

**Vakrangee Softwares Ltd**

Rating	Target	Time frame
BUY	Rs60	9 months

Date	September 20, 2012
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**Value proposition - Key aspects**

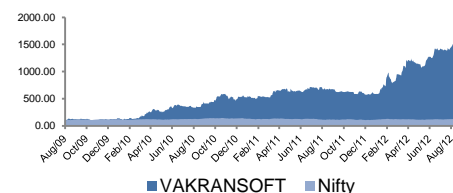
- Diversified business domain:** Vakrangee Software Ltd (VSL) operates in four business verticals, including government; banking, financial services & insurance (BFSI); utilities (telecom & power) and retail, aviation & others handled through two lines of business .i.e., system integration and IT enabled services.
- “e-Governance” – The target segment:** The National e-Governance Plan (NeGP), which originally started with 27 Mission Mode Projects (MMPs) has been expanded to 31 MMPs encompassing 10 Central MMPs, 14 State MMPs and 7 Integrated MMPs. In May 2012, VSL also bagged the Rajasthan Common Services Centers (CSCs) project from DoIT&C, Government of Rajasthan with an approximate project value of Rs750 crore. As a part of VSL’s vision 2015, the aforesaid initiative is the one on which it would embark upon rural retail businesses across the country and would strive to become a significant organized retail player in the years to come.
- End-to-end financial service delivery:** In June 2012, Vakrangee Finserve Ltd (VFL) a wholly owned subsidiary of VSL, has been appointed as the Common Banking Correspondent (CBC) all 27 banks operating in Maharashtra, for a period of five years, which could further be extended by another two years with mutual consent. VFL targets to achieve Rs980 crore during its five year tenure.
- International presence:** Vakrangee e-Solutions Inc, a wholly owned subsidiary of Vakrangee Softwares Ltd, engages in the execution of the land record digitization project for the Government of Philippines. In fact, it is a first of its kind for complete dematerialization of land title records with two data encoding centers set up at Manila and NCR. The scope of the project includes twenty million titles and ten million supporting documents.
- Opportunities in ITeS & e-Governance sector:** VSL has huge line of opportunities in ITeS & e-Governance sectors. Projects in e-Governance from state government include SWAN, PDS, PWD, state transportation and CCTNS and projects based on PPP model include integrated global regulatory services, common service centers etc., The estimated value of all these projects, including direct and indirect allocation in union budget, state government projects, PPP projects and PSU projects, would be approximately US\$11 billion.
- Regulatory requirements in private sector – An opportunity:** Regulatory requirements in the private sector are pushing telecommunication, insurance and financial services industries to newer efficiency levels in managing customer life cycle management. Considering the size of transactional volumes in these industries the domestic market for outsourcing these services with an organized player is gaining momentum. VSL backed by its large scale project experience is well positioned to address this market segment.

**Market data**

CMP (Rs)	46.00
Market Cap (Rs cr)	2302.21
Face value (Rs)	1
NSE symbol	VAKRANSOFT
52 week H/L (Rs)	46.70/14.10
EPS (Rs)	1.42
P/E	32.48
Industry P/E	18.35
Book value (Rs)	8.33
Div yield (%)	0.43
Avg. daily trading vol. (3m)	359414.30
Avg. daily trading val. (cr)	1.52

**Shareholding (as on 06/30/2012)**

Promoter	29.84
FIIIs	-
DIIIs	0.59
Public	69.57

**Performance relative to Nifty**

**Price movement over 5 years**

1m	3m	6m	1y	2y	5y
41.8	35.75	26.8	18.8	11.53	9.27

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**Valuations & outlook**

VSL, a leading national player in e-governance space, with its fully integrated service capability coupled with global delivery footprint, large scale operations and diversified business presence stands in a distinguishable position to capitalize on the upcoming opportunities in ITeS & e-governance space. Further its envisioned focus on mission mode projects, as specified in the e-governance action plan of Government of India, to strengthen its foothold in e-governance space and de-risking the possibilities of delay in implementation, makes it a VALUE BUY from medium- & long-term perspective. At CMP of Rs46.00, the stock is trading at a valuation of 28.58x FY13E and 25.33x FY14E earnings per share (EPS). **We recommend a BUY with a price target of Rs60.00 per share**, representing 37x FY13E EPS, with a potential upside of 29 percent.

