



Company Overview

Orient Technologies Ltd., incorporated in 1997, is an IT solutions provider headquartered in Mumbai, with sales and services offices across various cities in India and a branch in Singapore. Over the years, it has built deep expertise to develop products and solutions for specialized disciplines across business verticals, which are IT Infrastructure Products and Solutions including Data Centre Solutions and End-User Computing; IT Enabled Services (ITes) including Managed Services, Multi-Vendor Support Services and IT Facility; and Cloud and Data Management Services include migration of workload from data centres to cloud. The company's business operations involve technologically advanced solutions for which they collaborate with a wide range of technology partners, including Dell International Services India Private Limited (Dell), Fortinet Inc. (Fortinet) and Nutanix Netherlands BV (Nutanix). An essential facet of product and service offerings is the ability to tailor and customize offerings to customers' needs. The collaboration with technology partners heightens the ability to design and innovate products and provide solutions tailored to specific customer requirements. The company's range of customized offerings and ability to tailor solutions to the particular needs of customers specifically have enabled it to garner prominent customers across industries and count leading public and private sector entities across diverse customer industries such as banking, financial services, and insurance (BFSI), IT, ITeS, and Pharmaceutical. Orient Technologies' constant endeavour is to nurture every client relationship to ensure it translates into a long-term association. The company also continually engages with customers to understand their requirements better, provide more holistic services, and identify new areas where they can engage with them.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Funding the capital expenditure requirement for setting up of Network Operating Centre (NOC) and Security Operation Centre (SOC) at Navi Mumbai Property and Purchase of equipment and devices to offer Devise-as-a-Service (DaaS) offering;
- ⇒ Acquisition of office premise at Navi Mumbai;
- ⇒ General corporate purposes.

Investment Rationale

Marquee customers across diverse industries enhance the company's competitive edge

Orient Technologies commenced business in 1997 and has since built a reputation in India based on the quality of its products and services. One of the singular factors that have enabled it to grow its business consistently is the ability to tailor and customize products and services to suit customers' requirements. Over the years, Orient Technologies has built deep expertise in developing products and solutions for specialized disciplines, including Human Computer Interaction, End-User Computing, and Robotic Process Automation. The company's business operations involve technologically advanced solutions, for which it collaborates with a wide range of technology partners, including Dell, Fortinet, and Nutanix. The company's collaboration with technology partners heightens the ability to design and innovate products and provide services tailored to specific customer requirements. The company has demonstrated an ability to cater to entities across various customer industries. As of June 30, 2024, they had a diverse base of customers across public and private sector entities across diverse customer industries such as BFSI, IT, ITeS, and healthcare/pharmaceutical. Orient Technologies has also established a strong relationship with marquee customers such as Coal India, Mazagon Dock, D'Décor, Jyothy Labs, ACG, Integreon, Bluechip, Tradebulls, VJS Bank, VKS Bank, and Joint Commissioner of Sales Tax (GST Mahavikas). Its top 10 customers have consistently contributed a significant part of the revenue from operations. The revenue from its top 10 customers constituted 38.1% of sales for FY24. This highlights the company's ability to maintain significant and stable revenue streams through strategic customer relationships across diverse industries.

Global presence with high entry barriers to aid business performance

Orient Technologies offers a wide-ranging and diversified bouquet of product and service offerings and classifies business into three verticals: IT Infrastructure, ITeS, and Cloud and Data Management Services. The company's products and services in IT Infrastructure are comprised of Data Centre

Issue Details

Offer Period	21 st August, 2024 - 23 rd August, 2024
Price Band	Rs. 195 to Rs. 206
Bid Lot	72
Listing	BSE & NSE
Issue Size (no. of shares in mn)	10.4
Issue Size (Rs. in bn)	2.1
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM Elara Capital (India) Private Ltd.

Registrar Link Intime India Pvt. Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	100.0%	97.96%
Public	0.0%	2.04%
Total	100.0	100.0

(Assuming issue subscribed at higher band)

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Solutions and End-User Computing. While the IT Infrastructure segment has the longest operational track record and the largest revenue-generating segment, it has broad-based offerings that are significant and is continually adding new products. The ITeS segment includes Managed Services, Multi-Vendor Support Services, IT Facility Management Services, Network Operations Centre Services, Security Services, and Renewals. The company's large pool of skilled and technically competent resources ably supports ITeS operations, and this segment grew at a CAGR of 29.5% between FY22 and FY24. Over the years, cloud services have gained traction due to their ability to transform enterprises by adapting modern technologies. The company's Cloud and Data Management Services include workload migration from data centres to the cloud. Its products and services in this vertical comprise data analytics, business analytics, RPA, IoT, DevOps, containerization, and microservices on a subscription basis. The company has developed cloud expertise, scalability, domain knowledge, and partnerships with technology partners, which are key to competitive edge.

