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The Week Gone By

Weekly Newsletter

The Perception of Uncertainty

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"More than any time in history, mankind faces a crossroads. One path leads to total despair and utter hopelessness. The other, to total extinction. Let us pray we have the wisdom to choose correctly."
- Woody Allen

"When we think about the future of the world, we always have in mind its being at the place where it would be if it continued to move as we see it moving now. We do not realize that it moves not in a straight line ... and that its direction changes constantly."
- Wittgenstein

The Woody Allen quote probably captures the mood after the crisis sparked by the bankruptcy of Lehman brothers in September. Though the conditions have certainly improved since March there is still enough fear and **"uncertainty"** in the markets. The possible financial Armageddon has been safely averted though the fear factor still remains .The fear of the unknown can be seen from the amount of cash waiting to be invested present in money market funds in the biggest market in the world (US markets). A statistic that probably measures the risk perception is the ratio of money market fund assets to the total market value of the S&P 500. Before the 2008 bear market, that ratio had averaged about 18% since 1980.In March 2009 it peaked at 65%, more than three times its long-term average and more than twice its prior peaks (1982, 2002). Due to the subsequent stock market rally has resulted ratio has fallen from 65% to 46%. It no longer is as extreme as it was in March, but it is still much higher than the peak level prior to 2008.

These days investors complain about the lack of certainty due to the fear of reoccurring inflation, fear of the economic conditions in the world,whether US will recover or not.But certainty or the illusion of it doesn't belong to markets, since markets are discounting machines, they represent various views, theories, currently prevalent and also upon the fear and greed factor in its participants. Since the market reflects all available information (how could it not?), what is not reflected in the market is the unknown. A person could have a view of the future but if it's of no use to the investor if it isn't different from consensus perception. Investors these days complain about the lack of visibility but its just that they don't like what they see. The future is always uncertain. Visibility is the same now as it is always: nonexistent. No one is vouchsafed special access to the future, and no one knows with certainty, or even high probability, what will really happen . When companies say they have no visibility, it just means they don't like what they see; good visibility means current business is strong. Whether it will continue so is unknown, even if management confidently declares otherwise.

New information arrives unpredictably. Excess returns are earned when expectations -- what is perceived – is different from what occurs. Most of the best investments made by the legends Buffett, (Wpost, WellsFargo, American Express) ,Templeton (Investments after Pearl Harbour in 1941, Japan after world war 2) have been made in these same difficult times.Also a study by noted contrarian investor David Dreman shows that Doomdays have been terrific times to invest with returns exceeding the market average by a large amount .One of the core beliefs from behavioural finance is that people are too risk-averse, that they flee perceived risk, which is different from real risk, and that what appears most risky usually isn't, and what appears safe may be just the opposite. Thus we believe investors should embrace uncertainty and invest accordingly.

Finally a quote by Buffett sums it up appropriately
"So if you wait for the robins, spring will be over".

Inside...

Certificate of Deposits (CD) / Commercial Paper (CP) / Treasury Bill (T Bill)

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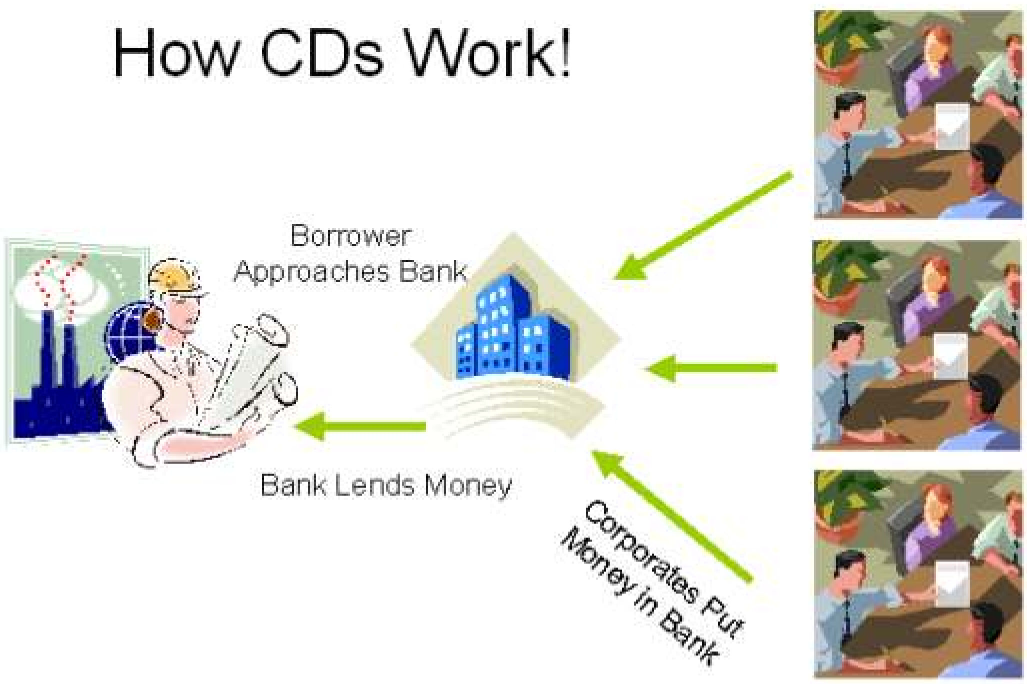
As an investors we often invest in various Debt schemes of Mutual funds. Most common of them are Liquid scheme, Income scheme, Short / Long Term Bond funds, Balanced funds, MIP, Short / Long Term Floating Rate funds, Gilt Plan etc. Mutual funds in turn invest your money into various debt instruments like CDs, CPs, T-Bills, Corporate bonds, Govt securities, PTCs etc. They are basically financial instruments. We have heard this time and again but do not know the difference amongst them.

CDs are also called Certificates of Deposit. CD is money raised by the bank from the market to service an outstanding loan. A CD bears a maturity date, interest rate (CDs are issued at discount to face value and the difference between redemption value and issue price is the implied rate of interest) and can be issued in any denomination. CDs are generally issued by commercial banks. The term of a CD usually ranges from one month to five years. But what do CDs actually mean? Who issues them?? Who subscribes to them???

Let us explain this to you with an example…

Say Mr. XYZ wishes to borrow Rs. 30 Lakhs for his new business venture by next week.
He goes to his bank to ask for the loan. But though the bank agrees to provide a loan, it realizes that it has only Rs. 20 lacs at present. Now the bank does not wish to lose him to another bank. So the bank asks him to come back later to collect the loan amount at let's say 15%. So how does the bank provide the additional Rs.10 lakhs?

The bank has corporate relationships from whom they can borrow. In order to borrow, they issue 'Certificates of Deposit' to these corporate relationships that in turn subscribe to them. Obviously the rate of interest offered by the bank to the corporate institutions would be higher than the regular fixed deposits. Thus money comes into the bank and is offered to Mr. XYZ. CDs, thus, become the financial instrument issued by banks at a higher interest rate than Fixed Deposits to attract corporates / Mutual fund investors to park money with them in order to meet a lending need.



You may wonder why Mr. XYZ did not raise money through CPs as he could have gained through dis-intermediation… This was not possible because Mr. XYZ's organization was not very well reputed which could issue highly rated “Corporate Papers”. His only option was to go through his bank unlike well-reputed organizations that can afford to go directly to the market to raise money. In other words, Mr. XYZ needed the intermediation provided by banks.

Commercial Paper (CP):

Money raised by a reputed corporate directly from the market by passing the bank for meeting working capital requirement (short term borrowing).

Commercial Paper is an unsecured money market instrument issued in the form of a promissory note. CPs are issued with a view to enabling highly rated corporate borrowers/ to diversify their sources of short-term borrowings and to provide an additional instrument to investors. Following are the features of Cps.:

They are unsecured debts of corporates and are issued in the form of promissory notes, redeemable at par to the holder at maturity.

- Only corporates who get an investment grade rating can issue CPs, as per RBI rules.
- It is issued at a discount to face value
- Has to be mandatorily rated by the credit rating agency
- Its held in Demat form

Treasury Bill (T Bills):

Same as CP but issued by government to meet its working capital needs. Treasury Bills are money market instruments to finance the short-term requirements of the Government of India. These are discounted securities and thus are issued at a discount to face value. The return to the investor is the difference between the maturity value and issue price.

