



Quintegra Solutions Ltd

Key Stock Indicators

NSE Ticker:	QUINTEGRA	CMP (as on 17 Mar 2011—Rs/share):	5.0	Shares outstanding (mn):	26.8
Bloomberg Ticker:	QSL:IN	52-week range up to 17 Mar 2011 (Rs) (H/L):	17.75/4.90	Free Float (%):	79.2
Face value / Share:	10.0	Market Cap as on 17 Mar 2011 (Rs mn):	134	Average daily volumes (12 months):	121,818
Div. Yield (%):	0.0	Enterprise Value as on 17 Mar 2011 (Rs mn):	1,441	Beta (2 year):	1.1

Quintegra Solutions Limited (QSL), a Chennai-headquartered company, was incorporated in 1994. It is an outsourcing, information technology (IT) solutions and consulting company. QSL is primarily engaged in the development and maintenance of computer software. It provides IT services to industries such as banking, financial services & insurance (BFSI), healthcare, education and training, engineering services, logistics and telecom. QSL has offices in the US, the UK, Germany, Africa, India, Malaysia and Singapore, with development centres in India, Singapore and Malaysia.

KEY HIGHLIGHTS

Economic slowdown moderates growth

QSL caters to various industries, such as BFSI, healthcare, education and training, engineering services, logistics and telecom. The BFSI vertical accounts for ~52% of consolidated revenues, while QASS contributes ~27% and other sectors contribute ~21%. QSL has over ~1,000 clients spread across diverse segment including Wal-Mart, Citibank, Microsoft, eBay, McGraw Hill, etc. Majority of its revenue (~65% of the total revenue) comes from USA and ~35% from India. The company's relatively higher exposure towards the BFSI vertical significantly impacted revenue growth in FY09 and FY10, as the world witnessed an economic slowdown.

Inorganic route have added new business verticals

QSL has acquired several companies over the last four years, in a bid to add new products and verticals to its portfolio. In October 2007, it acquired US-based PA Corp for Rs 1.98 bn to strengthen its position in IT consulting and middle space IT services. PA Corp has clients such as Charles Schwab, NASD, Amex, Washington Mutual and Wells Fargo. In March 2007, QSL acquired ValleyUS, a US-based software development and consultancy. It also acquired JadeLite Technologies, a Singapore-based software products firm, at the same time. These acquisitions have helped QSL strengthen its market presence, while adding clients in domains like client-server, legacy, CRM and e-commerce. In June 2008, QSL merged its wholly-owned subsidiary — Quintegra US Inc — with itself. In March 2008, the company added 70,000 square feet of IT space in Chennai to meet the needs of its growing IT business and for foraying into the KPO space.

KEY RISKS

- Forex fluctuations, as company derives ~65% of revenue from the USA
- Government rules and regulations in outsourcing space
- Revenue concentration risk

Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
QUINTEGRA	-51	-44	-56	-57
NIFTY	3	-2	-8	4

Note:

1) YTD returns are since Apr 01, 2010 to Mar 17, 2011.

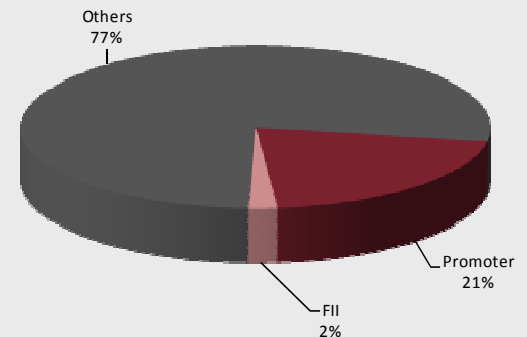
2) 1-m, 3-m and 12-m returns are up to Mar 17, 2011

