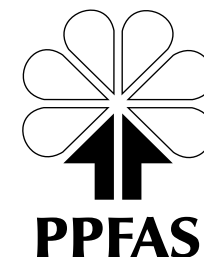


Resurrected Deep Value
at an Inflection Point





Sonata Software Limited

Strong Buy

16th November, 2006

Stock Codes		Stock Data		Absolute Return		Shareholding
Bloomberg	: SSOF.IN	Sensex	: 13507			<p>As on September 06</p> <p>Others 19%</p> <p>Promoters 45%</p> <p>Indian Public 35%</p> <p>Institutional 1%</p>
Reuters	: SOFT.BO	Nifty	: 3877	1m	(1.44) 6.35	
BSE Code	: 532221	52 W High Rs.	: 43.25	3m	8.39 17.38	
NSE Code	: SONATSOFTW	52 W Low Rs.	: 17.85	6m	7.03 6.94	
BSE Group	: T	Mkt Cap Rs. Crs	: 360.0	12m	15.51 58.11	
		CMP	: Rs. 34.0			

Our Summary Investment argument for recommending a Strong Buy on Sonata Software is based on the following -

▶ RESURRECTED - Business Transformation

▶ DEEP VALUE - Financial

▶ INFLECTION POINT - Big Visible opportunity

Summary Financials

Particulars (Rs Crs)	FY 2004	FY 2005	FY 2006	FY 2007E	FY 2008E
Consolidated Revenue	222.2	329.3	507.0	884.0	1,544.0
<i>SSL Standalone revenue</i>	<i>69.7</i>	<i>97.0</i>	<i>148.7</i>	<i>199.0</i>	<i>265.0</i>
<i>Standalone Growth %</i>	<i>(16.0)</i>	<i>39.2</i>	<i>53.3</i>	<i>33.9</i>	<i>33.2</i>
Consolidated Net Profit	10.1	16.1	11.4	45.1	66.8
<i>SSL Standalone Net Profit</i>	<i>11.4</i>	<i>16.4</i>	<i>26.4</i>	<i>35.5</i>	<i>44.0</i>
<i>Standalone Growth %</i>	<i>(27.0)</i>	<i>43.9</i>	<i>61.0</i>	<i>34.5</i>	<i>23.9</i>
EPS (Rs.)	1.0	1.5	2.6	4.3	6.4
<i>Standalone Ronw (%)</i>	<i>7.0%</i>	<i>10.5%</i>	<i>18.1%</i>	<i>24.3%</i>	<i>27.8%</i>
Div yield (%)			2.9	2.9	2.9
P/E (x)			13.3	8.2	5.5
EV/EBITDA (x)			9.1	6.0	3.5
P/BV (x)			2.4	2.0	1.5

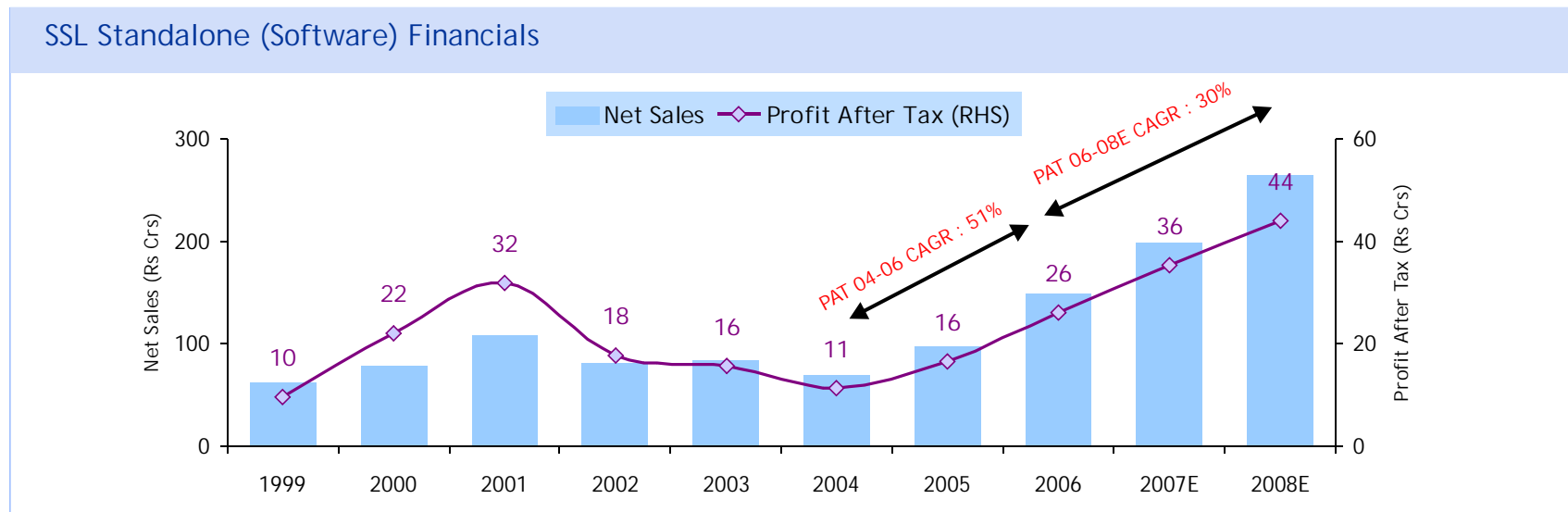
Relative Valuations

Company	Price Rs.	Dividend yield 06 %	PE		
			FY 06	FY 07E	FY 08E
Sonata Software	34.50	3.00	13.35	8.16	5.51
Infotech Enterprises	270.00	0.40	28.00	18.00	14.00
Hexaware Technologies (Dec yr end)	171.00	0.70	20.40	15.00	12.00
NIIT Technologies	273.00	2.10	16.00	10.50	9.00
Aztec Software	158.00	0.40	19.00	15.00	12.50
KPIT	586.00	0.30	28.00	18.00	15.00
Mphasis	240.00	1.20	24.00	28.00	20.00

SSL Standalone

Sonata Software Limited (SSL) Standalone

- Sonata Software Ltd, a SEI CMM 5 IT services company has differentiated itself in the space of Product re engineering services to Independent Software Vendors (ISV's) and in the nascent but high growth European Offshoring market. Top Clients include, Microsoft, Dell, TUI, Amdocs etc.



- 97-00 period shows the rapid growth of IT services led by high onsite man power augmentation in the Web development space
- The 'Dot com bust' led slide downwards was due to minimal non-web annuity type client relationships
- Focusing on the ISV (Independent Software vendors) segment by providing them the Offshoring cost advantage via Product re engineering services, Annuity type maintenance services and setting up ODC's , stabilised revenues and got the company back on its growth trajectory.