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ICRA Limited

CMP Rs. 878.0
ACCUMULATE

Result Update
Q1FY10

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ICRA Limited has delivered excellent set of numbers for the quarter-ended Q1FY10. On Y-Y basis there is a robust 30.5% top line growth from Rs. 254Mn in Q109 to Rs. 332Mn in Q110. Earnings have also risen by a substantial 72% to Rs. 123.6Mn for Jun'09 from Rs. 71.8Mn for Jun'08.

For Q110, OPM decreased by 323 bps to 27% v/s 30% for the quarter ended Q109, though margins at the EBITDA and PAT levels have increased considerably to 60% and 37% for Q110 as compared to 44% and 28% for Q109 respectively.

Staff cost as proportion to sales for Jun'09 was substantially lower by 1082 bps at 37% as compared to 48% for the quarter ended Jun'08. Administrative expenses and other expenses as proportion to sales was also lower by 177 bps to 8.3% and 126 bps to 10% respectively.

On the segmental front, ICRA's rating business for Q110 stood at Rs. 209Mn as against Rs. 163Mn for Q109, showing a growth of 28%. IT Services and Outsourced Services business have also seen high Y-Y growths, increasing by 43% and 69% respectively as against the corresponding quarter of last year.

During the period under review, Current Investments have been marked to market as on June 30, 2009 and a reversal of Rs. 66.3Mn has been made to reflect the diminution in the carrying value of the investments. This has been credited to the P&L account and is not on a recurring basis.

At CMP of Rs. 878/- the stock is trading at 17.5x FY10E earnings of Rs. 50/-. Upon factoring the Q110 reported performance, we have increased our EPS estimate for the current fiscal from Rs. 44/- to Rs. 50/-. We recommend to ACCUMULATE at lower levels.

Q1FY10 Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	**Q110**	**Q409**	**Q-Q(%)**	**Q109**	**Y-Y(%)**	**FY09**	**FY08**	**Y-Y(%)**
Net Revenues	331.8	433.3	-23.4%	254.2	30.5%	1,358.2	994.5	36.6%
Total Expenditure	241.8	237.9	1.6%	177.1	36.5%	892.4	631.1	41.4%
Operating Profit	90.0	195.4	-53.9%	77.2	16.6%	465.8	363.4	28.2%
Other Income	108.4	1.7	6204.0%	34.3	216.5%	140.0	78.8	77.7%
EBITDA	198.4	197.1	0.7%	111.4	78.1%	605.7	442.2	37.0%
Depreciation	9.0	7.2	24.3%	9.3	-3.9%	36.5	38.0	-4.1%
EBIT	189.5	189.9	-0.2%	102.1	85.6%	569.3	404.2	40.8%
Interest	0.0	0.0	0.0%	0.1	0.0%	0.2	0.0	0.0%
PBT	189.5	189.9	-0.2%	102.1	85.7%	569.1	404.1	40.8%
Tax	65.8	62.5	5.4%	30.3	117.2%	176.7	119.0	48.4%
PAT before EOI	123.6	127.4	-2.9%	71.8	72.3%	392.4	285.1	37.6%
Extraordinary Items	0.0	0.0	-	0.0	-	(3.5)	(0.3)	-
Reported PAT	123.6	127.4	-2.9%	71.8	72.3%	388.9	284.8	36.6%
Equity Capital	100.0	100.0	0.0%	100.0	0.0%	100.0	100.0	0.0%
EPS	12.4	12.7	-2.9%	7.2	72.3%	38.9	28.5	36.6%
Ratio Analysis								
Profitability	**Q110**	**Q409**	**Q-Q(bps)**	**Q109**	**Y-Y(bps)**	**FY09**	**FY08**	**Y-Y(bps)**
OPM (%)	27.1%	45.1%	(1,796.1)	30.4%	(322.7)	34.3%	36.5%	(225.0)
EBITDA (%)	59.8%	45.5%	1,432.5	43.8%	1,598.3	44.6%	44.5%	13.5
EBIT (%)	57.1%	43.8%	1,328.9	40.2%	1,695.1	41.9%	40.6%	127.4
PAT (%)	37.3%	29.4%	786.7	28.2%	904.8	28.6%	28.6%	(0.3)

ICRA : Quarterly Segmental Analysis

Segment Revenues	Jun 09	Mar 09	Q-Q(%)	Jun 08	Y-Y(%)	FY09	FY08	Y-Y(%)
Rating Services Fees	209.1	288.9	-27.6%	163.2	28.1%	885.2	602.6	46.9%
Consulting Fees	39.6	47.9	-17.4%	35.0	13.1%	188.7	180.5	4.5%
Information Services Fees	6.5	13.0	-50.5%	5.4	20.2%	30.6	27.3	12.1%
Outsourced Services Fees	27.3	27.2	0.2%	16.2	68.8%	87.3	58.5	49.3%
Professional Services Fees	49.4	56.2	-12.2%	34.5	43.0%	166.4	125.6	32.5%
Total	331.8	433.3	-23.4%	254.2	30.5%	1,358.2	994.5	36.6%

Segment Revenue Mix	Jun 09	Mar 09	Q-Q(bps)	Jun 08	Y-Y(bps)	FY09	FY08	Y-Y(bps)
Rating Services Fees	63.0%	66.7%	(364.8)	64.2%	(117.0)	65.2%	60.6%	457.8
Consulting Fees	11.9%	11.1%	87.1	13.8%	(183.4)	13.9%	18.2%	(426.0)
Information Services Fees	1.9%	3.0%	(106.1)	2.1%	(16.6)	2.3%	2.7%	(49.2)
Outsourced Services Fees	8.2%	6.3%	194.0	6.4%	186.7	6.4%	5.9%	54.9
Professional Services Fees	14.9%	13.0%	189.9	13.6%	130.2	12.3%	12.6%	(37.6)
Total	100.0%	100.0%	0.0	100.0%	0.0	100.0%	100.0%	0.0

Segment Profits	Jun 09	Mar 09	Q-Q(%)	Jun 08	Y-Y(%)	FY09	FY08	Y-Y(%)
Rating Services Fees	114.8	201.3	-43.0%	98.5	16.6%	585.4	386.4	51.5%
Consulting Fees	(7.7)	(8.0)	-3.2%	(2.9)	166.2%	4.5	20.2	-77.6%
Information Services Fees	(3.6)	4.2	-185.5%	(4.3)	-16.5%	0.6	(2.2)	-128.3%
Outsourced Services Fees	11.6	11.1	4.5%	3.9	200.0%	32.1	11.0	191.9%
Professional Services Fees	(6.7)	0.9	-812.2%	0.5	-1450.8%	(2.0)	7.6	-126.2%
Total	108.4	209.5	-48.3%	95.6	13.3%	620.7	422.9	46.8%

Segment Profit Mix	Jun 09	Mar 09	Q-Q(bps)	Jun 08	Y-Y(bps)	FY09	FY08	Y-Y(bps)
Rating Services Fees	105.9%	96.1%	983.7	103.0%	292.7	94.3%	91.4%	295.4
Consulting Fees	-7.1%	-3.8%	(332.4)	-3.0%	(410.1)	0.7%	4.8%	(403.8)
Information Services Fees	-3.3%	2.0%	(531.7)	-4.5%	118.3	0.1%	-0.5%	62.3
Outsourced Services Fees	10.7%	5.3%	540.7	4.0%	666.3	5.2%	2.6%	257.2
Professional Services Fees	-6.2%	0.4%	(660.3)	0.5%	(667.2)	-0.3%	1.8%	(211.1)
Total	100.0%	100.0%	(0.0)	100.0%	0.0	100.0%	100.0%	(0.0)

Segment Margins	Jun 09	Mar 09	Q-Q(bps)	Jun 08	Y-Y(bps)	FY09	FY08	Y-Y(bps)
Rating Services Fees	54.9%	69.7%	(1,477.6)	60.3%	(544.0)	66.1%	64.1%	202.4
Consulting Fees	-19.6%	-16.7%	(286.6)	-8.3%	(1,125.5)	2.4%	11.2%	(876.9)
Information Services Fees	-55.7%	32.3%	(8,793.2)	-80.2%	2,449.0	2.0%	-8.1%	1,012.3
Outsourced Services Fees	42.5%	40.8%	175.3	23.9%	1,859.7	36.8%	18.8%	1,796.6
Professional Services Fees	-13.5%	1.7%	(1,518.4)	1.4%	(1,494.9)	-1.2%	6.0%	(722.3)
Total	32.7%	48.4%	(1,568.6)	37.6%	(494.4)	45.7%	42.5%	317.9

