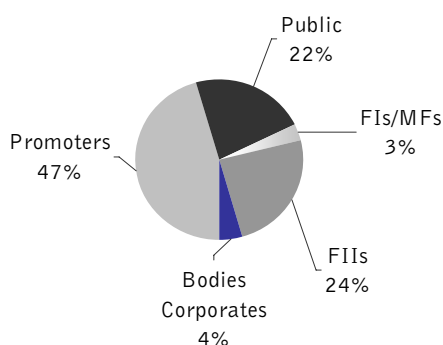
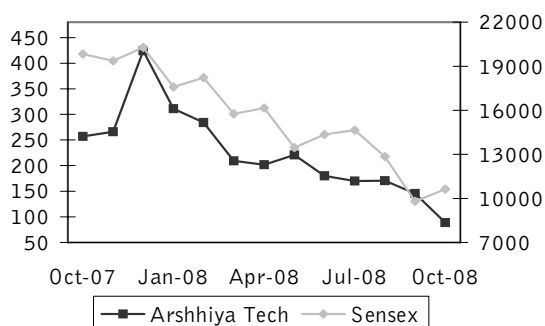


CMP Rs 99
BUY
Target Rs 342

Sensex	10631
Nifty	3142
BSE Code	506074
NSE Code	-
Bloomberg Code	ARST IN
Reuters Code	ARTC.BO
Out Standing Eq (No.of Shares)	58.75 mn
Mkt Cap	Rs.5816 mn
52 wk Hi / Low	Rs.424 / 71
Avg Daily Vol(Wkly)	6024
Face Value	Rs.2

Share Holding Pattern

Stock Performance (%)

	3Mths	6Mths	1Year
Absolute	-42	-55	-60
Relative	-15	-16	-14

Price Movements


Arshiya International has reported a consolidated revenue of Rs 1.46 bn in Q2FY09, up by 63% on yoy basis and 4% on qoq basis. EBIDTA margins were higher by 186 bps in Q2FY09 on yoy basis due to increase in value added services which provides end to end logistics. Arshiya is on schedule to implement the first phase of the (FTWZ & rail operations) project. Management has guided for deployment of 14 rakes on domestic routes by FY09. We like the business model of Arshiya as it is rightly captured with its various tie-ups and acquisition (BDP, Genco & Cyberlog) to address the growing logistic business. We remain positive on the stock with a BUY recommendation.

Consolidated Revenue Highlights

- Arshiya International's revenue grew by 63% on yoy basis in Q2FY09 to Rs 1.46 bn led by growth across all the business segments. In Q2FY09, Arshiya added 33 new clients across India & Middle East (M.E.).
- Revenues in integrated IT supply chain solutions has shown a decline on qoq basis. As per management, Cyberlog has expanded its IT services with new support technologies.
- On consolidated level, EBIDTA margins increased by 186 bps in Q2FY09 on yoy basis to 14.3% as Arshiya has expanded its value added services to its clients.
- Depreciation decreased by 57% on yoy basis in Q2FY09 to Rs 5 mn mainly due to product development expenses written off for Cyberlog.
- Arshiya has reported 133% growth in net profit after minority interest on yoy basis to Rs 192 mn.

Particulars	Financial Snapshot (Rs.in Mn)			
	FY07(A)	FY08(A)	FY09(E)	FY10(E)
Net Sales	1865	2873	6336	12199
EBIDTA	226	415	830	2367
EBIDTA(%)	12.1	12.9	13.1	19.4
PAT	161	394	573	1236
PAT(%)	8.7	11.4	9.0	10.1
EPS (Rs.)	3.7	6.7	9.8	21.0
ROCE(%)	18.9	10.7	6.1	13.0
ROE(%)	16.8	9.0	10.0	17.9
P/Ex	26.8	12.4	10.2	4.7
EV/EBIDTAx	23.6	9.4	14.5	6.9

Source : Company, India Capital Markets Research

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First rake scheduled by Nov '08

Arshiya is on schedule to receive its 1st rake by November 2008 for its rail container operations. The rake would be deployed from December '08 onwards & by March 2009 company will have 14 rakes for its pan India operations. Management has guided that their main focus will be the domestic route between East – West and East – Northern parts of India. Arshiya will develop railway sidings at Jeetay (near JNPT), Khurja (near Delhi) & Nagpur. The company has earmarked Rs 7 bn for Phase I of the project which consists of 30 rakes & 3 railway sidings.

Status of FTWZ

Arshiya has completed the FTWZ land acquisition process in Northern & JNPT region. The company has not received final approval from BOA but it is expected in next few months. Management maintained to initiate operations at FTWZ, as scheduled i.e Q1FY10.

Management has indicated delay in land acquisition for FTWZ at Sohar in Oman due to delay from Government authorities.

Outlook & Valuations

In our view, Arshiya's scale of operations & increasing its asset base can provide competitive advantages, both in terms of services reliability and cost. FTWZs & rail container operations will improve the visibility of the business. We have a concern with a decline in EXIM trade and increasing global growth uncertainty that may challenge our estimates. We maintain our earnings estimates and expect Arshiya to report consolidated revenues of Rs 6.33 bn in FY09E & Rs 12.19 bn in FY10E. At current market price, stock is trading at 10.2x FY09E and 4.7x FY10E earnings. We remain positive on the stock with a target price of Rs 342.

(Rs in mn)								
Result Analysis						H1	H1	
Consolidated	Q2FY09	Q2FY08	YoY %	Q1FY09	Q-o-Q %	FY09	FY08	Y-o-Y %
Net Sales	1465	896	63	1402	4	2873	1679	71
Total Expenses	1255	784	60	1200	5	2458	1483	66
EBIDTA	210	112	88	202	4	415	196	112
<i>EBIDTA %</i>	<i>14.33</i>	<i>12.47</i>		<i>14.4</i>		<i>14.5</i>	<i>11.7</i>	
Other Income	26	2	1502	43	-41	73	7	890
Depreciation	5	11	-57	4	15	9	20	-55
EBIT	231	102	126	241	-4	480	183	162
Interest	2	2	12	1	53	3	3	6
PBT	229	101	127	240	-5	476	180	164
Tax	37	17	112	44	-17	83	30	181
<i>Tax rate</i>	<i>16.1</i>	<i>17.3</i>		<i>18.4</i>		<i>17.4</i>	<i>16.4</i>	
PAT	192	83	131	196	-2	394	151	161
Minority Int	0	-1		1		1	-2	
Extraordinary items	0	2		0		0	2	
Adj PAT	192	82	133	195	-2	393	151	160
EPS	3.27	1.88	74	3.42	-5	6.70	3.45	94
Equity Shares (in mn)	58.75	43.70		57.00		58.75	43.70	

Source: Company

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