

RETAIL

RESEARCH 

Cambridge Technology Enterprises Ltd.

Sector: IT Services

Initial Public Offering Prospectus Extracts

Company overview

Cambridge Technology Enterprises (CTE) is a leading provider of comprehensive SOA-based solutions and services. The company has a focus on building and integrating Enterprise Transformation applications.

The company focuses on solving clients' business problems by catalyzing change efforts and crafting IT solutions to support transformations. Cambridge Technology Enterprises Limited has supported a diverse set of organizations, ranging from the life science to retail distributors and financial institutions.

Issue Details

Type of Issue	: Fixed Price
Issue Size	: 6.3m Equity Shares
Price	: Rs.38
Issue Opens	: December 29, 2006
Issue Closes	: January 09, 2006
Minimum Bid Lot	: 150 Equity shares and in multiples of 150 thereafter
Listing	: BSE and NSE
Book Running Lead Managers	: • Centrum Capital Ltd.
Registrar to the Issue	: Bigshare Services Private Ltd.

Profile

Program management expertise

Once a large scale SOA application development / migration effort is kicked off with workshops, Cambridge Technology Enterprises Ltd. establishes a program office to orchestrate and integrate multiple concurrent streams of work to maintain change momentum and to deliver on commitments. Based on open standard, industry-leading SOA-technology stack, and CMMI Level 5 process maturity, the company effectively manages clients, partners, subcontractors, and technology vendors in demanding situations.

Flexible, highly evolved delivery model

Cambridge Technology Enterprises Ltd. provides services through centers located in India, USA and onsite teams operating at the customers' premises. Over the last three years, the company has made substantial investments in infrastructure, processes and systems allowing it to evolve its global delivery model to effectively integrate offshore, offsite, near shore and onsite services and perform a greater volume of work at its offshore development centers. This delivery model seeks to provide customers with seamless solutions in reduced timeframes, enabling them to achieve operating efficiencies and realize significant cost savings. Cambridge Technology Enterprises Ltd. continues to evolve its delivery model and believe that its customer-oriented approach and ongoing refinements represent an important competitive advantage.

Top down selling

The company strongly believes in top-down selling. Cambridge Technology Enterprises Ltd. invests in its sales and client relationship to structure partner-level relationship with senior management to have critical visibility to their pressing business issues. The company maintains C-level (meaning CEO / CIO / CFO / Sr. Vice President Level) relationship in all of its accounts.

Track record of high quality execution

All of Cambridge Technology's customers are referenciable. Over last five years, Cambridge Technology Enterprises Ltd. has executed hundreds of workshops and application development engagements. Most of the deployments are still in use today. This demonstrates high quality deliverables not only from implementing the project on-budget and on time; but also the alignment of IT, business, and users to make the end product useful.

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■ Change catalysts and architecting

The company's engagement model starts with intense workshops. The workshops clarify business objectives, generate potential alternative solutions to the problems, quantify the business value of these solutions, and structure the broader effort into independent streams of work, and kick-start the work with practical visualizations of the desired end-results. Workshops also secure support from the client's senior leaders and deep buy-in from end-users at the very outset of an effort, which builds momentum in the organization. In total, the company has arranged hundreds of these change catalysis, design and management workshops.

Growth Strategy

CTE has a four-pronged growth strategy and plan to further consolidate its position and capitalize on the growth potential offered by the emerging market of SOA migration services.

The growth plan includes:-

- Selective pursuit of strategic acquisitions.
- Investment in enhancement of Processes, Methodologies and Innovation Toolsets.
- Expansion of its geographic presence in the US markets.
- Enhancement of its global collaboration infrastructure.

CTE's expansion plans are aimed at achieving its medium term goals. The estimated requirement of funds is about Rs.307m. A part of the funds have already been tied up and the balance Rs.240m is proposed to be raised through its proposed IPO.

The key investments in India would be to enhance the infrastructure of its Global Delivery center, build an SOA/Middleware competency center, refine its agile programming expertise with matured CMMi Level 5 processes, besides building a reusable services library that would be a key differentiator for the company.