ICRA : Financials

Earnings Statement				
Particulars (Rs. Mn.)	FY07	FY08	FY09	FY10E
Total Revenues	706.1	994.5	1,358.2	1,629.8
- Growth (%)	30.0%	40.9%	36.6%	20.0%
Total Expenditure	465.0	631.1	892.4	1,002.3
Operating Profit	241.0	363.4	465.8	627.5
- Growth (%)	39.2%	50.8%	28.2%	34.7%
Other Income	60.0	78.8	140.0	141.4
EBITDA	301.1	442.2	605.7	768.9
- Growth (%)	34.9%	46.9%	37.0%	26.9%
Depreciation	28.9	38.0	36.5	42.3
EBIT	272.2	404.2	569.3	726.5
Interest	0.5	0.0	0.2	0.2
PBT	271.7	404.1	569.1	726.3
Tax	71.8	119.0	176.7	225.2
PAT Before MI	199.9	285.1	392.4	501.1
Minority Interest	0.0	0.0	0.0	0.0
PAT Before EI	199.9	285.1	392.4	501.1
- Growth (%)	40.5%	42.6%	37.6%	27.7%
Extraordinary Items	(0.1)	(0.3)	(3.5)	0.0
Reported PAT	199.9	284.8	388.9	501.1

Ratio Analysis				
Particulars	FY07	FY08	FY09	FY10E
OPM (%)	34.1%	36.5%	34.3%	38.5%
EBITDA (%)	42.6%	44.5%	44.6%	47.2%
PAT (%)	28.3%	28.7%	28.9%	30.7%
Interest Cover (x)	570.6	44,906.4	3,348.6	3,561.4
EPS (Rs.)	20.0	28.5	38.9	50.1
P/E (x)	43.9	30.8	22.6	17.5
P/BV (x)	6.0	5.4	4.7	3.9
BVPS (Rs.)	147.4	163.9	188.7	222.4
Market Cap (Rs. Mn.)	8,781.5	8,781.5	8,781.5	8,781.5
M Cap/Sales (x)	12.4	8.8	6.5	5.4
EV (Rs. Mn.)	(19,570.2)	8,526.1	7,655.2	7,479.5
EV/EBITDA (x)	(65.0)	19.3	12.6	9.7
EV/Sales (x)	(27.7)	8.6	5.6	4.6
ROCE (%)	18.4%	24.6%	30.6%	33.7%
RONW (%)	13.6%	17.4%	20.8%	22.5%
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0
Inventory T/o Days	0.0	0.0	0.0	0.0
Debtors T/o Days	99.7	78.7	74.7	80.0
Advances T/o Days	212.1	179.1	153.6	150.0
Creditors T/o Days	14,431.2	86.7	97.4	100.0
WCap T/o Days (Ex.Cash)	(14,193.0)	70.7	31.8	22.0
Fixed Assets T/o (Gross)	1.9	2.5	3.2	3.5
DPS (Rs.)	4.5	10.3	12.0	14.0
Dividend Payout (%)	22.5%	36.0%	30.9%	27.9%
Dividend Yield (%)	0.5%	1.2%	1.4%	1.6%

Balance Sheet				
Particulars (Rs. Mn.)	FY07	FY08	FY09	FY10E
Equity Capital	100.0	100.0	100.0	100.0
Reserves	1,373.9	1,538.6	1,787.1	2,124.4
Shareholders Funds	1,473.9	1,638.6	1,887.1	2,224.4
Minority Interest	0.0	0.0	0.0	0.0
Borrowed Funds	0.3	0.0	0.0	0.0
Deferred Tax Liability	7.4	2.8	(29.7)	(66.0)
Total Liabilities	1,481.6	1,641.3	1,857.4	2,158.4
Fixed Assets	229.1	237.2	241.0	236.4
Goodwill On Consolidation	51.5	51.5	71.0	71.0
Investments	685.7	901.9	299.2	449.2
Current Assets				
Inventory	0.0	0.0	0.0	0.0
Sundry Debtors	195.6	217.4	281.6	362.2
Loans & Advances	415.9	494.8	579.5	679.1
Cash & Bank Balance	28,352.0	255.4	1,126.3	1,302.0
Other Current Assets	2.6	5.5	31.1	10.0
Current Liabilities				
Liabilities	28,304.2	239.4	367.5	452.7
Provisions	146.9	282.9	404.9	498.7
Net Current Assets	515.1	450.8	1,246.2	1,401.8
Miscellaneous Exp W/Off	0.2	0.0	0.0	0.0
Total Assets	1,481.6	1,641.3	1,857.4	2,158.4

Cash Flow				
Particulars (Rs. Mn.)	FY07	FY08	FY09E	FY10E
Opening Cash & Bank	63.3	28,352.0	255.4	1,126.3
Profit After Tax	199.9	284.8	388.9	501.1
Investment Income	(60.0)	(78.8)	(140.0)	(141.4)
Interest Paid	0.5	0.0	0.2	0.2
Miscellaneous Exp W/Off	3.4	0.2	0.0	0.0
Depreciation	28.9	38.0	36.5	42.3
Deferred Taxation	1.0	(4.7)	(32.6)	(36.3)
Others	(24.2)	(7.2)	(8.2)	0.0
Change in Working Cap	27,873.5	(28,032.4)	75.6	20.0
CF - Operating Activities	28,022.9	(27,800.0)	320.3	386.0
Change in Fixed Assets	(35.0)	(39.0)	(32.0)	(37.7)
Change in Goodwill	(0.1)	0.0	(19.5)	0.0
Change in Investments	(96.1)	(216.1)	602.6	(150.0)
Investment Income	60.0	78.8	140.0	141.4
CF - Investing Activities	(71.2)	(176.3)	691.1	(46.3)
Increase in Equity	390.4	(0.0)	0.4	0.0
Changes in Borrowings	(0.3)	(0.3)	0.0	0.0
Interest Paid	(0.5)	(0.0)	(0.2)	(0.2)
Dividend Paid	(52.6)	(120.1)	(140.7)	(163.8)
CF - Financing Activities	337.0	(120.4)	(140.4)	(164.0)
Net Change in Cash	28,288.7	(28,096.7)	870.9	175.7
Closing Cash & Bank Bal	28,352.0	255.4	1,126.3	1,302.0

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Aventis Pharma Limited

CMP Rs. 1,145.0
ACCUMULATE

Result Update
Q2CY09

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Aventis Pharma Ltd. (APL), the Indian arm of the global pharmaceutical giant – Sanofi-Aventis, reported decent set of numbers for the second quarter ended 30th June 2009. The MNC pharma reported a growth of more than 9% in its top-line to Rs. 2,499 Mn. in Q2CY09 from Rs. 2,289 Mn. in Q1CY09. This was in spite the loss of distribution rights of Rabipur vaccine. With a slight dip of 2% in Total Expenditure, the company registered more than 35% rise in Operating Income to Rs. 529 Mn. for the second quarter. APL was also able to improve its Operating Profit Margin by 413 bps from 17% in Q1CY09 to 21.2% in Q2CY09. However, Other Income for Q2CY09 dipped by more than 22% to Rs. 249 Mn. compared to Rs. 320 Mn. in the previous quarter. Aventis Pharma reported a PAT of Rs. 471 Mn. for Q2CY09 vis-à-vis Rs. 405 Mn. for Q1CY09, marking a growth of 16.3% Q-o-Q. The company declared an Interim Dividend of Rs. 3.5 per share for the half year ended 30th June 2009.

APL was able to maintain its top-line for Q2CY09 in comparison to the same quarter last year, in spite the loss in sales of Rabipur. Despite a 20% Y-o-Y increase in Staff Costs to Rs. 352 Mn., the company was able to achieve a 5% rise in Operating Profits for the second quarter. Other Income also increased by 27% to Rs. 249 Mn. for Q2CY09 vis-à-vis Rs. 196 Mn. for Q2CY08. This helped the pharmaceutical company to report a growth of 12.7% in its bottom-line from Rs. 418 Mn. in Q2CY08 to Rs. 471 Mn. in Q2CY09. The company also achieved significant improvement in its margins. The EPS for the quarter stood at Rs. 20.5 compared to Rs. 18.2 for the year ago period.