## Key financials

### Q1 FY13 quarterly result review

	(Rs cr)				
	Q1FY13	Q1FY12	Y/Y	Q4FY12	Q/Q
Year	Jun-12	Jun-11	Growth (%)	Mar-12	Growth (%)
Net Sales	339.41	247.55	37.11	451.97	-24.90
Other Operating Income	0.01	0	NM	0	NM
Other Income	1.16	0.64	81.25	0.93	24.73
<b>Total Income</b>	<b>340.58</b>	<b>248.19</b>	<b>37.23</b>	<b>452.9</b>	<b>-24.80</b>
Total Expenditure	256.16	207.09	23.70	371.91	-31.12
<b>EBITDA</b>	<b>84.42</b>	<b>41.1</b>	<b>105.40</b>	<b>80.99</b>	<b>4.24</b>
Depreciation	35.96	14.1	155.04	29.82	20.59
<b>EBIT</b>	<b>48.46</b>	<b>27</b>	<b>79.48</b>	<b>51.17</b>	<b>-5.30</b>
Interest	20.76	6.42	223.36	20.97	-1.00
Profit before tax	27.70	20.58	34.60	30.20	-8.28
Tax	7.23	6.36	13.68	10.39	-30.41
<b>Profit after tax</b>	<b>20.47</b>	<b>14.22</b>	<b>43.95</b>	<b>19.81</b>	<b>3.33</b>

- ✓ **Tremendous growth in sales:** VSL's topline increased to Rs339.41 crore in Q1FY13 from Rs247.55 crore in Q1FY12 registering a growth of 37% on a standalone basis.
- ✓ **Improved margins:** EBITDA margin increased to 24.87% in Q1FY13 as against 16.60% in Q1FY12, EBIT margin was 14.28% in Q1FY13 as compared to 10.91% in Q1FY12 and PAT margin was 6.03% in Q1FY13 as against 5.74% in Q1FY12.
- ✓ **Depreciation costs:** Depreciation charge for the quarter ended June 30 2012 was Rs35.96 crore as against Rs14.1 crore in Q1FY12. Increase in tangible fixed assets during FY2011-12 is the reason for increased depreciation charge.
- ✓ **Finance costs:** Interest expense increased massively touching Rs20.76 crore in Q1FY13 from Rs6.42 crore in Q1FY12. The common loan agreement entered during FY2011-12, appointing M/s. Axis Trustee Services Limited as security trustee for reallocation of the rupee term loan amounting to Rs225 crore sanctioned during the year by Axis Bank Limited, under multiple banking arrangement and term loan from GE Money Financial Services Pvt. Ltd. with an interest rate of 11.50% per annum fixed for the first six months of the tenure, subject to the drawdown being made on or before July 31, 2011 are the reason for increased interest expense.
- ✓ **Tax expense:** The amount of tax paid as a percentage to pre-tax profit was 26 percent in Q1FY13, which is lower as compared to 30 percent tax paid in Q1FY12
- ✓ **Increased profitability:** The company's EBITDA doubled in Q1FY13 to reach Rs84.42 crore from Rs41.10 crore in Q1FY12 showing a growth of 105% and net profit for the three months ended June 30, 2012 stood at Rs20.47 crore as against Rs14.22 crore in Q1FY12 a growth of 44%.

### Key consolidated financial information (FY12)

Total Revenue (Rs cr)	1353.19	Enterprise value (Rs cr)	2640.69	Debt-to-equity (x)	0.89
EBITDA (Rs cr)	246.16	Total Assets (Rs cr)	551.62	Debt-to-total assets (x)	0.33
Operating profit (Rs cr)	158.72	Return on equity (%)	17.00	EV/Net sales (x)	1.95
Net profit (Rs cr)	70.87	Return on assets (%)	12.72	EV/EBITDA (x)	10.73
Total debt (Rs cr)	371.55	ROCE (%)	17.94	Book value per share (Rs)	8.33

