

23 August 2024

## Orient Technologies – SUBSCRIBE

### Investment Thesis

Orient Technologies Ltd. (Orient Tech) is coming out with an initial public offering (IPO) on August 21, 2024. The issue comprises of fresh issue of 5,825,243 equity shares worth Rs.1,200mn at highest price band and offer for sale of 4,600,000 equity share worth Rs.947.6mn. Objective of the issue is to use fund acquisition of office premise at Navi Mumbai, purchase of equipment for setting up of Network Operating Centre (NOC) and Security Operation Centre (SOC) at Navi Mumbai and purchase of equipment and devices to offer Devise-as-a-Service (DaaS) offering.

Orient Tech, with over two decades of experience, has developed deep expertise in specialized disciplines such as IT Infrastructure, IT Enabled Services (ITeS), and Cloud & Data Management Services. It has developed extensive expertise in specialized disciplines such as Hyper-Converged Infrastructure (HCI), End-User Computing, and Robotic Process Automation (RPA). This depth of knowledge, built over years of experience, positions the company as a leader in delivering advanced IT solutions tailored to specific customer needs. This expertise not only differentiates Orient Tech from competitors but also allows the company to capture niche markets within the IT industry.

Orient Tech is committed to staying abreast of emerging trends in IT industry, such as cloud migration, cybersecurity and automation. By continuously tracking developments in its business segments, it is able to capitalize on new business opportunities. Its recent additions to the cybersecurity portfolio, including products like CrowdStrike, Forcepoint, and Netskope, highlight Orient Tech's proactive approach to innovation and its ability to meet evolving customer demands in the rapidly changing IT landscape.

Orient Tech's business is diversified across three major verticals: IT Infrastructure, IT Enabled Services (ITeS), and Cloud and Data Management Services. This diversified service portfolio reduces dependence on any single revenue stream, thereby mitigating risk. Its recent foray into Device as a Service (DaaS) further expands its offerings, catering to the growing demand for flexible, subscription-based IT solutions.

### Financials

- During the past 2 years, revenue of Orient Tech grew at a CAGR of 13.6% while PAT grew at CAGR of 11.3% in same period.

Standal. (Rs.Mn.)	FY21	FY22	FY23	FY24
Revenue	2,473	4,674	5,351	6,029
EBITDA	32	458	486	566
EBITDA Margin(%)	1.3%	9.8%	9.1%	9.4%
PAT	1	335	383	415
EPS (Rs.) #	0.0	8.0	9.2	10.0
P/E (x) *#	6599.2	25.6	22.4	20.7
RoE (%) #	0.2%	28.3%	25.0%	22.9%

\* At highest price band # Post listing

### IPO Details

Issue Open Date	21 August 2024
Issue Close Date	23 August 2024
Price Band (Rs.)	Rs.195 – Rs.206
Issue Size*	Rs. 2,147.6Mn
Issue Size (Shares)	10,425,243
Market Lot	72 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 10/-

\* At highest price band

### Key Details

Fresh Issue*	Rs. 1,200.0Mn
Issue Type	Book Building
Book Running Lead Manager	Elara Capital (India)
Issue structure	QIB: 20% Non Institutional: 15% Retail: 35% Anchor Investors: 30%
Credit of Shares to Demat Account	27 August 2024
Issue Listing Date	28 August 2024

\* At highest price band

## Key Business Highlights

- Orient Tech is a fast-growing information technology (IT) solutions provider. It specializes in IT infrastructure, IT-enabled services (ITES), and cloud and data management services. Its products and solutions include data centre solutions and end-user computing while its services include managed services, multi-vendor support services, IT facility management services, network operations centre services, security services and migration of workload from data centres to cloud.
- Orient Tech has wide range of customized offerings with its ability to tailor solutions to meet customers' specific needs to attract prominent clients across various industries. Its industries include banking, financial services, insurance (BFSI), IT, ITeS and healthcare/pharmaceutical.
- Orient Tech's marquee customers are Bluechip Corporate Investment, Tradebulls Securities, VJS Bank, VKS Bank, Integreon, Coal India, Mazagon Dock, GST Mahavikas, Mumbai and D'Décor.