Segmental Analysis

Net Sales Break up

Particulars (Rs. Mn)	Q2CY09	Q1CY09	Q-Q(%)	Q2CY08	Y-Y(%)	6MCY09	6MCY08	Y-Y(%)
Domestic Sales-Others	1,888.0	1,621.0	16.5%	1,679.0	12.4%	3,509.0	3,093.0	13.4%
Domestic Sales-Rabipur	0.0	92.0		309.0		92.0	670.0	-86.3%
Export Sales	611.0	576.0	6.1%	498.0	22.7%	1,187.0	892.0	33.1%
Total Sales	2,499.0	2,289.0	9.2%	2,486.0	0.5%	4,788.0	4,655.0	2.9%

The second quarter of the current year has been even better for Aventis Pharma, in terms of Domestic Sales (excl. Rabipur) which stood at Rs. 1,888 Mn. for Q2CY09, registering a growth of 16.5% Q-o-Q over Rs. 1,621 Mn. for Q1CY09. Aventis stopped the distribution of the anti-rabies vaccine – Rabipur, effective 19th February 2009, till which time the company had reported sales of Rs. 92 Mn. for the vaccine. Domestic Sales (excl. Rabipur) was also higher by 12.4% Y-o-Y. This shows that other strong brands of Aventis Pharma have been growing significantly & doing well. They have been able to more than compensate for the loss of distribution rights of Rabipur.

On the Exports front too, Aventis has been able to report decent growth for the quarter ended June 2009. Export Sales increased to Rs. 611 Mn. in Q2CY09 from Rs. 576 Mn. in Q1CY09, marking an increase of 6.1% Q-o-Q. Export Sales were higher by 22.7% compared to the same quarter last year.

Our View

We continue to remain positive about the future prospects of the MNC pharma company. Despite the loss in sales of one of the major products Rabipur, Aventis has been able to show decent growth. It has also been able to grow its exports steadily. Further, the zero debt status, huge cash balances & steady dividends makes APL a good investment candidate. At CMP of Rs.1,145.0, the scrip trades at 14.7x CY09E & 13.3x CY10E earnings. Maintain ACCUMULATE.

Aventis Pharma: Quarterly Financials

Earnings Statement								
YE Dec. (Rs. Mn.)	Q2CY09	Q1CY09	Q-Q(%)	Q2CY08	Y-Y(%)	6MCY09	6MCY08	Y-Y(%)
Net Revenues	2,499.0	2,289.0	9.2%	2,486.0	0.5%	4,788.0	4,655.0	2.9%
Cost of Materials	1,197.0	1,110.0	7.8%	1,235.0	-3.1%	2,307.0	2,269.0	1.7%
Gross Profit	1,302.0	1,179.0	10.4%	1,251.0	4.1%	2,481.0	2,386.0	4.0%
Staff Costs	352.0	326.0	8.0%	294.0	19.7%	678.0	577.0	17.5%
Other Expenses	421.0	463.0	-9.1%	453.0	-7.1%	884.0	900.0	-1.8%
Total Expenditure	773.0	789.0	-2.0%	747.0	3.5%	1,562.0	1,477.0	5.8%
Operating Profit	529.0	390.0	35.6%	504.0	5.0%	919.0	909.0	1.1%
OPM (%)	*21.2%*	*17.0%*	*413.0*	*20.3%*	*89.5*	*19.2%*	*19.5%*	*(33.4)*
Other Income	249.0	320.0	-22.2%	196.0	27.0%	569.0	385.0	47.8%
EBITDA	778.0	710.0	9.6%	700.0	11.1%	1,488.0	1,294.0	15.0%
Depreciation	43.0	42.0	2.4%	44.0	-2.3%	85.0	95.0	-10.5%
EBIT	735.0	668.0	10.0%	656.0	12.0%	1,403.0	1,199.0	17.0%
Interest	0.0	0.0		0.0		0.0	0.0	
PBT	735.0	668.0	10.0%	656.0	12.0%	1,403.0	1,199.0	17.0%
Tax	264.0	263.0	0.4%	238.0	10.9%	527.0	436.0	20.9%
Current Tax	264.0	263.0	0.4%	221.0	19.5%	527.0	423.0	24.6%
Fringe Benefit Tax	0.0	0.0		15.0		0.0	28.0	
Deferred Tax	0.0	0.0		2.0		0.0	(15.0)	
PAT	471.0	405.0	16.3%	418.0	12.7%	876.0	763.0	14.8%
Equity Capital	230.0	230.0		230.0		230.0	230.0	
EPS	20.5	17.6	16.3%	18.2	12.7%	38.1	33.2	14.8%

Ratio Analysis								
Profitability								
YE Dec.	Q2CY09	Q1CY09	Q-Q(%)	Q2CY08	Y-Y(%)	6MCY09	6MCY08	Y-Y(%)
OPM (%)	21.2%	17.0%	413.0	20.3%	89.5	19.2%	19.5%	(33.4)
EBITDA (%)	31.1%	31.0%	11.5	28.2%	297.5	31.1%	27.8%	328.0
EBIT (%)	29.4%	29.2%	22.9	26.4%	302.4	29.3%	25.8%	354.5
PAT (%)	18.8%	17.7%	115.4	16.8%	203.3	18.3%	16.4%	190.5
Operational Parameters								
YE Dec.	Q2CY09	Q1CY09	Q-Q(%)	Q2CY08	Y-Y(%)	6MCY09	6MCY08	Y-Y(%)
RM Consumed	47.9%	48.5%	(59.4)	49.7%	(177.9)	48.2%	48.7%	(56.0)
Staff Costs	14.1%	14.2%	(15.6)	11.8%	225.9	14.2%	12.4%	176.5
Other Expenses	16.8%	20.2%	(338.0)	18.2%	(137.5)	18.5%	19.3%	(87.1)
Effective Tax Rate	35.9%	39.4%	(345.3)	36.3%	(36.2)	37.6%	36.4%	119.9

Aventis Pharma: Main Financials

Earnings Statement

Particulars (YE Dec. Rs. Mn.)	CY04	CY05	CY06	CY07	CY08	CY09E	CY10E
Total Revenues	7,349.9	8,078.4	8,839.3	8,735.4	9,832.7	10,547.7	11,338.8
- Growth (%)		9.9%	9.4%	-1.2%	12.6%	7.3%	7.5%
Total Expenditure	5,186.4	5,873.5	6,612.3	7,060.0	7,976.4	8,434.8	9,023.9
Operating Profit	2,163.6	2,204.9	2,227.1	1,675.4	1,856.4	2,112.9	2,314.9
Forex Gain/(Loss)	(18.5)	24.7	(21.1)	1.7	5.7	0.0	0.0
Other Income	218.2	306.6	471.4	737.8	920.0	845.5	950.7
EBITDA	2,363.3	2,536.2	2,677.3	2,414.9	2,782.0	2,958.4	3,265.6
Depreciation	168.4	171.8	178.5	184.5	182.1	205.7	211.7
EBIT	2,194.9	2,364.3	2,498.9	2,230.3	2,599.8	2,752.7	3,053.9
Interest	1.0	0.5	1.8	1.9	3.4	0.0	0.0
PBT	2,193.9	2,363.9	2,497.0	2,228.4	2,596.4	2,752.7	3,053.9
Tax	777.0	913.1	804.1	784.2	934.4	963.4	1,068.8
PAT Before EI	1,416.9	1,450.8	1,692.9	1,444.2	1,662.0	1,789.2	1,985.0
- Growth (%)		2.4%	16.7%	-14.7%	15.1%	7.7%	10.9%
Extra-ordinary Items	68.1	0.0	0.0	0.0	0.0	0.0	0.0
PAT	1,485.0	1,450.8	1,692.9	1,444.2	1,662.0	1,789.2	1,985.0