Sonata Software Limited (SSL)

- **Employees :**
1656 in IT services, 4550 in 3 years
120 domestic
- **Client concentration :**
TUI is the biggest client, with a large Contribution to revenue
- **Top clients :**
TUI, Microsoft, Dell, Amdocs
- **Offshore : Onsite mix :** 70 : 30
- **Revenue mix**
ODC's form around 50% of the total revenue
- **New Focus Areas**
 - Service Offering - Infrastructure Management
 - Geography - Germany

Capacity Addition

Capacity Addition	Current	Planned in 2-3 years
Bangalore	1150	1650
Hyderabad	700	2900
Total	1850	4550

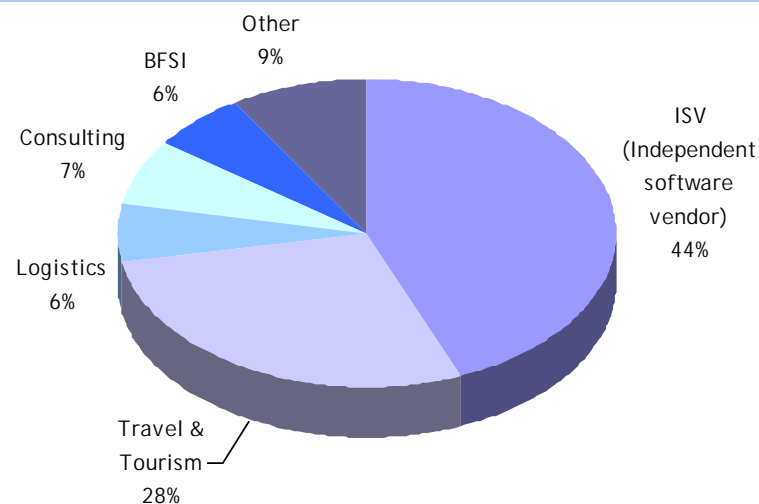
2000 seats in own campus

3 year CAGR - 35%

Client Concentration

% of revenue	2006
Top 5 clients	60
Top 10 clients	76

Industry Mix



Earnings Breakup

FY 2006 (Rs Crs)	Consolidated	Sonata Software Ltd (SSL)	Domestic	ODSI (US IT Subsidiary)
Net Sales	507.0	148.6	332.0	25.4
OPM %	8.0	22.0	0.9	16.6
NPM %	5.4	17.0	0.6	(1.8)
PAT (before exceptional)	27.5	26.1	1.8	(0.4)
Contribution to Consolidated PAT %	100.0	95.0	6.7	(1.6)

ODSI has a Rs. 3.2 Crs non cash Goodwill amortization Charge, which will not appear after FY 07.

Focus on Standalone

P & L (Rs Crs)	2006	2007E	2008E
Net Sales	148.7	199.0	265.0
Growth %	52.0%	33.9%	33.2%
Other Income	3.4	1.0	0.4
Total Income	152.0	200.0	265.4
Expenditure	116.0	150.0	200.0
Software development	94.0	124.0	166.0
Gross margin %	36.8	37.7	37.4
Selling & marketing	12.0	15.0	18.0
%	8.1	7.5	6.8
General & Admin	10.0	11.0	16.0
%	6.7	5.5	6.0
SG&A	22.0	26.0	34.0
%	14.8	13.1	12.8
Operating profit	32.7	49.0	65.0
OPM %	22.0	24.6	24.5
Depreciation	6.9	9.0	12.0
Interest	-	1.8	4.8
Tax	2.8	3.7	4.6
Net profit before EI	26.4	35.5	44.0
NPM %	17.8%	17.8%	16.6%
EPS Rs.	2.5	3.4	4.2
Growth %	62.0%	34.5%	23.9%
Valuation Ratios	2006	2007E	2008E
P/E x	13.9	10.4	8.4
P/BV x	2.3	2.0	1.7
M Cap/Sales	2.5	1.8	1.4
Enterprise Value	367.9	427.9	412.9
EV/EBITDA	11.2	8.7	6.4
DPS	1.00	1.00	1.00
Dividend Payout (%)	39.8%	29.6%	23.9%
Dividend Yield (%)	2.9%	2.9%	2.9%

Interest cost on the loan for the TUI Infotec acquisition subdues profits

Balance Sheet (Rs Crs)	2006	2007E	2008E
Equity Capital	10.5	10.5	10.5
Reserves	146.3	169.8	201.8
Shareholders Funds	156.8	180.3	212.3
Borrowed Funds		60.0	45.0
Total	156.8	240.3	257.3
Gross Block	54.1	71.0	96.0
Less Depreciation	26.6	35.6	47.6
Net Fixed Assets	27.5	35.4	48.4
Investments	36.6	113.6	113.6
Current Assets			
Inventory	6.8	9.3	12.0
Sundry Debtors	31.7	43.0	57.0
Other current Assets	8.2	11.0	15.0
Loans & Advances	24.4	33.0	44.0
Cash & Bank Balance	36.0	23.9	6.8
Current Liabilities			
Current Liabilities	13.9	19.0	26.0
Provisions	7.2	9.8	13.4
Net Current Assets	86.0	91.3	95.4
Deferred Tax Assets	5.1	-	-
Total	156.7	240.3	257.3
Operational Ratios	2006	2007E	2008E
RONW (%)	16.8%	19.7%	20.7%
Debt/Equity Ratio	-	0.33	0.21
Inventory T/o Days	21.4	22.5	21.9
Debtors T/o Days	77.9	78.9	78.5
Other Current Assets T/o Days	20.0	20.2	20.7
Advances T/o Days	76.8	80.3	80.3
Creditors T/o Days	43.8	46.2	47.5
Net Working Capital T/o Days	211.0	167.5	131.3
Fixed Assets Turnover (Gross)	2.7	2.8	2.8

Loan for TUI Infotec acquisition

Deep Value

SSL Organic growth

04 -06 PAT CAGR : 51%

06-08E PAT CAGR : 30%

Earnings yield of 12% for
07E and 18% for 08E

- Cheapest in the Mid cap Tech sector
- More than 2x the yield of the BSE Sensex, with better Asset turns and Growth rates

