

## RESULT UPDATE

### MID CAP

#### Share Data

Reuters code	TULP.BO
Bloomberg code	TTSLIN
Market cap. (US\$ mn)	524
6M avg. daily turnover (US\$ mn)	1.1
Issued shares (mn)	145
Target price (Rs)	212

#### Performance (%) 1M 3M 12M

Absolute	2	(1)	(10)
Relative	7	(5)	(16)

#### Valuation ratios\*

Yr to 31 Mar	FY12E	FY13E
EPS (Rs)	25.4	31.9
+/- (%)	20.0	25.9
PER (x)	6.4	5.1
PBV (x)	1.5	1.2
Dividend/Yield (%)	1.0	1.0
EV/Sales (x)	1.3	1.1
EV/EBITDA (x)	4.7	3.8

#### Major shareholders (%)

Promoters	69
FII's	18
MF's	2
Public & Others	11

#### Financial highlights\*

(Rs mn)	4QFY10	4QFY11	YoY (%)	3QFY11	QoQ (%)	FY11P	YoY (%)	FY12E	YoY (%)	FY13E	YoY (%)
Net sales	5,307	6,380	20.2	6,026	5.9	23,511	19.6	28,046	19.3	33,064	17.9
EBITDA	1,545	1,866	20.8	1,715	8.9	6,631	26.2	7,983	20.4	9,521	19.3
EBITDA margin (%)	29.1	29.3	-	28.5	-	28.2	-	28.5	-	28.8	-
Depreciation	(155)	(479)	208.1	(441)	8.5	(1,714)	26.7	(2,092)	22.0	(2,440)	16.7
Other income	(80)	(11)	(86.7)	11	(194.8)	1	(96.7)	40	3956.8	5	(87.5)
Interest	(185)	(267)	44.6	(212)	26.0	(853)	19.2	(1,030)	20.7	(913)	(11.4)
PBT	1,125	1,110	(1.3)	1,073	3.4	4,065	26.4	4,901	20.6	6,174	26.0
Tax	(467)	(283)	(39.3)	(257)	10.2	(1,001)	11.3	(1,225)	22.4	(1,547)	26.3
PAT	658	827	25.7	816	1.3	3,064	32.3	3,676	20.0	4,627	25.9
PAT margin (%)	12.4	13.0	-	13.5	-	13.0	-	13.1	-	14.0	-
Adjusted PAT	658	827	25.7	816	1.3	3,064	32.3	3,676	20.0	4,627	25.9
Adjusted PAT margin (%)	12.4	13.0	-	13.5	-	13.0	-	13.1	-	14.0	-
EPS (Rs)	4.5	5.7	25.7	5.6	1.3	21.1	32.3	25.4	20.0	31.9	25.9

## Tulip Telecom

Maintain Outperformer

Price: Rs 162

BSE Index: 18,336

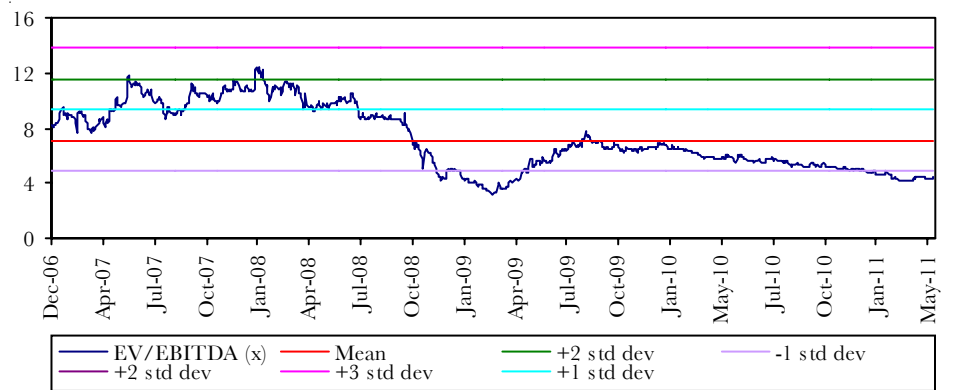
12 May 2011

### 4QFY11 Result – In line, focus on fiber bearing results

Top line grew by 5.9% QoQ to Rs 6.38 bn (B&K: Rs 6.42 bn) due to increase in connectivity and higher volume growth led by high bandwidth capable last mile fiber network. The share of order inflow on fiber to total order inflow stood at 80% in 4QFY11 versus 70% QoQ. EBITDA posted a sequential growth of 8.9% to Rs 1.87 bn (B&K: Rs 1.82 bn) with a margin improvement of 80 bps QoQ to 29.3% as increasing customer base on fiber led to economies on scale with the bulk purchase of bandwidth. Interest costs and depreciation came in higher than PAT at Rs 826.8 mn was slightly lower than our estimate (B&K: Rs 849.7 mn).

