

### Logix Microsystems Ltd. - Q3FY09 Results Update

Price: Rs67.15

Market Cap: Rs82Cr (\$17mn)

January 13, 2009

52 week high / low: 324 / 41

Rating: **Neutral**

Target Price: Under review

We had initiated coverage on Logix Microsystems Ltd. (LML) on November 4, 2008 at Rs55.65, with a Buy rating and a target price of Rs110.

#### Price performance post recommendation

Report Date	Price Rs	Target Price Rs	High after last report	Low after last report	Current Price Rs	Returns
04-11-2008	55.65	110.00	87.65	40.55	67.15	20.7%

#### Change in Recommendation: **Neutral**

- The company reported a lacklustre performance in Q3FY09, due to ongoing US auto slowdown.
- Certain cost cutting measures like reduction in employee costs helped improved EBITDA margin. However, in our view there is a limit to margin improvement via cost cutting.
- Sales growth would be the main concern, going forward.
- We change our recommendation from **Buy** to **Neutral**. We are also putting our earlier earnings estimates and target price under review.

#### Q3FY09 Results Highlights

(RsCr)

	Q3FY08	Q2FY09	Q3FY09	Change (q-o-q)	Change (y-o-y)
<b>Net Sales</b>	<b>12.03</b>	<b>12.49</b>	<b>12.86</b>	<b>2.9%</b>	<b>6.9%</b>
<b>Expenditure</b>					
Employee Cost	5.18	6.46	5.70	-11.8%	10.0%
Other Expenditure	4.21	3.41	4.44	30.0%	5.4%
<b>Total Expenditure</b>	<b>9.39</b>	<b>9.88</b>	<b>10.14</b>	<b>2.6%</b>	<b>7.9%</b>
<b>EBITDA</b>	<b>2.63</b>	<b>2.61</b>	<b>2.72</b>	<b>4.1%</b>	<b>3.4%</b>
Other Income	2.36	1.39	1.00	-28.0%	-57.7%
Interest	0.18	0.28	0.18	-35.0%	-0.3%
<b>PBDT</b>	<b>4.81</b>	<b>3.72</b>	<b>3.54</b>	<b>-4.9%</b>	<b>-26.4%</b>
Depreciation	0.37	0.63	0.58	-8.5%	55.9%
<b>Profit Before Tax</b>	<b>4.44</b>	<b>3.09</b>	<b>2.96</b>	<b>-4.2%</b>	<b>-33.3%</b>
Tax	0.02	0.02	0.01	-50.0%	-58.2%
<b>Profit After Tax</b>	<b>4.42</b>	<b>3.07</b>	<b>2.95</b>	<b>-3.9%</b>	<b>-33.2%</b>
Extra-ordinary Items	1.35	0.00	0.53	-	-
<b>Adjusted Profit After Tax</b>	<b>3.07</b>	<b>3.07</b>	<b>2.43</b>	<b>-21.0%</b>	<b>-21.0%</b>
<b>EBITDA margin</b>	<b>21.9%</b>	<b>20.9%</b>	<b>21.2%</b>	<b>0.2%</b>	<b>-0.7%</b>
<b>EPS (Rs)</b>	<b>2.51</b>	<b>2.51</b>	<b>1.98</b>	<b>-21.0%</b>	<b>-21.0%</b>
<b>Paid-up Equity Cap</b>	<b>12.25</b>	<b>12.25</b>	<b>12.25</b>	-	-

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### Highlights

- Flat revenue growth of 2.9% on q-o-q basis and 6.9% on y-o-y basis in Q3FY09. The company added 78 clients in the quarter.
- EBITDA margin grew by 0.2% on q-o-q basis due to steep decline in the employee costs by 11.8%.
- Increase in depreciation, reduction in other income and heavy provisioning pulled the net profit down. Net profit declined by 21% on q-o-q as well as y-o-y. The company has made a provision for doubtful debts of Rs0.98Cr and written off one-time acquisition cost of Rs0.63Cr.
- The provision for doubtful debts is on account of payments which may not be collected from the customers who have shut down operations due to drastic fall in automobile sales in the US.

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