

# Cambridge Technology ₹ 104

## Big Data - Bigger Opportunities!

## Buy



Nov 13, 2015

### Company Background

Cambridge Technology Enterprise Ltd. (CTEL) is a global business and technology services company focussed on Big Data and the Cloud. Recognized as a thought leader and innovator of enterprises solutions, it is helping companies today to capitalize on convergence of Cloud and Big Data. CTEL offers an end to end approach in designing and implementing enterprise IT strategies leveraging the cloud where it is possible and necessary. CTEL's main asset is its deep pool of talented professionals and industry-leading partnerships to meet customer requirements in a timely and cost-effective manner. CTEL prides itself at possessing all IT skills to deliver mission-critical solutions that address all corporate IT needs of its customers. The company has seen a real turnaround in revenues and profits in the last FY and is expected to continue the growth trajectory for a couple of years more to come. The potential of the services it provides is however vast and might changeover the face of the company if coupled with the right opportunities in the right time.

### Key Highlights

- ➔ The company is planning a reduction in capital which may hint at a buy back of shares thus increasing chances of a price hike in the market.
- ➔ CTEL has announced opening up of a new office in Louisville, Kentucky - US after it launched its offices in Miami, Florida and Seattle. Louisville is the home to many Fortune 500 companies which may put up an opportunity to expand its customer base further in the US.
- ➔ Apart from Global Operations TEL is keen on focussing in India and has recently engaged with one of India's leading Infrastructure Development and Finance Companies leveraging its existing Oracle Platform Expertise.
- ➔ CTEL has also contracted a Netherland Technology firm which specializes in Enterprise Content Management to support their E-publishing services..
- ➔ CTEL has also extended its relationship a bit further with its long time client Schneider Electric a global leader in energy & sustainability management. Previously CTEL has helped Schneider Electric execute several projects to provide Schneiders customers best in class energy management solutions.

### Key Financials

Year Ended 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	233.0	208.8	269.3
Rev. growth (%)	(32.19)	(10.39)	28.98
EBITDA (INR mn)	10.7	32.7	42.5
Net profit (INR mn)	(486.6)	17.9	12.9
Shares outstanding (mn)	19.6	19.6	19.6
EPS (INR)	(24.8)	0.9	0.7
EPS growth (%)	(30512.50)	(103.68)	(27.93)
P/E (x)	(0.23)	3.87	27.35
RONW (%)	(132.35)	14.68	6.44
ROCE (%)	(126.95)	14.68	6.44

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### Info Codes

Reuters	: CATE.BO
Bloomberg	: CTECH@IN
NSE	: CTE
BSE	: 532801

### Market Data

52 Wk Range (₹)	: 6 / 149
Shares in Issue (mn)	: 19.6
Mkt. Cap (₹ bn)	: 2.06
BSE 2 Wk Avg Vol	: 17000

### Share Holding Pattern (%)

Promoters	: 46.91
FII's	: 0.00
DII's	: 0.29
Others	: 52.80

### Investment Theme

CTEL has spread itself into a range of software services. It has been one of the most reliable partner for Oracle Platform and also has expertise in other platforms like Amazon Web Services, Rackspace, Tableau, Forgerock, New Relic etc. Its existing clientele speak about the quality of service. It currently serves Schneider Electric, Bank of Newyork, Airport Authority of India, etc. It also provides Application Services, Cloud Services and Big Data Services. Its portfolio of services are in a growing phase and about to boom in the next 2 to 3 years. CTEL is cautiously utilising a small talent pool of 250 Intellectuals to generate a large amount of business delivery. We feel that in the coming years if they get appropriate opputrunities in the DaaS and Big Data field, the future of the company would be very huge in terms of operations & revenues. We therefore initiate a Buy on the stock.

**Every Cloud has a Silver Lining!**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	218.0	202.2	(7.2)	259.0	28.1
Other Income	1.8	6.4	255.6	10.2	59.4
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	147.7	127.3	(13.8)	161.9	27.2
Indirect Taxes	0.1	0.0	(100.0)	0.3	-
Other Exp.	61.3	48.6	(20.7)	64.5	32.7
Operating Exp.	209.1	175.9	(15.9)	226.7	28.9
Operating Profit	8.9	26.3	195.5	32.3	22.8
Total Interest	274.7	0.2	(99.9)	0.4	100.0
Gross Profit	(264.0)	32.5	(112.3)	42.1	29.5
Net Dep.	219.7	6.9	(96.9)	31.2	352.2
Total Taxation	2.9	7.7	165.5	(2.0)	(126.0)
Net Profit/Loss	(486.6)	17.9	(103.7)	12.9	(27.9)