**Profit & loss statement**
**(Rs cr)**

Year	FY09	FY10	FY11	FY12	FY13E	FY14E
<b>Net operating income</b>	<b>294.32</b>	<b>427.53</b>	<b>889.68</b>	<b>1,353.19</b>	<b>1515.57</b>	<b>1667.13</b>
Other income	0.42	0.52	0.56	4.64	5.10	5.36
Stock adjustments	0.00	13.09	3.76	5.07	5.48	5.91
<b>Total income</b>	<b>294.74</b>	<b>441.14</b>	<b>894</b>	<b>1,362.90</b>	<b>1526.15</b>	<b>1678.40</b>
Cost of traded software packages	143.19	313.34	699.46	1,025.45	1151.84	1265.35
Operating expenses	6.14	7.42	11.89	66.77	71.23	76.69
Employee cost	17.71	28.73	26.36	12.47	13.64	15.00
Power/electricity charges	0.33	0.91	0.69	0.29	1.52	1.67
Selling and administration exp.	11.88	10.00	14.62	11.21	12.58	13.84
Miscellaneous expenses	52.03	0.61	1.50	0.55	1.06	0.83
<b>Total expenditure</b>	<b>231.28</b>	<b>361.01</b>	<b>754.52</b>	<b>1,116.74</b>	<b>1251.86</b>	<b>1373.38</b>
<b>EBITDA</b>	<b>63.46</b>	<b>80.13</b>	<b>139.48</b>	<b>246.16</b>	<b>274.29</b>	<b>305.02</b>
Depreciation	53.18	41.98	55.01	87.44	96.18	105.80
<b>Operating profit</b>	<b>10.28</b>	<b>38.15</b>	<b>84.47</b>	<b>158.72</b>	<b>178.11</b>	<b>199.22</b>
Interest	3.19	6.59	17.61	55.8	61.38	67.52
<b>Profit before tax</b>	<b>7.09</b>	<b>31.56</b>	<b>66.86</b>	<b>102.92</b>	<b>116.73</b>	<b>131.70</b>
Tax	2.69	8.04	18.67	32.05	36.18	40.83
<b>Profit after tax</b>	<b>4.4</b>	<b>23.52</b>	<b>48.19</b>	<b>70.87</b>	<b>80.54</b>	<b>90.87</b>
Minority Interest (after tax)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net profit</b>	<b>4.4</b>	<b>23.52</b>	<b>48.19</b>	<b>70.87</b>	<b>80.54</b>	<b>90.87</b>
<b>Adjusted EPS</b>	<b>0.10</b>	<b>0.52</b>	<b>1.02</b>	<b>1.42</b>	<b>1.61</b>	<b>1.82</b>
Adjusted shares	42.79	44.99	47.42	50.05	50.05	50.05

**Comparative analysis**

Particulars	Peer companies			
	Vakrangee Softwares Ltd	eClerx Services Ltd	First source Solutions Ltd	Hinduja Global Solutions Ltd
<b>Revenue</b>				
FY11 (Rs cr)	890.28	349.65	2075.91	1102.19
FY12 (Rs cr)	1357.83	495.19	2167.51	1583.13
Growth (%)	0.53	0.42	0.04	0.44
<b>EBITDA</b>				
FY11 (Rs cr)	139.42	148.33	310.19	184.96
FY12 (Rs cr)	246.16	212.04	400.71	212.92
Growth (%)	0.77	0.43	0.29	0.15
<b>PAT</b>				
FY11 (Rs cr)	48.14	122.44	126.15	107.35
FY12 (Rs cr)	70.87	160.12	138.51	103.82
Growth (%)	0.47	0.31	0.10	-0.03
<b>Shareholding pattern</b>				
Promoter	29.84	54.5	19.86	68.14
FII	-	20.31	0.32	15.68
DII	0.59	13.05	2.4	3.15
Others	69.57	12.14	77.42	13.03

**Balance sheet**

(Rs cr)

Particulars	FY 09	FY 10	FY 11	FY 12	FY 13E	FY 14E
Share capital	21.40	22.50	23.71	25.02	50.02	50.02
Reserves and surplus	247.31	273.57	323.38	391.88	462.41	543.27
Money received against share warrants	0.00	0.00	8.54	0.00	0.00	0.00
Share application money	0.00	4.15	0.07	0.00	0.00	0.00
<b>Total shareholders fund</b>	<b>268.71</b>	<b>300.22</b>	<b>355.69</b>	<b>416.90</b>	<b>512.43</b>	<b>593.29</b>
Minority interest	0.00	0.00	0.00	2.85	3.28	3.77
Long -term borrowings	22.45	68.56	0.00	155.96	124.37	121.21
Deferred tax liabilities (net)	34.50	37.80	51.72	73.16	87.79	100.96
Other long - term liabilities	0.00	0.00	0.48	6.99	7.69	8.46
<b>Total long-term liabilities</b>	<b>56.96</b>	<b>106.36</b>	<b>52.20</b>	<b>236.11</b>	<b>219.85</b>	<b>230.63</b>
Short-term borrowings	0.00	0.00	163.43	215.59	226.37	237.69
Trade payables	7.88	46.89	86.82	121.83	136.45	150.10
Other current liabilities	4.09	41.00	17.50	101.44	106.51	111.84
Short-term provisions	3.48	9.49	13.73	21.46	22.53	23.66
<b>Total current liabilities</b>	<b>15.45</b>	<b>97.38</b>	<b>281.47</b>	<b>460.32</b>	<b>491.86</b>	<b>523.28</b>
<b>Total liabilities</b>	<b>341.11</b>	<b>508.10</b>	<b>689.43</b>	<b>1116.18</b>	<b>1227.42</b>	<b>1350.96</b>
Tangible assets	265.78	287.26	222.36	487.27	545.74	600.32
Intangible assets	0.00	0.00	50.00	50.00	50.00	50.00
Capital work-in-progress	0.00	0.00	0.00	14.35	15.07	15.82
Non - current investments	2.10	2.10	3.35	1.46	1.46	1.46
Long - term loans and advances	0.00	0.00	29.24	33.02	33.02	33.02
Other non - current assets	0.00	0.00	2.64	4.72	4.96	5.21
<b>Total fixed assets</b>	<b>267.88</b>	<b>289.36</b>	<b>307.59</b>	<b>590.83</b>	<b>650.26</b>	<b>705.83</b>
Inventories	14.09	20.85	17.75	24.43	27.37	30.10
Trade receivables	42.54	169.67	274.52	445.48	490.03	539.03
Cash and cash equivalents	4.48	4.89	17.59	28.41	31.54	46.46
Short - term loans and advances	10.43	15.95	12.54	19.61	20.59	21.62
Other current assets	1.69	3.22	59.34	5.90	6.20	6.51
<b>Total current assets</b>	<b>73.23</b>	<b>214.59</b>	<b>381.74</b>	<b>523.84</b>	<b>575.72</b>	<b>643.72</b>
Foreign currency reserve	0.00	0.00	0.04	1.51	1.44	1.41
<b>Total assets</b>	<b>341.11</b>	<b>503.95</b>	<b>689.36</b>	<b>1116.18</b>	<b>1227.42</b>	<b>1350.96</b>