Valuation

Orient Technologies is engaged in IT solutions and related services across business verticals. Its expertise, enhanced over the years, combined with the strength of its collaborative efforts with technology partners, enables it to provide customized IT solutions to customers. It also tracks developments in its business segments to stay well-informed of emerging trends and capitalize on new business opportunities. The company's business operations are concentrated in India, and revenues are predominantly generated from India. While they cater to a large number of multinational companies and transnational corporations and have a branch in Singapore, they are yet to expand their international operations significantly. The (Indian) IT Services industry is predominantly export-oriented, with exports accounting for 85% of the total revenue, with North America and Europe being key geographies. The company demonstrated consistent Rev/EBITDA/PAT growth at a compound annual growth rate (CAGR) of 13.7%/12.9%/11.2% during FY2022-24 period, respectively. The company has experienced sustained growth in financial performance commensurate with the broadening of its product range and increased customer base. As we advance, Orient Technologies' financial performance is likely to be driven by expanding its product and services portfolio, increasing its global footprint, long-term relationships with customers and collaboration with technology partners, thereby heightening its ability to design and innovate products and provide solutions tailored to specific customer requirements. **The issue is valued at a P/E of 20.7x on the upper price band based on FY24 earnings, which is deemed fair compared to its peers. Therefore, we recommend a SUBSCRIBE rating for the issue.**

Key Risks

- ⇒ The company is heavily reliant on its top 10 customers, and the loss of such customers or a significant reduction in their purchases will have a material adverse impact on the business.
- ⇒ The company's future success will depend on its ability to effectively implement business and growth strategies. Further, the company is in the process of adopting a new line of business. Any failure to effectively implement business and growth strategies or successfully operate in this new line of business may adversely affect the company's results of operations.
- ⇒ The company's success depends on long-term relationships with customers. They do not generally enter into long-term contracts with customers. The loss of one or more customers or a reduction in their demand for solutions could adversely affect the business, results of operation, and financial conditions.

Orient Technologies Ltd.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Revenue			
Revenue from Operations	4,674	5,351	6,029
Total Revenue	4,674	5,351	6,029
Expenses			
Purchase of stock-in-trade	3,643	3,995	4,573
Changes in inventories of stock-in-trade	-91	54	-54
Direct expenses	260	277	402
Employee benefits expense	247	342	397
Other expenses	157	197	144
Total Operating Expenses	4,216	4,865	5,463
EBITDA	458	486	566
Depreciation and Amortization expenses	19	18	36
Other income	17	69	40
EBIT	456	538	570
Finance costs	10	18	21
Exceptional Item	0	0	0
PBT	446	520	549
Total tax	111	137	135
PAT	335	383	414
Diluted EPS	11.8	10.9	9.6

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Cash Flow from operating activities	305	20	223
Cash flow from investing activities	-84	-117	-121
Cash flow from financing activities	-85	44	-97
Net increase/(decrease) in cash and cash equivalents	136	-54	5
Cash and cash equivalents at the beginning of the period	118	254	201
Cash and cash equivalents at the end of the period	254	201	205

Source: RHP, BP Equities Research

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Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
Assets			
Non-Current Assets			
Property, plant and equipment	99	120	113
Right-of-use assets	6	73	61
Intangible assets	0	0	0
Financial Assets			
Investments	0	2	2
Other financial assets	57	52	96
Non-current tax assets (net)	5	0	10
Other non-current assets	0	0	32
Total Noncurrent assets	167	247	313
Current Assets			
Inventories	136	82	135
(i) Trade Receivables	961	1,181	1,576
(ii) Cash and Cash Equivalents	186	196	190
(iii) Bank Balances other than (iii) above	68	5	15
(iv) Investments	180	336	394
(v) Other Financial Assets	32	33	50
Current tax assets (net)	46	25	25
Other current assets	155	296	414
Total Current Assets	1,763	2,152	2,799
Total Assets	1,930	2,399	3,111
Equity and Liabilities			
Equity Share Capital	175	175	358
Other Equity	766	1,113	1,395
Total Equity	941	1,288	1,753
Non-Current Liabilities			
Financial Liabilities			
(i) Borrowings	18	44	14
(ii) Lease Liabilities	3	53	44
Deferred tax liabilities (Net)	0	0	0
Provisions	40	41	51
Total Non-Current Liabilities	61	138	109
Current Liabilities			
Borrowings	5	85	34
Lease Liabilities	3	20	19
Trade Payables	663	626	913
Other financial liabilities	97	106	133
Other current liabilities	157	132	145
Provisions	4	4	5
Total Current Liabilities	928	973	1,250
Total Liabilities	989	1,111	1,358
Total Equity and Liabilities	1,930	2,399	3,111

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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