PEG of less than 0.4

Dividend yield of 3%

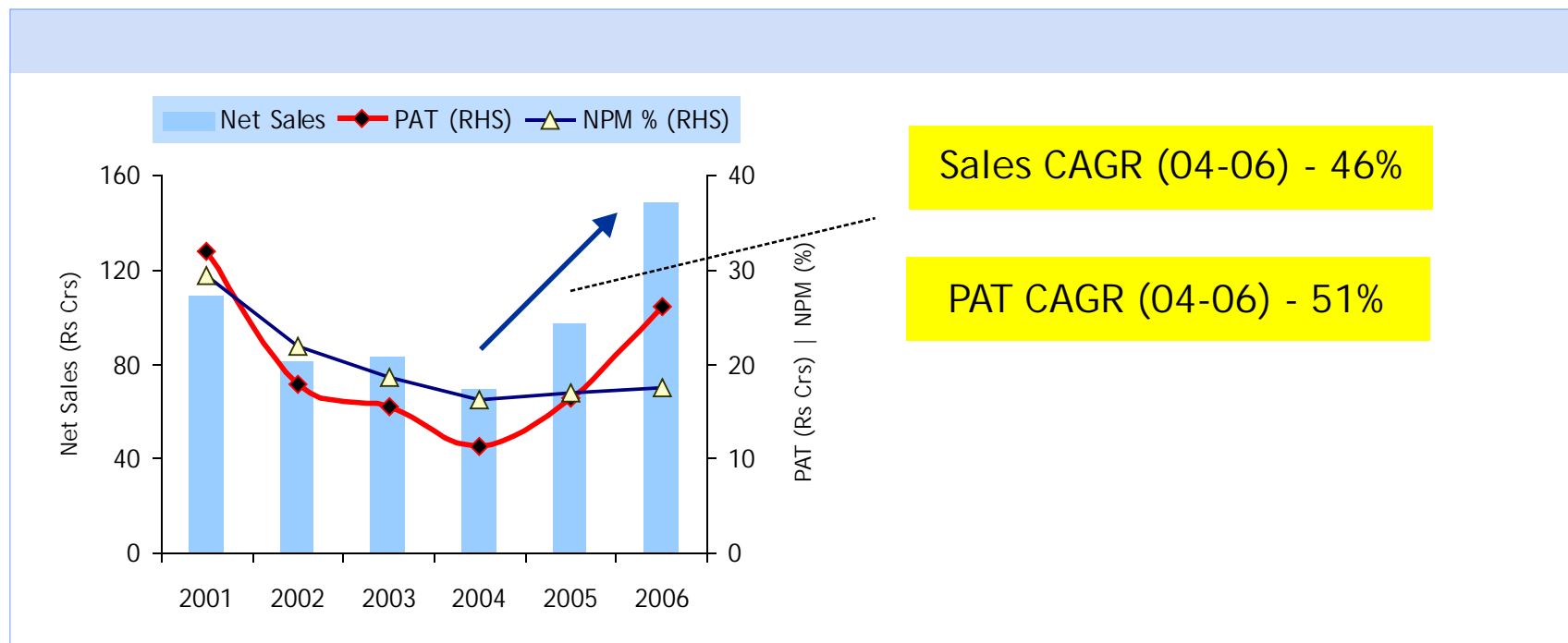
20%+ growing ROEs

Core business has strong 18%+ Net margins

Resurrected

Sonata in 2000

- High web development, e-solutions, dot com concentration and minimal service, Geographic and Industry diversification in 2000, was the key element in Sonata's downfall.
- 50% + revenues web technology related mostly for 'dot com' clients
- Zero Y2K work
- lower repeat business; highly short term project driven
- High Onsite (53%), No real deep relationship
- US exposure 84%



Sales CAGR (04-06) - 46%

PAT CAGR (04-06) - 51%

Circa - 2006

- 50% of revenue is from client specific ODC's (Offshore development centers)
- Major part of ODC revenues are Annuity type repeat business
- High Offshore signifies deeper, sticky relationships

Onsite mix	Then			Now
	2001	2002	2003	2006
Onsite	53.00%	45.00%	35.00%	27.00%

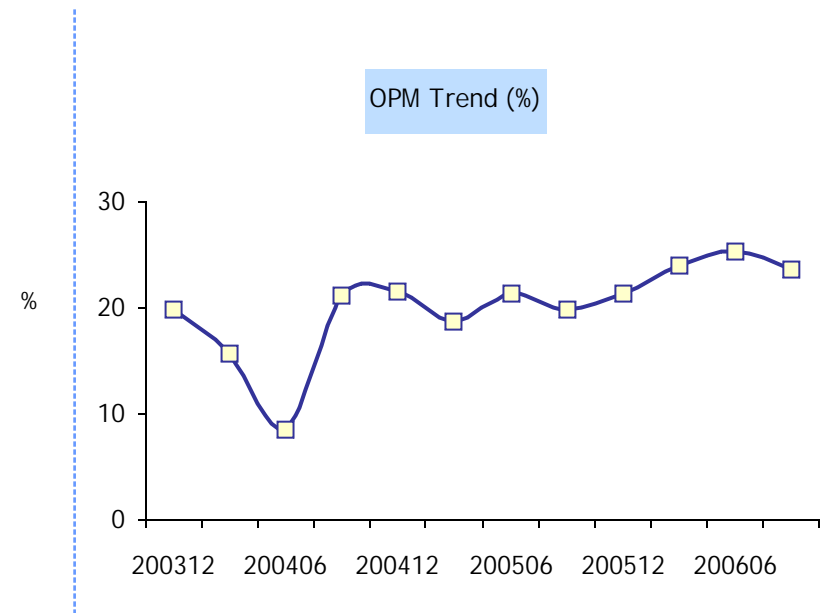
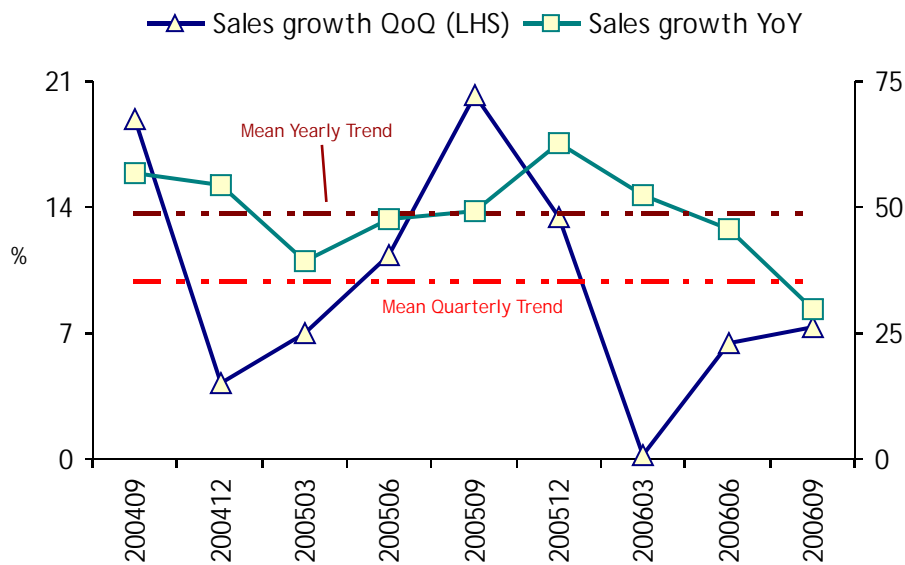
Started going the offshore way fairly early hence, revenue fall looks more dramatic

