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AVOID THE MF REDEMPTION RUSH pg 48

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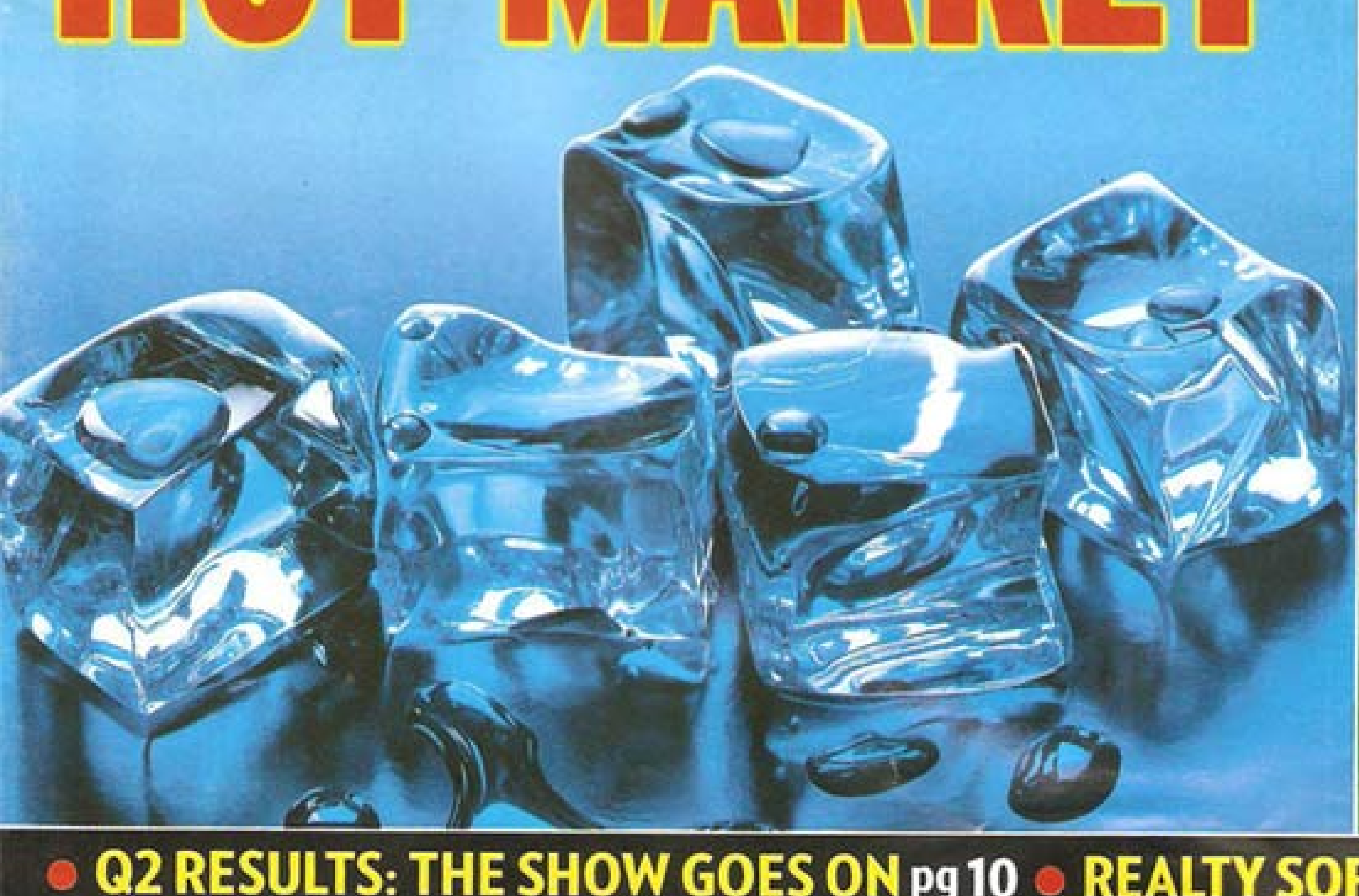
ADVISORS ARE CIRCUMVENTING THE TOUGH NEW RULES. WATCH OUT!



• Q2 RESULTS: THE SHOW GOES ON pg 10 • REALTY SOFTWARE pg 57 to its clients across several domains and geographies. IT services is categorised under verticals such as infrastructure management services, remote management services, networking and communication solutions, and enterprise consulting solutions, among others. In Q1FY11, around 70 per cent of revenue was generated domestically whereas 30 per cent came from exports to geographies such as the US and Australia.

The services provided by ADS are similar to other IT companies, but it has managed to deliver superior growth rates. Between FY07 and FY10, the total income has increased over fourfold from ₹156 crore to ₹697 crore, or a CAGR of 64.71 per cent. The bottomline increased at a similar pace. In FY09, when volume growth of the overall IT industry was low, ADS managed a topline growth of 26 per cent. A higher growth in profit of 38 per cent indicate that unlike other IT companies, it was not impacted much by pricing pressure in the downturn. One reason that allowed it to grow was that it took the inorganic route to growth, which was reflected in high growth figures on the consolidated income statement. But even if performance of the subsidiaries is ignored, in FY10 the company reported 32.30 per cent and 78 per cent growth in total income and profit, respectively. Company's focus on domestic market, which is 70 per cent of the revenue, was the major reason for it to sail safely through recession in the developed nations.

In the coming quarters, the company is expected to report high growth. In post Q1FY11 analysts' conference call, the management has said the order book is to the tune of ₹565 crore, which is over two quarters of total revenue. The margin, which improved in the past few quarters, is expected to improve further, as the company focuses more on high-margin value added services to its customers. At the end of Q1FY11, the company had a cash balance of ₹180 crore, and that helped it in taking inorganic routes to growth. With its annualised earnings-per-share for FY 11 is estimated at ₹28 and price of its share of ₹224.40, the stock certainly looks undervalued at a price-earnings multiple of eight.