

26 February 2013

CMP: Rs.2.7

Industry: IT- Software products

BSE group: T

Promoters

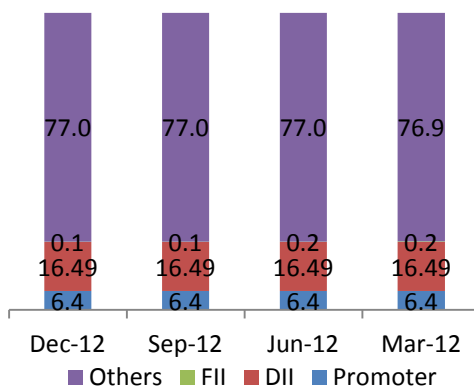
Aseef Khader and family

Key Data (as on 26 Feb '13)

BSE	512093
ISIN	INE234B01023
Face Value (Rs.)	2.0
Mkt Cap (Rs. mn)	318.0
Current P/E	negative
Current P/BV	0.1
52 week low-high	2.07-4.15
30 days avg daily trading volume	60852
Equity capital (Rs mn)	235.5
Net worth (Rs mn)	2866.2*

Although the company's net worth is given as Rs. 2866.1 mn, we estimate it at Rs. (4564.1) mn.

Shareholding Pattern (%)



Caution: The company's financials have several damaging qualifications from auditors. It has defaulted on its FCCB payments and the bondholders have initiated winding up proceedings against the company.

[Click here for: Initiation Report](#)

[Write to us at: equity.research@outlook.com](mailto:equity.research@outlook.com)

Company business

Cranes Software International Ltd. started as a distributor of anti-virus software and became the sole authorized distributor of MATLAB in South Asia in 1993. It then acquired SYSTAT and Sigma –graphical and statistical software tools from SPSS Inc. The business of distribution of MATLAB was terminated in FY10 – leading to the loss of a revenue stream of Rs. 450 mn. In March 2011, the company defaulted on redemption of its FCCBs worth Euro 42 mn raised in 2006. Bank of New York Mellon has made a petition for winding up of the company. The company has been making losses for the last three years and has lost 98.6% of its market value from its peak in December 2007.

Recent developments

Audit qualifications and concerns remain

The auditors have doubted the company's ability to continue as a 'going concern':

1. FCCB bondholders have initiated proceedings for winding up the company.
2. Incumbent directors are disqualified from being appointed/reappointed due to non-payment of dividend declared in FY09.
3. Doubtful intangible assets (Rs. 3912 mn), receivables and advances (Rs. 4961.7 mn). We believe the company's net worth is negative and estimate it at Rs. (4564.1) mn.

Financials

Particulars (Rs in mn)	Oct '12 to Dec '12	Oct '11 to Dec '11	% Change ¹	Jul'12 to Sep '12	% Change ²
Total income	59.3	60	(1.2%)	209.5	(71.7%)
Total expenditure	120.9	1365.9	(91.1%)	41	194.9%
EBIDTA	(61.6)	(1,305.9)	-	168.5	-
EBIDTA margin	negative	negative	-	80.43%	-
PBT	(391.1)	(1,726.0)	-	(156.0)	-
PAT	(367.9)	(1,726.0)	-	(120.2)	-
PAT margin	negative	negative	-	negative	-
Cash accruals	(264.0)	(1,605.6)	-	(19.9)	-
EPS	--	negative	-	--	-

¹ compared to corresponding quarter in the previous year

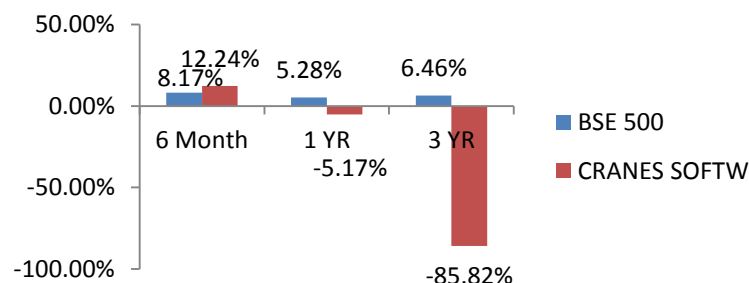
² sequential comparisons Source: Moneycontrol, Company

Financial Performance

Devoid of manipulations, company reports EBIDTA loss of Rs. 61.6 mn

In the previous quarter, the company restated its assets and liabilities, and realized an exchange gain on the profit and loss account (normally gains/losses on balance sheet items are moved to the foreign currency translation reserve, and not recognized on the profit and loss account). This had allowed the company to report a positive EBIDTA of Rs. 168.5 in the previous quarter. The company was not able to change the results this quarter, and it reported a post tax loss of Rs. 367.9 mn.

Share Price Performance



Financials

P&L (Rs. mn)	FY10	FY11	FY12
Total income	287.0	280.1	343.2
EBIDTA	(1576.5)	(57.0)	(1083.9)
EBITDA Margin%	negative	negative	Negative
Depreciation	759.0	490.0	482.3
EBIT	(2335.5)	(547.0)	(1566.2)
Interest	624.4	762.3	747.2
PBT	(2959.8)	(1309.3)	(2313.5)
Exceptional gain/ (loss)	0.0	(3.4)	1439.1 ^[1]
Current Tax	0.0	0.0	0.0
Add: Deferred tax adjustment	1020.9	59.0	610.9
PAT	(1939.0)	(1253.7)	(263.5)
PAT Margin %	negative	negative	negative

^[1]Exceptional gain of Rs. 1439 mn, on account of write-back of liabilities (towards banks and other creditors) that were no-longer required because of settlements reached with the respective lenders.

Valuation ratios	FY10	FY11	FY12
P/E	negative	negative	negative
P/BV	0.44	0.19	0.12

Prices for valuation ratios taken as of 31 March for the corresponding financial year.

Balance Sheet (Rs. mn)	FY10	FY11	FY12
Share Capital	235.5	235.5	235.5
Reserves & Surplus	4147.8	2894.1	2630.0
Less: Adjustments for bad assets	-8753.5	-8450.8	-7194.1
Net worth	-4605.7	-5556.7	-4564.1
Net worth as reported by company	4383.4	3129.6	2866.2
Borrowings	8639.0	9118.0	8209.7
Total liabilities	4033.3	3561.3	3645.6
Non-current assets	5095.6	4590.7	4114.8
Less: Intangible assets (existing and under development)	4840.0	4371.3	3912.0
Non-current assets (recalculated)	255.6	219.4	202.8
Investments	800.9	800.9	800.9
Current assets, loans and advances	8519.6	8017.2	7603.6
Less: adjustments for receivables and advances	5542.8	5476.2	4961.7
Current assets (recalculated)	2976.8	2541.0	2641.9
Total assets	4033.3	3561.3	3645.6

Cash Flow (Rs.mn)	FY10	FY11	FY12
PBT	(2959.8)	(1309.3)	(2313.5)
CF from Operations	(2916.6)	292.3	493.2 ^[1]
CF from Investment	(59.0)	15.2	(6.2)
CF from Financing	582.0	(313.3)	(477.9)
Inc/(dec) in Cash	(2393.6)	(5.8)	9.2
Closing Balance	16.8	10.9	20.1

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