



## IPO Note

# Orient Technologies Limited

Recommendation: **NEUTRAL!**

### Company Background -

- Orient Technologies Limited was originally incorporated on July 04, 1997. The registered office is located at Mumbai, Maharashtra.
- The Company is an information technology solutions provider, where their services include IT Infrastructure, IT Enabled Services (ITeS), Cloud and Data Management Services.
- The company had 1,482 permanent employees as of June 30, 2024.

### Objects of the Issue -

- Acquisition of office premise at Navi Mumbai
- Funding Capital Expenditure Requirements
- General Corporate Expenses.

### Promoters Name -

Ajay Baliram Sawant, Umesh Navnitlal Shah, Ujwal Arvind Mhatre and Jayesh Manharlal Shah

### Rationale for recommendation -

- ✓ The top line and bottom line have increased in over the years and looks sustainable in the long run.
- ✓ The company has a total order book of Rs. 101.20 Cr.
- ✓ The company has better cash conversion cycle than its peers.
- ✓ The company is planning to expand its business and venture into DaaS segment.
- ✓ The company has vast experience in the industry.
- ✓ The management overview is satisfactory.

### IPO Details

Opening Date	Aug 21, 2024
Closing Date	Aug 23, 2024
Allotment Date	Aug 26, 2024
Listing Date	Aug 28, 2024
Stock Exchange	BSE, NSE
Lot Size	72 Shares
Issue Price Per Share	₹195 to ₹206
Issue Size	214.76 Cr.
Fresh Issue	120.00 Cr.
Offer for Sale	94.76 Cr
Application Amt	₹ 14,832 – ₹ 1,92,816 (72 to 936 shares)

	KPIs (In Cr)		
KPI's	FY 22	FY 23	FY 24
Revenue	467.44	535.10	602.89
EBITDA	45.83	48.64	56.62
Net Profit	33.49	38.30	41.45
RoCE	43.78%	32.85%	28.46%
ROE	35.59%	29.73%	23.64%
P/E	21.53	18.83	17.46

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
97.96%	73.21%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	11.80	9.95
BVPS	48.95	62.31
P/E	17.46	20.70
P/BV	4.21	3.31
Mkt Cap (In Cr)	737.82	857.82

### Lead Managers -

**Elara Capital (India) Private Limited**

### Registrar -

**Link Intime India Private Limited**

## Business Overview -

Orient Technologies Limited is an IT solutions provider, and they have built deep expertise to develop products and solutions for specialised disciplines which are –

### 1. IT Infrastructure –

- (i) Data Centre Solutions (DCS) offer servers, storage, active and passive networking components (such as switches, routers, access points etc.), collaboration solutions (such as solutions for CCTV and transmission of feed from CCTV, and virtual conferences / meetings), and security solutions. They also offer emergent technologies such as Hyper Converged Infrastructure (HCI) i.e., a technological product which integrates servers, storage, and network components, backup and disaster recovery software, and virtualisation.
- (ii) End-User Computing (EUC) involves desktop management, end-user support, and mobile device management.

### 2. IT Enabled Services (ITeS) –

- (i) Managed Services which involve monitoring, maintenance and support of IT systems and backup and disaster recovery services.
- (ii) Multi-Vendor Support Services.
- (iii) IT Facility Management Services.
- (iv) Network Operations Centre Services
- (v) Renewals which involve annual subscription of software licenses.

- ### 3. Cloud and Data Management Services –
- Data analytics, business analytics (i.e., using data and statistical methods to analyse business operations), RPA, cost management, IoT, and DevOps, and containerisation and microservices (i.e., use of containers, which are a way to package applications, libraries, and configurations and run them as a self-contained and isolated environment agnostic of the software installed on the host system, to build deploy and manage applications) on a subscription basis.