Key Financial Indicators

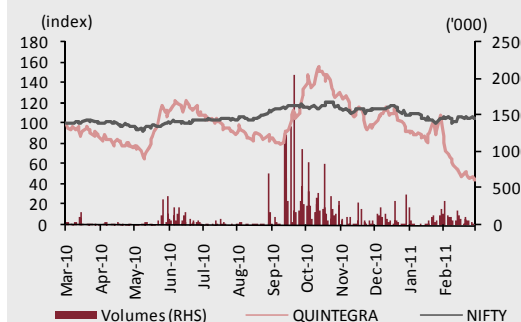
	Mar-08	Mar-09	Mar-10
Revenue (Rs mn)	3,899.7	1,771.2	379.0
EBITDA margins (%)	13.2	2.3	1.3
PAT (Rs mn)	318.6	-266.2	-198.5
PAT margins(%)	8.2	-15.0	-52.4
Gearing (x)	n.m.	n.m.	n.m.
EPS (Rs/share)	11.9	-9.9	-7.4
PE (x)	5.4	n.m.	n.m.
P/BV (x)	n.m.	n.m.	n.m.
RoCE (%)	68.4	n.m.	n.m.
RoE (%)	n.m.	n.m.	n.m.
EV/EBITDA (x)	5.6	35.7	300.6

n.m. : Not meaningful

Shareholding (As on December 31, 2010)



Indexed price chart



Quintegra Solutions Ltd

BACKGROUND

Incorporated in 1994 and headquartered in Chennai, QSL is an IT services and consulting company. The company is primarily engaged in the development and maintenance of computer software. It offers services such as application management, product engineering, SAP, testing and validation, technology consulting products for education and training, for healthcare and non-life insurance, etc. QSL caters to industries such as banking, financial services & insurance (BFSI), healthcare, education and training, engineering services, logistics and telecom.

QSL has offices in the US, the UK, Germany, Africa, India, Malaysia and Singapore, with development centres in India, Singapore and Malaysia. Its key market includes the USA, followed by the UK and India. As of FY10, the company's subsidiaries include Quintegra Solutions Ltd in the UK, Quintegra Solutions (M) Sdn Bhd in Malaysia, Quintegra Solutions GmbH in Germany, Quintegra Solutions Ireland Ltd and PAC Inc, in the US.

COMPETITIVE POSITION

Peer Comparison

	Quintegra Solutions Ltd	Genesys International Corporation Ltd	Allsec Technologies Ltd	Aurionpro Solutions Ltd
	Mar-10	Mar-10	Mar-10	Mar-10
Revenue (Rs mn)	379.0	742.9	1,373.6	3,375.1
EBITDA margins (%)	1.3	52.8	-1.3	24.0
PAT (Rs mn)	-198.5	326.9	-101.0	409.0
PAT margins(%)	-52.4	44.0	-7.4	12.1
Gearing (x)	n.m.	-	-	0.5
EPS (Rs/share)	-7.4	21.9	-6.6	27.6
PE (x)	n.m.	9.8	n.m.	7.0
P/BV (x)	n.m.	3.5	0.3	1.9
RoCE (%)	n.m.	49.3	n.m.	26.5
RoE (%)	n.m.	42.1	n.m.	23.9
EV/EBITDA (x)	300.6	8.1	n.m.	4.2

n.m.: Not meaningful

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	3,899.7	1,771.2	379.0
EBITDA margins	Per cent	13.2	2.3	1.3
PAT	Rs million	318.6	-266.2	-198.5
PAT margins	Per cent	8.2	-15.0	-52.4
Revenue growth	Per cent	405.8	-54.6	-78.6
EBITDA growth	Per cent	330.9	-92.2	-88.0
PAT growth	Per cent	355.0	n.m.	n.m.
Gearing	Times	n.m.	n.m.	n.m.
RoCE	Per cent	68.4	n.m.	n.m.
RoE	Per cent	n.m.	n.m.	n.m.