**Key ratios**

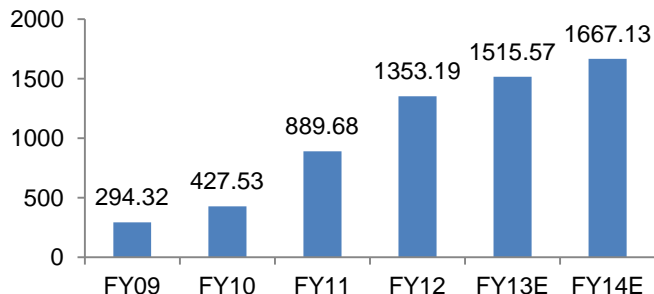
Particulars	FY 09	FY 10	FY 11	FY 12	FY 13E	FY 14E
<b>Market data</b>						
EPS (Rs)	0.10	0.52	1.02	1.42	1.61	1.82
Cash per share (Rs)	0.10	0.11	0.37	0.57	0.63	0.93
Book value (Rs)	6.28	6.67	7.50	8.33	10.24	11.85
<b>Margins</b>						
EBITDA margin (%)	21.56	18.74	15.68	18.19	18.10	18.30
EBIT margin (%)	3.49	8.92	9.49	11.73	11.75	11.95
Net profit margin (%)	1.49	5.50	5.42	5.24	5.31	5.45
<b>Valuations</b>						
P/E(x)	17.38	13.93	18.89	28.42	36.53	41.25
EV/Sales (x)	0.32	0.92	1.19	1.74	2.15	2.44
EV/EBITDA (x)	1.49	4.88	7.57	9.59	11.90	13.33
P/BV (x)	0.28	1.09	2.56	4.83	5.74	6.32
Dividend yield (%)	2.80	1.03	0.52	0.50	0.34	0.33
<b>Activity Ratio</b>						
ROE (%)	1.64	7.83	13.55	17.00	15.72	15.32
Return on assets (%)	2.11	5.30	8.58	9.95	10.16	10.32
ROCE (%)	2.47	7.24	11.39	14.09	14.44	14.65
<b>Leverage ratio</b>						
Debt/equity ratio (x)	0.08	0.23	0.46	0.89	0.68	0.60
Debt / Total assets (x)	0.07	0.14	0.24	0.33	0.29	0.27
<b>Liquidity ratios</b>						
Current ratio (x)	4.74	2.20	1.36	1.14	1.17	1.23
Quick ratio (x)	3.83	1.99	1.29	1.08	1.11	1.17

**Interpretation**

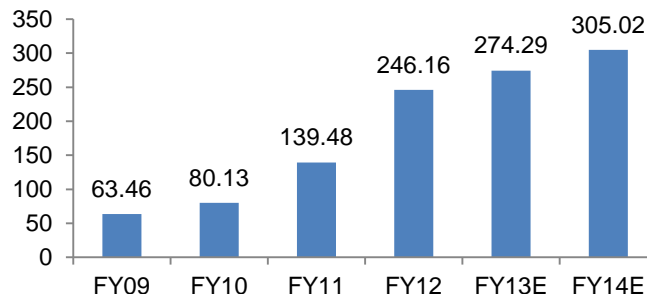
- The EV/EBITDA multiple increased to 9.59(x) in FY12 from 1.49(x) in FY09 indicating a higher valuation by the market participants per every single rupee earned from operations.
- Profitability margins have improved over a period indicating an effective cost control system aligned with growth in sales.
- The company had maintained a debt-to-equity of less than '1' throughout.
- Return on equity increased to 17 (x) in FY12 from 1.64 (x) in FY09.
- Return on assets increased to 9.95 (x) in FY12 from 2.11 (x) in FY09.
- Return on capital employed increased to 14.09 (x) in FY12 from 2.47 (x) in FY09.

