

CMP: INR 145

Rating: Positive

Stock Info

NSE	ALLETEC
Sector	IT - Software
Face Value (INR)	10
Equity Capital (INR Cr)	20.2
Mkt Cap (INR Cr)	295
52w H/L (INR)	155/ 83

Shareholding Pattern %

(As on March 2023)

Promoters	49.95
FII	3.61
DII	0.00
Public & Others	46.44

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Jyotiraditya Singh Gaur

All E Technologies Ltd. (AETL) specialises in Microsoft Business Applications and Digital Transformation. By implementing integrated operational systems of ERP, CRM, Collaboration Portals, and Mobile Apps, the company assists in bringing together - Company and customers, Factory and field Service, Store Front and Supply Chain, Patients and providers, People and governments - and enabling businesses to draw actionable insights from data. It also offers offshore IT services to some of the largest Microsoft Business Applications partners in the United States and Europe.

Management Meet KTAs:

Client Update

- The company has added 16 new customers in the last quarter (13 domestic and 3 international), with repeat and recurring revenue at 97.5%.
- A top Kenyan bank, a wellness tech start-up in California, and a large consulting partner in East Africa are among the notable successes in the recent past.
- With the new college vertical the company has added 2 customers (Manipal Jaipur and Bennett Noida), which gave them a new segment to tap. The company is getting great referrals as well.
- The company has a very sticky business, Make My Trip is still a client after 16 years.
- The customer sale cycle has an average time of 6 months from assessing the problem to delivering the final product.
- The company is also in talks with other banks in Africa to solve similar problems faced by Kenyan Bank.

Plans for Expansion

- The company will focus on inorganic growth moving forward.
- With a new sales office in Toronto, the company will be targeting more on the US markets and African markets.
- Data and AI space will see a **higher expansion and more investments**. Demand is increasing for digital transformation, ERPs, CRM systems, intelligent data platforms, and application modernization.
- Digital commerce can see an expansion and the company will try to acquire new clients going forward.

Future growth

- Microsoft's product portfolio is thought to be stronger and expanding faster than its competitors. Azure's acceptance and demand are growing, with significant potential on the horizon.
- Chat GPT runs on Azure which allows the company to work closely in the AI field.
- The company uses Microsoft Azure for financial accounting software and anticipates development prospects in the cloud services sector.
- Microsoft's AI product portfolio and research provide them an advantage over competitors such as Salesforce. The company's intellectual property is built on Microsoft technologies and runs on the Azure platform.
- The company has cash reserves of **INR 1Bn** and will be using this for inorganic growth.

Revenue break-up

- Product revenue -28% (will grow at a higher rate in the near future and will be better for margins as low employee cost is needed for the same).
- Services – 68%

Product break-up

- Microsoft – 90%, with a revenue split of 70:30 (Microsoft: AETL)
- AETL Ip – 10%

Guidance

- The company is confident with a growth of +25% in the coming years.
- EBITDA margins will increase with the increase of international clients. The company is aiming for a higher double-digit margin for the next 2-3 years.

Outlook: The company exhibits a promising trajectory in its expansion efforts, poised to augment its customer base through strategic investments in inorganic growth. The concurrent emphasis on amplifying presence in the AI domain is projected to yield substantial growth prospects in the coming quarters. Bolstered by a robust pipeline, particularly in the US and African markets, the impetus for growth is anticipated to stem predominantly from international arenas, underscoring the company's adept navigation of global markets. This holistic approach positions the company favourably for a prosperous future marked by heightened expansion and technological innovation.

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Stock Rating Scale

BUY

>20%

ACCUMULATE

12% to 20%

HOLD

5% to 12%

NEUTRAL

-5% to 5%

REDUCE

-5% to -12%

SELL

<-12%

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