FOUR SOFT LIMITED

Investor Note- H1FY12 review

Four Soft Limited (Ticker: Foursoft(NSE), 532521 (BSE)), a company listed in the premier stock exchanges of India, an Enterprise solution company providing innovative software products and provides IT consultancy services for Transportation, Logistics and supply chain industry.

Highlights –Q2FY12

- ***Revenue up by 7%***
- ***EBITDA up by 90%***
- ***PBT up by 186%***
- ***Bagged deals in various products in different geographies***
- ***Breakthrough in SaaS offerings***

Strong Performance Indicators

Q2 FY12 Vs Q2FY11			H1 FY12 Vs H1FY11		
Sales	7%	↑	Sales	5%	↑
EBITDA	90%	↑	EBITDA	26%	↑
PBT	186%	↑	PBT	28%	↑

Rs.in lakhs

	Three months ended			Six months ended		
	30.09.2011	30.09.2010	% variance	30.09.2011	30.09.2010	% variance
Revenue	3,052	2,850	7%	6,051	5,790	5%
Other Income	13	9	36%	70	50	39%
Total Income	**3,065**	**2,860**	**7%**	**6,121**	**5,840**	**5%**
Personnel Cost	2,079	1,903	9%	4,102	3,833	7%
SGA	733	824	-11%	1,413	1,527	-7%
EBITDA	**252**	**133**	**90%**	**606**	**480**	**26%**
EBITDA % on Rev	**8%**	**5%**		**10%**	**8%**	
Depreciation	44	43	1%	82	86	-4%
Finance Cost	59	37	58%	113	73	55%
PBT	**150**	**52**	**186%**	**411**	**321**	**28%**
PBT % on Rev	**5%**	**2%**		**7%**	**6%**	
Tax	80	-11	-851%	180	-12	-1607%
PAT	**69**	**63**	**10%**	**231**	**333**	**-31%**
PAT % on Rev	**2%**	**2%**		**4%**	**6%**	

Top ten customers

	Q2FY11-12	Q2FY10-11
CEVA	20%	10%
DHL	12%	17%
Global 3PL p	9%	10%
Schenker	8%	7%
Geodis Wils	5%	7%
Danske	3%	1%
Kuehne Nag	2%	2%
Client 8	2%	3%
GKN	2%	1%
Hitachi	1%	0%
	63%	**58%**

Financial updates

Revenue

In the consolidated H1 results, the company achieved revenues of Rs.6,051 lakhs as compared to Rs.5,790 lakhs in the corresponding previous year.

For Q2FY12, the revenues were Rs.3,052 lakhs, a 7% growth compared to revenues of Rs.2,850 lakhs in Q2FY11.The revenue growth was a result of:

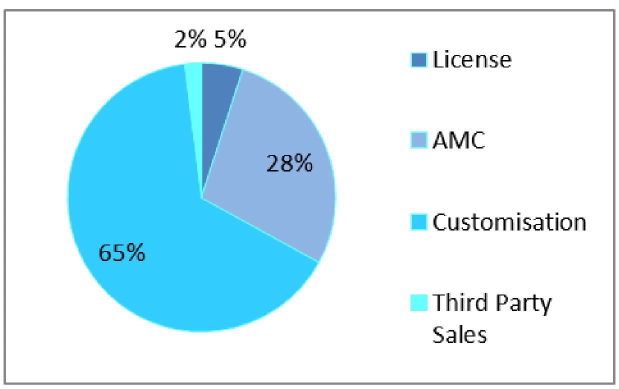
- New customer wins and additional orders from key existing customers (License Sales)
- key service offerings —SaaS and BPO
- Efficient account management leading to increased customization revenues from the existing customers

EBITDA and PBT Margin

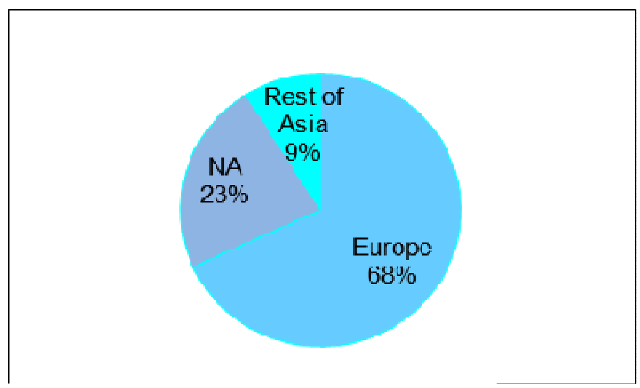
The EBITDA and PBT for Q2FY12 increased by 90% and 186% respectively compared to corresponding period last year, owing to

- Sale of licenses to new as well as existing customers
- Improved operational/delivery efficiency
- Reduction in SG&A costs.