For FY11 EBITDA margins increased by 150 bps to 28.2% YoY, as the revenue share from Data Connectivity segment increased (versus network integration which is a low margin business). As more customers opted for connection on fiber, it brought in economies of scale (bandwidth procured by Tulip came in at a lower per unit cost). Tulip changed its accounting policy in 1QFY11, due to which all forex gains/loss arising on foreign funds raised to acquire fixed assets were adjusted to the fixed asset. Due to this, FY10 PAT was restated and reduced by Rs 438 mn helping it report a growth of 32.3% YoY. Had Tulip not opted for this change, PAT for FY11 would have been lower by Rs 23 mn implying a PAT growth of just ~10% YoY. Margins at EBITDA front continue to improve and this indicates that the management's effort of shifting product mix to data connectivity with emphasis on fiber is bearing fruits. We expect Tulip to post a healthy 19% plus CAGR in revenues with PAT CAGR of 23% as margins continue to increase with greater focus on fiber. Tulip's intention of being a major player in the managed services segment is clear with its acquisition of world's third largest single data center (0.9 mn sq ft) in Bengaluru. As per the management, this data center would generate Rs 10 bn of revenues with 50% EBITDA margins, at its peak capacity utilisation (expected in the fourth year of operations). We have not yet factored the data center business in our financials and will do so shortly in our following report on Tulip. Maintain Outperformer.

One-year forward EV/EBITDA



Source: B&K Research

**Income Statement\***

Yr end 31 Mar (Rs mn)	FY10	FY11P	FY12E	FY13E
<b>Net sales</b>	<b>19,664</b>	<b>23,511</b>	<b>28,046</b>	<b>33,064</b>
<i>Growth (%)</i>	<i>21.8</i>	<i>19.6</i>	<i>19.3</i>	<i>17.9</i>
Operating expenses	(14,409)	(16,880)	(20,063)	(23,542)
Operating profit	5,255	6,631	7,983	9,521
<b>EBITDA</b>	<b>5,255</b>	<b>6,631</b>	<b>7,983</b>	<b>9,521</b>
<i>Growth (%)</i>	<i>56.1</i>	<i>26.2</i>	<i>20.4</i>	<i>19.3</i>
Depreciation	(1,353)	(1,714)	(2,092)	(2,440)
Other income	30	1	40	5
<b>EBIT</b>	<b>3,932</b>	<b>4,918</b>	<b>5,931</b>	<b>7,086</b>
Interest paid	(716)	(853)	(1,030)	(913)
Pre-tax profit	3,216	4,065	4,901	6,174
(before non-recurring)				
Pre-tax profit	3,216	4,065	4,901	6,174
(after non-recurring)				
Tax (current + deferred)	(899)	(1,001)	(1,225)	(1,547)
Net profit (before Minority Interest, Pref. Dividend, etc.)	2,316	3,064	3,676	4,627
<b>Reported PAT</b>	<b>2,316</b>	<b>3,064</b>	<b>3,676</b>	<b>4,627</b>
<b>Adjusted net profit</b>	<b>2,316</b>	<b>3,064</b>	<b>3,676</b>	<b>4,627</b>
<i>Growth (%)</i>	<i>(7.3)</i>	<i>32.3</i>	<i>20.0</i>	<i>25.9</i>

**Balance Sheet\***

Yr end 31 Mar (Rs mn)	FY10	FY11P	FY12E	FY13E
Cash and Marketable sec.	3,470	2,500	1,500	1,000
Other current assets	7,567	9,321	9,290	10,494
Investments	–	3,700	3,700	3,700
Net fixed assets	13,297	16,083	17,991	19,551
<b>Total assets</b>	<b>24,334</b>	<b>31,603</b>	<b>32,481</b>	<b>34,744</b>
Current liabilities	2,838	2,343	2,343	2,344
Total debt	12,191	17,190	14,663	12,570
Other non-current liabilities	29	–	–	–
<b>Total liabilities</b>	<b>15,059</b>	<b>19,533</b>	<b>17,006</b>	<b>14,913</b>
Share capital	290	290	290	290
Reserves & surplus	8,989	11,782	15,186	19,541
Less: Misc. expenditure	(4)	(1)	(1)	–
<b>Shareholders' funds</b>	<b>9,275</b>	<b>12,071</b>	<b>15,475</b>	<b>19,831</b>
<b>Total equity &amp; liab.</b>	<b>24,334</b>	<b>31,603</b>	<b>32,481</b>	<b>34,744</b>
<b>Capital employed</b>	<b>21,495</b>	<b>29,261</b>	<b>30,139</b>	<b>32,401</b>