## Valuation

- Orient Tech collaborates with globally recognized technology partners, including Dell, Fortinet, and Nutanix. These partnerships enhance its ability to innovate and deliver customized solutions. The collaboration with such prominent technology players not only strengthens Orient Tech's product offerings but also ensures that the company remains at the forefront of technological advancements, providing it with a competitive edge in the market.
- Orient Tech has successfully built a robust customer base that spans multiple industries, including banking, financial services, insurance (BFSI), IT, healthcare, and pharmaceuticals. Its ability to tailor solutions to specific customer needs has resulted in long-term relationships with leading public and private sector entities. This strong customer base provides stability and a steady revenue stream, while also opening up opportunities for cross-selling and upselling additional services.
- While Orient Tech's operations are primarily concentrated in India, it is actively expanding its geographic footprint. With an existing branch in Singapore and plans to extend its operations to Denmark, the UAE and the USA, Orient Tech is positioning itself to tap into global markets. This strategic expansion is expected to drive revenue growth and diversify the company's revenue sources beyond the Indian market.
- With expertise in IT Infrastructure, IT Enabled Services (ITeS), and Cloud & Data Management Services, recent addition of emerging trends such as cloud migration, cybersecurity and automation, collaborates with globally recognized technology partners, including Dell, Fortinet, and Nutanix and successfully built a robust customer base that spans multiple industries, we are recommending **SUBSCRIBE** rating to the IPO of Orient Technologies Ltd. (Orient Tech) for medium to long term perspective.

## Risk & Concern

- Orient Tech engaged in the business of IT solutions, which is highly competitive with numerous players ranging from global giants to niche providers.
- Rapid advancements in technology could be risk Orient Tech fails to keep pace with innovations which in turn may impact future growth of Orient Tech.
- Orient Tech is dependent on a few prominent clients, any decline in business from any prominent client may impact negatively to the company.

## Graphs & Charts

Figure 1: Net Sales Trend

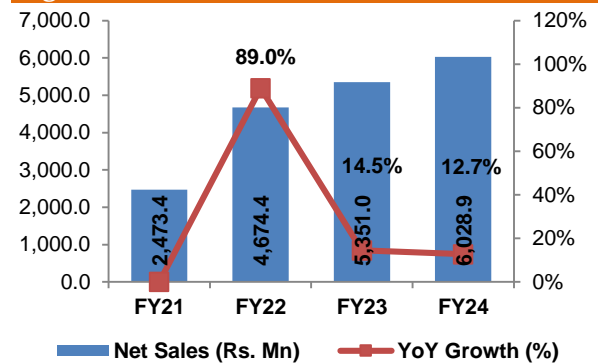


Figure 2: EBITDA & EBITDA Margin Trend

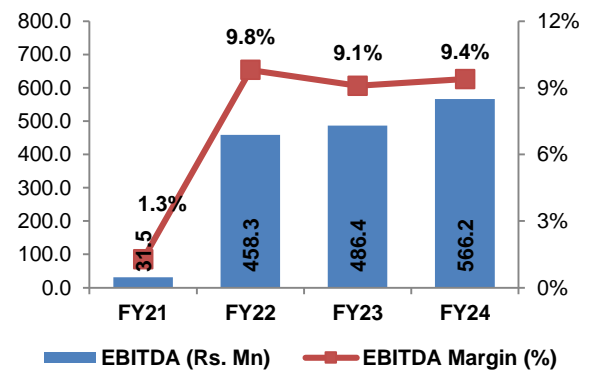


Figure 3: PAT & PAT Margins

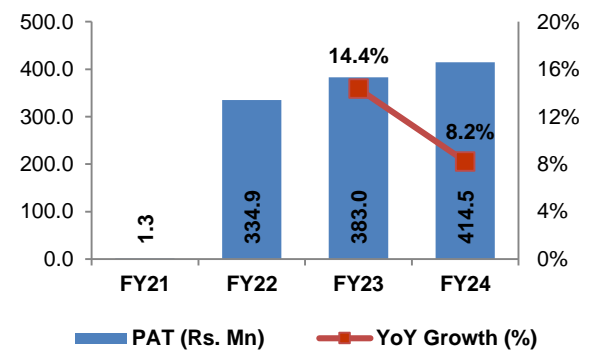
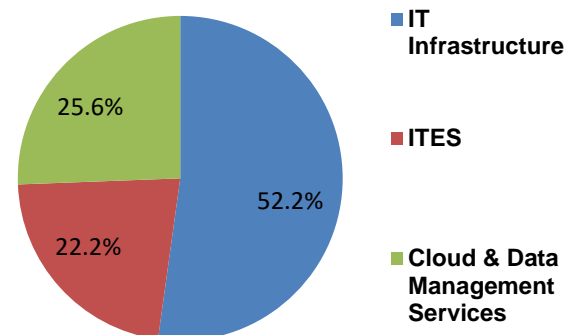


Figure 4: Service-wise Revenue (FY24)



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