- Geographical distribution towards Europe, a less competitive, under penetrated, higher billing rate market

Geographical mix	2001	2002	2003	2004	2005	2006
US	84	60	56	41	50	45
Europe	16	40	43	58	50	55

TUI UK starts relationship

- Sonata has differentiated itself by specializing in the niche of Product re engineering services to ISV's (stemmed from experience as a product company itself back in the early 90's)
 - Microsoft, Kramer - key clients with ODC's.
- One of the unique companies of its size to have Infrastructure management skills
 - 5 year deal with Church's Chicken, a US fast food chain - 4% of sales.



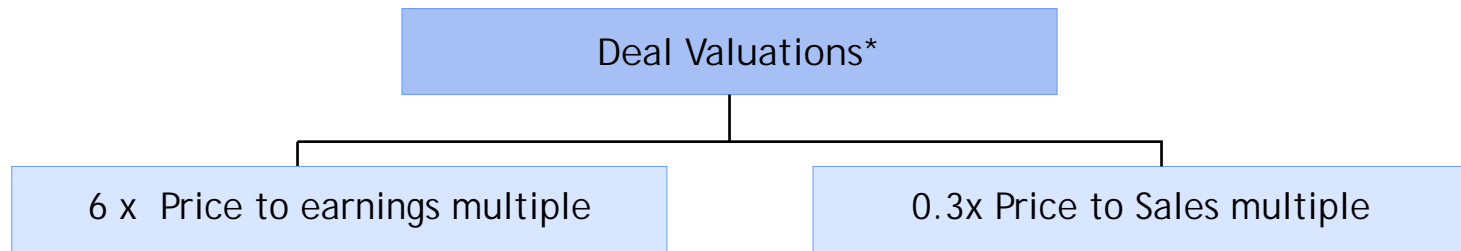
- Steady consistent QoQ growth since the last 12 quarters, an average of 8% QoQ growth, implying a 36% YoY topline growth which we believe the company can maintain organically for the next six quarters or so.

Inflection Point

Inflection point

- TUI UK started its relationship via an Offshore Development center (ODC) with Sonata in 2004, after shortlisting Sonata from among Tier 1 players, for Sonata's strong demonstrated Oracle implementation skills in the local market. TUI UK has re-signed a 3 year deal with Sonata.
- The TUI UK relationship was key to bring back Sonata on the path of high growth and profitability from 2004 onwards.
- TUI AG Group is a German conglomerate with Eur 20 billion in revenues with 400 companies in the group and 60,000+ employees.
- European Market leader in Tourism (Operates 100 Aircraft, 279 hotels & 3200 travel agencies) and top 5 player in global container shipping (Hapag Lloyd).
- TUI Germany has been looking to use Offshoring for its IT requirements for over a year now. However, it was not comfortable with regular projects being doled out to 3rd party vendors, when they already have a wholly owned IT subsidiary in TUI Infotec.

- Sonata software buys 50.1% in TUI Infotec for Euro 18 mn or Rs. 106 cr.
 - Sonata will have equal board rights
 - Both parties have a 5 year lock in
 - The JV will be renamed to reflect Sonata's stake in the company
- The Idea is to make the TUI Infotec an Independent outside client facing organisation providing IT services, Infrastructure management services with the high quality Offshore advantage that Sonata brings with it.
 - TUI Infotech 2005 Revenues : Euro 130 mn
 - EBIT : Euro 10 mn
 - PAT : Euro 6 mn
 - Employees : 453, plus 130 on contract
 - Revenue Mix
 - Software Services (SAP, BI, Web dev) - 44%
 - IT Infrastructure Management (650 servers, 160 app) - 56%
 - Has 2 subsidiaries providing Back office services to travel agencies



** Advised by Ernst & Young*

- **View on Valuations :**
 - TUI Infotec is not a growth company hence could not expect rich valuations,
 - The opportunity and deal specifics it gives the acquirer makes the deal very attractive for the buyer.
- Winning this acquisition right under the nose of a Tier 1 Indian player, demonstrates Sonata's technical capabilities, proven customer satisfaction, commitment and deep relationship (3 yrs) with TUI, which also points towards its ability in managing scale relationships.

Inflection Point - Investment Highlights

- The TUI group has a group IT spend (including hardware) of Euro 300 mn. from which TUI Infotec is the preferred supplier and did a revenue of Euro 130 mn in 2005, which is majority of the Services and Infra management work of TUI.
- TUI Infotec will continue to be the Preferred supplier to the Group (400 companies) with last refusal rights on projects, with a 5% price premium above the nearest bid, If the individual companies decide to call in for competitive bidding.
- Sonata Software becomes the Exclusive Offshoring partner for the JV TUI Infotec, and hence, in effect the TUI group

