

Vishal Information Technologies Ltd.

IPO Note

Avoid

IPO Statistics

Issue Open On	21 st July 2008
Issue Close On	24 th July 2008
Price Band	Rs 140-150 Per Share
Face Value	Rs 10 Per Share
Bid Lot	40 Equity Shares
Issue Size	27,90,000 Eq Shares
Offer For Sale	10,00,000 Eq Shares
Fresh Issue	17,90,000 Eq Shares
Pre Issue Eq Capital	Rs 88.90 Million
Post Issue Eq Capital	Rs 106.80 Million

Shareholding Pattern (%)

	Pre Issue	Post Issue
Promoter & Group	51.51	42.88
Non Promoter Holding	48.49	57.13

Other Specifics

Lead Manager	Keynote Services Ltd ,IDBI Capital Market Services Ltd
Registrar	Intime Spectrum Registry Ltd

Objects of Issue:

Financing the cost of expansion of facilities in Chennai: Presently Company operates from leased facilities in Chennai and Mumbai with approximately 475 workstations. Company proposes to buy an office space of approximately 15,000 sq. ft. at Special Economic Zone (SEZ) in Chennai at an approximate cost of Rs. 1237.50 lacs.

Setting up of Quality Assurance Center and marketing office in Mumbai: As a part of the expansion plans company propose to set up its Quality Centers and Marketing offices in Mumbai. Company is exploring commercial areas around its existing premises and would be investing in a workspace of approximately 5,000 sq. ft. area at an approximate cost of Rs.440 lacs.

Investment in subsidiaries in United Kingdom and United States of America: Company's offshore presence in the form of a subsidiary would enable its participation in the bidding process more active and fruitful.

Business Overview

VITL was incorporated on May 2nd, 1994 and is one among the first few companies to venture in the field of ITES/BPO services. VITL is a subsidiary of Tutis Information Technologies Ltd. Company has expertise in the areas of data digitization, E-publishing, digital library, E-accounting and fund accounting. Company covers almost all the range in IT enabled services other than voice call center. Company specializes in the production of large print files specially aimed for the visually impaired. Basiz is a subsidiary of VITL in which Company hold 86.92% of shares and was incorporated on 17th January 2006 and has its registered office in Chennai. Basiz is a sub fund accounting and administration KPO, that primarily focuses on servicing Hedge funds, Mutual funds, Private Equity, Family offices, Insurance portfolios and managed accounts.

Investment Rationale

- Company provides services and customized solutions in the areas of data-digitization, E-publishing, Eaccounting and digital library. Company utilizes its understanding of specific requirements of its clients and implements end-to-end solutions to meet their specific requirements. Company gives its clients options to choose from to achieve higher levels of efficiency and cost reduction.
- Company is one of the pioneers for the concept called "Digital Library for Visually Impaired & Blind" This concept was promoted though a UK based institution who promotes the causes and challenges of Visually Impaired & Blind.
- Company has developed deep understanding and specialization in services that it provides to its customers. This deep domain knowledge has helped company to reduce the time taken for each activity, costs involved in implementation of the solution, pricing and time management.
- Company has an experienced, qualified and dedicated management team; many of them have over 2 decades of experience in their respective fields. Company's Intimeof the market in India will enable company to continue to take advantage of both current and future market opportunities.

Consolidated Annual Results

Rs (Millions)

Particulars	Mar'04	Mar'05	Mar'06	Mar'07	Mar'08
Total Income	138.82	208.23	256.43	314.41	408.72
Growth (%)	-	50.00	23.14	22.61	30.00
Total Expenditure	88.43	136.84	166.99	202.89	260.05
EBIDTA	50.39	71.40	89.44	111.52	148.67
Growth (%)	-	41.69	25.27	24.69	33.32
EBIDTA Margin	36.30	34.29	34.88	35.47	36.38
Other Income	0.11	0.00	0.00	0.00	0.15
Depreciation	5.21	6.14	6.29	7.59	7.21
EBIT	45.29	65.25	83.15	103.93	141.61
Interest	1.35	1.49	0.97	0.52	0.76
PBT	43.94	63.77	82.19	103.40	140.85
Tax	1.851	0.00	0.00	1.29	17.23
Adjusted PAT	42.09	63.77	82.19	102.12	123.62
Growth%	---	51.49	28.89	24.25	21.05
Adjusted NPM	30.32	30.62	32.05	32.48	30.25
Reported PAT	42.09	63.77	82.19	102.12	123.62
Equity Capital	50.00	85.80	85.80	88.04	91.14
Net Worth	102.26	185.19	268.54	374.65	537.37
Equity Shares	5.00	8.58	8.58	8.80	9.11
EPS	8.42	7.43	9.58	11.60	13.56
Book Value	20.45	21.58	31.30	42.55	58.96
ROCE (%)	38.6	33.0	30.4	27.6	26.1
ROE (%)	41.16	34.43	30.61	27.26	23.00

Concerns

- Company currently derives a substantial portion of its income from limited number of (15) clients. Company's three largest clients; UK client contributed 21%, European client contributed 19% and American client contributed for 16% of the income for the year ended March 2008. The loss or financial difficulties of any of its significant clients, or significant decreases in the volumes of work from its clients, would have a material adverse effect on company's business, results of operations, financial condition and cash flows.
- Company operates in a highly competitive environment and if company is not able to compete effectively, its income and profitability will be adversely affected.

Valuation

Company Name	Sales-FY'08	PAT-FY'08	Capital	EPS	Book Value	P/E	Closing Price-14/07/2008
CSS Technergy Ltd	26.62	4.26	5.47	7.86	30.32	3.83	30.10
FCS Software Solutions	97.65	32.70	14.43	22.67	83.15	3.49	79.00
Tera Software	59.31	12.23	12.51	9.93	37.57	4.13	41.00
Tricom India Ltd	42.40	16.22	11.66	13.92	56.90	9.05	126.00
Vishal Information	40.87	12.36	9.11	13.56	58.96	----	----

 Basis: PROWESS Database as on 14th July 2008

The company at price band of Rs 150-140 will have p/e multiple of 13.23-12.35 at post issue eps of Rs 11.34 (Basis PAT FY08) The company's sales, operating profit and profit after tax has shown CAGR of 31% from FY'04 to FY'08. The company has shown strong performance on financial basis but on the relative valuation basis, the issue looks overpriced at present level.

Hence we recommend the investor to avoid the issue.