

News



• Growth • Div • Value • Contra

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OMNITECH InfoSolutions, a small-sized IT company, is on an expansion spree. It is in the process of doubling its capacity in IT-managed services by opening more service centres in India and abroad. The Mumbai-based company is eyeing overseas acquisition to increase its reach in Europe. Given this, the company is expected to grow its revenue and profits in double digits in future.

BUSINESS: Omnitech InfoSolutions is a provider of IT infrastructure, applications and performance testing solutions. Its services include systems integrations, remote infrastructure management, data center management and network connectivity solutions. Over the years, the company has increased its reach to small and medium enterprises in the country. Banking and financial services and manufacturing are its major verticals. It has a high client concentration and its top five clients contribute nearly one-third of its total business, while half of the revenue comes from the top 10 customers.

EXPANSION PLANS: Omnitech is in the process of setting up six more data centres across India, Singapore and Mauritius in addition to its existing

Sections Numbers

Beta	0.9
Institutional Holding	0.7%
Dividend Yield	0.65
Current P/E	7.10
Current M-Cap	Rs 241.6 cr
CMP	Rs 183.9

centres in Mumbai and Hyderabad. This will take its capacity from 500 seats to over 1,000.

It has set up a 100% subsidiary in the Netherlands to gain a foothold in Europe. It also has launched a special venture, OSPL, in Singapore in tie-up with Japan's Sanwell. Through these arrangements, Omnitech has so far been able to sell its offerings to some of the top investment bankers in the world. The IT company has also set aside \$15-25 million to acquire companies in Europe. It is in final talks with a Netherlands-based provider of managed services.

GROWTH PROSPECTS:

Omnitech is expected to grow its organic business at 30-35% annually for the next two years. If it succeeds in its overseas strategy, its growth rate may accelerate further to 60-70%. Its incremental business will mostly consist of remote infrastructure and services management that has better margins. As

Spreading Its Wings

Omnitech InfoSolutions looks to be geared for high growth given its domestic and overseas expansion plans. Investors with a two-year horizon can consider the stock

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Omnitech Infosolutions' Financials

	Dec '09 qtr	TTM ended Dec '09*	Y-o-Y % Change**
Income	58.1	194.1	11.4
Net sales	57.8	193.0	12.1
Salaries	3.3	11.3	-1.5
Operating expenses	42.3	142.0	9.7
PBDIT	18.3	62.0	20.3
Interest expenses	1.1	4.5	25.9
Depreciation	4.5	13.6	103.8
Tax provision	2.5	9.9	45.2
Net profit	10.2	34.0	-1.3
Operating margin (%)	31.7	32.1	220 bps
Net margin (%)	17.5	17.5	-230 bps

*Trailing twelve months ended Dec'09
bps = basis points Source: Provest, ETG

a conservative approach, we expect the company to at least maintain the current level of 30% in operating margin and 16% in net margin.

FINANCIALS: In the past four years, the company's revenue has grown four times and net profit catapulted five times. Sales rose at a four year compounded annual growth rate of 39% and profit grew by 51%. In the quarter ended December 2009, the company's

sales increased by 36% to Rs 57.8 cro and net profit rose 27% to Rs 10.2 cro from the year-ago levels.

VALUATIONS: the current price of 184, Omnitech's stock trades at 7.5 times its trailing 12 month net profit. Other players in the system integration and IT solutions space attract P/Es of 8-11. Calculations show that the stock trad at FY11 estimated P/E of 5. This provides a good

opportunity for investors who have an investment horizon of at least two years.

CONCERNS: Omnitech has a very high concentration of clients, which may prove risky in times of the economic slowdown. The company is relatively new to global IT market and may face challenges to establish its mark in a highly competitive international scenario. ranjit.shinde@timesgroup.com