Current Offshoring potential for TUI Infotec

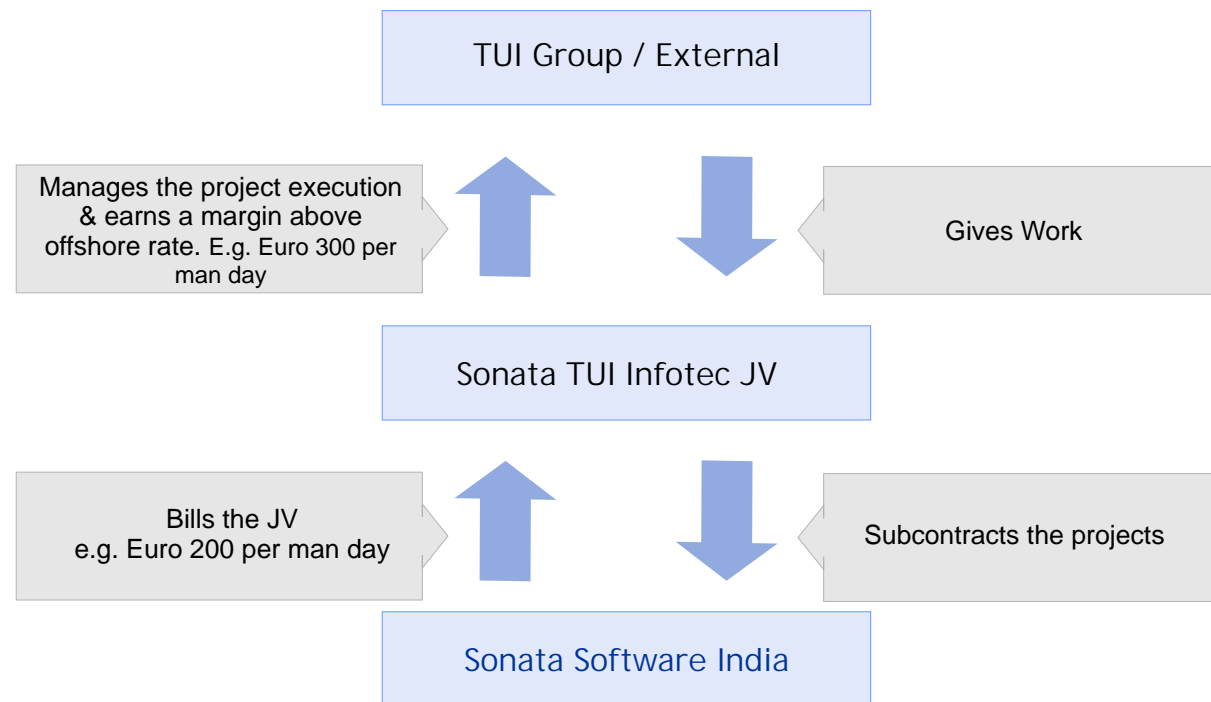
Revenue mix	Specialisation/ details	% of Revenue	Offshorable % over 18-24 months	Est Revenues at Offshore rates	Estimated Profit
Software services	SAP, Biz Intelligenence, Web development	44% or Euro 57 mn	25% or Euro 14 mn	Rs.26 cr	Rs.7 cr
Infrastructure Management	650 servers, 160 applications	56% or Euro 72 mn	10% or Euro 7.2 mn	Rs.14 cr	Rs.2.1 cr
				Rs.40 cr	Rs.9.1 cr

- TUI group has committed a Euro 670 mn of revenue to TUI Infotec over the next 5 years during 2006-2011 which includes a 40% cash penalty compensation clause for non fulfillment.

Modalities

- TUI group & TUI Infotec needed to have an Offshore strategy to cut costs and the long term objective of the deal is for TUI group to cut IT costs by 30% and save Euro 140 mn over 5 Years.
- The group is not involved with any other micro management.

Hence the way the billing model will work for TUI group & external clients is this.



- Sonata Software Limited will bill the JV the normal rate, it bills clients in Germany (offshore & onsite) & Sonata TUI JV will bill TUI, the rate it bills outside clients.

Sonata Software will continue to work as an Offshore vendor and hence earn Offshore rates and margins

- Territories clearly de-marked for TUI Infotec, where Sonata will not compete
 - IT Software Services - Germany, Austria, Poland, Switzerland
 - IT Infrastructure Management - European markets

Value Unlocking

- Offshoring existing TUI Infotec work *(Made possible by rendering all contract and some permanent employees redundant)*
 - Offshore potential in the immediate next 18-24 months
 - Software Service - 25%
 - Infrastructure Management - 10%
- Winning new clients and projects would increase revenues & profits for the JV (cost + margin) and Sonata Software, which will take on the execution of the project post the analysis and design stage & bill the JV.
- The (cost + margin) efficiency gains for the JV would be nullified by sales & marketing expenditure. However, a growing independent IT company would get higher valuations and hence beneficial for Sonata's investment.

The TUI Infotech Sonata combine fill a need gap in the current market scenario

TUI Infotec

Strengths

- Domain expertise
- IT Infrastructure Mgmt
- Supporting complex, mission-critical environments

Objectives

- Cost reduction
- Leverage TUI's investment in technology
- Expand business to external customers

Low-risk
cost-effective
high-quality
outsourcing
solutions

Sonata Software

Strengths

- Depth and breadth of software services
- Global delivery model
- Presence in UK
- Sales & Marketing

Objectives

- Expand presence in the European market
- Capture IT Infrastructure Mgmt opportunity
- Strengthen relationship with TUI Group

TUI - Sonata JV - Competitive Positioning

- The Sonata TUI JV would be primarily focus on Mid-size German & European companies by offering them infrastructure management solutions with the offshoring advertising.
 - This would be a relatively under penetrated virgin market & the TUI brand referenceably would be a big help to open doors.

Type	Large enterprises track record	Breadth of service offerings	Mid-market orientation	SEI-CMM global delivery	Delivery Capability in Germany
Captives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>
Large German	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Mid-sized German			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Small Regional Firms			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Indian offshore firms	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
TUI - Software JV	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



GARTNER Report in 2005

German Market Overview

- Largest untapped IT Services market in Europe
- Toughest to penetrate
- Critical Success Factor - Understanding of German
 - Language and Culture
- Drivers for Outsourcing – Cost Reduction and Labor Flexibility
- Key Growth Areas
 - Packaged application implementations, web services
 - Infrastructure Management, Application Outsourcing.
 - Mid-market
- At least one of the top Indian services companies will make a major acquisition in Germany within the next 3 years

[APPENDIX I: European Market Opportunity](#)

[APPENDIX II: German Market space](#)

Other than Visible TUI benefits

- Size & scale the deal offers is very important,
 - With JV revenue consolidation Sonata becomes a \$250 mn + run rate company from a \$100 mn+ company instantly, which is important in some Client's RFP bidding criteria.
 - Management comment on the same

"The acquisition has put us in the \$250 million-plus revenue category which considerably increases our ability to bid for larger deals, Now we can easily go for \$30-40 million deal sizes. "

B. Ramaswamy - MD Sonata Software in a Reuters Interview Nov'06.

- Strong instant foothold in the 'Exclusive' German Market
- Germany and Europe (minus UK) are Highly difficult to penetrate markets due to cultural issues and local partnerships/front end is the only way out.
- With TUI Sonata gets an instant Referenceable client and such a strategic partnership bodes very well for potential European business.
- The European and German Market are still comparatively virgin in terms of Offshoring.
 - Less competition; Huge need gaps; Very far from US like Offshore penetration
 - Higher Bill rates (25%+ higher than US) and margins