FINANCIAL PROFILE

US slowdown plummets top line, EBITDA margin deteriorates in FY10

The top line of the company dropped significantly in FY10, falling ~79% to Rs 379 mn from Rs 1.77 bn in FY09. This decline was mainly attributable to global financial crisis, as a result of which QSL has lost many clients.

EBITDA margin fell by 100 basis points to 1.3% in FY10, from 2.3% in FY09, mainly on account of higher operating and administrative expenses.

The company reported a net loss of Rs 198.5 mn in FY10, vis-à-vis a net loss of Rs 266.2 mn in FY09, mainly on account of lower operating profit.

INDUSTRY PROFILE

IT services

Indian IT services revenues are estimated to be around \$34 billion in 2009-10, registering a CAGR of 20 per cent from 2004-05 to 2009-10. During the same period, IT services exports, which accounted for 80 per cent of the revenues, are estimated to have grown at a CAGR of 22 per cent to \$27 billion in 2009-10. The industry is highly dependent on the US and UK markets, which contribute to around 75 per cent of export revenues. With IT services deriving a large portion of its revenues from exports, the sector's profitability is highly correlated to foreign exchange movements. An appreciating rupee is thus a key risk factor. Also, as human resource is the main input in IT services, issues related to non-availability of skilled labor, attrition and wage inflation would also impact Indian IT players.

IT enabled services

ITeS is a term used to describe a range of IT-intensive processes and services, which includes business process outsourcing (BPO) and knowledge process outsourcing (KPO), provided from a distant location and delivered over telecom networks. The Indian ITeS industry grew at a healthy CAGR growth of 30 per cent over 2003-04 to 2008-09, driven by demand from developed economies like USA and UK. However, the y-o-y revenue growth had significantly declined to 7 per cent in 2009-10 and is estimated at \$ 14.6 billion. The slowdown was a result of weak demand from key markets, protectionist measures by developed countries, and delay in decision making cycles during the downturn. The revival in the global economy, along with the continuing maturity of the offshore global delivery models, process innovation and inherent need of clients to reduce costs would continue to propel export growth.

Quintegra Solutions Ltd

ANNUAL RESULTS

Income Statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	3,882.2	1,733.9	378.9
Operating Income	3,899.7	1,771.2	379.0
EBITDA	514.6	40.0	4.8
EBITDA Margin	13.2	2.3	1.3
Depreciation	61.1	59.6	38.7
Interest	118.6	171.7	131.0
Other Income	2.6	-0.0	8.1
PBT	337.5	-245.0	-198.4
PAT	318.6	-266.2	-198.5
PAT Margin	8.2	-15.0	-52.4
No. of shares (Mn No.)	26.8	26.8	26.8
Earnings per share (EPS)	11.9	-9.9	-7.4

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax profit	337.5	-191.4	-156.7
Total tax paid	29.2	-1.2	-0.1
Depreciation	61.1	59.6	38.7
Change in working capital	-97.8	86.8	155.8
Cash flow from operating activities	330.0	-46.2	37.7
Capital Expenditure	-1,103.3	199.6	-0.9
Investments and others	0.0	0.0	0.0
Cash flow from investing activities	-1,103.3	199.6	-0.9
Equity raised/(repaid)	1.1	0.0	0.0
Debt raised/(repaid)	748.9	146.4	-3.4
Dividend (incl. tax)	-9.4	0.0	0.0
Others (incl extraordinary)	14.1	-298.4	-29.9
Cash flow from financing activities	754.7	-152.0	-33.3
Change in cash position	-18.6	1.4	3.5
Opening cash	20.8	2.1	3.5
Closing cash	2.1	3.5	7.1

n.m. : Not meaningful;