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 12	Mar 13	Mar 14	Mar 15
<b>SOURCES OF FUNDS</b>	<b>631.5</b>	<b>114.5</b>	<b>132.2</b>	<b>271.4</b>
Equity Share capital	196.3	196.3	196.3	196.3
Share Application Money	0.1	0.1	-	-
Preference Share Capital	-	-	-	-
Reserves & Surplus	404.7	(81.9)	(64.1)	75.1
Long Term Loans	-	-	-	-
Short Term Loans	30.4	-	-	-
<b>USES OF FUNDS</b>	<b>631.5</b>	<b>114.5</b>	<b>132.2</b>	<b>271.4</b>
Gross Block	389.7	52.3	54.3	192.6
Less : Revaluation Reserves	21.9	21.9	21.9	-
Less : Accumulated Depreciation	378.9	44.0	47.1	85.5
Net Block	-11.1	(13.6)	(14.7)	107.1
Capital Work in Progress	-	-	-	-
Investments	409.7	135.5	135.5	59.9
Current Assets	325.5	147.3	169.6	158.6
Less : Current Liabilities	92.6	154.7	158.2	54.2
Total Net Current Assets	232.9	(7.4)	11.4	104.4
Misc. Expenses not writtenoff	-	-	-	-
<b>NOTE</b>				
Bk Val Unquoted Investments	409.7	135.5	135.5	59.9
Mkt Val. Quoted Investments	-	-	-	-
Contingent Liabilities	64.7	101.1	36.4	106.5
Dividend (%)	0.0	0.0	0.0	0.0

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 14	Mar 15	Jun 15	Sep 15
Net Sales	62.9	53.4	65.5	71.6
Cost Of Sales	61.0	46.3	54.3	55.6
Operating Profit	1.9	7.1	11.2	16.0
Other Income	3.5	5.4	3.1	3.9
Adjusted PBDIT	5.4	12.5	14.3	19.9
Financial Expenses	0.0	0.0	0.0	0.0
Depreciation	1.4	26.6	7.5	7.4
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	4.0	(14.1)	6.8	12.5
Tax Charges	0.0	0.0	0.0	0.0
Adjusted PAT	4.0	(14.1)	6.8	12.5
Non Recurring Items	0.0	5.6	0.0	12.4
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	4.0	(8.5)	6.8	24.9

## 52 Week Index Relative Percentage Appreciation



CTEL vs SENSEX

## Business Potential for CTEL

It is said that the focus of Companies is shifting from just data analytics to Big Data something which incorporates innovative approaches at scale, velocity and low cost. 90% of the utility Data generated was generated in the last 2 years. In 2020 the world will generate 50 times the amount of data as in 2011. And 75 times the number of information sources, creating huge, unparalleled opportunities for human advancement. But to turn opportunities into reality, companies would need the power of Big Data at their fingertips. By 2016, over 50% of raw compute capacity and 70% of raw storage capacity installed worldwide will be in cloud, mobile, and Big Data-optimized hyperscale datacenters. Data as a Service (DaaS) will become a strategic supply chain for cloud platform and analytics players. So enterprises will increase their investment in Big Data over the next three years. This investment will outstrip past investment in information management. This is because companies see risk of becoming irrelevant and uncompetitive if they do not embrace big data. According to a survey 65% of the Business Leaders believe not embracing Big Data would render their companies uncompetitive or irrelevant. 53% of the Leaders says they are facing increased competition from startups who are utilizing more Data than them. Big Data can be successfully utilized in Customer Analytics, Operation Analytics, Fraud & Compliance, Product & Service Innovation & Enterprise Optimization. Looking at the current growth in data the global Big Data traffic is expected to cross 100 ZB by 2025 and generate a revenue of over \$122 bn by 2025.

**In a Nutshell**

Cambridge Technology Enterprises Ltd. (CTEL) has multiple locations in North America, with offshore development offices in Hyderabad and Bangalore, India. CTEL's business plan entail its focus on the convergence of big data and cloud. Its among the few companies to focus on this convergence and deliver subsequent value to global clients. They are also leveraging their partner network which currently is Amazon Web Service, Forgerock, Rackspace, New Relic, and Oracle. As an Oracle Platinum Partner, they have developed core expertise in oracle suite, and have diversified offerings as well as reach across verticals. Their emphasis on the mid-west region of the US has reaped huge benefits, and they will continue to focus in the US region. Apart from the US, they have also laid huge importance on India and have been able to bag contracts from some of the largest players across industries including, infrastructure, banking and finance, shipping, textiles, and manufacturing. This recovery from the dark has demonstrated good numbers and FY2015 turned out to be an outstanding year for CTEL in terms of performance at the stock market and business delivery. Strong performance drove record revenues and earnings. Total revenues were Rs. 322.6 mn - up 28% y-o-y, reflecting exceptional performance in acquiring new customers. Net profit rose to Rs. 31.2 mn – up 182% while EPS rose to 1.59, up 184%. We feel the company might be able to continue its delivery and performance for at least another couple of years and therefore recommend a BUY rating on the stock.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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