



# INFOTECH ENTERPRISES LIMITED

## Results Preview

India Equity Research

11<sup>th</sup> April 2013

**Recommendation: HOLD**  
**Target Price: ₹198**

ANUSH SHARES & SECURITIES

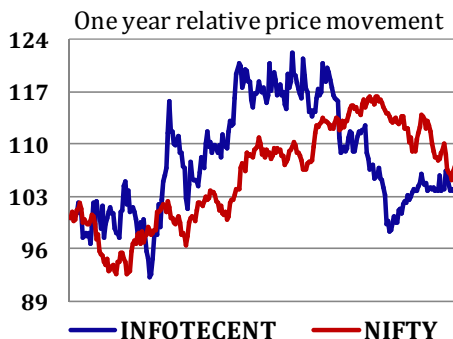
| Recommendation      |     |
|---------------------|-----|
| CMP (₹)             | 170 |
| Target Price (₹)    | 198 |
| Upside / Downside % | 16  |

| Stock Details              |           |
|----------------------------|-----------|
| Mkt. Cap. (₹millions)      | 18,767    |
| EV (₹millions)             | 14,413    |
| 52 week H/L (₹)            | 211 / 151 |
| Equity Capital (₹millions) | 552       |
| Face value (₹)             | 5         |

| Shareholding Information |     |
|--------------------------|-----|
| Promoters                | 22% |
| FII's                    | 25% |
| FIs & MFs                | 8%  |
| Others                   | 44% |

| Valuation Summary |      |      |       |       |
|-------------------|------|------|-------|-------|
|                   | FY11 | FY12 | FY13e | FY14e |
| EV/ EBITDA        | 8.5  | 5.4  | 3.9   | 2.5   |
| P/BV              | 1.9  | 1.7  | 1.5   | 1.2   |
| P/E Ratio         | 14.2 | 12.3 | 10.0  | 6.4   |
| ROCE (%)          | 13.7 | 21.8 | 27.0  | 29.2  |
| RONW (%)          | 13.1 | 14.2 | 14.9  | 19.0  |

| Key financials |       |       |       |       |
|----------------|-------|-------|-------|-------|
| (₹millions)    | FY11  | FY12  | FY13e | FY14e |
| Sales          | 11880 | 15531 | 18772 | 21401 |
| EBITDA         | 1800  | 2704  | 3473  | 4066  |
| PAT            | 1396  | 1614  | 2239  | 2722  |
| EPS (₹)        | 12.6  | 14.5  | 20.3  | 24.7  |
| D/E            | 0.04  | 0.04  | 0.07  | 0.03  |



## Muted revenue growth; PAT likely to be stable

Loss of business from a Hi-tech client in Q3FY13 and challenges in Europe will lead to muted revenues; we expect revenues to de-grow by 2%, Q-o-Q to ₹4656.1 million. In US dollar terms we believe the revenue to de-grow by 1.7% to \$ 85.3 million. In our view, aerospace project and utilities space will provide stable growth in Q4FY13.

UT&C segment is expected to grow by 2.9% on Q-o-Q basis to ₹1657.3 million. Order inflows looks healthy in UT&C except few furloughs in Telecom space where IEL finds certain delay in deals. In 9MFY13, IEL added 22 clients in UT&C segment, we believe these client additions to support UT&C segment revenue in Q4FY13.

Engineering vertical continues to disappoint for past few quarters and is expected to de-grow by 2.5% on Q-o-Q basis to ₹3011.0 million. In 9MFY13, IEL added 23 clients; IEL foresees slowdown in rail transportation projects and challenge in Hi-tech due to loss of one clients' business.

In our view, EBITDA will de-grow by 1.7% to ₹865.7 million and EBITDA margins will range between 18.6%-18.7% in Q4FY13. In this quarter IEL margins will be stable on back of improved employee pyramid and better operating efficiency.

We expect PAT to de-grow by 0.5% to ₹615.2 million, PAT to remain stable supported by SEZ facilities, for every 300 employees placed in SEZ, 100 bps tax exemptions will be benefited. In Q4FY13, we estimate forex gain to be approx ₹62 million for the USD hedge positions.

## Key developments in Q4FY13:

- In UT&C Segment, last quarter merger of top 2 clients North America Digital Globe and Geoeye and delay in another top client's project had put pressure on content vertical, which we expect to be over and expect strong ramp up.
- IEL is planning to shift certain utility business to offshore, in-order to soften the margin pressure.