### Customers –

The company offers these services to customers across various segments:

- (i) BFSI - Bluechip, Tradebulls, VJS Bank and VKS Bank
- (ii) ITeS – Integreon
- (iii) Government and Public Sector Undertakings - Coal India, Mazagon Dock, Joint Commissioner of Sales Tax (GST Mahavikas), Mumbai
- (iv) Healthcare and Pharmaceutical – ACG, Jyothy Labs
- (v) Others – D'décor

Customer Industries	FY 2022 (%)	FY 2023 (%)	FY 2024 (%)
BFSI	38.34	27.07	21.66
Broadcast Media Production & Distribution	0.35	0.88	5.16
Communication	3.81	6.45	12.79
Healthcare	5.2	4.12	3.87
ITeS	11.48	13.24	9.75
Manufacturing	1.38	2.78	3.17
Others	29.18	28.89	29.97
Govt. & PSU	10.26	16.57	13.63
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Order Book –

The company has a total order book of Rs. 101.20 Cr as of June 30, 2024.

### Conclusion –

The net proceeds will be utilized for acquisition of office premise at Navi Mumbai (Rs. 10.35 Cr), funding capital expenditure requirements (Rs. 79.65 Cr) and remaining for general corporate purposes.

## Revenue Bifurcation -

(Amt in Crores)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
IT Infrastructure products and services	329.46	70.48	349.34	65.28	314.65	52.19
ITeS	79.84	17.08	105.21	19.67	133.92	22.21
Cloud and Data Management Services	58.14	12.44	80.56	15.05	154.33	25.60
<b>Total</b>	<b>467.44</b>	<b>100.00</b>	<b>535.10</b>	<b>100.00</b>	<b>602.89</b>	<b>100.00</b>

### Competition -

- **Market Competition:** The IT industry in India is very competitive. The competition depends on various factors, such as the quality of service, technical expertise and price.
- **Geographic Competition:** The company faces competition from organized as well as unorganized players and large, mid-sized and small operators both in domestic and international market.
- **Barriers to entry:** Low barriers to entry as does not require significant upfront capital investment. The company has high threat of substitutes.
- **Bargaining Power of Suppliers:** The bargaining power is slightly high with the suppliers.
- **Bargaining Power of Buyers:** The bargaining power is slightly high with the customers.

### Business Strategies -

**Expanding and augmenting the product and services portfolio:** The company aims to utilise a portion of the Net Proceeds for DaaS segment and setting up of network operating centre and security operating centre.

**Expanding geographic footprint:** The company has a strong presence in India, and they have already set up a branch in Singapore and generated revenues from countries including Denmark, UAE and USA. They intend to expand their business and cater to a broader customer base globally.

**Invest in growth of employees:** The company intends to continue to invest in growth of the employees by encouraging them to participate in training sessions and reimburse the cost incurred by the employees for certain external training sessions.

### Risk Factors - 4

The company's top 10 vendors/suppliers accounted for 68.18%, 69.12% and 71.35% for FY 2022, 2023 and 2024 respectively for total purchases of IT related hardware, software and cloud space.

There are 6 outstanding cases filed against the company for tax matters amounting to Rs. 13.24 Cr.

The company has contingent liabilities amounting to Rs. 20.60 Cr for FY 2023-24.

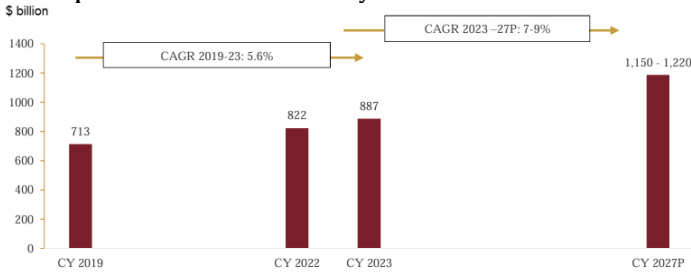
### PEER ANALYSIS

Particulars	Orient Technologies Limited			Dynacons Systems & Solutions Limited			Allied Digital Services Limited			Dev Information Technology Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	7.2%	7.2%	6.9%	2.5%	4.1%	5.2%	11.9%	1.0%	6.7%	0.1%	6.8%	5.6%
EBITDA Margin	9.8%	9.1%	9.4%	4.9%	7.1%	8.0%	18.9%	7.1%	12.3%	4.7%	10.6%	9.3%
RoCE	45.7%	31.6%	28.5%	37.0%	44.1%	46.8%	12.9%	5.0%	10.4%	8.5%	27.8%	21.6%
ROE	35.6%	29.7%	23.6%	24.2%	31.9%	34.1%	11.5%	1.3%	7.9%	0.3%	21.6%	15.9%
EPS (INR)	9.57	10.94	11.80	15.34	27.92	42.41	11.63	1.27	8.33	0.01	4.06	4.19
P/E	21.53	18.83	17.46	14.33	11.21	24.23	10.34	59.76	16.70	6675.00	23.08	24.11