Ratio Analysis

Particulars	CY04	CY05	CY06	CY07	CY08	CY09E	CY10E
OPM (%)	29.4%	27.3%	25.2%	19.2%	18.9%	20.0%	20.4%
EBITDA (%)	32.2%	31.4%	30.3%	27.6%	28.3%	28.0%	28.8%
PBIT (%)	29.9%	29.3%	28.3%	25.5%	26.4%	26.1%	26.9%
PAT (%)	20.2%	18.0%	19.2%	16.5%	16.9%	17.0%	17.5%
Interest Cover (x)	2,208.1	5,151.1	1,374.5	1,159.2	763.5	-	-
EPS (Rs.)	64.5	63.0	73.5	62.7	72.2	77.7	86.2
P/E (x)	17.2	17.6	15.1	17.7	15.4	14.3	12.9
P/BV (x)	6.1	4.9	4.2	3.6	3.1	2.6	2.3
BVPS (Rs.)	183.2	227.4	264.1	306.9	360.0	419.0	486.4
Market Cap (Rs. Mn.)	25,564.0	25,564.0	25,564.0	25,564.0	25,564.0	25,564.0	25,564.0
M Cap/Sales (x)	3.5	3.2	2.9	2.9	2.6	2.4	2.3
EV (Rs. Mn.)	23,768.7	22,506.2	21,563.6	21,657.8	20,590.3	19,007.2	17,449.9
EV/EBITDA (x)	10.1	8.9	8.1	9.0	7.4	6.4	5.3
EV/Sales (x)	3.2	2.8	2.4	2.5	2.1	1.8	1.5
ROCE (%)	52.0%	45.1%	41.1%	31.6%	31.4%	28.5%	27.3%
RONW (%)	33.6%	27.7%	27.8%	20.4%	20.0%	18.5%	17.7%
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory T/o Days	50.5	61.6	65.6	75.5	64.1	65.0	65.0
Debtors T/o Days	45.6	23.1	28.3	24.0	33.2	30.0	30.0
Advances T/o Days	18.9	22.0	27.6	52.2	50.6	40.0	40.0
Creditors T/o Days	33.0	38.2	45.6	47.9	51.4	45.0	45.0
Working Cap T/o Days	129.9	167.6	183.4	227.3	244.8	276.9	311.2
Fixed Assets T/o (Gross)	2.7	2.9	3.1	2.9	3.1	3.1	3.2
DPS (Rs.)	16.0	16.0	32.0	16.0	16.0	16.0	16.0
Dividend Payout (%)	24.8%	25.4%	43.5%	25.5%	22.2%	20.6%	18.6%
Dividend Yield (%)	1.4%	1.4%	2.9%	1.4%	1.4%	1.4%	1.4%

Aventis Pharma: Main Financials

Balance Sheet							
Particulars (YE Dec. Rs. Mn.)	CY04	CY05	CY06	CY07	CY08	CY09E	CY10E
Equity Capital	230.3	230.3	230.3	230.3	230.3	230.3	230.3
Reserves	3,988.0	5,007.5	5,851.8	6,838.2	8,060.7	9,418.9	10,972.8
Shareholders Funds	4,218.3	5,237.8	6,082.1	7,068.5	8,291.0	9,649.2	11,203.1
Borrowed Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liability	(5.3)	(57.2)	(131.1)	(126.2)	(153.2)	(153.2)	(153.2)
Total Liabilities	**4,213.0**	**5,180.6**	**5,951.0**	**6,942.4**	**8,137.9**	**9,496.0**	**11,049.9**
Fixed Assets	1,544.5	1,418.4	1,456.2	1,449.9	1,490.8	1,442.5	1,330.7
Investments	52.9	53.1	53.1	53.1	51.9	51.9	51.9
Quoted Investments	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Current Assets							
Inventory	1,016.5	1,363.4	1,588.0	1,808.0	1,725.5	1,878.4	2,019.2
Sundry Debtors	918.2	510.3	684.9	575.1	895.0	866.9	932.0
Loans & Advances	381.4	487.3	668.6	1,249.4	1,363.2	1,155.9	1,242.6
Cash & Bank Balance	1,795.3	3,057.8	4,000.4	3,906.2	4,973.7	6,556.8	8,114.1
Current Liabilities							
Sundry Creditors	664.7	845.6	1,104.2	1,145.7	1,384.4	1,300.4	1,397.9
Provisions	831.1	864.1	1,395.9	953.5	977.9	1,155.9	1,242.6
Net Current Assets	2,615.6	3,709.1	4,441.7	5,439.4	6,595.2	8,001.7	9,667.3
Total Assets	**4,213.0**	**5,180.6**	**5,951.0**	**6,942.4**	**8,137.9**	**9,496.0**	**11,049.9**

Cash Flow							
Particulars (YE Dec. Rs. Mn.)	CY04	CY05	CY06	CY07	CY08	CY09E	CY10E
Opening Cash & Bank	1,371.2	1,795.3	3,057.8	4,000.4	3,906.2	4,973.7	6,556.8
Profit After Tax	1,485.0	1,450.8	1,692.9	1,444.2	1,662.0	1,789.2	1,985.0
Investment Income	(218.2)	(306.6)	(471.4)	(737.8)	(920.0)	(845.5)	(950.7)
Interest Paid	1.0	0.5	1.8	1.9	3.4	0.0	0.0
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	168.4	171.8	178.5	184.5	182.1	205.7	211.7
Deferred Taxation	5.0	(51.9)	(73.9)	14.3	(27.0)	0.0	0.0
Others	(176.1)	(7.7)	(51.0)	(24.5)	(87.6)	0.0	0.0
Change in Working Cap	(591.3)	168.9	210.0	(1,091.9)	(88.3)	176.6	(108.4)
CF - Operating Activities	673.7	1,425.8	1,486.9	(209.2)	724.7	1,326.1	1,137.7
Change in Fixed Assets	(49.4)	(38.1)	(165.2)	(163.2)	(135.5)	(157.5)	(100.0)
Change in Investments	0.0	(0.1)	0.0	0.0	1.2	0.0	0.0
Investment Income	218.2	306.6	471.4	737.8	920.0	845.5	950.7
CF - Investing Activities	168.9	268.3	306.2	574.7	785.7	688.1	850.7
Increase in Equity	0.0	(8.4)	(8.3)	(26.7)	(8.4)	(0.0)	(0.0)
Changes in Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Paid	(1.0)	(0.5)	(1.8)	(1.9)	(3.4)	0.0	0.0
Dividend Paid	(417.4)	(422.9)	(840.3)	(431.1)	(431.1)	(431.1)	(431.1)
CF - Financing Activities	(418.4)	(431.7)	(850.5)	(459.7)	(442.9)	(431.1)	(431.1)
Net Change in Cash	424.2	1,262.4	942.6	(94.2)	1,067.6	1,583.1	1,557.3
Closing Cash & Bank Balance	1,795.3	3,057.8	4,000.4	3,906.2	4,973.7	6,556.8	8,114.1

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Result Update
Q1FY10

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Sonata posted flat results this quarter. Highlights are as follows:

Standalone	Revenues	EBITDA	PAT	EBITDA (%)	PAT (%)
Q1FY10	572.9	161.8	133.9	28.2%	23.4%
Q409	590.5	150.3	128.7	25.5%	21.8%
Q109	564.7	166.6	132.7	29.5%	23.5%
FY09	2,446.3	650.6	533.6	26.6%	21.8%
FY08	2,011.0	491.5	366.9	24.4%	18.2%

	Growth in Q1FY10		
	Sales	EBITDA	PAT
Q-Q	-3.0%	7.6%	4.0%
Y-Y	1.5%	-2.9%	0.9%
	Growth in FY09		
	Sales	EBITDA	PAT
Y-Y	21.6%	32.4%	45.4%

Consolidated	Revenues	EBITDA	PAT	EBITDA (%)	PAT (%)
Q1FY10	3,791.8	383.2	177.6	10.1%	4.7%
Q409	3,709.2	360.3	172.2	9.7%	4.6%
Q109	4,086.3	376.4	178.1	9.2%	4.4%
FY09	16,022.2	1,627.9	765.7	10.2%	4.8%
FY08	14,594.3	1,425.3	585.2	9.8%	4.0%

	Growth in Q1FY10		
	Sales	EBITDA	PAT
Q-Q	2.2%	6.4%	3.1%
Y-Y	-7.2%	1.8%	-0.3%
	Growth in FY09		
	Sales	EBITDA	PAT
Y-Y	9.8%	14.2%	30.8%

The company added 4 new clients this quarter & hasn't managed to lose any of the earlier engagements. The flattish quarter was predominantly because of an overall volume decline of 11% owing to delayed decisions by clients, for discretionary spends. But as per the management's comment, new customers added have more than averagely compensated for the falling margins resulting from the volume decline. Commenting on the travel industry, one of Sonata's primary focus verticals, the outlook seems good since the impact of the crisis is drying out which has shown some new business coming in. Travel industry vertical remains to be an area of growth for Sonata.

