

## RETAIL EQUITY RESEARCH

# Orient Technologies Ltd.

IT

SENSEX: 80,803

NIFTY: 24,699

**SUBSCRIBE**

Price Range Rs.195- Rs.206

## An emerging IT infrastructure provider...

Orient Technologies Ltd. (OTL), established in 1997, headquartered in Mumbai, is an information technology (IT) solutions provider with expertise in developing products and solutions for specialised disciplines across its business verticals. OTL provides customised offerings to its clients by collaborating with wide range of technology partners including DELL, Fortinet and Nutanix. The business verticals include IT infrastructure comprising data center solutions and end-user computing (contributes to ~52% of topline in FY24); IT-enabled (ITeS) services (contributes to ~22% of topline in FY24), and cloud and data management services (contributes to ~26% of topline in FY24). OTL serves leading public and private sector entities across diverse end use industries such as BFSI, IT, IteS, healthcare/ pharmaceutical.

- The global IT industry registered a growth of 5.6% CAGR (CY19-CY23) and is expected to grow at CAGR of 7-9% from CY23-CY27 reaching \$ 1,150 – 1,220 bn by CY27. (source: CRISIL).
- The Indian data centre industry witnessed a growth of ~25% CAGR (FY18-24) and is expected to grow at 30-35% CAGR (FY24-FY27) to Rs.280bn by FY27E led by rise in digital share, 5G rollouts, and advanced technologies like AI, Big data etc. (source: CRISIL).
- OTL has a order book worth Rs.101cr as of June FY24, of which 30% belongs to Government & PSUs and 20% is from BFSI segment.
- Revenue and PAT has grew consistently for past 3 years and clocked a 14% and 11% CAGR respectively led by growth across its business verticals, broadening of product range and rise in customer base.
- On the other side, the EBITDA margin is stable with a negative bias ranging from 9.8% in FY22 to 9.4% in FY24, owing to a rise in the direct expenses of the company.
- The RoE (return on Equity) also shrunk to 24% in FY24 from 36% in FY22.
- OTL has recently ventured into Daas (Device as a service model), wherein the IT equipment leasing industry in India is poised to grow ~10-11.5% CAGR over FY24-28E to ~Rs. 570bn in FY28. Hence, the DaaS providers (Hardware and end to end lifecycle services) like Orient technologies Ltd will have an edge over IT equipment leasing players. OTL intends to utilise ~Rs.70cr from IPO proceeds for Daas segment.
- At the upper price band of ₹206, OTL is available at a P/E of 20.7x (FY24), which appears to be attractively priced compared to its peers. Considering its expansion to other related areas including IT facility management, network operations centre (NOC), cybersecurity, data management, Daas services and positive industry tailwinds, we assign a “Subscribe” rating on a short to medium term basis.

### Purpose of IPO

The offering includes both a fresh issue of Rs. 120cr and an Offer-for-Sale (OFS) of Rs. 94.8cr. The objective of the offer is to utilize the net proceeds for acquisition of office premise at Navi Mumbai (Rs.10.3cr), Funding for capital expenditure requirements (Rs. 80cr) and other general corporate purpose.

### Key Risks

- OTL operates in highly competitive industry.
- OTL is heavily reliant on its top 10 customers. (accounts for ~38% of FY24 topline).
- The trade receivables grew significantly at ~33%YoY in FY24, thereby receivables days rose to 83 in FY24 from 75 in FY22.

### Peer Valuation

Company	MCap(₹cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	RoE (%)	P/E (x)	PAT(₹ cr)	EBITDA(₹ cr)	CMP
Orient Technologies Ltd	857.8	602.9	9.4	6.87	27.26	20.7	41	57	206
Dynacons Systems & Solutions Ltd	1,963	1029	7.61	5.25	41.2	34	54	78	1541
Allied Digital services Ltd	1,201	288	12.14	6.67	8.23	25.2	46	83	217

Source: Geojit Research, Bloomberg; Valuations of OTL is based on upper end of the price band (post issue), Financials as per FY24 consolidated.

### Issue Details

Date of opening	August 21, 2024
Date of closing	August 23, 2024
Total No. of shares offered (cr.)	0.46
Post Issue No. of shares (cr)	4.2
Price Band	₹195- ₹206
Face Value	₹10
Bid Lot	72 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,832
Maximum application for retail (upper price band for 13 lot)	₹ 1,92,816
Listing	BSE,NSE
Lead Managers	Elara Capital (India) Private Ltd.
Registrar	Link Intime India Pvt Ltd

### Issue size (upper price)

	Rs.cr
Fresh Issue	120.0
OFS	94.8
<b>Total Issue</b>	<b>214.8</b>

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	97.96	72.6
Public-Others	2.04	26.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	75.2
Non-Institutional	15	32.2
QIB	50	107.4
Employee reservation	-	-
<b>Total</b>	<b>100</b>	<b>214.8</b>

Y.E March (Rs cr) Consol.	FY22	FY23	FY24
<b>Sales</b>	<b>467.4</b>	<b>535.1</b>	<b>602.9</b>
Growth (%)	-	14.5	12.7
<b>EBITDA</b>	<b>45.8</b>	<b>48.6</b>	<b>56.6</b>
Margin(%)	9.8	9.1	9.4
<b>PAT Adj.</b>	<b>33.5</b>	<b>38.3</b>	<b>41.4</b>
Growth (%)	-	14.3	8.2%
<b>EPS</b>	<b>8.0</b>	<b>9.2</b>	<b>10</b>
<b>P/E (x)</b>	<b>25.6</b>	<b>22.4</b>	<b>20.7</b>
EV/EBITDA (x)	0.1	0.4	0.2
RoE (%)	35.6	29.7	23.6

## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY22	FY23	FY24
Sales	467.4	535.1	602.9
% change	-	14.5	12.7
<b>EBITDA</b>	<b>45.8</b>	<b>48.6</b>	<b>56.6</b>
% change	-	6	16
Depreciation	1.9	1.8	3.6
<b>EBIT</b>	<b>43.9</b>	<b>46.9</b>	<b>53.0</b>
Interest	1.0	1.8	2.1
Other Income	1.7	6.9	4.0
Exceptional items	-	-	-
<b>PBT</b>	<b>44.6</b>	<b>52.0</b>	<b>54.9</b>
% change	-	17	5.7
Tax	11.1	13.7	13.5
Tax Rate (%)	25	26	25
<b>Reported PAT</b>	<b>33.5</b>	<b>38.3</b>	<b>41.4</b>
Adj	-	-	-
<b>Adj. PAT</b>	<b>33.5</b>	<b>38.3</b>	<b>41.4</b>
% change	-	14.3	8.2
Post issue No. of shares (cr)	4.2	4.2	4.2
<b>Adj EPS (Rs)</b>	<b>8.0</b>	<b>9.2</b>	<b>10.0</b>
% change	-	14.3	8.2

### BALANCE SHEET

Y.E March (Rs cr)	FY22	FY23	FY24
Cash	25.4	20.1	20.5
Accounts Receivable	96.1	118.1	157.6
Inventories	13.6	8.2	13.5
Other Cur. Assets	23.2	35.3	48.9
Investments	18.0	33.8	39.6
Deff. Tax Assets	0.5	-	1.0
Net Fixed Assets	9.9	12.0	11.3
CWIP	-	-	-
Intangible Assets	0.6	7.3	6.1
Other Assets	5.8	5.2	12.7
<b>Total Assets</b>	<b>193</b>	<b>240</b>	<b>311</b>
Current Liabilities	82	75.9	105.9
Provisions	4.4	4.5	5.6
Debt Funds	2.9	20.2	11.1
Other Fin. Liabilities	9.7	10.6	13.3
Deferred Tax liability	-	-	-
<b>Equity Capital</b>	<b>17.5</b>	<b>17.5</b>	<b>35.8</b>
<b>Reserves &amp; Surplus</b>	<b>76.6</b>	<b>111.3</b>	<b>139.5</b>
Shareholder's Fund	94.1	128.8	175.3
<b>Total Liabilities</b>	<b>193</b>	<b>240</b>	<b>311</b>
<b>BVPS (Rs)</b>	<b>22.6</b>	<b>30.9</b>	<b>42.1</b>

### CASH FLOW

Y.E March (Rs cr)	FY22	FY23	FY24
PBT Adj.	44.6	52.0	54.9
Non-operating & non cash adj.	3.2	(1.8)	3.5
Changes in W.C	(17.3)	(48.2)	(36.1)
<b>C.F. Operating</b>	<b>30</b>	<b>2</b>	<b>22</b>
Capital expenditure	(2.0)	(0.3)	(4.2)
Change in investment	(6.8)	(13.3)	(9.6)
Sale of investment	0.1	0.6	1.4
Other invest.CF	0.3	1.3	0.4
<b>C.F - investing</b>	<b>(8.4)</b>	<b>(11.7)</b>	<b>(12.1)</b>
Issue of equity			8.3
Issue/repay debt	(7.3)	9.8	(10.3)
Dividends paid	(0.4)	(4.0)	(6.0)
Other finance.CF	(0.8)	(1.4)	(1.7)
<b>C.F - Financing</b>	<b>(8.5)</b>	<b>4.4</b>	<b>(9.7)</b>
Change. in cash	13.6	(5.4)	0.5
Opening Cash	11.8	25.4	20.1
Closing cash	25.4	20.1	20.5

### RATIOS

Y.E March	FY22	FY23	FY24
<b>Profitab. &amp; Return</b>			
EBITDA margin (%)	9.8	9.1	9.4
EBIT margin (%)	9.4	8.8	8.8
Net profit mgn.(%)	7.2	7.2	6.9
ROE (%)	35.6	29.7	23.6
ROCE (%)	70.6	32.3	25.6
<b>W.C &amp; Liquidity</b>			
Receivables (days)	75	73	83
Inventory (days)	13	9	8
Payables (days)	52	43	55
Current ratio (x)	2.0	2.7	2.5
Quick ratio (x)	1.5	1.8	1.7
<b>Turnover &amp; Levq.</b>			
Net asset T.O (x)	47.3	49.0	51.8
Total asset T.O (x)	2.4	2.5	2.2
Int. covge. ratio (x)	43.3	25.9	25.8
Adj. debt/equity (x)	0.0	0.2	0.1
<b>Valuation ratios</b>			
EV/Sales (x)	0.0	0.0	0.0
EV/EBITDA (x)	0.1	0.4	0.2
P/E (x)	25.6	22.4	20.7
P/BV (x)	9.1	6.7	4.9

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