

# IPO Snapshot

August 20, 2024

## Orient Technologies Limited





## Issue Snapshot:

Issue Open: August 21 – August 23, 2024

Price Band: Rs. 195 – 206

\*Issue Size: Up to 10,425,243 eq sh (Fresh issue of upto Rs 120 cr + Offer for sale of upto 4,600,000 eq sh)

Reservation for:

QIB	upto	50% eq sh
Non-Institutional	atleast	15% eq sh
((including 1/3 <sup>rd</sup> for applications between Rs.2 lakhs to Rs.10 lakhs))		
Retail	atleast	35% eq sh

Face Value: Rs 10

Book value: Rs 48.95 (March 31, 2024)

Bid size: - 72 equity shares and in multiples thereof

100% Book built Issue

## Capital Structure:

Pre Issue Equity:	Rs.	35.82 cr
*Post issue Equity:	Rs.	41.64 cr

Listing: BSE & NSE

Book Running Lead Managers: Elara Capital (India) Private Limited

Sponsor Bank: Axis Bank Ltd

Registrar to issue: Link Intime India Private Limited

## Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	97.96	73.21
Public & Employees	2.04	26.79
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\*=assuming issue subscribed at higher band  
Source for this Note: RHP

## Background & Operations:

Orient Technologies Ltd. (OTL) is an information technology (IT) solutions provider headquartered in Mumbai, Maharashtra incorporated in the year 1997. 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 include Data Centre Solutions and End-User Computing;
- IT Enabled Services (ITes): Services include Managed Services, Multi-Vendor Support Services, IT Facility Management Services, Network Operations Centre Services, Security Services, and Renewals; and
- Cloud and Data Management Services: Services include migration of workload from data centres to cloud.

OTL's business operations involves technologically advanced solutions for which the company collaborates with a wide range of technology partners including Dell International Services India Private Limited (Dell) and Fortinet, Inc. (Fortinet) and Nutanix Netherlands B.V. (Nutanix). A key facet of its product and service offerings is OTL's ability to tailor and customize offerings to the specific needs of customers. Its collaboration with technology partners heightens its ability to design and innovate products and provide solutions tailored to specific customer requirements. Its range of customized offerings and ability to specifically tailor solutions to the specific needs of customers has 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, healthcare / pharmaceutical (Customer Industries). Its constant endeavor is to nurture every client relationship to ensure that it translates into a long-term association. It has also continually engaged with customers to understand their requirements better to be able to provide more holistic services and to identify new areas where it can engage with them.

Its expertise, honed over the years, in conjunction with the strength of its collaborative efforts with technology partners enables it to provide customized IT solutions to customers. It also tracks the developments in the business segments in which it operates in to stay abreast of emerging trends and capitalize on new business opportunities. All these factors enable it to strengthen, and forge long-term and more successful, relationships with existing customers. As of June 30, 2024, its order book stood at Rs. 101.20 cr. It had 1482 employees on its payroll. On the financial performance front, for the last three fiscals, the company has posted a total income/net profit of Rs. 469.12 cr. / Rs. 33.49 cr. (FY22), Rs. 542.01 cr. / Rs. 38.30 cr. (FY23), and Rs. 606.84 cr. / Rs. 41.45 cr. (FY24). The company reported PAT margins of 7.17% (FY22), 7.16% (FY23), 6.87% (FY24), and RoCE margins of 45.25%, 31.45%, 28.42% for the referred periods, respectively.

## Objects of Issue:

The Offer comprises of an Offer for Sale by the Selling Shareholders and the Fresh Issue.

## Offer for Sale

The Offer for Sale comprises up to 4,600,000 Equity Shares. The Company will not receive any proceeds from the Offer for Sale and the proceeds received from the Offer for Sale will not form a part of the Net Proceeds. Each of the Selling Shareholders will be entitled to the proceeds from the Offer for Sale to the extent of their respective portion of the Offered Shares, after deducting their respective portion of Offer related expenses and relevant taxes thereon.