## Key events to look for in Q1FY14:

- Hike in employee cost, we expect a hike of - 6% for offshore employees and 2% for onshore employees.
- 450 freshers will be added in FY14E, of which 150 freshers were offered to join in Q4FY13.

## Anush Estimates:

(in ₹ millions)

| Particulars | Q412 | Q413e | Y-o-Y  | Q313 | Q-o-Q |
|-------------|------|-------|--------|------|-------|
| NET SALES   | 4174 | 4656  | 11.6%  | 4751 | -2.0% |
| EBIDTA      | 827  | 866   | 4.7%   | 881  | -1.7% |
| EBIDTAM (%) | 19.8 | 18.6  |        | 18.5 |       |
| PAT         | 699  | 615   | -11.9% | 618  | -0.5% |
| EPS (₹)     | 6.3  | 5.6   |        | 0.0  |       |

Source: Company, Anush Research



**Recommendation: HOLD**  
**Target Price: ₹993**

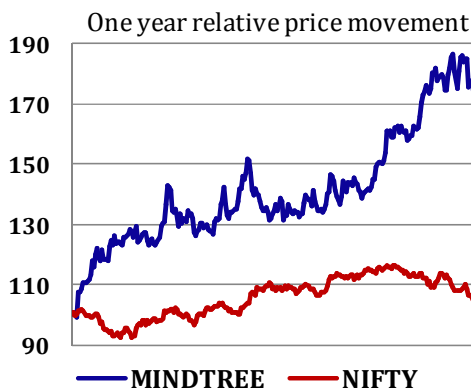
| <b>Recommendation</b> |     |
|-----------------------|-----|
| CMP (₹)               | 880 |
| Target Price (₹)      | 993 |
| Upside / Downside %   | 13  |

| <b>Stock Details</b>       |           |
|----------------------------|-----------|
| Mkt. Cap. (₹millions)      | 35,976    |
| EV (₹millions)             | 36,586    |
| 52 week H/L (₹)            | 930 / 485 |
| Equity Capital (₹millions) | 409       |
| Face value (₹)             | 10        |

| <b>Shareholding Information</b> |     |
|---------------------------------|-----|
| Promoters                       | 19% |
| FII's                           | 23% |
| FIs & MFs                       | 10% |
| Others                          | 48% |

| <b>Valuation Summary</b> |      |      |       |       |  |
|--------------------------|------|------|-------|-------|--|
|                          | FY11 | FY12 | FY13e | FY14e |  |
| EV/ EBITDA               | 15.2 | 8.5  | 5.7   | 5.1   |  |
| P/BV                     | 3.6  | 3.0  | 2.4   | 1.9   |  |
| P/E Ratio                | 28.1 | 13.3 | 11.2  | 10.9  |  |
| ROCE (%)                 | 19.4 | 37.6 | 43.5  | 32.5  |  |
| RONW (%)                 | 13.1 | 22.9 | 20.9  | 17.7  |  |

| <b>Key financials</b> |       |       |       |       |  |
|-----------------------|-------|-------|-------|-------|--|
| (₹millions)           | FY11  | FY12  | FY13e | FY14e |  |
| Sales                 | 15091 | 19152 | 23585 | 27595 |  |
| EBITDA                | 1777  | 2930  | 4967  | 5822  |  |
| PAT                   | 1016  | 2188  | 3306  | 3715  |  |
| EPS (₹)               | 25    | 52    | 81    | 91    |  |
| D/E                   | 0.01  | 0.01  | 0.01  | 0.00  |  |



## Revenues to remain Stable; PAT likely to decline

In Q4FY13 we believe Mindtree revenues would grow by 3.0%, Q-o-Q to ₹6078.0 million on account of delay in client additions (1.3% growth in USD terms to \$111.3 million). Management has stated it is in various stages of deals of client addition which they expect to get a few bid deals. In 9MFY13, Mindtree added 38 clients.

PE services segment is likely to de-grow by 2.3% on Q-o-Q basis to ₹1724.7 million. In PE service segment, we believe semi-conductor vertical continues to be challenging and competitive.

IT services segment is expected to grow at 5.3% on Q-o-Q basis to ₹4353.8 million. We believe, travel and BFSI verticals to give some support and these verticals will provide stable growth in this segment.