Revenue-mix (Q2 FY12)



Revenue by geography (Q2FY12)



Personnel cost

The payroll cost went up by 8.5% in Q2FY12 as compared to Q2FY11 owing to

- Increased headcount in Q2FY12 from 515 to 648. The Indian team has been strengthened from [402] to [584] whereas the international team size has been reduced from [113] to [64].
- Blended annual salary hike of 8.5%

Selling and General Administration expense

The SGA expenses have reduced by 11% in Q2FY12 as compared to corresponding quarter last year due to cost reduction measures taken by the company, particularly in major expenses like travelling.

The company is also in the process of consolidating global facilities which would have a considerable impact on the cost in the coming quarters.

Depreciation

The company uses WDV method for providing depreciation. In the current quarter no major capital expenditure and hence no major change in depreciation amount.

Finance Cost

The finance cost increased by 58% in Q2FY12 as compared to the finance cost of previous quarter last year due to increase in the term loan and OD utilization.

The company has a term loan of Rs.2,693Lakhs as on 30th Sep 2011.

Tax

The Tax amount has increased by 851% in Q2FY12 .The reason being change in transfer pricing model and also increase in revenue from legacy applications

Accounts Receivable and Cash position

The Accounts receivable as at 30th Sep 2011 was 1,875lakhs.The improved collection mechanism/process has enabled decrease of DSO from 55days to 45days.

The cash and cash equivalents as on 30th Sep 2011 was Rs.9,52Lakhs.

Business Development

During H1 FY12, the company's business development efforts were mainly focused in North American and Asian markets. We also witnessed a breakthrough in SaaS offerings in different geographies, which brings in annuity streams. We were successful in mining our large customer base leading to high repeat business.

Deals closed in the last six months

Sl no	Customer name/profile	Product	Country	No of users
1	Hankyu Hanshin Express India Pvt Ltd	4S eTrans-Saas	India	25
2	Norbert Dentressangle Overseas SAS	4S eTrans-Saas	Chile,Hongkong	7
3	Logistics Dynamic Corporation	4S eTrans-Saas	Mexico	3
4	Unifo Solutions	4S eCustoms-Saas	India	
5	Vantec Corporation	4S eLog	Japan	100
6	XXX-3PL and Supply chain leader	4S eCustoms	India	60
7	XXX-One of the large FMCG companies in the world	Visilog	North America	10

Expanding SaaS Customer base

It was one of the strategies of the company for FY11-12 to enable and offer all 4S products on SaaS model in view of the changing industry/business scenario.

The company has enabled all its products and launched SaaS offerings in different geographies. During H1FY12, the company bagged 4 customers for its SaaS offerings, across multiple products and across geographies. This move has enabled the company to provide solutions to small, medium and large industry players as this involves less capital investment. The range and breadth of our offerings combined with flexibility is what differentiates us from the rest of the competition.

The company believes that its SaaS offerings would not only reduce the sale cycles and improve customer wins, but also ensure annuity revenue streams. For the above 4 customers, if it was a license sale as against the SaaS offering, the revenues for the immediate period would have been more by about Rs.300lakhs. However, owing to the SaaS offering, the company would generate about Rs220lakhs in revenues from these 4 customers over the next 2-3 years.

In an increasingly challenging competitive and economic environment, corporate end-users are becoming more receptive to a widening array of SaaS solutions to address their business needs. As a result of SaaS benefits, Gartner predicts the SaaS market will grow at a compound annual growth rate (CAGR) of 22.1% through 2012, twice the rate of the overall enterprise software market.

Mobile application - the harbinger of technology

Four Soft is at an advanced stage of developing the mobile application as it believes that the future of logistics domain lies in mobile applications as clients seek more transparency in operations and speedy information exchange. Similar to mobile application, Four Soft is in the advanced stage of developing GPS-based solutions. Four Soft is looking at integrating the GPS tool into the actual enterprise application system. There are host of benefits for logistics companies to equip their fleet with GPS systems. Connecting them to the central ERP system provides higher transparency in operations and higher cost savings. This move will bring in a very huge difference in the way things are operated and will revolutionize this market, especially in the road transport sector.

Certification of eCustoms Application by US Customs and Border Protection (USCBP)

The US edition of eCustoms is a strong addition to our global eCustoms platform. This product release and certification after passing stringent customs clearance requirements set by the US Customs completes the product suite for the US market and will help us penetrate further in this market significantly .We have three clients scheduled to deploy 4S eCustoms in the US and we also have a strong pipeline for this product.

Four Soft achieves CMMI Level 5 Certification

Four Soft has been appraised at CMMI Level 5.This achievement recognizes Four Soft for its best-in –class processes related to design, development and maintenance of software that enables it to be a reliable partner for customers to solve their business problems. This prestigious CMMI level 5 assessment reinforces our commitment to deliver quality to our customers.

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