

While ORG Informatics Tops With 835% Return, Polaris Sees Highest Erosion In Share Price

# Tech that: Small caps shine on bourses

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**S**MALL-cap companies have turned out to be the best performers in the stock market in FY05.

ORG Informatics, an IT hardware company, with sales of around Rs 50 crore in FY04, is the best-performing stock in the sector, giving an annual return of 835%.

Its share price shot up to Rs 34 as on March 31, '05 from around Rs 4 a year ago, on the back of strong growth in its net profit and sales. While year-on-year sales have grown by 56% to Rs 29 crore for the quarter-ended December '04, net profit of the company has risen by eight

times over the same period. The high percentage growth rates are on account of the low base.

The top 40 companies in the IT sector by sales were considered for the analysis. The sales of all the top five performing companies in the sector are in the range of Rs 40 crore to Rs 125 crore for FY04. Helios & Matheson, Aztec Software and KPIT Cummins Infosystems have registered a growth of more than 30% in sales, and a growth of more than 80% in net profits during January-December '04. All these companies have benefited from the fact that their sales and profit are low in absolute terms.

When it comes to the worst-performing stocks in the sector,



Best And Worst Performing Stocks In IT Sector In FY05

Top 5 Performing Stocks*			Top 5 Under-Performing Stocks*		
Rank	Company	Returns In FY05	Rank	Company	Returns In FY05
1	ORG Informatics	835	1	Polaris	-38
2	Helios & Matheson	411	2	D-link (India)	-30
3	Aztec Software	368	3	VisualSoft	-24
4	KPIT Cummins	207	4	Blue Star Infotech	-23
5	KS Software	176	5	Mphasis	-18

Source: ETIG Database

\*Top 40 companies by sales considered

(%)

Polaris has witnessed the highest erosion of 38% in its share price to Rs 108 as on March 31, '05,

compared to Rs 175 a year ago. The sales of the poor-performing stocks in the IT sector are much

higher than those for the best-performing stocks, even though their net profits have fallen.

Polaris, for example had revenues of Rs 646 crore in FY04, followed by VisualSoft with sales of Rs 154 crore. In the past year, Polaris has witnessed a massive fall in its margins, leading to loss of investor confidence in the company. From a 22% operating profit margin (OPM) in September '03, the company's OPM has fallen to 14% for the quarter-ended December '04.

In the case of Mphasis, flat sales, coupled with rupee appreciation, led to a decline in sales. D-link (India), VisualSoft and Blue Star Infotech were also hit by the decline in their net profits.