In our view, EBITDA to remain flat, is likely to grow by 1.0% to ₹1216.5 million and EBITDA margins will range between 20.0% - 20.1%, we expect drop of 40 bps for Q4FY13. This quarter will witness margin pressure due to 30-40 bps increase in SG&A expense to margins.

We expect PAT to decline by 11.7% to ₹872.4 million, to be impacted by muted growth of revenue and marginal forex loss. In Q4FY13, we expect MTM forex loss to be approx ₹65.6 million.

### Key developments in Q4FY13:

- Last quarter one existing client was added in BFSI vertical and also one existing client in PES segment for cloud support is expected to ramp up in Q4FY13, after winning the contracts in Q3FY13.
- To start second phase of one of its large travel account's project, this was delayed in Q2FY13.
- Telecom and semi-conductor vertical is expected to be challenging in Q4FY13.

### Key events to look for in Q1FY14:

- For FY14, 2000 campus offers is expected to be made and fresh recruitment visibility would be critical in Q1FY14.
- To look out for salary hike, we expect a modest hike of 4% for offshore employees and 2% for onshore employees.

### Anush Estimates: (in ₹ millions)

| Particulars | Q412 | Q413e | Y-o-Y | Q313 | Q-o-Q  |
|-------------|------|-------|-------|------|--------|
| NET SALES   | 5257 | 6078  | 15.6% | 5901 | 3.0%   |
| EBIDTA      | 985  | 1217  | 23.5% | 1204 | 1.0%   |
| EBIDTAM (%) | 18.7 | 20.0  |       | 20.4 |        |
| PAT         | 692  | 872   | 26.1% | 988  | -11.7% |
| EPS (₹)     | 17.1 | 21.3  |       | 24   |        |

Source: Company, Anush Research



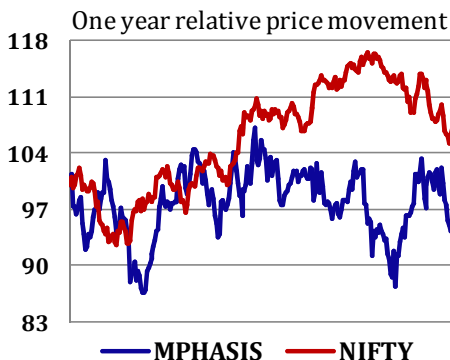
| <b>Recommendation</b> |     |
|-----------------------|-----|
| CMP (₹)               | 369 |
| Target Price (₹)      | 430 |
| Upside / Downside %   | 17  |

| <b>Stock Details</b>       |           |
|----------------------------|-----------|
| Mkt. Cap. (₹millions)      | 77,490    |
| EV (₹millions)             | 76,771    |
| 52 week H/L (₹)            | 440 / 317 |
| Equity Capital (₹millions) | 210       |
| Face value (₹)             | 10        |

| <b>Shareholding Information</b> |     |
|---------------------------------|-----|
| Promoters                       | 61% |
| FII's                           | 25% |
| FIs & MFs                       | 5%  |
| Others                          | 10% |

| <b>Valuation Summary</b> |      |      |       |       |
|--------------------------|------|------|-------|-------|
|                          | FY11 | FY12 | FY13e | FY14e |
| EV/ EBITDA               | 6.5  | 4.8  | 4.2   | 4.1   |
| P/BV                     | 2.0  | 1.8  | 1.6   | 1.5   |
| P/E Ratio                | 9.4  | 9.8  | 9.9   | 10.4  |
| ROCE (%)                 | 19.1 | 19.7 | 18.5  | 16.3  |
| RONW (%)                 | 21.1 | 18.0 | 16.1  | 14.3  |

| <b>Key financials</b> |       |       |       |       |
|-----------------------|-------|-------|-------|-------|
| (₹millions)           | FY11  | FY12  | FY13e | FY14e |
| Sales                 | 50980 | 54907 | 55324 | 56654 |
| EBITDA                | 9231  | 10489 | 11039 | 10697 |
| PAT                   | 8218  | 7923  | 7797  | 7436  |
| EPS (₹)               | 39.1  | 37.7  | 37.1  | 35.4  |
| D/E                   | 0.1   | 0.1   | 0.1   | 0.1   |



## Revenues from Digital Risk to Drive Growth but would impact EBITDA Margins

(FY October 2012 – September 2013) In Q2FY13 Digital risk revenues and key wins in Direct channel mix will help Mphasis revenues to grow by 9.4%, Q-o-Q to ₹13758.4 million. In Dollar terms we believe the revenue to grow sequentially by 8.6% to \$ 252 million. Poor revenue visibility from HP continues.

