	**183.1**
% growth rate(YOY)		15.5%
Connectivity costs	10.4	9.2
% growth rate (Y-o-Y)		-11.8%
% of sales	6.5%	5.0%
Employee Benefits Expense	106.5	124.3
% growth rate (Y-o-Y)		16.7%
% of sales	67.2%	67.8%
Other Expenses	38.9	50.7
% growth rate (Y-o-Y)		30.4%
% of sales	24.5%	27.7%
Total Operating Expenses	**155.7**	**184.1**
% growth rate(YOY)		18.2%
% of sales	98.2%	100.5%
EBITDA	**2.8**	**-1.0**
% growth rate(YOY)		-135.8%
EBITDA %	**1.8%**	**-0.5%**
Other Income	4.1	5.4
% growth rate (Y-o-Y)		31.8%

EBITDA incl. OI	**6.9**	**4.4**
% growth rate(YOY)		-35.9%
Depreciation	13.8	14.1
% growth rate(YOY)		2.7%
Interest	0.5	0.8
% growth rate(YOY)		56.0%
PBT	**-7.4**	**-10.5**
% growth rate(YOY)		42.5%
Provision for Tax	0.2	4.2
% of PBT	-2.9%	-40.3%
PAT	**-7.6**	**-14.7**
% growth rate(YOY)		94.5%
Minority Interest	0.0	2.3
Reported PAT	**-7.6**	**-17.0**
% growth rate(YOY)		124.0%
Extra Ordinary Items	0.0	0.0
Adjusted PAT	**-7.6**	**-17.0**
% growth rate(YOY)		124.0%
EBITDA %	-4.8%	-9.3%
Equity	15.2	15.2
Face Value	10.0	10.0
EPS	-5.0	-11.1

Balance Sheet Consolidated

YE March (Rs. Cr.)	FY11	FY12	Sep-12
Equity & Liabilities			
Shareholders Funds	**116.5**	**99.2**	**104.4**
Share Capital	15.2	15.2	15.2
Reserves & Surplus	101.3	83.9	89.1
Minority Interest	0.2	2.5	9.5
Non-Current Liabilities	**0.9**	**2.3**	**2.2**
Long-term borrowings	0.4	0.2	0.2
Long Term Provisions	0.5	2.1	2.0
Current Liabilities	**28.5**	**34.3**	**48.4**
Short Term Borrowings	2.8	1.6	2.3
Trade Payables	14.8	21.1	12.5
Other Current Liabilities	7.6	10.5	32.4
Short Term Provisions	3.3	1.2	1.2
Total Equity & Liabilities	**146.1**	**138.3**	**164.5**
Assets			
Non-Current Assets	**80.2**	**78.1**	**71.0**
Fixed Assets	41.3	36.5	34.1
Goodwill on consolidation	10.6	10.0	9.9
Non Current Investments	0.0	0.0	0.0
Long-term loans and advances	22.0	24.6	20.3
Trade receivables	6.0	6.2	6.4
Other non current assets	0.5	0.8	0.4

Current Assets	**65.9**	**60.2**	**93.5**
Current investments	18.7	5.1	3.8
Trade Receivables	27.9	43.8	65.1
Cash & Cash Equivalents	15.1	7.4	16.8
Short Term Loans & Advances	3.1	3.7	4.9
Other Current Assets	1.1	0.2	2.9
Total Assets	**146.1**	**138.3**	**164.5**

Technical Outlook:

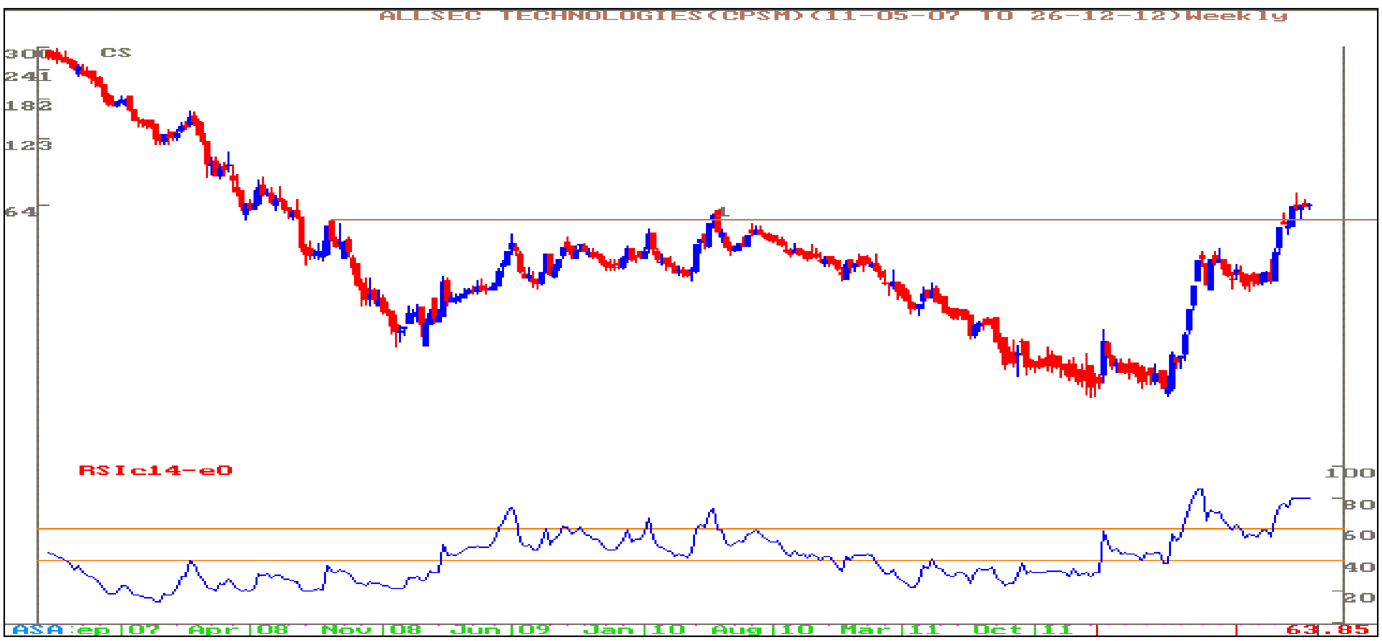
Observation:

This stock has been in an excellent up run over the last few months, which is evident from the weekly timeframe chart.

The upside rebound, which has occurred from the bottom of around Rs.10 during May 2012, has resulted in an approximately 500% growth in the stock price in a span of 6 months. We also observe that during the bull market run of this stock, the profit booking was minimal, which is displaying strength of the underlying stock trend.

Currently the stock price has crossed above the resistance of previous multiple highs around Rs.55.60 (brown horizontal line) and currently is consolidating around the previous upside broken resistance area (as per the concept of change in polarity) near Rs.55.60 levels.

Weekly momentum oscillator like RSI is near the overbought region of around 75 levels, which is signaling strength of upside momentum of the underlying. Current formation of divergence of the stock price over the momentum indicator is hinting a possible consolidation or cooling off could take place in near term.



Conclusion:

The stock witnessing sharp intermediate uptrend and moving in a sequence of higher tops and a bottom during its uptrend is a sign of strength of the uptrend and this is considered as a trend continuation pattern.

The stock price witnessing minor consolidation or minor weakness after a high formation is reflecting strength of bulls to defend the stock and also push it further high. As it happened previously, this stock is expected to continue its upward journey after showing minor consolidation at the higher levels.

Since this stock has moved above the hurdles of around Rs.55.60 levels (previous multiple high area), one may expect current consolidation might take support of previous broken area during its consolidation periods.

Divergences normally occur during bull markets and they are indicative of the cooling off or consolidation of the stock price at higher levels. With positive technical outlook, one may look to go for fresh buy in this stock at CMP Rs.63.85 and add more on dips around Rs.53.60, for the upside targets of around Rs.93.00 and later Rs.114.00, over the period of 1-2 quarters.

Place a stoploss of Rs.50.00 as on weekly closing basis.

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