The management seemed optimistic about the FTO (First Time Offshorer) segment since most of these offshorers were previously apprehensive of the offshore model. But they seem to be more receptive to the idea of offshoring business now in times of cost over-runs. They have also seen good business from matured ISV's (Independent Software Vendors) who have been able to face the economic downturn better. SSL also enjoy some cross-selling opportunities from their packaged software implementation business (SITL).

For SITL, the business is basically classified into two segments, supplying software products & consulting in the enterprise solutions domain. The latest inroads for this business would be Government projects they are currently engaged in. So far it has only been on the lines of software supplying, but soon enough they intend to scale up on this vertical as well.

The company has chalked out an inorganic growth strategy, but their primary growth engines within the business are Independent Software Vendors, Remote Infrastructure Management, ERP (Enterprise Solutions), Managed Testing & most important, the Travel vertical.

The company has cash of ~Rs. 100 Crs, some of which might be directed towards inorganic growth efforts in the future. Sonata has recently ventured into a new geography, the Middle East, which looks very promising. The company has already engaged with a Saudi Arabian retailer for designing their e-commerce website as the client ventures into online retailing. As of now, Sonata caters to only four main geographies, US, UK, Germany, Middle East & also some amount of domestic work.

Overall the outlook appears to be good & at the same time the company says that it already has a good order pipeline going ahead. Furthermore, the company has faced no contract terminations but a few clients have deferred their budgets till conditions sweeten up. Nature of Sonata's engagements with the clients is also conducive for its business growth. They begin with engaging local subsidiaries of MNC's & then scale up to the parent. Owing to the company's healthy cash position, robust margins & low costs, we believe it's a good business to own.

The stock currently trades at 4.6X. At FY09 EPS of Rs. 7.28 the earnings yield is ~23%. Even if we factor in minimal or zero growth in the following year (FY10), expected EPS for the year might be around Rs. 5.6 anticipating Rs. 1.4 per quarter. The earnings yield then becomes ~18%. Although, the company is assuring growth through acquisitions & focusing on their growth engines which might make this scenario of de-growth / zero growth less probable. We can use this buffer for forex related adjustments to the EPS, which might ensue in a similar scenario. Out of all this, a company with good prospects, assured business from TUI AG, good order pipeline, inorganic growth prospects, good cash, we can clearly see an enticing opportunity to BUY.

Sonata: FY09 Performance Review

Particulars	Standalone			Consolidated		
(Rs. Mn)	FY09	FY08	Y-Y Chng	FY09	FY08	Y-Y Chng
Sales & Service	2,435.8	1,988.2	22.5%	15,912.7	14,283.7	11.4%
Other Income	10.5	22.8	-53.9%	109.5	310.6	-64.7%
Total Revenues	2,446.3	2,011.0	21.6%	16,022.2	14,594.3	9.8%
Total Expenditure	1,795.7	1,519.6	18.2%	14,394.3	13,169.0	9.3%
RM Consumed	*15.7*	*15.7*	*0.0%*	*5,843.0*	*5,422.2*	*7.8%*
Other Expenditure	*1,780.1*	*1,503.9*	*18.4%*	*8,551.3*	*7,746.8*	*10.4%*
Operating Profit	650.6	491.5	32.4%	1,627.9	1,425.3	14.2%
EBITDA	650.6	491.5	32.4%	1,627.9	1,425.3	14.2%
Depreciation	81.3	94.5	-14.0%	435.0	433.5	0.3%
PBIT	569.2	396.9	43.4%	1,192.9	991.8	20.3%
Interest	3.9	1.2	237.6%	66.9	49.6	35.0%
PBT	565.4	395.8	42.8%	1,126.0	942.2	19.5%
Tax	31.8	28.9	10.0%	221.6	125.2	77.0%
PAT before MI	533.6	366.9	45.4%	904.4	817.0	10.7%
Share in Earnings of Affiliates	0.0	0.0		2.5	6.0	-58.1%
Minority Interest	-	-		(141.3)	(237.8)	-40.6%
Reported PAT	533.6	366.9	45.4%	765.7	585.2	30.8%
EPS (in Rs.)	5.1	3.5	45.4%	7.3	5.6	30.8%
OPM %	26.6%	24.4%	215.6	10.2%	9.8%	39.5
EBITDA %	26.6%	24.4%	215.6	10.2%	9.8%	39.5
PBIT %	23.3%	19.7%	353.2	7.4%	6.8%	65.0
PAT %	21.8%	18.2%	356.8	4.8%	4.0%	76.9

Sonata: Financials

Q1FY10 Standalone Reported

(Rs. Mn)	Jun 09	Mar 09	Q-Q Chng	Jun 08	Y-Y Chng
Sales & Service	568.6	589.3	-3.5%	553.5	2.7%
Other Income	4.3	1.2	259.9%	11.2	-61.4%
Total Revenues	572.9	590.5	-3.0%	564.7	1.5%
Total Expenditure	411.1	440.2	-6.6%	398.1	3.3%
Operating Profit	161.8	150.3	7.6%	166.6	-2.9%
EBITDA	161.8	150.3	7.6%	166.6	-2.9%
Depreciation	18.2	18.0	1.3%	21.2	-14.2%
PBIT	143.6	132.3	8.5%	145.4	-1.3%
Interest	0.0	0.0		2.4	
PBT	143.6	132.3	8.5%	143.0	0.4%
Tax	9.7	3.6	170.4%	10.3	-5.6%
Reported PAT	133.9	128.7	4.0%	132.7	0.9%

Q1FY10 Consolidated Reported

(Rs. Mn)	Jun 09	Mar 09	Q-Q Chng	Jun 08	Y-Y Chng
Sales & Service	3,780.2	3,683.8	2.6%	4,056.2	-6.8%
Other Income	11.6	25.5	-54.3%	30.1	-61.3%
Total Revenues	3,791.8	3,709.2	2.2%	4,086.3	-7.2%
Total Expenditure	3,408.6	3,348.9	1.8%	3,709.9	-8.1%
Operating Profit	383.2	360.3	6.4%	376.4	1.8%
EBITDA	383.2	360.3	6.4%	376.4	1.8%
Depreciation	117.4	107.7	9.0%	104.8	12.0%
PBIT	265.8	252.6	5.2%	271.5	-2.1%
Interest	17.2	16.6	3.3%	20.5	-16.2%
PBT	248.6	235.9	5.4%	251.0	-1.0%
Tax	44.7	39.3	13.6%	53.8	-16.9%
PAT before MI	203.9	196.6	3.7%	197.3	3.4%
Share in Earnings of Affiliates	-	2.7		0.0	
Minority Interest	(26.3)	(27.1)	-2.8%	(19.1)	
Reported PAT	177.6	172.2	3.1%	178.1	-0.3%

Q1FY10 Performance

Q1FY10 (Rs Mn)	Revenue	Business Mix	PAT	Profit Mix	PAT Margin
International	2,177.62	57.61%	161.24	90.79%	7.40%
Domestic	1,602.56	42.39%	16.35	9.21%	1.02%
Consolidated	3,780.18	100.00%	177.59	100.00%	4.70%
Sonata Software Ltd.	568.57	14.29%	133.87	74.84%	23.54%
ODSi	156.80	3.94%	3.80	2.12%	2.42%
TUI InfoTec GmbH	1,645.90	41.37%	25.70	14.37%	1.56%
International	2,371.27	59.60%	163.37	91.33%	6.89%
SITL	1,607.30	40.40%	15.50	8.67%	0.96%
Domestic	1,607.30	40.40%	15.50	8.67%	0.96%

Sonata: Q1FY10 Segmental Analysis

Revenues (Rs Mn)	Q110	Q409	Q309	Q209	Q109	Q408	Q308	Q208	Q108
International	2,177.62	2,185.04	2,365.30	2,479.80	2,391.70	2,185.30	2,173.28	2,078.18	1,936.40
Domestic	1,602.56	1,498.73	1,512.20	1,706.90	1,664.50	1,657.30	1,437.71	1,262.40	1,582.22
Consolidated	3,780.18	3,683.77	3,877.50	4,186.70	4,056.20	3,842.60	3,610.99	3,340.58	3,518.62
Sonata Software Limited	568.57	589.30	584.50	600.00	553.50	538.30	500.64	487.34	461.95
ODSi	156.80	161.80	155.40	144.80	128.80	115.30	106.09	116.33	106.73
Sonata Software GmbH			40.90	35.40	18.80	15.30	15.85	17.63	13.70
Sonata Europe Limited			0.40	2.90	4.70	6.20	6.56	5.33	-
TUI InfoTec GmbH	1,645.90	1,645.50	1,826.90	1,930.20	1,891.50	1,657.10	1,692.27	1,610.70	1,493.99
International	2,371.27	2,396.60	2,608.10	2,713.30	2,597.30	2,332.20	2,321.41	2,237.33	2,076.37
SITL	1,607.30	1,500.50	1,514.50	1,706.90	1,664.50	1,657.30	1,437.71	1,262.40	1,582.22
Domestic	1,607.30	1,500.50	1,514.50	1,706.90	1,664.50	1,657.30	1,437.71	1,262.40	1,582.22