Valuation

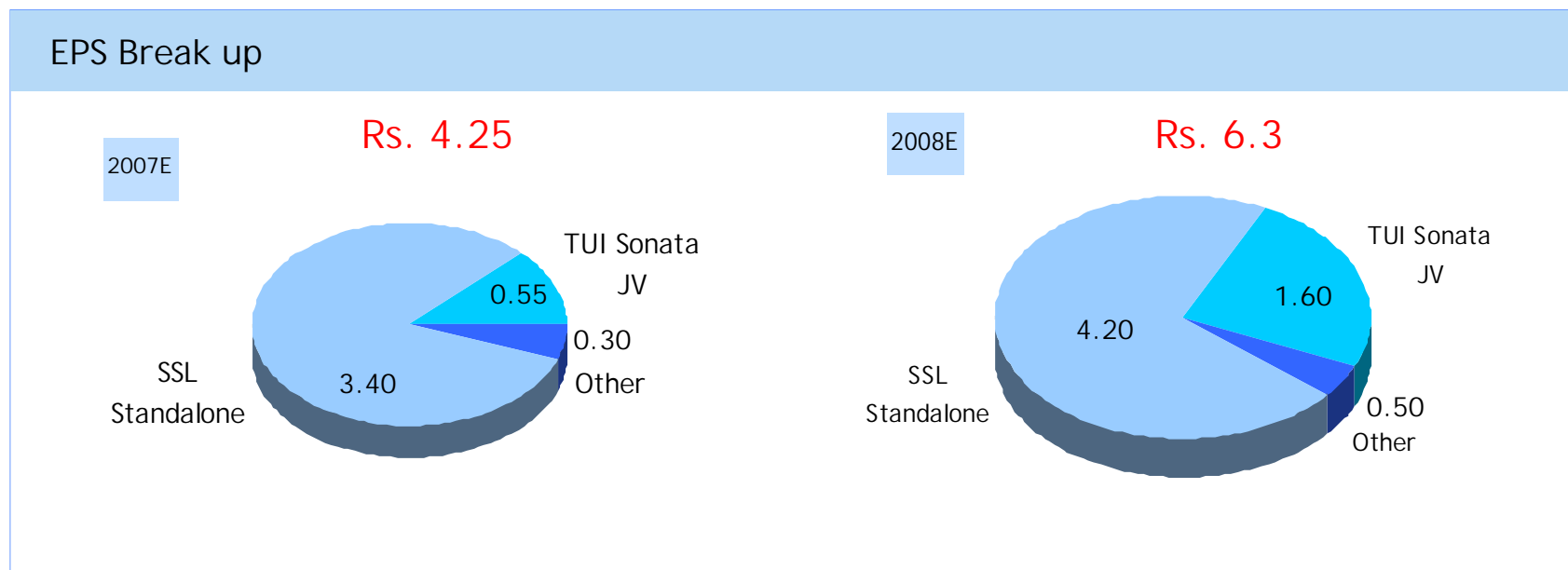
DCF Valuations

DCF Value - Rs.54 per share			
Rs.cr			
PV of Year FY07 Cash Flows	(55.0)	Discount rate	13.00%
PV of Year FY08 Cash Flows	8.0	Growth	
PV of Year FY09-24 Cash Flows	495.0	2009-14	16.00%
Terminal Value	191.0	2015-19	9.00%
Total PV of Cash Flows	640.0	2020-24	5.00%
Debt	70		
Intrinsic Value per share	54		

Relative Valuations

Company	Price Rs.	Dividend yield 06 %	PE		
			FY 06	FY 07E	FY 08E
Sonata Software	34.50	3.00	13.35	8.16	5.51
Infotech Enterprises	270.00	0.40	28.00	18.00	14.00
Hexaware Technologies (Dec yr end)	171.00	0.70	20.40	15.00	12.00
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KPIT	586.00	0.30	28.00	18.00	15.00
Mphasis	240.00	1.20	24.00	28.00	20.00

Price Target Logic



- The standalone Offshore business is the value driver with 18%+ NPM's and 30%+ growth rates.

- We believe in the potential of the JV to become a successful independent IT services vendor in Europe, & hence the upside to our Price Target will be due to re-rating in its multiple.

Target Multiple	EPS 08E (Rs)	TTM multiple	Price (Rs)
SSL Standalone	4.20	12.00	50.00
TUI JV	1.60	6.00	9.60
US IT & Domestic	0.50	5.00	2.50
Total	6.36	9.70	62.10

Risks to our recommendation

- Managing Scale
 - Middle Management Bandwidth
- Although last 10 -12 quarters have seen consistent QoQ growth, a high client concentration mid sized company might have some quarterly volatility at some point.
- Size, Scale and speed would be negatives, but this is exactly what we are betting on to change.
- *However, We take comfort in*
 - *Consistent & steady margins through bad times, points to good cost management,*
 - *Long standing faith & history of senior management, Board and Promoters.*
 - *Due diligence done by a Euro 20 bn German conglomerate would encompass management & execution capabilities.*

Summary View

- In a nutshell, we think the Organic business is seeing good traction and should maintain its current pace of growth, for which itself valuations are attractive.
- The TUI deal in the medium term offers both a cushion if a slow down occurs and an upside momentum led by a big Offshoring potential.
- The statement below alludes to the change in the Management view for the business forward, we believe the company is trying to get out of the shackles of an 'Also Ran'.

"So far our growth has been organic. For the last four quarters the company has been maintaining an average growth rate of 65 percent year on-year on a standalone basis .But in order to sustain our current level of growth we need to look at acquisitions. We are looking for a (US based IT infrastructure management firm), the acquisition is likely to be made in the next fiscal year"

- President and MD B. Ramaswamy told Reuters in an interview on Monday, Nov'06.

- Bottom line, we believe the downside is well covered, and for the upside the course is set. It's only the management that has to perform.
- We therefore believe that the risk-reward ratio is very attractive and recommend a strong buy from a medium term perspective.

Consolidated Financials

P & L (Rs Crs)	2004	2005	2006	2007E	2008E
Sonata Standalone	69.7	97.0	148.7	199.0	265.0
- Growth %	-16.0%	39.2%	53.3%	33.9%	33.2%
US Subsidiary & Domestic	152.5	232.3	358.4	435.0	525.0
Growth %		52.3	54.3	21.4	20.7
TUI JV				250.0	754.0
Total Revenues	222.2	329.3	507.0	884.0	1,544.0
- Growth %		48.2%	54.0%	74.3%	74.7%
Total Expenditure	205.9	306.7	466.8	812.1	1,427.5
EBITDA	16.3	22.6	40.2	71.9	116.5
- EBITDA Margin %	7.3%	6.9%	7.9%	8.1%	7.5%
Depreciation	5.2	6.8	10.8	14.0	18.5
Interest	0.4	0.9	0.7	1.8	4.8
Other Income	1.9	4.4	3.9	2.0	0.6
EBT	12.5	19.2	32.7	58.1	93.8
Tax	2.5	3.2	5.1	13.0	27.0
Net Profit	10.1	16.1	27.6	45.1	66.8
- Growth %		59.8%	71.3%	63.6%	48.1%
- NP Margin %	4.5%	4.9%	5.4%	5.1%	4.3%
Extra-ordinary Items	-	-	(16.2)	-	
Reported Net Profit	10.1	16.1	11.4	45.1	66.8
Dividend	5.3	6.8	10.5	10.5	10.5

