

24 January 2013

CMP: Rs.9.8

Industry: IT- Software products

BSE group: B

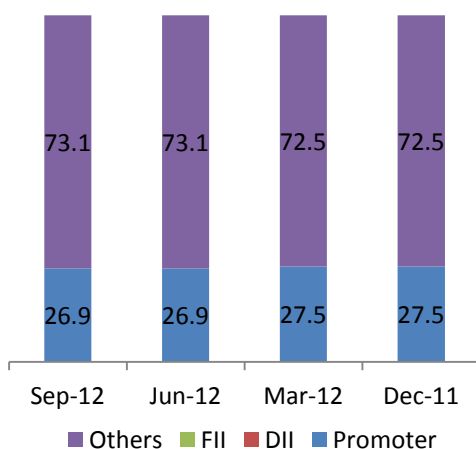
Promoters

Vishwanath Kompella & associates

Key Data (as on 21 Jan' 13)

BSE	532372
ISIN	INE539B01017
Face Value (Rs.)	10.0
Mkt Cap (Rs. mn)	176.3
Current P/E	8.5
Current P/BV	0.2
52 week low-high	7.15-12.65
30 days avg daily trading volume	3803
Equity capital (Rs mn)	149.6
Net worth (Rs mn)	793.6

Shareholding Pattern (%)



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Company business

Virinchi Technologies is Hyderabad-based provider of IT products and services, primarily in the financial services space. Its flagship product – Qfund provides end-to-end automation of the transaction processing requirements of the short-term loan industry. Another product - QPawn is a similar IT solution for the needs of the pawn-broking industry. The company states that QPawn is the market leader for its services in North America and the UK, while QFund is the market leader in North America, used by six out of the top 15 players in the short-term loans industry. The company also provides application management, custom application development, infrastructure services outsourcing, IT consulting, system integration and software testing services to the healthcare, manufacturing, media and entertainment, tourism and logistics industries. The company has 18 marketing partners in USA, Europe and the Middle East.

Recent developments

Allotment of shares upon conversion of warrants

The company allotted shares 3.0 mn shares to promoter and other entities (0.85 mn shares to Vishwanath Kompella, 1.15 mn shares to Salokhya Infrastructure Pvt. Ltd, and 1.0 mn shares to Agrade Exim Pvt Ltd) upon conversion of warrants allotted to them at Rs. 20. This will result in a dilution of approximately 16.6%.

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	105.8	92.3	14.6%	102.6	3.1%
Total expenditure	72.8	66.8	9.0%	69.4	4.9%
EBIDTA	33.0	25.5	29.4%	33.2	(0.6%)
EBIDTA margin	31.19%	27.63%	12.9%	32.36%	(3.6%)
PBT	9.1	3.6	152.8%	10.9	(16.5%)
PAT	7.1	2.9	144.8%	7.3	(2.7%)
PAT margin	6.71%	3.14%	113.6%	7.12%	(5.7%)
Cash accruals	25.8	18.9	36.5%	23.7	8.9%
EPS	0.5	0.2	135.0%	0.5	(4.1%)

¹ compared to corresponding quarter in the previous year

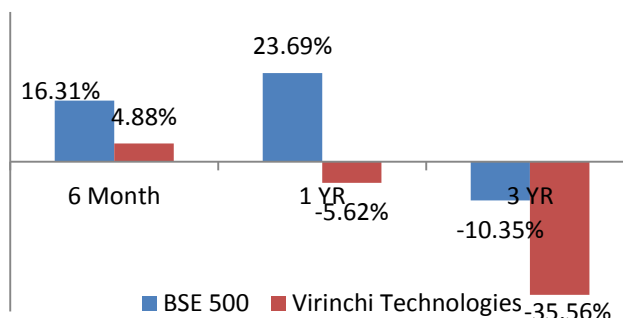
² sequential comparisons *Source: Moneycontrol, Company*

Financial Performance

Stable financial position reinforced by reduction in borrowings.

The company's operating revenues grew by about 25% YoY from Rs. 800.5 mn to Rs. 100.6 mn. Its financial position is more stable now, as the borrowings have reduced from Rs. 150.5 mn on 30 September 2011 to Rs. 92.5 mn on 30 September 2012. The company's PE ratio has declined from 8.7 to 8.5 during the quarter, mainly due to an improvement in the earnings.

Share Price Performance



Financials

P&L (Rs. mn)	FY10	FY11	FY12
Total income	402.4	380.8	370.8
EBIDTA	137.5	110.8	129.1
EBITDA Margin%	34.2%	29.1%	34.8%
Depreciation	62.5	61.8	81.1
EBIT	75.0	49.0	48.0
Interest	13.1	18.7	24.6
PBT(post extraordinary items)	61.9	30.3	22.0
Tax	1.7	3.2	6.3
PAT (excluding minority interest)	40.1	27.0	15.9
PAT Margin %	10.0%	7.1%	4.3%
Dividend (including dividend tax)	8.7	8.7	8.7
Valuation ratios	FY10	FY11	FY12
P/E	3.9	6.32	8.5
P/BV	0.2	0.2	0.2

Balance Sheet (Rs. mn)	FY10	FY11	FY12
Share Capital	148.6	149.4	149.6
Reserves & Surplus	618.5	636.8	644.0
Net worth	767.1	786.2	793.6
Borrowings	127.4	149.2	137.0
Current liabilities and provisions	60.6	55.5	58.5
Total liabilities	955.1	990.9	989.1
Net fixed assets	488.3	511.8	527.3
loans and advances (Long term and short term)	140.9	139.8	156.5
Investments	5.1	86.9	80.1
Current assets	183.4	250.2	226.1
Other non-current assets	137.4	2.2	(0.9)
Total assets	955.1	990.9	989.1

Cash Flow (Rs.mn)	FY10	FY11	FY12
PBT	41.8	30.2	23.6
CF from Operations	38.7	81.2	71.1
CF from Investment	(125.1)	(133.2)	(86.6)
CF from Financing	85.0	37.5	(12.1)
Inc/(dec) in Cash	(1.4)	(14.4)	(27.6)
Closing Balance	95.7	81.3	53.7

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