PAT (Rs Mn)	Q110	Q409	Q309	Q209	Q109	Q408	Q308	Q208	Q108
International	161.24	152.88	185.70	192.50	149.90	148.40	141.32	107.07	130.03
Domestic	16.35	19.35	13.30	23.80	28.20	20.60	15.50	12.27	10.01
Consolidated	177.59	172.23	199.00	216.30	178.10	169.00	156.82	119.34	140.04
Sonata Software Limited	133.87	128.70	137.30	134.80	132.70	105.70	97.50	86.35	77.37
ODSi	3.80	1.80	7.60	6.70	6.50	5.90	5.68	6.12	5.97
Sonata Software GmbH			1.10	1.20	1.30	0.20	0.40	0.36	0.36
Sonata Europe Limited			5.50	37.70	- 12.60	47.30	- 41.27	36.97	- 11.20
TUI InfoTec GmbH	25.70	26.50	41.80	44.20	25.00	73.60	71.04	49.48	53.62
International	163.37	157.00	193.30	224.60	152.90	232.70	133.35	179.28	126.12
SITL	15.50	19.50	13.50	23.80	28.20	20.60	15.50	12.27	10.01
Domestic	15.50	19.50	13.50	23.80	28.20	20.60	15.50	12.27	10.01

Revenues (Rs Mn)	Q110	Q409	Q109	Q-Q	(Q-Q)	Y-Y	(Y-Y)
International	2,177.62	2,185.04	2,391.70	(7.42)	-0.34%	(214.08)	-8.95%
Domestic	1,602.56	1,498.73	1,664.50	103.83	6.93%	(61.94)	-3.72%
Consolidated	3,780.18	3,683.77	4,056.20	96.41	2.62%	(276.02)	-6.80%
Sonata Software Limited	568.57	589.30	553.50	(20.73)	-3.52%	15.07	2.72%
ODSi	156.80	161.80	128.80	(5.00)	-3.09%	28.00	21.74%
Sonata Software GmbH			18.80			(18.80)	
Sonata Europe Limited			4.70			(4.70)	
TUI InfoTec GmbH	1,645.90	1,645.50	1,891.50	0.40	0.02%	(245.60)	-12.98%
International	2,371.27	2,396.60	2,597.30	(25.33)	-1.06%	(226.03)	-8.70%
SITL	1,607.30	1,500.50	1,664.50	106.80	7.12%	(57.20)	-3.44%
Domestic	1,607.30	1,500.50	1,664.50	106.80	7.12%	(57.20)	-3.44%

PAT (Rs Mn)	Q110	Q409	Q109	Q-Q	(Q-Q)	Y-Y	(Y-Y)
International	161.24	152.88	149.90	8.36	5.46%	11.34	7.56%
Domestic	16.35	19.35	28.20	(3.00)	-15.52%	(11.85)	-42.03%
Consolidated	177.59	172.23	178.10	5.35	3.11%	(0.51)	-0.29%
Sonata Software Limited	133.87	128.70	132.70	5.17	4.01%	1.17	0.88%
ODSi	3.80	1.80	6.50	2.00	111.11%	(2.70)	-41.54%
Sonata Software GmbH			1.30	0.00		(1.30)	-100.00%
Sonata Europe Limited			- 12.60	0.00		12.60	-100.00%
TUI InfoTec GmbH	25.70	26.50	25.00	(0.80)	-3.02%	0.70	2.80%
International	163.37	157.00	152.90	6.37	4.05%	10.47	6.84%
SITL	15.50	19.50	28.20	(4.00)	-20.51%	(12.70)	-45.04%
Domestic	15.50	19.50	28.20	(4.00)	-20.51%	(12.70)	-45.04%

Sonata : Financials

Earnings Statement

YE March (Rs. Mn.)	FY06	FY07	FY08	FY09
Sales & Services	5,070.3	8,977.2	14,283.7	15,912.7
Total Expenditure	4,668.2	8,189.2	13,169.0	14,394.3
- Purchase of traded goods	2,960.9	3,764.0	5,422.2	5,843.0
- Operating expenses	1,707.3	4,425.2	7,746.8	8,551.3
Operating Profit	402.1	788.0	1,114.7	1,518.4
Other Income	38.7	198.6	310.6	109.5
EBITDA	440.8	986.6	1,425.3	1,627.9
Depreciation	107.7	297.4	433.5	435.0
EBIT	333.1	689.2	991.8	1,192.9
Interest	6.6	27.7	49.6	66.9
PBT	326.5	661.5	942.2	1,126.0
Tax	51.1	83.5	125.2	221.6
PAT before MI	275.4	578.0	817.0	904.4
Minority Interest	-	107.3	237.8	141.3
Profit from Affiliates	-	9.6	6.0	2.5
PAT before EI	275.4	480.3	585.2	765.7
Extraordinary Items	(161.8)	-	-	-
Reported PAT	113.6	480.3	585.2	765.7

Ratio Analysis

YE March (Rs. Mn.)	FY06	FY07	FY08	FY09
OPM (%)	7.9%	8.8%	7.8%	9.5%
EBITDA (%)	8.7%	11.0%	10.0%	10.2%
PBIT (%)	6.6%	7.7%	6.9%	7.5%
PAT (%)	5.4%	5.3%	4.1%	4.8%
EPS (Rs.)	2.6	4.6	5.6	7.3
P/E (x)	7.5	4.3	3.5	2.7
P/BV (x)	1.4	1.1	0.9	0.7
BVPS (Rs.)	14.5	17.8	21.8	26.3
Market Cap (Rs. Mn.)	2,071.6	2,071.6	2,071.6	2,071.6
M Cap/Sales (x)	0.4	0.2	0.1	0.1
EV (Rs. Mn.)	2,071.6	2,652.9	2,355.1	2,105.4
EV/EBITDA (x)	4.7	2.7	1.7	1.3
EV/Sales (x)	0.4	0.3	0.2	0.1
ROCE (%)	21.9%	26.2%	34.9%	38.3%
RONW (%)	18.1%	25.7%	25.6%	27.7%
Inventory T/o Days	5.4	2.3	3.7	1.3
Debtors T/o Days	94.1	79.0	61.0	63.7
Advances T/o Days	29.8	17.6	10.8	29.3
Creditors T/o Days	93.5	127.7	79.1	91.6
Working Cap T/o Days	71.8	17.2	13.8	21.1
Fixed Assets T/o (Gross)	6.9	1.3	2.0	2.1
DPS (Rs.)	1.0	1.1	1.1	1.1
Dividend Payout (%)	38.2%	24.1%	19.8%	15.1%
Dividend Yield (%)	5.1%	5.6%	5.6%	5.6%

Balance Sheet

YE March (Rs. Mn.)	FY06	FY07	FY08	FY09
Equity Capital	105.2	105.2	105.2	105.2
Reserves	1,416.4	1,762.4	2,183.4	2,662.9
Shareholders Funds	1,521.6	1,867.6	2,288.5	2,768.0
Minority Interest	-	184.9	269.1	308.1
Borrowed Funds	-	581.2	283.4	33.7
Deferred Tax Liabilities	0.9	0.6	1.1	1.0
Total Liabilities	**1,522.5**	**2,634.2**	**2,842.2**	**3,110.9**
Fixed Assets				
Gross Block	736.7	6,922.4	7,173.7	7,474.9
Accumulated Depn.	418.6	5,074.8	5,410.5	5,621.3
Net Block	318.2	1,847.7	1,763.2	1,853.6
Capital WIP	15.9	49.5	74.1	56.3
Investments	75.7	143.1	238.7	81.0
Current Assets				
Inventory	75.5	56.1	144.7	54.7
Sundry Debtors	1,307.4	1,941.9	2,386.9	2,777.5
Loans & Advances	414.2	432.1	424.5	1,278.9
Cash & Bank Balance	571.1	1,212.5	764.4	817.4
Current Liabilities				
Sundry Creditors	1,298.8	3,141.7	3,096.2	3,994.7
Provisions	71.9	77.9	85.4	12.8
Net Current Assets	997.5	423.0	539.0	921.1
Deferred Tax Assets	115.3	171.0	227.2	198.9
Total Assets	**1,522.5**	**2,634.2**	**2,842.2**	**3,110.9**

