

FIRSTOBJECT TECHNOLOGIES

On the earning curve

FirstObject is a small company with a big potential. Having consolidated its position during the last two years, this integrated business technology and process solutions provider is ready to take off on the back of strategic business alliances and forays into e-education.

This fortnight we have selected a virtually unknown, small-cap company with a modest turnover of around Rs. 50 crore as our Fortune Scrip. Our choice is based on the remarkable potential that we see in this company.

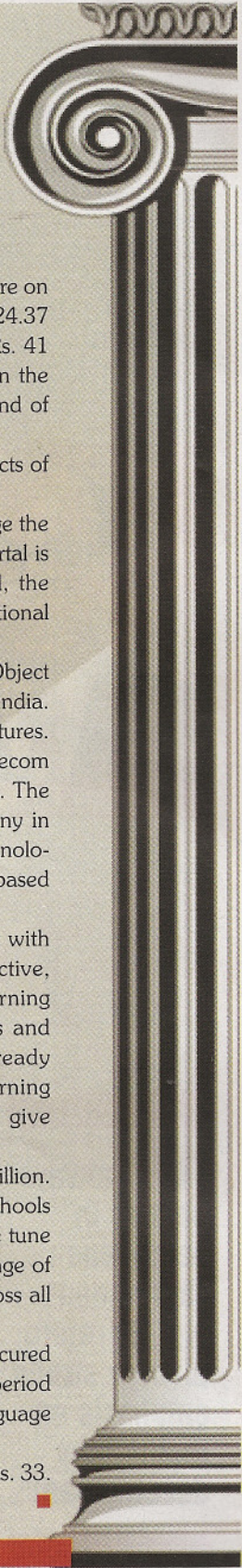

If you have not heard the name of the company FirstObject Technologies earlier, there is nothing unusual about it. The company originally known as IQMS Software, was a little controversial non-event till a year ago. After coming out of the woods in the fiscal 2008, thanks to a change of management, it started coming into its own from the fiscal 2009 and consolidated its position in the fiscal 2010. Now it is ready to take off.

FirstObject is a provider of integrated business technology and process solutions on a global delivery platform. As a management consulting, technology services and outsourcing company, FirstObject combines a rich experience with varied capabilities across several industries. Using its industry knowledge, service offering expertise and technology capabilities, the company identifies new business and technology trends and develops solutions to help clients in India, Middle East and the USA.

The company's business spans quite a few areas. These include:

- (a) BPO services: It acts as a pure-play global business processor, providing complex industry specific processing services to blue chip customers.
- (b) Knowledge process outsourcing: It provides middle office and back office support to capital market arms of leading global banks, educational institutions, manufacturing giants and services companies.
- (c) Pricing analytics: It provides detailed competitive price benchmarking of its clients' products and pricing recommendations based on market conditions.
- (d) Customer insight studies: It monitors and analyses customer feedback across a variety of channels including customer chat forums, bulletin boards, customer reviews and customer support logs from contact centres.
- (e) Product mix optimization: It analyses clients' catalogues vis-a-vis those of its competitors and also against broad industry trends in optimizing their product offerings.
- (f) Portfolio matching and reconciliation: It reconciles large portfolios of trade transactions between its clients and their customers and report variance in positions and valuations.
- (g) Transaction maintenance and
- (h) Finance and control.

The company's clients include Shell, Siemens, Digital, ECCO, Unilever, TDA, Copal Partner, Allen, Lucent Technologies, Ernst & Young, ISB, Chase, Intel, Nomura, Mobile, Morgan Stanley and ABN Amro, among others.



The company has just turned the corner. In the fiscal 2009, it had earned a net profit of Rs. 1.70 crore on a sales turnover of Rs. 17.40 crore on standalone basis. But in the fiscal 2010, revenues shot up to Rs. 24.37 crore and the net profit to Rs. 2.34 crore. On consolidated basis, the revenues have advanced from Rs. 41 crore to exceed Rs. 50-crore mark and the net profit has almost doubled from Rs. 5 crore realised in the previous year. Encouraged by the performance, the directors have declared a nominal maiden dividend of 15 paise.

However, we have picked this stock as our Fortune Scrip this fortnight in view of the future prospects of the company, which has started expanding and diversifying its activities. Just consider:

- In January this year, the company launched its equity research portal with an objective to bridge the gap between different functions of an equity research organization. Styled as Firstcall Research, the portal is one of the knowledge process outsourcing (KPO) divisions of the company. Thanks to this portal, the company has grown in its KPO business by expanding its reach and covering more retail and institutional customers.

- The company will be able to expand its business on account of its four alliance partners viz. Object Xperts Inc., USA, Envoy Technologies Inc., USA, Millenium Care Inc., Canada and Comtel Networks, India.

- As a part of its de-risking strategy for consistent revenues, the company has set up two joint ventures. It has already acquired 51 per cent equity stake in Tractel Solutions Inc. USA, which is a mid-size telecom solutions company with a focus on onsite and off-shore works spread across North America and India. The 51 per cent acquisition is going to provide inroad for the company to provide inroad for the company in North American markets. Again, the company has acquired a minority stake in Octant Interactive Technologies. This joint venture will help the company bid for high value contracts for interactive technology-based emergency medical care IPR services.

- The company has made forays into E-education. It has signed a collaboration agreement with New Age Education Inc. which will enable it to offer e-learning as a training solution that is cost-effective, convenient to access and consistent in quality. The company management claims that its e-learning model is unique. It has created a panel of eminent lecturers and professors of reputed institutes and worked very closely with them to ensure success of e-learning tutorials. The company has already launched its e-learning modules for students preparing for entrance examinations. If this e-learning model gets good response and acceptance from students for entrance tests, the company can give exponential returns in near future.

- The company is acquiring Pre-school, an e-learning company for a consideration of Rs. 250 million. Pre-school, which has franchises with various kindergarten schools, provides contents to about 180 schools at present. About fifty more schools will be added very soon. This is an ongoing revenue model to the tune of about Rs. 16 crore and profitability level of around 15 per cent. This acquisition will add a new range of products to FirstObject portfolio and make it an integrated player in this segment offering content across all the verticals - from pre-school to university level.

- The company has operations in the Middle East and the USA besides India. Recently, it has procured an order worth \$1.75 million from a North American company. The order, to be implemented over a period of six months, is for developing and implementing e-learning tutorial, and virtual class room plus language tests and content aimed at students aspiring to get admissions to overseas universities.

The company is now all set for a take-off. The shares of the company are currently traded around Rs. 33. We strongly feel that the price will at least treble within the next three years. ■