Balance Sheet (Rs Crs)	2004	2005	2006	2007E	2008E
Equity Capital	10.5	10.5	10.5	10.5	10.5
Reserves	133.9	142.3	141.6	174.8	229.6
Shareholders Funds	144.4	152.8	152.2	185.3	240.1
Borrowed Funds	12.4	5.1		60.0	45.0
Deferred Tax Liability	0.0	0.1	0.1	0.1	0.1
Total	156.9	157.9	152.2	245.4	285.2
Fixed Assets					
Gross Block	44.8	60.3	73.7	91.0	116.0
Less Depreciation	25.7	32.4	41.9	55.9	74.4
Net Fixed Assets	19.1	28.0	31.8	35.2	41.7
Capital WIP	0.2	2.2	1.6	-	-
Investments	24.2	23.1	7.6	113.6	113.6
Current Assets					
Inventory	12.4	10.3	7.5	28.9	50.8
Sundry Debtors	64.0	68.0	130.7	218.0	359.6
Other current Assets	22.3	20.7	12.8	24.2	42.3
Loans & Advances	21.3	25.8	28.7	44.5	78.2
Cash & Bank Balance	18.3	16.7	57.1	15.3	15.9
Current Liabilities					
Sundry Creditors	30.6	42.0	129.9	222.0	395.0
Provisions	3.6	4.2	7.2	12.3	21.9
Net Current Assets	104.1	95.3	99.8	96.7	130.0
Deferred Tax Assets	9.3	9.5	11.5	-	-
Total	156.9	157.9	152.2	245.4	285.2

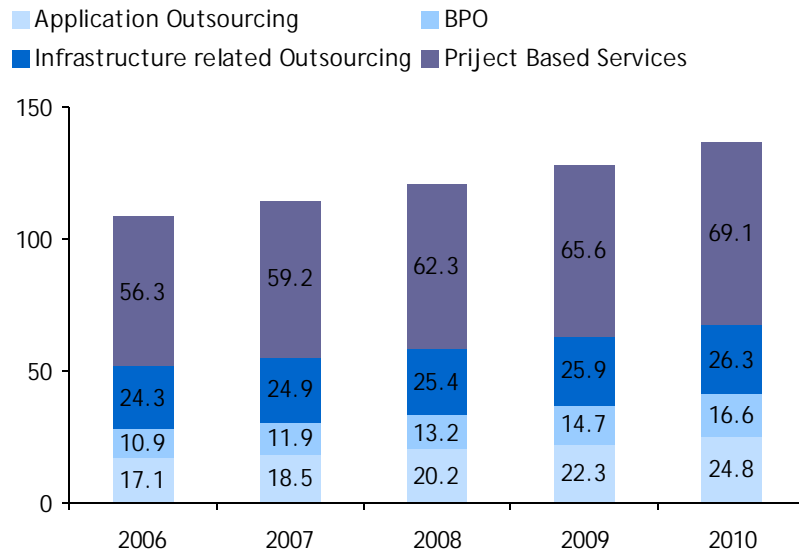
Ratios

Ratios	FY 2004	FY 2005	FY 2006	FY 2007E	FY 2008E
OPM (%)	7.3%	6.9%	7.9%	8.1%	7.5%
PBIT (%)	5.0%	4.8%	5.8%	6.5%	6.3%
PAT (%)	4.5%	4.9%	5.4%	5.1%	4.3%
Interest Coverage Ratio x	26.4	17.3	44.7	32.2	20.4
EPS Rs.	1.0	1.5	2.6	4.3	6.4
P/E x	-	-	13.3	8.2	5.5
P/BV x	-	-	2.4	2.0	1.5
Book Value per share	13.7	14.5	14.5	17.6	22.8
Market Cap	367.9	367.9	367.9	367.9	367.9
M Cap/Sales (standalone SSL)	-	-	2.5	1.8	1.4
Enterprise Value	380.2	373.0	367.9	427.9	412.9
EV/EBITDA	-	-	9.1	6.0	3.5
EV/Sales (standalone SSL)	-	-	2.5	2.2	1.6
ROCE (%)	7.1%	10.0%	19.4%	23.6%	34.4%
RONW (%)	7.0%	10.5%	18.1%	24.3%	27.8%
Debt/Equity Ratio	0.1	0.0	-	0.3	0.2
DPS	0.5	0.6	1.0	1.0	1.0
Dividend Payout (%)	52.2%	41.8%	38.1%	23.3%	15.7%
Dividend Yield (%)			2.9%	2.9%	2.9%
Fixed Assets Turnover (Gross)	1.6	1.6	2.0	2.2	2.3

Appendix

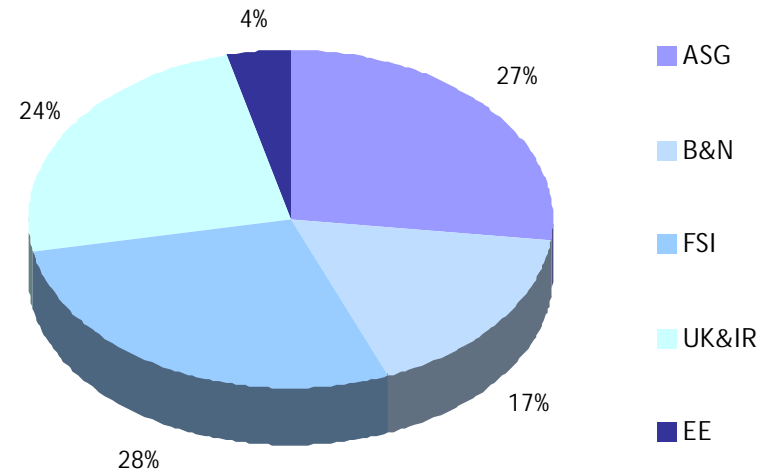
Appendix I . European Market Opportunity

Projected IT Services Spending (Bn Euros)



*European IT Services Spending Forecast: 2006 To 2010, Forrester Research Inc., May 2006

Projected IT Services Spend by Regions - 2006



ASG - Austria, Switzerland & Germany
 B&N - Benelux & Nordics
 FSI - France, Spain & Italy
 EE - Eastern Europe
 UK&IR - UK & Ireland

* European IT Services Spending Forecast: 2006 To 2010, Forrester Research Inc., May 2006

Appendix II - German Market Space

Large German Cos & MNCs

- Global IT firms - IBM, HP, EDS, Accenture,
 - Cap Gemini, Unisys etc
 - German companies (>1bn)
 - T Systems (subsidiary of Deutsche Telecom)
 - Siemens Business Services
- Focus on large enterprises

Mid-sized Companies (100mn - 1bn)

- Few German companies - Materna, ESG, IDS
- Scheer, GFT Technologies, Itelligence etc
- Focus on mid-market
- Remote delivery mostly through Eastern Europe (Materna, Itelligence) or Partners (IDS Scheer)
- Proven (SEI-CMM certified) offshore models ?