Cash Flow

Particulars	FY06	FY07	FY08	FY09
Opening Cash & Bank	166.9	571.1	1212.5	764.4
Profit After Tax	113.6	480.3	585.2	765.7
Investment Income	(38.7)	(198.6)	(310.6)	(109.5)
Depreciation	107.7	297.4	335.8	210.8
Others	192.5	175.6	(55.6)	0.0
Change in Working Cap	239.8	1081.5	(564.1)	(329.2)
CF - Operating Activities	614.9	1836.1	(9.3)	537.8
Change in Fixed Assets	(140.1)	(1860.6)	(275.9)	(283.4)
Change in Investments	61.7	(67.3)	(95.6)	157.7
Investment Income	38.7	198.6	310.6	109.5
CF - Investing Activities	(39.7)	(1729.3)	(60.9)	(16.2)
Increase in Equity	0.0	0.0	(28.9)	(101.6)
Changes in Borrowings	(51.1)	581.2	(297.8)	(249.7)
Changes in Minority Hldg	0.0	87.1	84.2	39.0
Dividend Paid	(119.9)	(133.8)	(135.3)	(184.5)
CF - Financing Activities	(171.0)	534.6	(377.8)	(496.9)
Net Change in Cash	404.2	641.4	(448.1)	24.7
Closing Cash & Bank Bal	571.1	1212.5	764.4	789.2

Local Equity Market

INDICES	27-Jul-09	Week Ago	% Chng	Month Ago	% Chng
Sensex	15,379.0	15,191.0	1.2	14,764.6	4.2
Nifty	4,568.6	4,502.3	1.5	4,375.5	4.4
CNX Nifty Junior	8,225.6	8,119.5	1.3	7,972.2	3.2
S&P CNX500	3,689.7	3,631.0	1.6	3,521.9	4.8
CNX Midcap 200	5,770.5	5,624.5	2.6	5,511.2	4.7
CNX IT	4,076.0	4,092.5	(0.4)	3,577.6	13.9

International Equity Market

INDICES	27-Jul-09	Week Ago	% Chng	Month Ago	% Chng
DJIA	9,093.2	8,848.2	2.8	8,438.4	7.8
Nasdaq	1,966.0	1,909.3	3.0	1,838.2	6.9
S&P 500	979.3	951.1	3.0	918.9	6.6
FTSE 100	4,576.6	4,443.6	3.0	4,241.0	7.9
Nikkei 225	10,112.2	9,395.3	7.6	9,877.4	2.4
Hang Seng	20,251.0	19,502.4	3.8	18,600.3	8.9
HSCEI	12,185.5	11,593.1	5.1	11,037.1	10.4

MSCI Indices

MSCI Indices	27-Jul-09	Week Ago	% Chng	Month Ago	% Chng
The World Index	1,027.5	995.7	3.2	970.8	5.8
Emerging Market	823.7	807.0	2.1	764.7	7.7
EM Asia	345.4	339.7	1.7	317.9	8.6
EM India	389.6	384.8	1.3	374.2	4.1

Commodities

Commodities	27-Jul-09	Week Ago	% Chng	Month Ago	% Chng
GOLD ($/oz)	954.2	948.7	0.6	939.6	1.6
SILVER ($/oz)	14.0	13.7	2.7	14.1	(0.4)
ALUMINIUM ($/t)	1,807.0	1,711.0	5.6	1,644.0	9.9
COPPER ($/t)	5,522.0	5,350.0	3.2	5,035.0	9.7
CRUDE – BRENT ($/bbl)	71.0	66.4	6.8	69.5	2.1
CRUDE – WTI ($/bbl)	68.7	65.3	5.2	70.0	(1.9)

Tranportation

Tranportation	27-Jul-09	Week Ago	% Chng	Month Ago	% Chng
World SCALE	32.5	32.5	-	55.0	(40.9)
BALTIC FREIGHT INDEX	3,345.0	3,511.0	(4.7)	3,703.0	(9.7)

Forex

FOREX	27-Jul-09	Week Ago	% Chng	Month Ago	% Chng
USD	48.1	48.2	(0.2)	48.1	0.0
GBP	79.2	79.8	(0.8)	79.5	(0.4)
EURO	68.5	68.6	(0.2)	67.6	1.3
YEN	50.7	51.2	(0.8)	50.5	0.5

Global Listings

Scrips	27-Jul-09	Week Chng	Month Chng	Premium/Discount	Share per ADR/GDR
Infosys ADR	42.40	4.23	8.02	1.84%	1
Wipro ADR	14.08	3.23	14.72	47.11%	1
ICICI Bank ADR	31.61	(4.96)	7.67	-0.90%	2
Satyam ADR	5.13	10.56	44.10	17.79%	2
HDFC Bank ADR	96.02	(5.99)	(3.58)	6.23%	3
MTNL ADR	4.34	12.73	(5.41)	3.04%	2
Dr. Reddy ADR	16.60	1.78	(0.43)	-1.97%	1
Reliance GDR	82.50	(1.79)	(1.18)	-1.57%	2
ITC GDR	4.00	-	-	-17.10%	1
Ranbaxy GDR	6.00	14.29	(1.32)	3.05%	1
L & T GDR	31.40	2.95	(7.58)	0.77%	1

Top Gainers & Losers of the Week

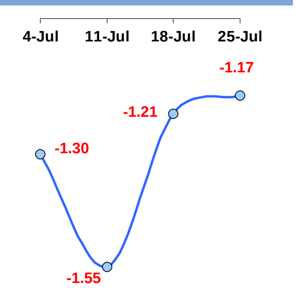
Top Gainers	Jul 27, 09	% Chng
Alok Industries Ltd.	20.70	59.23
Uttam Galva Steels Ltd.	66.25	36.18
NELCO Ltd.	57.40	31.65
Parsvnath Developer Ltd.	112.60	31.01
Rico Auto Industries Ltd.	22.20	30.59
Amtek Auto Ltd.	129.15	29.67
Hindustan Oil Exploration Co. Ltd.	147.50	29.27
Kopran Ltd.	13.65	28.77

Top Losers		
State Trading Corporation of India Ltd.	345.20	(7.61)
MindTree Consulting Ltd.	453.85	(6.97)
Thermax Ltd.	417.30	(6.57)
Max India Ltd.	199.75	(6.33)
LIC Housing Finance Ltd.	584.00	(6.15)
Infrastructure Devlopment Finance Co. Ltd.	131.15	(6.15)
Indian Oil Corporation Ltd.	519.70	(6.08)
Tamil Nadu Newsprint & Papers Ltd.	74.10	(5.54)

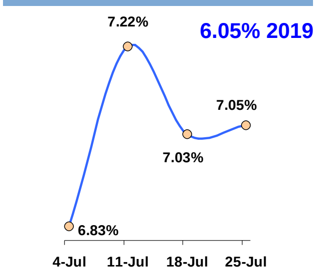
Sectoral Performance

Sectors	Week	Month	3 Months
Oil Exploration/Production	19.0	15.5	76.8
Castings/Forgings	17.7	18.6	57.7
Textiles - Synthetic	16.2	14.1	66.8
Auto Ancillaries	13.8	9.2	40.9
Textiles - Cotton	13.6	14.7	72.9
Telecommunication - Equipment	13.4	1.1	27.0
Cycles	13.4	31.4	104.0
Mining	12.6	14.3	86.2
Abrasives	12.2	(0.8)	30.3
Tyres	11.5	22.9	90.8
Electronics - Industrial	10.6	0.9	58.3
Fastners	10.4	11.9	38.7
Transmission Towers	10.0	15.5	93.6
Steel And Steel Products	9.9	9.6	62.0
Solvent Extraction	9.9	10.9	46.9
Dyes And Pigments	9.7	8.7	49.3
Chemicals - Inorganic	9.4	3.2	51.8
Leather And Leather Products	9.0	8.8	37.5
Airconditioners	9.0	14.6	128.3
Construction	8.8	10.2	86.7

Inflation (%)



10 year G-Sec Bond Yield



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