**Key financial data - graphical presentation**

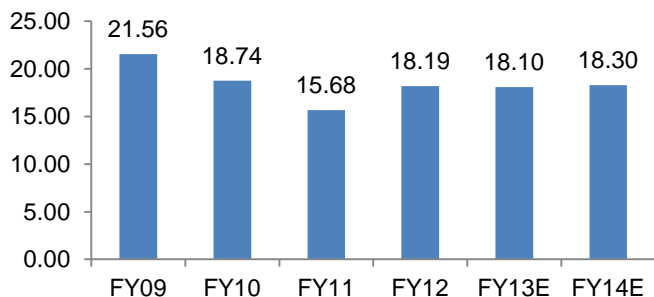
**Net operating income (Rs cr)**



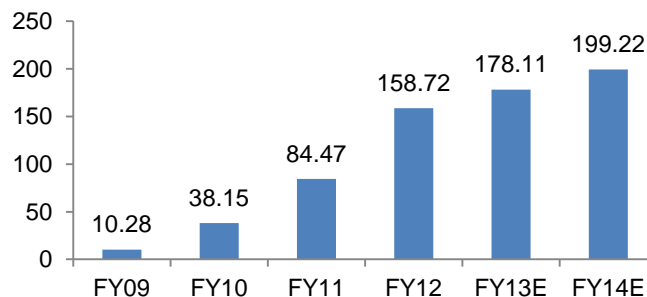
**EBITDA (Rs cr)**



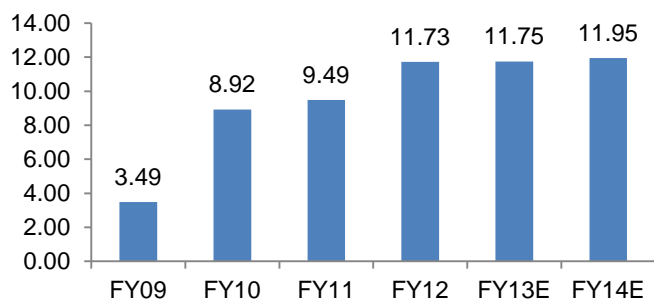
**EBITDA margin (%)**



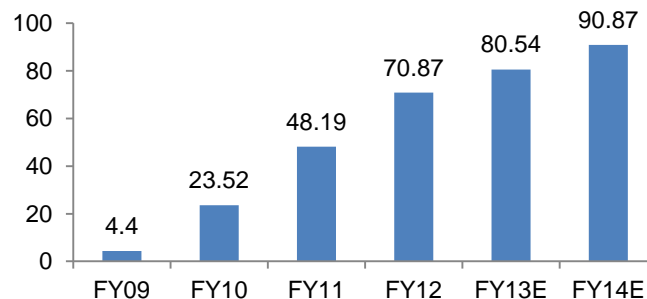
**Operating profit (Rs cr)**



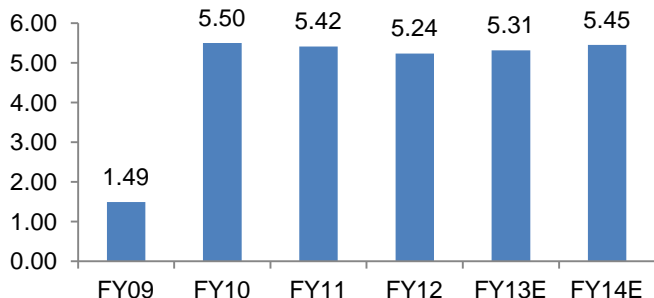
**Operating profit margin (%)**



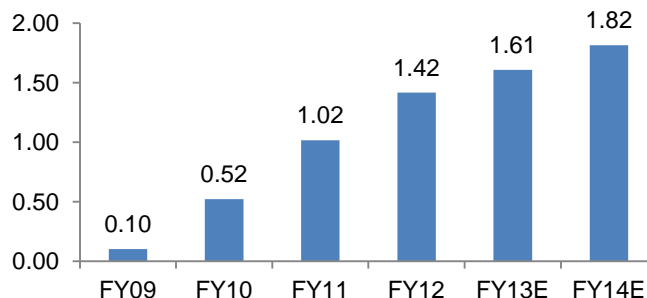
**Net profit (Rs cr)**



**Net profit margin (%)**



**Earnings per share (Rs)**



## Global IT services industry analysis

Enormous opportunities, unleashed potential yet to be captured, huge scope to create ones own identity in various interest areas are the key aspects to be considered in the global IT arena. The global IT services industry holds significant opportunities for industry players due to increasing IT spending in the healthcare, retail, and transportation sectors, among others. The market is expected to reach an estimated US \$1,147 billion in 2017 with a CAGR of more than 5 percent during 2012–2017.

The global IT services industry comprises services related to the application of business and technical expertise to enable organizations to create, manage, optimize, and access information and business processes. The industry's scope includes product support services, such as hardware and software maintenance and professional services, such as IT consulting, development, and integration services.

North America, with 42 percent of the global market share, dominates the highly fragmented global IT services industry. Outsourcing locations, such as India, China, Vietnam, and the Philippines are anticipated to be key drivers because of their low-cost labor and skilled talent pools. The APAC IT services industry is expected to register the highest growth rate among all regions during the forecast period and lead the industry. Government-backed reforms are expected to contribute to significant increases in spending for IT investments. In addition, by generating new opportunities for IT vendors globally, cloud computing is expected to reshape the industry. It is anticipated to offer immense opportunity to penetrate in the small and medium business sector.

## The Indian information technology (IT) industry – An overview

The Indian information technology industry is playing a vital role in the growth of Indian economy. India's domestic IT market over the years has become one of the major driving forces of the industry. IT-ITES industry covers both IT services and business process outsourcing.

### IT Services and business process outsourcing (BPO):

The Indian IT sector persists to be one of the flourishing sectors of Indian financial system indicating a speedy expansion in the coming years. As per National Association of Software and Services Companies (NASSCOM), the Indian IT exports are anticipated to attain US\$175 billion by 2020, out of which, the domestic sector will account for US\$50 billion in earnings.