Captives

- IT arm of large Corporates - Revenue almost exclusively from parent co
- Lufthansa, BASF, Softlab (BMW), DB Systems, Deutsche Post, Allianz

Offshore Indian cos

- Global presence & clientele, Established GDM
- German delivery presence ?
- Nearshore presence in East Europe (eg;
- Infosys - Czech Republic, TCS - Hungary)

Smaller regional players (<100mn)

- Specialists in certain services / verticals
- Focus on the mid-market
- Info AG, Plaut, Realtech, Cenit, AC Services,
- Plenum, Orbis etc
- Global delivery models not established

Appendix III- TUI Market Position & Statistics

Top German brand

20 Bn Euro Conglomerate

Part of the DAX30 Index

Shipping

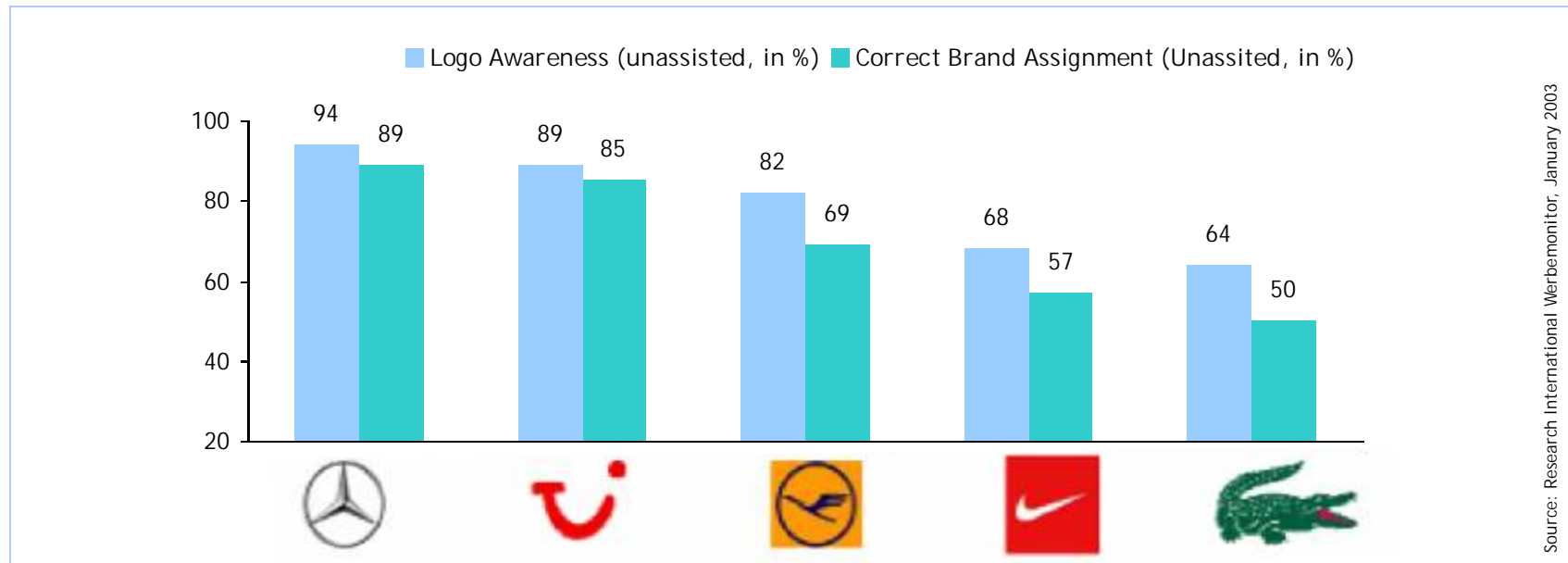
- #5 worldwide
- Acquired CP Ships, Canada
- Operates more than 140 vessels

Tourism

- #1 in Europe
- 3200+ Travel agencies
- Over 100 aircraft
- 279 hotels in 30 countries
- 75 tour operators active in 17 European source markets

IT

- 1300+ internal IT staff group wide



- Member of the TUI Group
- Headquartered at Hanover, Germany
- IT service provider to the TUI Group since 1997.
- FY05 - Key financials
 - Revenue ~ € mill 130
 - # of Employees : 400+
- Two service divisions - Software Services & IT Infrastructure Management



- Travel domain expertise
 - Tour Operators, Travel agencies, Hotels, Airlines
 - Experience in the following areas
 - Inventory / Reservation Systems
 - Yield Management Systems
 - Web-based travel platforms
 - Data warehousing
 - Content Management Systems
 - Back-office systems - ERP, etc
- Competencies
 - High volume Reservation Systems
 - Business Intelligence
 - Enterprise Applications
 - Oracle Applications
 - SAP
 - Web application development
 - Enterprise Application Integration

Appendix VI - Infrastructure Management

- Full service provider
 - Datacenter Services
 - Application Hosting
 - Desktop Support
 - Network & Communications Support
 - 24 x 7 centralized service desk
 - Large scale implementation projects
 - Owns two data centers in Hanover
 - On-demand models
- Key Metrics
 - ~ 160 different Applications hosted
 - ~ 630 Servers (UNIX, Linux, Windows)
 - ~ 4000 MIPS Mainframe supporting 8 Million transactions per day (~ 1 million web transactions)
 - ~ 101 Terra-bytes of storage
 - ~ 300 Databases (Oracle, UDB, SQL)
 - ~ 5500 PCs and Notebooks
 - ~ 2000 WAN Connections
 - 7 x 24 help-desk

Appendix VII - Intellectual Property

- Owns IP for several travel-related applications
- Key Intellectual property rights
 - Touristic planning & analysis system
 - Integrated Reservation & Information System
 - Web-based sales platform
 - Hotel contracting system
 - Travel Data warehouse
 - Travel documents
 - Flight planning system

Appendix VIII - Subsidiaries



- Provides technology platform (RBS), based on SAP and Adabas / Natural
- Accounting / reconciliation for travel agencies / Management Information system
- 79% shareholding by TUI Info Tec
- No of employees : 22
- Active in travel sector since 1972
- Supports more than 7,000 travel agents



- Provides book-keeping services for travel agencies
- 50% shareholding by TUI Info Tec
- Based in Berlin
- No of employees : 114

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