

A JOURNEY TO WEALTH

THOUGHTS ON INVESTING AND WEALTH CREATION FOR INDIVIDUALS

WEDNESDAY, SEPTEMBER 07, 2005

iFlex - A Good Time To Sell

I sold my iFlex shares yesterday.

The company has rewarded me well - I especially enjoyed the run-up in the price after the [Oracle news](#) - but it seems to me that it has gone too far ahead of its real value for one to hold on any longer.

Valuation Seems High

- PE stands at around 35 but the company has only grown at about 23% CAGR over the past 5 years. Average PE over the past 5 years has been around 25
- EPS growth has slowed down over the past couple of years
- RONW has consistently fallen from about 35% in 2002 to around 18% now, a huge drop, especially given the fact that book value has not really been growing very fast either
- Oracle's open offer (based on their assessment of the company's value) is much below current market price

Prospects Not Clear

- iFlex has so far been a leading player in universal banking software, which is usually purchased by mid-tier banks. Given the company's phenomenal success over the past few years, it has actually covered large parts of its traditional market in Middle-East and Africa. In order to grow it now needs to look at the US and Europe, which are much more competitive markets and have several established, dominant banking systems players
- The company has shown greater growth in the services space than in products, making it more of a mainstream IT player and bringing it in direct competition with the Wipros, Infys, TCSes and Satyams of the world
- The ability of iFlex to move into large banking solutions through the good offices of Oracle might be a little over-rated as Oracle works closely with many of the other leading banking software vendors as well

The way forward for iFlex is fraught with a lot of uncertainty and it

ABOUT ME



AMIT RAY
MANILA, PHILIPPINES

A mild-mannered IT professional by day, I transform into an avid investor by night (and 9 am - 5 pm on weekends). This site documents my thoughts, learning and experiences in investing as I chart out my journey to wealth and financial freedom.

[VIEW MY COMPLETE PROFILE](#)

PREVIOUS POSTS

[Value Pick - Torrent Cables](#)

[IPO Analysis for Fun and Profit](#)

[IPO - ERA Constructions](#)

[IPOs - Nectar Lifesciences](#)

[IPOs - My Track Record](#)

[An Aside](#)

[Mutual Funds - Make Your Own Unit-Linked Insurance](#)

[Value Pick - Betting on Biocon](#)

[Real Estate - A Strategy for Apartment Purchase?](#)

[IPO - Gateway Distriparks](#)

HITS SINCE 27TH MAY, 2005



AFFILIATIONS



seems more prudent to sell at what seems to be a high and wait for iFlex's strategy to become clearer over the next year or so.



Current Market Price: Rs. 970

POSTED BY AMIT RAY AT 11:41 AM

I'm a
Lowly Insect
in the
TTLB Ecosystem

5 COMMENTS:

Anubhav said...

It continues to be the only tech product co of substance from India. I still hold on...

Though I am sure it has given handsome returns - specially if you bought it at the 500 odd levels a year ago.

10:22 AM, SEPTEMBER 13, 2005

Unknown!!! said...

Hi....interesting blog...the full material on dos before buying an IPO...is great....

Amar Remedies...when it came out with IPO..i went thru the documents..i felt it was all crap..and talking about brand...never heard of amar toothpaste...only thing i liked about ARL is their website..

But today it got listed double its IPO.....now this gives me confidence to go for Southern online biotechnologies...your suggestions on that one...your comments on the following scrips

HPCL,
Glenmark,
Amtek auto,

3:37 PM, SEPTEMBER 16, 2005

Amit Ray said...

I had quite a struggle with myself before letting go of my iFlex shares so even I can't claim to be entirely convinced of my argument.

The reason for selling was that I made a decent (near 100%) profit on it and didn't make sense to get too greedy given that the future of iFlex is hazy.

11:58 AM, SEPTEMBER 23, 2005

Amit Ray said...

I didn't even give Amar a second glance due to exactly the same reason - never heard of it!

Given the looong list of companies I would love to own, why invest in a dark horse that operates in a well-established industry?

And don't worry about the post-IPO spurt unless you promise you will sell all your IPO investments immediately upon listing!

I'm sorry but I really don't have the time to analyze all companies. Prefer to find good companies I would like to own and then spend effort in researching them. Will try to reply to some of your queries though...

12:01 PM, SEPTEMBER 23, 2005

[Nishit Rawat](#) said...

Hey Amit,

I tend to agree with your assessment here.

Check out a site www.watchoutinvestors.com. It has some good information that small investors should be aware of, especially when it comes to IPOs.

Nishit

7:27 AM, SEPTEMBER 24, 2005

[POST A COMMENT](#)

[<< Home](#)

ALL MATERIAL ON THIS SITE IS BASED ON THE AUTHOR'S OPINIONS AND SHOULD NOT BE CONSTRUED AS EXPERT GUIDANCE ON THE SUBJECT. READERS ARE ADVISED TO USE THEIR OWN JUDGEMENT BEFORE INVESTING.