Balance sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	268.1	268.1	268.1
Reserves and surplus	-755.9	-1,022.2	-1,183.5
Tangible net worth	-487.8	-754.0	-915.4
Deferred tax liability: asset	19.4	39.4	39.4
Long-term debt	680.1	1,151.8	981.0
Short-term-debt	490.8	165.6	333.0
Total debt	1,170.9	1,317.3	1,314.0
Current liabilities	352.4	387.2	343.1
Total provisions	57.7	14.0	11.0
Total liabilities	1,112.6	1,003.9	792.1
Gross block	258.2	258.8	251.9
Net fixed assets	114.8	100.1	87.7
Investments	0.0	0.0	0.0
Current assets	997.9	903.6	704.3
Receivables	876.4	591.6	586.0
Inventories	0.0	0.0	0.0
Cash	2.1	3.5	7.1
Total assets	1,112.6	1,003.9	792.1

Ratio

	Mar-08	Mar-09	Mar-10
Revenue growth (%)	405.8	-54.6	-78.6
EBITDA growth (%)	330.9	-92.2	-88.0
PAT growth (%)	355.0	n.m.	n.m.
EBITDA margins (%)	13.2	2.3	1.3
Tax rate (%)	4.6	-0.5	-0.0
PAT margins (%)	8.2	-15.0	-52.4
Dividend payout (%)	2.5	n.m.	n.m.
Dividend per share (Rs)	0.3	n.m.	n.m.
BV (Rs)	-18.2	-28.1	-34.1
Return on Equity (%)	n.m.	n.m.	n.m.
Return on capital employed (%)	68.4	n.m.	n.m.
Gearing (x)	n.m.	n.m.	n.m.
Interest coverage (x)	4.3	0.2	0.0
Debt/EBITDA (x)	2.3	33.0	274.1
Asset turnover (x)	15.6	6.9	1.5
Current ratio (x)	1.1	1.6	1.0
Gross current assets (days)	93	186	678

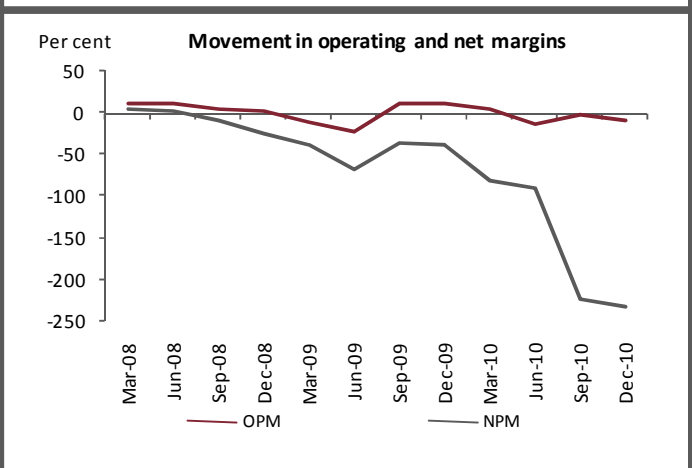
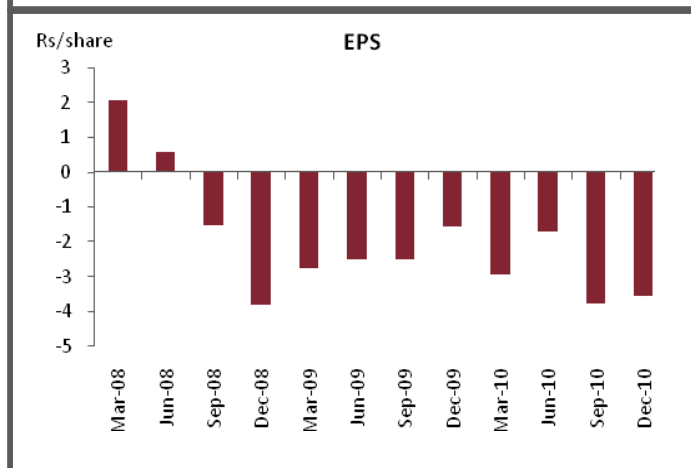
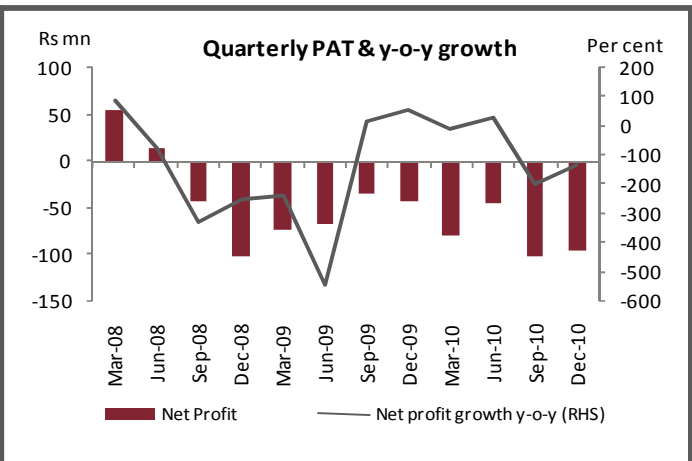
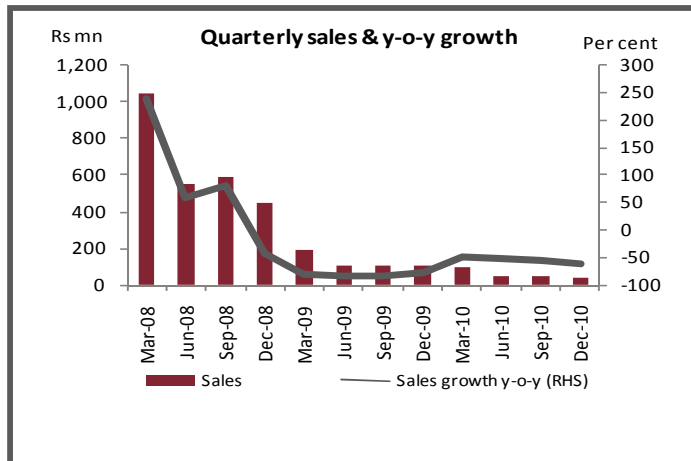
QUARTERLY RESULTS

