

Sasken—Preparing for the future

CMP: Rs.102
Target Price: Not Rated
Recommendation: Not Rated

Stock Info

BSE Group	B
BSE Code	532663
NSE Symbol	SASKEN
Bloomberg	SACT IN
Reuters	SKCT.BO
BSE Sensex	16512
NSE Nifty	4947

Market Info

Market Capital	Rs.281.0cr
Equity Capital	Rs.25.7cr
Avg. Trading Vol.	30811 (Qtly.)
52 Wk High/ Low	237/95.1
Face Value	Rs.10

Shareholding Pattern (%) (30th Jun. 2011)

Promoters	29.7
Domestic Institutions	9.8
Foreign Institutions	10.4
Non Promoters Corp.	9.7
Public & Others	40.4
Govt. Holdings	-

Key Highlights:

We recently met with the management of Sasken Communication Technologies Ltd. to understand their business and their future prospects. A brief summary of our discussion is given below:

■ **About the company:** Established in 1989 by Mr.Rajiv C Mody who is currently its Chairman and CEO, Sasken has come a long way in establishing itself as a major technology and solution provider to Tier 1 customers across the telecom value chain in the last two decades. Mr.Mody had previously worked with corporations like AMD, Seattle Tech., and VLSI Technology Inc. prior to founding Sasken. He has also served as an Executive Council Member of NASSCOM (2001-2008). He was awarded the 'Technovator of the Year 2007' by Voice and Data—a leading technology publication. Sasken currently employs more than 3500 people and operates from state-of-the-art R&D centres in Bangalore, Pune, Chennai and Hyderabad in India, and 3 other centres in Finland. Sasken is also present in China, Japan, UK, US and South Korea.

■ **Business of the company:** Sasken is an embedded communication solutions company. It basically helps businesses across the communication value chain to accelerate their product development life cycles and speed up their product launch. Its service offerings include a combination of research and development consultancy, wireless software products and software services. In the device side of our business, the rapid emergence of a whole lot of new devices like handsets, tablets, modems and set-top boxes and other device types has brought about a slew of opportunities for Sasken. The growth of the 'Smartphone market' led by Open Source software platforms e.g. Android from Google has provided Sasken with new vistas for growth.

Sasken has taken a lead in providing support to OEMs and semiconductor vendors by timely investments in building Android related competencies and by its unique ability to understand the needs of the entire eco system involved in building Smartphones and other devices. In the Automotive and Consumer Electronics segment, Sasken is building on the IP acquired from Ingenient and other existing customer relations.

■ **Recent worries:** Recently, a major shift in strategy of one of their prime customer has resulted in loss of revenue for the company and is also expected to impact its European revenue in the coming years. However, though total revenue from it has decreased, Sasken continues to engage with that customer and believes that it has other value proposition to offer to them and so going ahead they expect revenue to again reach its previous levels.

■ **Healthy cash levels:** Currently, Sasken has cash and cash equivalent of Rs.165cr. It also has property worth ~Rs.260cr. The company recently has done a buyback of Rs.34.4cr at prices ranging from Rs.192-149, and considering the low price the management has indicated that it may go for another round of buyback in the near future.

■ **Outlook & Valuations:** The Sasken stock is currently trading at a very low PE of 3.8x compared to its peers. We believe that considering Sasken's expertise in the fast upcoming Android and other Smartphone platforms, it looks well placed to take a big leap forward in the Smartphone R&D market. Though, on an immediate basis it may face pressure due to client-related issue. Therefore, we believe that investor with a longer horizon may take position in the stock.

Financials:

Y/E March, (Rs.in Cr)	FY09	FY10	FY11
Net Revenue	697.8	574.2	546.4
Growth %	22.4	(17.7)	(4.8)
Net Profit	51.6	75.5	72.9
Growth %	31.5	46.3	(3.4)
EPS	15.2	27.9	26.9
P/E(x)	6.7	3.7	3.8

Source: Arihant Research

13th September, 2011

Latest Quarterly results

Y/E March (Rs.in cr)	Q1FY12	Q1FY11	YoY %chg.	Q4FY11	QoQ%chg.
Net Sales	130.02	145.76	-10.8%	128.47	1.2%
Other Income	3.1	8.56	-63.8%	3.34	-7.2%
Total Income	133.12	154.32	-13.7%	131.81	1.0%
Total Expenditure	113.87	117.59	-3.2%	111.34	2.3%
PBIDT	19.25	36.73	-47.6%	20.47	-6.0%
Interest	0.17	0.38	-55.3%	0.18	-5.6%
PBDT	19.08	36.35	-47.5%	20.29	-6.0%
Depreciation	5.33	9.82	-45.7%	5.46	-2.4%
Tax	3.05	3.48	-12.4%	-3.95	-177.2%
Reported Profit After Tax	10.7	23.05	-53.6%	18.78	-43.0%
Net Profit after Min. Int.	10.7	23.05	-53.6%	18.78	-43.0%
Extra-ordinary Items	0.44	0.01	4300.0%	0	0.0%
Profit After Extra-ordinary item	10.26	23.04	-55.5%	18.78	-45.4%
EPS	4.16	8.45	-50.8%	7.17	-42.0%

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Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
REDUCE	<5

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