#### India's role in global outsourcing business

India is the global leader in the outsourcing industry with half of the world's captive units & back offices located here. Indian outsourcing revenue at \$59 billion for 2011, accounts for 51% of the global offshore market share. The total direct employment by Indian IT-BPO sector (as of 2011) was 1.98 million and indirect employment was 7.5 million. The figures from India's NASSCOM show worldwide IT and BPO spending in 2011 reached about \$574 billion and \$158 billion, respectively. From a total of \$732 billion only about 15% (or \$110 billion) is currently outsourced by global firms to destinations like India, Philippines, China and Malaysia leaving lot of headroom for growth.

IT has made revolutionary changes with possibilities of e-filing income tax returns or applying for passports online or railway e-ticketing. The Indian IT-ITES industry has continued to perform its role as the most consistent growth driver for the economy. Now, technology is making life easier for both students and educators. Schools are increasingly adopting digital teaching solutions to engage with a generation of pupils well-versed with PlayStations and iPads, and trying to make the classroom environment more inclusive and participatory.

### Increasing IT spends by the Government of India

The Government of India is amongst the biggest spenders on information technology in the country with increased emphasis on service delivery for G2B and G2C initiatives. The Government of India's IT spend was estimated at Rs250

billion for the FY 2011-12. There is an allocated investment of around Rs400 billion (USD9 billion) till the year 2012 for the National e-governance Plan (NEGP) projects alone. These budgetary allocations ensure that government spends are insulated from economic cycles.

**Budgetary Support for e-governance projects**

Direct Allocation in Union Budget 2012-2013	US\$ Millions
Modernization of land record	30.2
NIC	150.7
IT induction and modernization of post offices	103.1
National food security mission	369.6
UID (Unique Identity)	2843.6
National knowledge network	71.9
e-governance Programme	194.8
Computerization of courts	46.8
Telecommunication services	3043.2
R-APDRP (Restructured Accelerated Power Development & Reform Program)	622.2
<b>Total</b>	<b>7476.1</b>

IT policies drawn by the Indian government based on the recommendation by NASSCOM, which focuses on the interdependence of business opportunities and social environment, include

- 1) Adding value to the other industry through the application of information & technology
- 2) Taking the advantage of IT to the masses

Government of India with its state governments has shown a special thrust towards IT enabled services. The IT enabled services are also been recognized as a key opportunity area in India, This also urged industry and government to work together in order to develop suitable strategies to capture the market. The government has introduced NeGP. The plan of the Government of India is to make all government services available to the citizens of India via electronic media. The ultimate objective is to bring public services to the homes of citizens, as articulated in the vision statement of NeGP.