In Q2FY13, we believe Digital Risk will improve Direct Channel revenues. We expect Digital Risk (DR) would contribute around 12-13% to Mphasis revenues in Q2FY13, which shows more revenue visibility. In Q1FY13, Mphasis added 22 clients, 8 from HP and 14 from Direct channel, we believe there would be improvement in deal cycle too.

In our view, sequentially EBITDA is likely to improve by 10.6%, Q-o-Q to ₹2574.6 million. But margins would improve only by 20 bps due to lower margins from Digital Risk. EBITDA margins will be in range between 18.6% - 18.7% for Q2FY13.

We expect PAT to decline marginally up by 0.3%, Q-o-Q at ₹1838.3 million. Effective tax rate for the quarter will be in the range of 24.0-24.5%.

### Key developments in Q2FY13:

- Few clients would be added to direct channel in BCM, ICT and Insurance segments, with the acquisition of DR.
- HP and Direct business mix to shift to 48:52 against 52:48 in Q1FY13.

### Key events to look for in Q3FY13:

- We expect employees' headcount to be in the range of 34500-35000, to benefit the margins, there would be cut in jobs by 500-750.
- Shifting of certain jobs from Digital Risk to Offshore locations to improve margins.

### Anush Estimates:

| Particulars | Q212  | Q213e | Y-o-Y | Q113  | Q-o-Q |
|-------------|-------|-------|-------|-------|-------|
| NET SALES   | 13289 | 13758 | 3.5%  | 12571 | 9.4%  |
| EBIDTA      | 2613  | 2575  | -1.5% | 2329  | 10.6% |
| EBIDTAM (%) | 19.7  | 18.7  |       | 18.5  |       |
| PAT         | 1894  | 1838  | -3.0% | 1844  | -0.3% |
| EPS (₹)     | 9.0   | 8.7   |       | 8.8   |       |

Source: Company, Anush Research



# ONMOBILE GLOBAL LIMITED

## Results Preview

India Equity Research

11<sup>th</sup> April 2013

ANUSH SHARES & SECURITIES

**Recommendation: ADD**  
**Target Price: ₹43**

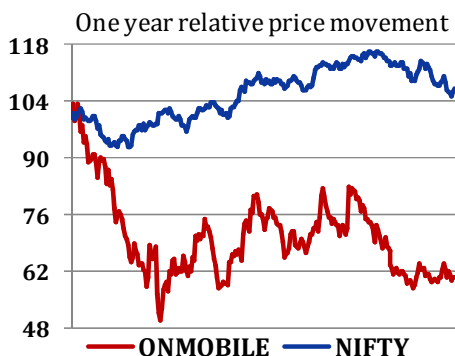
| Recommendation      |    |
|---------------------|----|
| CMP (₹)             | 36 |
| Target Price (₹)    | 43 |
| Upside / Downside % | 21 |

| Stock Details              |         |
|----------------------------|---------|
| Mkt. Cap. (₹millions)      | 4,054   |
| EV (₹millions)             | 2,850   |
| 52 week H/L (₹)            | 63 / 29 |
| Equity Capital (₹millions) | 1,140   |
| Face value (₹)             | 10      |

| Shareholding Information |     |
|--------------------------|-----|
| Promoters                | 39% |
| FII's                    | 3%  |
| FI's & MFs               | 10% |
| Others                   | 47% |

| Valuation Summary |      |      |       |       |
|-------------------|------|------|-------|-------|
|                   | FY11 | FY12 | FY13e | FY14e |
| EV/ EBITDA        | 2.6  | 1.5  | 1.4   | 0.7   |
| P/BV              | 0.3  | 0.5  | 0.5   | 0.4   |
| P/E Ratio         | 2.5  | 5.3  | 8.4   | 5.7   |
| ROCE (%)          | 9.0  | 9.6  | 7.4   | 13.3  |
| RONW (%)          | 10.4 | 9.4  | 5.4   | 7.4   |

| Key financials |      |      |       |       |
|----------------|------|------|-------|-------|
| (₹ millions)   | FY11 | FY12 | FY13e | FY14e |
| Sales          | 5372 | 6380 | 7231  | 8293  |
| EBITDA         | 1208 | 1393 | 1635  | 2149  |
| PAT            | 867  | 831  | 507   | 752   |
| EPS (₹)        | 15   | 7    | 4     | 7     |
| D/E            | 0.0  | 0.0  | 0.1   | 0.1   |



