

24 January 2013

CMP: Rs.3.2

Industry: IT- Software products

BSE group: T

Promoters

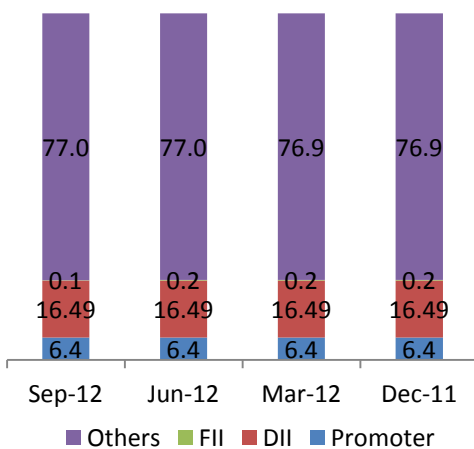
Aseef Khader and family

Key Data (as on 16 Jan'13)

BSE	512093
ISIN	INE234B01023
Face Value (Rs.)	2.0
Mkt Cap (Rs. mn)	376.9
Current P/E	negative
Current P/BV	negative
52 week low-high	2.07-4.15
30 days avg daily trading volume	75380
Equity capital (Rs mn)	235.5
Net worth (Rs mn)	2,866.2

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

Shareholding Pattern (%)



Click here for:

[Initiation Report](#)

Write to us at:

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), unrecoverable 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)	Jul '12 to Sep '12	Jul '11 to Sep '11	% Change ¹	Apr'12 to Jun '12	% Change ²
Total income	209.5	70.2	198.4%	42.7	390.6%
Total expenditure	41	59.1	(30.6%)	62.6	(34.5%)
EBIDTA	168.5	11.1	1,418.0%	(19.9)	-
EBIDTA margin	80.43%	15.81%	408.7%	negative	-
PBT	(156.0)	(313.6)	-	(353.5)	-
PAT	(120.2)	(274.6)	-	(304.9)	-
PAT margin	negative	negative	-	negative	-
Cash accruals	(19.9)	(150.9)	-	(189.3)	-
EPS	--	--	-	--	-

¹ compared to corresponding quarter in the previous year

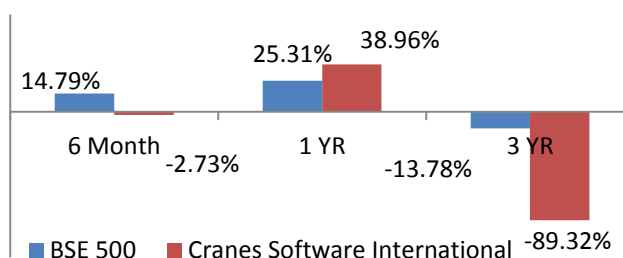
² sequential comparisons *Source: Moneycontrol, Company*

Financial Performance

Restatement of assets and liabilities leads to 'other income' of Rs. 154.4 mn

The company restated its assets and liabilities, and realized an exchange gain on the profit and loss account (normally such gains/losses on balance sheet items are moved to the foreign currency translation reserve, and not recognized on the profit and loss account). This has allowed the company to report higher a positive EBIDTA of Rs. 168.5, but it does not give a true picture of the company's financial health.

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

Disclaimer

The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Our company shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation which may affect their investment in the securities of companies referred to in this document (including the merits and risks involved). The discussions or views expressed may not be suitable for all investors. This information is strictly confidential and is being furnished to you solely for your information.