**Cash Flow Statement\***

Yr end 31 Mar (Rs mn)	FY10	FY11P	FY12E	FY13E
Pre-tax profit	3,216	4,065	4,901	6,174
Depreciation	1,353	1,714	2,092	2,440
Change in working capital	(2,297)	(2,250)	30	(1,202)
Total tax paid	(879)	(1,030)	(1,225)	(1,547)
<b>Cash flow from oper. (a)</b>	<b>1,392</b>	<b>2,499</b>	<b>5,798</b>	<b>5,864</b>
Capital expenditure	(2,501)	(4,500)	(4,000)	(4,000)
Change in investments	(0)	(3,700)	0	0
Others	0	3	0	1
<b>Cash flow from inv. (b)</b>	<b>(2,501)</b>	<b>(8,197)</b>	<b>(4,000)</b>	<b>(3,999)</b>
<b>Free cash flow (a+b)</b>	<b>(1,109)</b>	<b>(5,698)</b>	<b>1,798</b>	<b>1,865</b>
Equity raised/(repaid)	(12)	0	0	0
Debt raised/(repaid)	966	4,999	(2,527)	(2,094)
Dividend (incl. tax)	(136)	(271)	(271)	(271)
Others	(480)	0	0	0
<b>Cash flow from fin. (c)</b>	<b>339</b>	<b>4,728</b>	<b>(2,798)</b>	<b>(2,365)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(770)</b>	<b>(971)</b>	<b>(1,001)</b>	<b>(500)</b>

**Key Ratios\***

Yr end 31 Mar (%)	FY10	FY11P	FY12E	FY13E
Adjusted EPS (Rs)	16.0	21.1	25.4	31.9
Growth	(7.3)	32.3	20.0	25.9
Book NAV/share (Rs)	64.0	83.2	106.7	136.8
Dividend/share (Rs)	0.0	1.6	1.6	1.6
Dividend payout ratio	0.0	8.9	7.4	5.9
Tax	28.0	24.6	25.0	25.1
EBITDA margin	26.7	28.2	28.5	28.8
EBIT margin	20.0	20.9	21.1	21.4
RoCE	20.0	19.4	20.0	22.7
Net debt/Equity	94.0	121.7	85.1	58.3

**Valuations\***

Yr end 31 Mar (x)	FY10	FY11P	FY12E	FY13E
PER	10.2	7.7	6.4	5.1
PCE	6.4	4.9	4.1	3.3
Price/Book	2.5	2.0	1.5	1.2
Yield (%)	0.0	1.0	1.0	1.0
EV/Net sales	1.6	1.5	1.3	1.1
EV/EBITDA	6.1	5.3	4.7	3.8

**Du Pont Analysis – ROE\***

Yr end 31 Mar (x)	FY10	FY11P	FY12E	FY13E
Net margin (%)	11.8	13.0	13.1	14.0
Asset turnover	0.9	0.8	0.9	1.0
Leverage factor	2.8	2.6	2.3	1.9
Return on equity (%)	29.0	28.7	26.7	26.2

\*Our estimates does not include financial from data center.

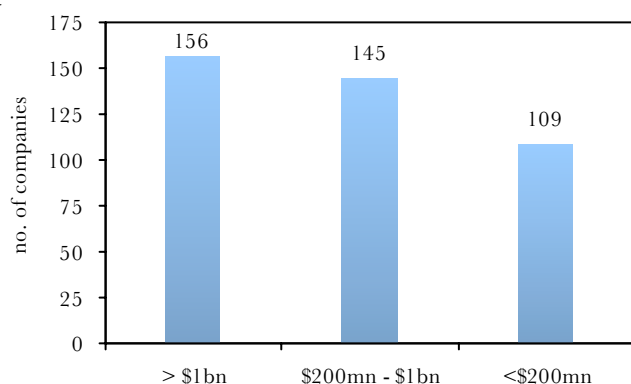
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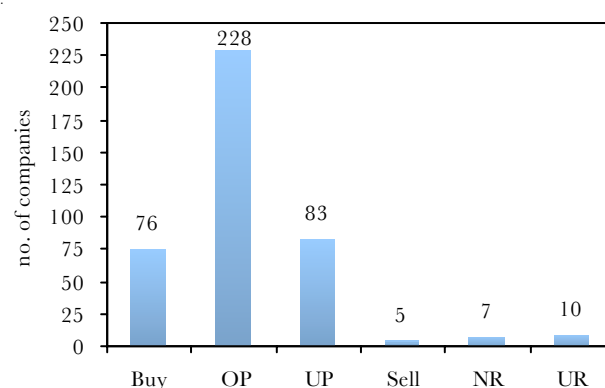
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## B&amp;K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



**B&K Securities is the trading name of Batlivala & Karani Securities India Pvt. Ltd.**

**B&K Investment Ratings:**

1. **BUY:** Potential upside of > +25% (absolute returns)
2. **OUTPERFORMER:** 0 to +25%
3. **UNDERPERFORMER:** 0 to -25%
4. **SELL:** Potential downside of < -25% (absolute returns)

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