Objects to the issue

1. Raise financial resources for
 - Expansion of Facilities.
 - Certifications, Training activities to set up SOA competency centers.
 - Invest in Intellectual property development- Reusable framework development.
 - Acquisitions.
 - Setting-up of overseas offices.
 - Providing additional Working Capital.
2. To get the Company's shares listed on BSE and NSE.
3. To meet the Issue Expenses.

Intended use of proceeds

■ Fund requirement

(Rs m)

Item	Amount
Expansion Facilities	40
Enhance IT Infrastructure	10
Support Infrastructure	5
Set Up Regional Offices in US	7.5
Competency centers	10
IP Creation, Reusable components library	19.5
Acquisitions	155
Preliminary costs including IPO Expenses	20
Working Capital	40
Total	307

* Note: Out of the total project cost of Rs. 307m, the company proposes to acquire Intangible assets of Rs.257m which constitutes 83.71% of the Project Cost

Source: Company data, IDBI Capital Market Services

■ Funding Plans

(Rs m)

Source	Amount
Investment from CellExchange Inc.	20
Term Loan	47
IPO	
* Contribution by Promoters in the IPO	86
* Offer to the Public	154
Total	307

Source: Company data, IDBI Capital Market Services

Financial history

■ Profit & loss account

(Rs m)

Year-end: March	FY03	FY04	FY06(15M)
Operating Income	64.1	105.0	184.0
Excise Duty	-	-	-
Net Operating Income	64.1	105.0	184.0
Other Income	0.1	-	2.6
Stock Adjustments	-	-	-
Total Income	64.2	105.0	186.6
Total Expenditure	53.3	87.0	142.9
Operating Profit	10.9	18.0	43.7
Interest	0.1	0.7	0.4
Depreciation	2.3	3.6	4.7
Profit Before Tax	8.5	13.7	38.6
Tax	0.1	-	0.2
Deferred Tax	-	(0.1)	-
Reported Net Profit	8.4	13.8	38.4

Note: Financial year has been changed from December to March-ending. Therefore, FY06 numbers are for 15 months.

Source: Company data, IDBI Capital Market Services

Balance sheet

(Rs m)

Year-end: March	FY03	FY04	FY06(15M)
Share Capital	4.3	4.3	30.8
Reserves Total	14.2	24.9	68.8
Total Shareholders Funds	18.5	29.2	99.6
Secured Loans	0.6	2.2	0.3
Unsecured Loans	-	-	-
Total Debt	0.6	2.2	0.3
Total Liabilities	19.1	31.4	99.9
Net Block	9.5	9.9	6.9
Investments	-	3.1	38.8
Total Current Assets	17.1	30.6	69.3
Total Current Liabilities	7.5	12.2	15.1
Net Current Assets	9.6	18.4	54.2
Total Assets	19.1	31.4	99.9

Note: Financial year has been changed from December to March-ending. Therefore, FY06 numbers are for 15 months.

Source: Company data, IDBI Capital Market Services

Ratios

(Rs m)

Year-end: March	FY03	FY04	FY06(15M)
Key Ratios			
Earnings Per Share-Unit Curr	2.0	3.2	10.0
Book Value-Unit Curr	4.3	6.8	32.3
Debt-Equity Ratio	0.0	0.1	0.0
Long Term Debt-Equity Ratio	0.0	0.1	0.0
Current Ratio	2.2	2.4	3.7
Turnover Ratios			
Fixed Assets	5.3	6.0	7.3
Inventory	-	-	-
Debtors	10.6	6.9	5.1
Interest Cover Ratio	86.0	20.6	97.5
PBIDTM (%)	17.0	17.1	23.8
PBITM (%)	13.4	13.7	21.2
PBDTM (%)	16.9	16.5	23.5
CPM (%)	16.7	16.6	23.4
APATM (%)	13.1	13.1	20.9
ROCE (%)	58.5	57.0	47.5
RONW (%)	58.7	57.9	47.7

Note: Financial year has been changed from December to March-ending. Therefore, FY06 numbers are for 15 months.

Source: Company data, IDBI Capital Market Services

Disclaimer

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