## Revenues from International markets to drive growth

In this quarter European and LatAm markets to drive growth, better customer penetration in international markets will help OnMobile revenues to grow by 4.0%, Q-o-Q to ₹1832.1 million. International revenues to grow by 10.0%, Q-o-Q to ₹1246.2 million contributing to about 68% of revenues as against 64% in Q3FY13.

Domestic VAS business continues to be affected by regulatory issues. In Mar 2012, Delhi high court has ordered OnMobile and a telecom operator to stop providing cricket alerts with regard to violations of broadcasting agreement. In Q4FY13 we expect domestic revenue to decline by 7.0%, Q-o-Q to ₹585.9 million.

In our view, sequentially EBITDA is likely to increase by 6.0%, Q-o-Q to ₹463.5 million and EBITDA margins will range between 25.2% - 25.3% for Q4FY13. If there is any hike in wages it would impact margins by 100 bps.

We expect PAT to grow sequentially by 3.8%, Q-o-Q to ₹214.3 mn. We believe the tax rate for the quarter to be in the range of 23-25% and on back of transfer pricing policy, tax rate for the entire year to be around 31-31.5% against H1FY13 effective tax rate of 48%.

### Key developments in Q4FY13:

- OnMobile has launched a mobile group buying deal service called GreatBuyz, allowing users access deals and discounts.
- OnMobile has launched a music download service on Airtel and BSNL which allows consumers to download songs to their mobile phones.
- Expanding Enterprise Business Solutions (EBS) to Africa through government contracts.
- Phase 2 of OnCloud services with the large North American operator which supports about 8.4 million users, will ramp up.

### Key events to look for in Q1FY14:

- Domestic business to revive back in coming quarters by expanding its EBS in India.
- 10% of revenue to be capped as capex for expansion into new geographies and new product development in FY14.

### Anush Estimates:

| Particulars | (in ₹ millions) |       |        |      |       |
|-------------|-----------------|-------|--------|------|-------|
|             | Q412            | Q413e | Y-o-Y  | Q313 | Q-o-Q |
| NET SALES   | 1776            | 1832  | 3.2%   | 1762 | 4.0%  |
| EBITDA      | 407             | 464   | 13.8%  | 437  | 6.0%  |
| EBIDTAM (%) | 22.9            | 25.3  |        | 24.8 |       |
| PAT         | 48              | 214   | 347.4% | 206  | 3.8%  |
| EPS (₹)     | 0.4             | 1.9   |        | 1.8  |       |

Source: Company, Anush Research



ANUSH SHARES & SECURITIES

India Equity Research

11<sup>th</sup> April 2013

## Results Preview

### RATING RATIONALE

We Endeavour to provide objective opinions and recommendations. Anush Shares & Securities Private Limited assigns ratings to its stocks according to their notional target price vs. current market price and then classifies them as Buy, Hold, Reduce and Sell.

|               |  |
|---------------|--|
| <b>Buy</b>    | Stock is likely to provide a return of 20%+ in a 12 month period             |
| <b>Hold</b>   | Stock is likely to provide a return between 10% and 20% in a 12 month period |
| <b>Reduce</b> | Stock is likely to provide a return of less than 10% in a 12 month period    |

The performance horizon is 12 months period unless specified and the notional target price is defined as the analysts' valuation for a stock.

### ANALYST CERTIFICATION

**Hari Baskar M**, Research analyst, is primarily responsible for the content of this report, in whole or in part, and certifies that with respect to each security or issuer that the analyst has covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to Anush Shares & Securities Private Limited, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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ANUSH SHARES & SECURITIES

India Equity Research

11<sup>th</sup> April 2013

## Results Preview

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### ANUSH SHARES & SECURITIES PRIVATE LIMITED

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|                     |                |                              |                |
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