**Global and Domestic IT Industry -**

As global business organizations continue to rely on IT to drive efficiency, connectivity, and innovation, the global IT industry is poised to grow at a considerable pace. The industry is expected to grow at CAGR of 7-9% from CY2023 to CY2027 reaching \$ 1,150 – 1,220 billion by CY2027.

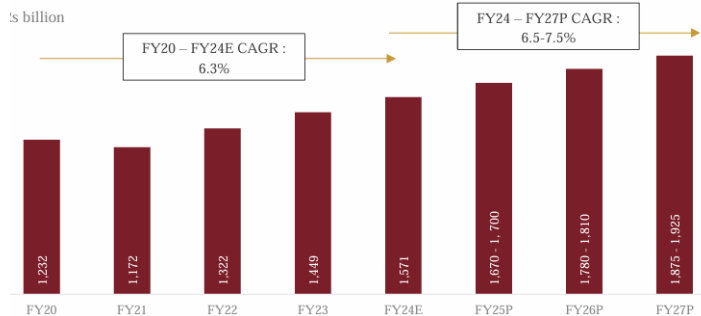
**Global IT professional services industry**



(Source: RHP)

The IT industry in India is expected to grow at CAGR of 6.5-7.5% from FY 2024 to FY 2027.

**Domestic IT professional services industry**

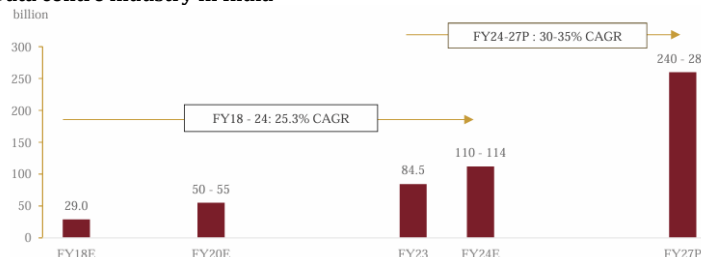


(Source: RHP)

**Indian Data Centre Industry -**

From fiscal 2018 to fiscal 2024, the Indian data centre industry has seen a growth at CAGR of ~25%. Going forward, the industry is expected to see a CAGR of 30-35% between fiscal 2024 and 2027, reaching ₹ 240 – 280 billion by the end. The growth is enabled by increasing consumption of data, 5G rollouts across India as well as advanced in technologies such as IoT, Big data, Artificial intelligence and Machine Learning.

**Data centre industry in India**

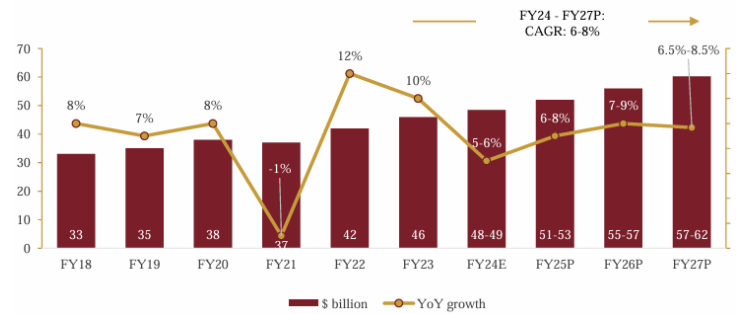


(Source: RHP)

**Indian ITeS Industry -**

The Indian ITeS Industry grew by 10% in Fiscal 2023 due to growth in non-voice and omni channel CRM segments and knowledge services. In Fiscal 2024, ITeS market growth is estimated to have grown at 5-6% over the previous year. In fiscal 2025, CRISIL expects the overall export revenue of the sector to increase by 6-8% year-on-year in dollar terms, reaching approximately \$45-48 billion.