**"Make all government services accessible to the common man in his locality, through common service delivery outlets, and ensure efficiency, transparency, and reliability of such services at affordable costs to realize the basic needs of the common man"**

**Future outlook for the sector**

The IT industry accounts for a major share in the exports from India. The Indian IT-BPO sector, including the domestic and exports segments continue to grow from strength to strength, witnessing high levels of activity both onshore as well as offshore. This is expected to grow further in coming years. The information technology industry is one of the major sources of foreign currency or India. High inflow of foreign direct investment in the IT sector is expected to continue in coming years.



## Company overview

Vakrangee Softwares Limited (VSL) operates as system integrator for e-governance projects & ITES solutions provider. It caters to various sectors, including government, telecommunication, BFSI, utilities, transport & aviation, education, e-publishing, healthcare & life sciences and retail & others. The services and solutions offered by VSL include

1. **System integration:** VSL has partnered with the government of India since its first e-governance project and continued to be a leader in the e-governance systems integration domain. It has tie-ups with some of the world's leading hardware and software companies and has the management bandwidth, manpower, infrastructure and experience to meticulously manage massive mission critical projects within tight deadlines. The typical components of an e-governance project include:

- IT solution architecting and designing
- IT infrastructure implementation
- Software solution – design, development / procurement and implementation
- Digitization and database management
- Legacy system and data migration
- Training & education on new systems
- Operation and maintenance
- Site preparation & maintenance

Notable achievements in the e-governance systems integration domain include:

- Managed 100,000 + citizen centers for voter ID project in Maharashtra, Rajasthan, Gujarat, UP and issued millions of voter identification cards.
- Enrolled 2 million + BPL families across UP, Rajasthan and Haryana, and captured their biometric details using VSL's own infrastructure and issued smart cards over the counter.
- Reached 95 million people across 38475 gram panchayats of Uttar Pradesh and collected electoral roll data in three languages.
- VSL had dematerialized 20 million land deeds to introduce paperless digital record keeping across 168 Registrar of Deeds offices across the nation of Philippines.

2. **IT enabled services:** Capitalizing on its expertise in the IT domain along with its immense capabilities in on- field, on-site and offsite implementation, VSL provides companies and institutions with cost effective and quality services that enhance their bottom-line, while enabling them to focus on revenue generation activities.

Its ITeS capabilities include

- High speed digitization set up capable of digitizing and converting historical physical records into retrievable images and meta data.
- The fastest multi color variable data printing setup in Asia with printers having the capability to print a set of impressions per minute.
- Strong presence in people intensive implementations, such as verification, enrollment, onsite document creation etc.
- Capability to mobilize large numbers of people for complex offsite ITeS implementation projects.

Its ITeS service portfolio includes

- Customer interaction services, including call centers.
- Verification and validation
- Back office operations/revenue accounting, data entry, data conversion including finance and accounting and HR services.
- Content development/animation/engineering and design.

- Other services include remote education, data search, market research, network consultancy and management of IT enabled services.

It has tie-ups with leading global software and hardware companies, including Microsoft and Oracle.

3. **IT infrastructure services:** VSL through its structured, reliable, dependable, scalable and efficient IT Infrastructure management services help companies to reap maximum benefit out of its IT infrastructure.

Its infrastructure services address core issues of importance to companies, including life cycle services in

- Data centre management
- Desktop management
- Database administration
- Web operations
- IT service desk
- Application management solutions
- Managed security service
- Enterprise systems management etc

4. **Enterprise solutions:** VSL provides a single source solution that enable companies to sustain their profitability in rapidly changing and fiercely competitive environment by

- Improving security
- Enhancing scalability
- Reducing costs
- Ensuring portability across changing technologies

5. **Enterprise information management services:** VSL's enterprise information systems help enterprises to access, share, and use information in a timely manner so as to improve their performance. A well planned enterprise information management service enhances management's ability to respond proactively and beat the competition. Its key deliverables include

- Information management
- Portals and content management
- Business intelligence solutions
- Data management and architecture

**Recent recognitions, (06-Sep-2012):** VSL has been awarded 'CMMI Level 3' certificate by the United States based Carnegie Mellon Software Engineering Institute (SEI)