## Fresh Issue

The Fresh Issue comprises an offer aggregating up to ₹ 1,200 million. OTL proposes to utilise the Net Proceeds towards the following objects:

- Acquisition of office premise at Navi Mumbai situated at unit no 1201, 1202, 1203, and 1204, respectively which are situated at Plutonium Business Park, Trans-Thana Creek Industrial Area, Turbhe MIDC, District Thane, Navi Mumbai (collectively, Navi Mumbai Property);
- Funding capital expenditure requirements for:
  - ✓ Purchase of equipment 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.
- General corporate purposes

In addition, OTL expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges and enhancement of the Company's visibility and brand image and creation of a public market for its Equity Shares in India.

## Competitive Strengths

- Marquee customer base across diverse Customer Industries.
- Wide ranging and diversified IT solutions and offerings.
- Strong Promoters and Board of Directors supported by an experienced senior management team.
- Track record of financial performance.

## Business Strategy:

- Expanding and augmenting product and services portfolio.
- Expanding geographic footprint.
- Investing in the growth of employees.

## Key Concerns

- Heavily reliant on top 10 customers, and the loss of such customers or a significant reduction in purchases by such customers will have a material adverse impact on the business.
- Depend on few Customer Industries for majority of the revenue from operations. Loss of customers in these Customer Industries may result in an adverse effect on the business, revenue from operations and financial conditions.
- Heavily reliant on a few vendors/ suppliers and OTL typically does not enter into long-term contracts or arrangements with its vendors. Any loss of such vendors/suppliers or any increase in the price will have a material adverse impact on the business and its revenue.
- Success depends on the long-term relationship with its customers. OTL does not, generally, enter into long-term contracts with its customers. Loss of one or more of its customers or reduction in its demand for its solutions offering could adversely affect the business, results of operation and financial conditions.
- Delays or defaults in customer payments and receivables may have an adversely impact the profits and cash flows.
- Future success will depend on the ability to effectively implement business and growth strategies. Further, the Company is under the process of adopting a new line of business.
- OTL has dues which are outstanding to its creditors. Any failure in payment of these dues may have a material adverse effect on its reputation, business and financial condition.
- The Company has incurred negative net cash from operating activities, investing activities and financing activities in the past.
- The Company has a large work force and its employee benefit expense is one of the larger components of its fixed operating costs. An increase in employee benefit expense could reduce its profitability.
- A significant proportion of the orders are from government related entities which award the contract through a process of tender. Tenders, typically, are awarded to the lower bidder once all other eligibility criteria are met.



- Business is heavily reliant on highly skilled professionals. If the Company is unable to retain its existing highly skilled professionals or attract new highly skilled professionals, its ability to manage and staff new projects or to continue to expand existing projects may have an adverse effect and consequently have an adverse impact on the business, result of operation and financial condition.
- OTL operates in a competitive industry. Any inability to compete effectively may lead to a lower market share or reduced operating margins.
- The Company has in the past made certain delayed filings with the RoC. In addition, there have been instances of factual inaccuracies in its corporate filings and certain corporate filings of the Company are not traceable.
- Certain contracts with OTL's customers and purchase orders placed with its customers typically include provisions for liquidated damages which if invoked, could have an adverse effect on the business, result of operations and financial condition.
- Heavily reliant on Promoters, Key Managerial Personnel, Senior Managerial Personnel and persons with technical expertise. Failure to retain or replace them will adversely affect the business.
- Current order book value is not necessarily indicative of future growth. Further, some of the orders that constitute its current order book could be cancelled, put in abeyance, delayed, or not paid for by its customers, which could adversely affect its financial condition.
- There are certain outstanding legal proceedings involving the Company, and Promoters which, if determined against it, could have a material adverse effect on its business, cash flows, financial condition and results of operations.
- Operations are heavily dependent on technology partnership and loss of any such partners may impact the business operations, results from operations and financial conditions.
- Device-as-a-Service (DaaS) market in India is at a very nascent stage and fragmented currently. It cannot be assured that its new venture into DaaS market will enable it to increase its overall revenue from operations.
- Failure to keep OTL's technical knowledge confidential could erode its competitive advantage. Any failure to obtain, renew and maintain requisite statutory and regulatory permits, licenses and approvals for its operations from time to time may adversely affect its business.
- The Company may not be able to secure additional funding in the future. In the event the Company is unable to obtain sufficient funding, it may delay its growth plans and have a material adverse effect on its business, cash flows and financial condition.
- A portion of OTL's revenues and its expenses are denominated in foreign currency. Adverse foreign currency exchange rate fluctuations could adversely impact its business, results of operation and financial condition.

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