**Growth in Indian ITeS market on account of structured digital transformation services**



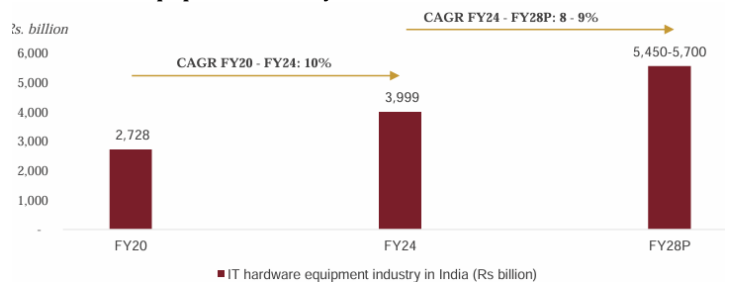
(Source: RHP)

In India, the finished steel consumption grew from 91 million tonne (MT) in Financial Year 2018 to 136 MT in Financial Year 2024 owing to strong demand from allied sectors and the government's capital spending drive.

**IT hardware equipment market in India -**

The domestic IT hardware equipment market has witnessed a ~10% CAGR over fiscal 2020 to 2024. The industry is expected to grow at 8-9% CAGR over the medium term, reaching Rs 5,450 -5,700 billion by fiscal 2028 driven by digitisation trends across facets of consumer lifestyle.

**IT hardware equipment industry in India**



(Source: RHP)

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Ajay Baliram Sawant</b>
<b>Age</b>	57
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Managing Director, 25+ years of experience in information and technology
<b>Qualification</b>	Bachelor of Engineering in Electronics
<b>Roles and Responsibility</b>	Oversees the operations, sales, finance and human resource departments of the Company
<b>Other Directorships</b>	Align Digiventures Private Limited and Code Positive Private Limited

<b>Key Management Persons Name -</b>	<b>Umesh Navnitlal Shah</b>
<b>Age</b>	54
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 25+ years of experience in information and technology
<b>Qualification</b>	Bachelor of Engineering in Computer Science
<b>Roles and Responsibility</b>	Oversees government business and cloud services part of the business
<b>Other Directorships</b>	Align Digiventures Private Limited and Code Positive Private Limited

<b>Key Management Persons Name -</b>	<b>Ujwal Arvind Mhatre</b>
<b>Age</b>	56
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 25+ years of experience in information and technology
<b>Qualification</b>	Diploma in Industrial Electronics
<b>Roles and Responsibility</b>	Oversees client acquisition.
<b>Other Directorships</b>	Align Digiventures Private Limited and Code Positive Private Limited

<b>Key Management Persons Name -</b>	<b>Jayesh Manharlal Shah</b>
<b>Age</b>	56
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 25+ years of experience in information and technology
<b>Qualification</b>	Bachelors of Engineering in Electronics
<b>Roles and Responsibility</b>	Oversees systems and process in technology support services aspect of the business
<b>Other Directorships</b>	Align Digiventures Private Limited and Code Positive Private Limited

<b>Key Management Persons Name -</b>	<b>Greena Mahesh Karani</b>
<b>Age</b>	43
<b>Designation and No. of years of experience</b>	Independent Director, 25 years of experience in finance and accounts
<b>Qualification</b>	B. Com degree, Qualified CA, Certificate of membership from ICSI
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Thakur Entertainment Private Limited

<b>Key Management Persons Name -</b>	<b>Monica Bhatia</b>
<b>Age</b>	51
<b>Designation and No. of years of experience</b>	Independent Director, 28+ years of experience
<b>Qualification</b>	Bachelor's degree of Dental Surgery, Post graduate diploma in Business Administration
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Medesta Healthcare Private Limited

Recommendation: **Neutral**

<b>Key Management Persons Name -</b>	<b>Tushar Madhuvandas Parikh</b>
<b>Age</b>	67
<b>Designation and No. of years of experience</b>	Independent Director, 40 years of experience
<b>Qualification</b>	B. Com degree, Qualified CA, Certificate of membership from ICAI
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Choksi Imaging Limited