**Major new projects awarded to VSL in FY-13:**

1. Vakrangee Finserve Ltd (VFL), focused on end-to-end service delivery in the Financial Inclusion area, has been appointed as the Common Banking Correspondent (CBC) for all 27 banks operating in Maharashtra. SBI as the leader bank, on behalf of all these banks has floated the tender. VFL bagged it for a period of five years and can be extended, by another 2 year with mutual consent. VFL targets to achieve Rs980 crore in five years.
2. VSL has bagged Rajasthan Common Service Centers (CSC) project from the Department of Information Technology & Communication (DoIT&C), Government of Rajasthan. CSC is one of the mission mode projects under National e-Governance Plan (NeGP) of Government of India. Under the scope of the work, VSL shall design, deploy and operate 2571 CSCs in 14 districts of Rajasthan, along with portal, hardware and networking, to deliver all e-Governance services effectively and efficiently. The project duration is 5 years. VSL revenue target is approximately Rs750 crore from the project.
3. Vakrangee Finserve Ltd. has also won a bid to become "Common Banking Correspondent" for Gujarat.

**SWOT analysis**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• <b>Fully integrated services and economies of scale:</b> Integrated full services capability, global delivery footprint and scale of operations are the key strengths of VSL.</li> <li>• <b>Diversified operations:</b> VSL’s presence in BFSI, telecom, power utilities, retail, transport &amp; aviation, education, healthcare &amp; lifesciences and e-publishing adequately de-risks its operations</li> <li>• <b>Strategic alliances with leading IT companies and OEMs:</b> Tie-ups with leading IT companies and OEMs from India and abroad to be a bid partner in e-governance projects help VSL in meeting the rising eligibility norms.</li> <li>• <b>Untainted leadership:</b> VSL leadership in the e-governance domain with tenure of each systems integration project ranging between 5 to 7 years with a sustained pipeline of revenue adds to its key value proposition.</li> <li>• <b>Back-to-back supply agreements:</b> Back-to-back tie-ups with major suppliers to ease the risk of lengthening debtors’ cycle.</li> <li>• <b>Efficient management:</b> VSL’s management with its adequate experience in large scale mobilization of manpower across different geographies and access to a pool of talent has the bandwidth to recruit, train, deploy and manage distributed teams in a short notice.</li> <li>• <b>Capitalizing on emerging market trends:</b> Its relentless efforts in scanning the market environment and communicating with clients to identify emerging market trends at a nascent stage is the key for its success.</li> <li>• <b>Top-tier vendor in e-governance space:</b> VSL ensured its inclusion in the top tier vendor list invited for the largest and most complex bids in e-governance space.</li> <li>• <b>Information security:</b> VSL has security policy that complies with information security and data privacy laws, backed by rigorous processes and a robust infrastructure, which assures physical and virtual security.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>People centric:</b> The business of VSL is people-centric and any disturbance in its ability to attract and retain talent can impact demand fulfillment and eventually, revenue growth.</li> <li>• <b>Bidding in consortium:</b> Earlier, in its emerging stage, VSL used to bid for the projects in a consortium as it could not qualify as a prime bidder and had undertook many projects as a sub contractor to larger companies, which had negatively impacted its profit margins. Although, over a period, it qualified as a prime bidder and it now expects to become healthier from margins front.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• <b>Opportunities in ITes &amp; e-Governance sector:</b> E-governance initiatives by central and state governments offer many opportunities for VSL. In addition, to the direct allocation in Union Budget 2012-2013, there are various other opportunities in ITes &amp; e-Governance sector. The estimated value of all these projects, including direct and indirect allocation in union budget, state government projects, PPP projects and PSU projects, would be approximately US\$11 billion</li> <li>• <b>Private sector opportunities:</b> Regulatory requirements in the private sector are pushing telecommunication, insurance and financial services industries to newer efficiency levels in managing customer life cycle. Taking into account, the transactional volumes in these industries the domestic market for outsourcing of these services with an organized player is gaining momentum. VSL based on its large scale project experience is in the process of addressing this market segment aggressively.</li> <li>• <b>Foray into international markets:</b> Execution of the land record digitization project for the Government of Philippines may give a boost to provide such other services to the Philippines or to the government of other countries.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Changing policies:</b> Policies of government are subject to change, which could adversely impact VSL’s plans for growth.</li> <li>• <b>Threat of large players entry:</b> Threat of fierce competition is sensed from the entry of large players, which may impact the VSL’s business.</li> <li>• <b>Prolonged gestation period:</b> Debtor’s cycle may increase due to e-governance projects, which usually have a long gestation periods and furthermore, involvement of Government, where there are always possibilities of procedural delays for releasing the funds of the company.</li> <li>• <b>Demand compression / pricing pressure:</b> The businesses of VSL are highly dependent on the IT product and services. Newer models of IT products may lead to demand compression / pricing pressure in the obsolete existing models.</li> </ul>

## KARVY RESEARCH DESK – HNI &amp; RETAIL BROKING

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## Disclosures Appendix

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