Profit and loss account

(Rs million)	Dec-10	% of Rev	Dec-09	% of Rev	Sep-10	% of Rev	Dec-10	% of Rev	Dec-09	% of Rev
No of Months	3		3		3		9		9	
Revenue	41.3	100.0	109.1	100.0	45.9	100.0	137.3	100.0	310.1	100.0
EBITDA	(3.7)	(8.9)	12.9	11.8	(0.6)	(1.3)	(10.5)	(7.6)	1.8	0.6
Interest	31.6	76.5	36.1	33.1	30.6	66.8	92.3	67.2	109.1	35.2
Depreciation	10.1	24.4	13.4	12.3	10.0	21.8	29.0	21.1	31.0	10.0
PBT	(95.3)	(230.8)	(41.9)	(38.5)	(101.2)	(220.7)	(241.8)	(176.1)	(143.7)	(46.3)
PAT	(95.3)	(230.8)	(41.9)	(38.5)	(101.2)	(220.7)	(241.8)	(176.1)	(143.7)	(46.3)

Quintegra Solutions Ltd

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

	Mar 2010	Jun 2010	Sep 2010	Dec 2010
Promoter	20.9	20.8	20.8	20.8
FII	3.6	3.6	3.6	2.0
DII	-	-	-	-
Others	75.5	75.6	75.6	77.2

Board of Directors

Director Name	Designation
Shankarraman Vaidyanathan (Mr.)	Executive Chairm an
Rajagopalan Kalyanaraman (Mr.)	Non-Execu tive Director
Meleveetil Padmanabhan (Mr.)	Non-Execu tive Director
Sriraman Vaidyanathan (Mr.)	Director
G. Venkatarajulu (Mr.)	Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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