<b>Key Management Persons Name -</b>	<b>Viren Champaklal Shah</b>
<b>Age</b>	58
<b>Designation and No. of years of experience</b>	Independent Director, 16+ years of experience in information and technology
<b>Qualification</b>	Diploma in Digital Electronics
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Challenger Technologies Private Limited

<b>Key Management Persons Name -</b>	<b>Meera Jasbir Rawat</b>
<b>Age</b>	53
<b>Designation and No. of years of experience</b>	Independent Director, 24 years of experience in customer management and operations
<b>Qualification</b>	B. Com degree, MBA, Participated in the Programme on Enhancing Leadership Capacities and Potential Among Professional Women
<b>Roles and Responsibility</b>	-
<b>Previous Associations</b>	Barclays Global Service Centre Private Limited

**FINANCIAL SNAPSHOT****Statement of Profit and Loss**

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	467.44	535.10	602.89
Other Income	1.68	6.91	3.97
<b>Total Income</b>	<b>469.12</b>	<b>542.01</b>	<b>606.86</b>
<b>Expenses</b>			
Purchase of stock-in-trade	364.27	399.49	457.34
Changes in Inventories of Stock in Trade	-9.08	5.36	-5.35
Direct Expenses	26.05	27.67	40.21
Employee benefits expense	24.71	34.25	39.70
Finance Cost	1.01	1.81	2.05
Depreciation and Amortization expense	1.94	1.79	3.63
Other expenses	15.67	19.69	14.39
<b>Total Expenses</b>	<b>424.57</b>	<b>490.06</b>	<b>551.95</b>
<b>EBITDA</b>	<b>45.83</b>	<b>48.64</b>	<b>56.62</b>
<b>EBITDA Margin</b>	<b>9.80%</b>	<b>9.09%</b>	<b>9.39%</b>
<b>Profit/(Loss) before tax</b>	<b>44.55</b>	<b>51.95</b>	<b>54.91</b>
<b>Tax Expense</b>			
Current tax	11.19	12.83	14.97
Tax expense relating to earlier years	-0.05	0.40	-0.46
Deferred Tax	-0.08	0.43	-1.05
<b>Total Tax Expense</b>	<b>11.06</b>	<b>13.66</b>	<b>13.46</b>
<b>Profit/(Loss) for the year</b>	<b>33.49</b>	<b>38.30</b>	<b>41.45</b>
<b>Net Profit Margin</b>	<b>7.14%</b>	<b>7.07%</b>	<b>6.83%</b>

**Statement of Assets and Liabilities**

Amt in Crores

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	17.50	17.50	35.82
Other Equity	76.61	111.32	139.49
<b>Total Equity</b>	<b>94.11</b>	<b>128.82</b>	<b>175.31</b>
<b>2. Non-current liabilities</b>			
Financial Liabilities			
(i) Borrowings	1.83	4.37	1.40
(i) Lease Liabilities	0.27	5.33	4.42
Deferred tax liabilities	0.00	0.03	0.00
Provisions	4.03	4.09	5.05
<b>Total Non-current liabilities</b>	<b>6.13</b>	<b>13.82</b>	<b>10.87</b>
<b>3. Current liabilities</b>			
Financial Liabilities			
(i) Borrowings	0.45	8.49	3.41
(ii) Lease Liabilities	0.33	1.98	1.90
(iii) Trade Payables			
(a) Outstanding Dues to MSME	0.81	0.60	0.87
(b) Outstanding Dues to other than MSME	65.47	62.03	90.46
(iv) Other Current Financial Liabilities	9.65	10.57	13.28
Provisions	0.36	0.39	0.52
Other current liabilities	15.72	13.25	14.53
<b>Total Current liabilities</b>	<b>92.80</b>	<b>97.30</b>	<b>124.97</b>

Recommendation: **Neutral**

Particulars	FY 22	FY 23	FY 24
<b>Total Liabilities</b>	<b>98.93</b>	<b>111.12</b>	<b>135.84</b>
<b>Total Equity and Liabilities</b>	<b>193.03</b>	<b>239.94</b>	<b>311.14</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant and Equipment	9.88	11.97	11.29
Right-to-use assets	0.57	7.31	6.07
Financial Assets			
(i) Investments	0.02	0.20	0.20
(ii) Other financial assets	5.69	5.21	9.58
Deferred Tax Assets	0.54	0.00	0.96
Other non-current assets	0.02	0.00	3.16
<b>Total Non-Current assets</b>	<b>16.71</b>	<b>24.69</b>	<b>31.26</b>
<b>2. Current assets</b>			
Inventories	13.56	8.19	13.55
Financial Assets			
(i) Investments	18.03	33.57	39.37
(ii) Trade receivables	96.12	118.10	157.59
(iii) Cash and cash equivalents	18.59	19.55	18.99
(iv) Bank balances other than (iii)	6.82	0.50	1.52
(v) Other financial assets	3.17	3.28	5.04
Current Tax Assets (net)	4.56	2.46	2.46
Other Current Assets	15.48	29.59	41.36
<b>Total Current assets</b>	<b>176.32</b>	<b>215.25</b>	<b>279.88</b>
<b>Total Assets</b>	<b>193.03</b>	<b>239.94</b>	<b>311.14</b>

Cash Flow Statement	Amt in Crores		
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	30.48	1.95	22.29
Net Cash Flow from Investing Activities	-8.41	-11.72	-12.11
Net Cash Flow from Financing Activities	-8.50	4.41	-9.72

**Key Ratios**

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	9.57	10.94	11.8	EV/EBITDA	1.55	2.50	2.82
BV per share	26.27	35.97	48.95	Market Cap / Sales	1.84	1.60	1.42
<b>Operating Ratios</b>				P/E	21.53	18.83	17.46
EBITDA Margins	9.80%	9.09%	9.39%	Price to Book Value	7.84	5.73	4.21
PAT Margins	7.14%	7.07%	6.83%	<b>Solvency Ratios</b>			
Inventory days	10.59	5.59	8.20	Debt / Equity	0.02	0.10	0.03
Debtor days	75.06	80.56	95.41	Current Ratio	1.90	2.21	2.24
Creditor days	66.42	57.22	72.89	Quick Ratio	1.75	2.13	2.13
<b>Return Ratios</b>				Asset Turnover	2.42	2.23	1.94
RoCE	43.78%	32.85%	28.46%	Interest Coverage Ratio	43.32	21.96	30.33
RoE	35.59%	29.73%	23.64%				



**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Elara Capital (India) Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Elara Capital (India) Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Manoj Vaibhav Gems 'N' Jewellers Limited	270.20	215.00	Oct 03, 2023	231.05
2.	Dharmaj Crop Guard Limited	251.15	237.00	Dec 08, 2022	350.15
3.	Rail Vikas Nigam Limited	481.57	19.00	April 11, 2019	570.35
4.	RITES Limited	460.51	185.00	July 02, 2018	655.65
5.	Infibeam Incorporation Limited	450.00	432.55	April 04, 2016	31.16

The company has handled 2 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 17<sup>th</sup> Aug 2024.

As per the offer document, from the above-mentioned mandates all have opened at a premium on the listing day.

## Recommendation -

Orient Technologies Limited has been in the industry since 1997 and has a vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO and annualised basis is 20.70 which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 29.87 times.

The company has seen a consistent increase in the top line and bottom line over the years which was because of increase in revenue from cloud and data management services and revenue from ITeS for FY 2024 and revenue from IT infrastructure for FY 2023. This may be sustainable in the future. But the EBIDTA margin has remained inconsistent over the years and the PAT margin has decreased over the years.

Additionally, the company has a total order book valuing to Rs. 101.20 Cr which will help in the growth of the top line in future and improve overall profitability of the company.

Also, the company has performed at par compared to its peers, but the industry is highly fragmented and there are many big and established players already. The IT industry has moderate prospect and is expected to a grow at a CAGR of 6.5-7.5% during forecast period of 2024-2027.

Overall, Orient Technologies Limited operates in a highly competitive market and provides no unique services. Even if they intend to enter the DaaS market, there are a lot of well-established competitors. Furthermore, the company's net profit marked a steady growth and maybe viable in the long run.

Thus, our opinion on this IPO is **NEUTRAL**. Knowledgeable and informed investors may consider their investment objectives and decide accordingly.

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