

27th July 2008**Nu Tek India Limited****Recommendation: Subscribe**

Issue Summary		
Price Band (Rs)	170	192
Bid Lot	30 shares	
Face Value	Rs.10	
Opens on	29 th July'08	
Closes on	1 st Aug'08	
Fresh Issue	35.00 lacs	
Offer for Sale	10.00 lacs	
Total no of shares to be issued	45.00 lacs	

Pre-issue share capital	Rs 13.75 cr	
Post- issue share Cap	Rs 17.25 cr	
Issue Size	Rs 76.50	Rs 86.40
Post Issue Market Cap	Rs 293.25 cr	Rs 331.20 cr
P/E on FY 08	13.78	15.57

Net Issue	No. of Shares	%
QIB's	22.00 lacs	49
Non Institutional	6.60 lacs	15
Retail	15.40 lacs	34
Employees	1.00 lacs	2
Total	45.00 lacs	100

Company & Business Profile

Nu Tek India Limited (NTIL) is a Telecom Infrastructure Service Provider incorporated in the year 1993, and promoted by a first-generation entrepreneur, Mr Inder Sharma with pan India operations. NTIL started its business with installation and maintenance of large Electronic Switching Systems used by DoT. Over the last 15 years it has been serving to almost all Telecom Operators, OEM Vendors and Third Party Infrastructure Leasing Companies. With changing regulatory scenario and with emerging business opportunities, the company kept moving up the value chain of its service delivery. Today, with site-offices and facilities located in major cities and having executed projects in all the 23 telecom circles, NTIL offers full turnkey infrastructure rollout solutions for both mobile and fixed telecommunication networks.

It is one of its kind in this segment to provide end to end solutions ranging from Telecom Installations to Full Turnkey Infrastructure Rollout Services. It also provides Technical Support Services and O&M to its clients. NTIL is operating in all the telecom circles in India through its workforce of over 1000 employees present pan-India.

NTIL's business model works in three ways:

1. Getting direct orders of installation and maintenance of telecom tower infrastructure and equipments from telecom operators,
2. Getting orders from leading Telecom Equipment Manufacturers, who are engaged by telecom operators and
3. Getting orders from telecom infrastructure leasing companies for creation of telecom infrastructure.

Major Clients include:

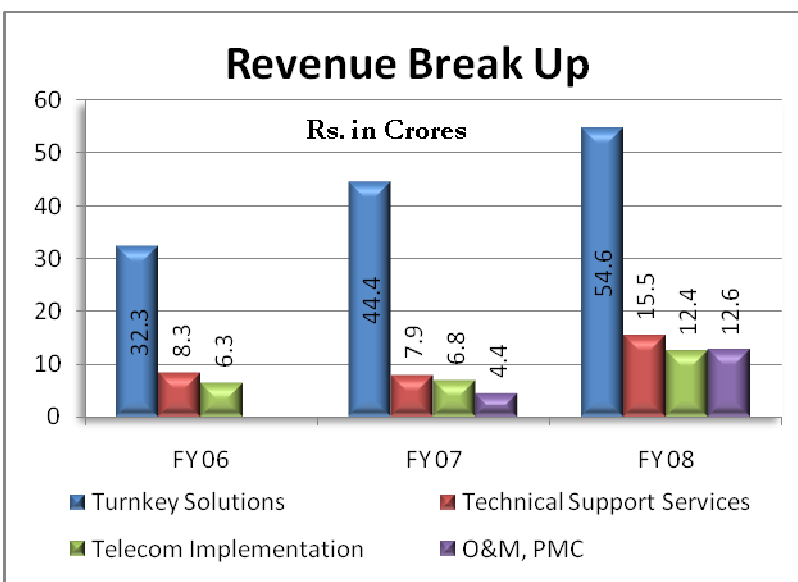
- **Telecom Operators / Service Providers:** Bharti Airtel, Reliance Communications, Vodafone Essar, Idea Cellular, Tata Tele, Aircel, Shyam Telecom
- **Telecom Equipment Manufacturers:** Nokia Siemens, Ericsson, Motorola, Nortel Networks, Huawei Telecom, ZTE Telecom
- **Third Party Infrastructure Leasing Companies:** Essar Telecom, Quipo, American Tower Corporation, Xcel Telecom, IMI Ltd

Over the years NTIL's focus has been to move up the value chain and offer one stop shop outsourced integration services to its clientele. Their continuous scaling up in the value chain has improved the revenue mix each year and consequently their margins. For FY 08 the total income of the company was at Rs.97 crores with EBITDA of Rs.31 crores, giving a margin of 32.59%. PBT was placed at Rs.30.29 crores while PAT was at Rs. 21.27 crores. The revenue mix for FY06 to FY08 is depicted in the chart

Book Running Lead Managers:

- SPA Merchant Bankers Ltd.
- India Infoline Ltd.

below.

**Objects of the issue**

Particulars	Amount (Rs in cr)
Capital Expenditure	23.57
Overseas Acquisitions	21.00
Augmenting Long Term Working Capital resources	44.00
General Corporate purposes	[*]
Issue Expenses	[*]
Total	[*]

Means of Finance (Rs in cr)

Particulars	Total
Proceeds of the Issue	[*]
Internal Accruals	[*]
Total	[*]

Shareholding Pattern

	Pre-issue		Post Issue	
	No. of shares (in lacs)	% holding	No. of shares (in lacs)	% holding
Promoters	73.21	53.21	73.21	42.42
Person Acting in Concert	33.60	24.42	23.60	13.67
Non-Promoters	30.77	22.37	31.77	18.41
Public	-	-	44.00	25.49
Total	137.59	100	172.59	100

Investment Positive

- **Strong Order Book:**

As on June 15, 2008, Nu Tek has an order book of **Rs.175 Crs** comprising of work orders and letter of intents to be executed in FY 2009 which translates to 1.8x of FY 08 total income. This includes orders from Aircel / Dishnet Wireless Limited, Huawei Telecommunications (India) Co Pvt. Ltd, Ericsson, ATC Tower Company of India Pvt. Ltd. and Shyam Telelink Ltd.

- **End to End Solutions & Proven Track Record:**

In project management and providing Turnkey solutions, NTIL has a proven track record in designing, constructing, commissioning, networking and maintaining tower sites and equipment. NTIL provides a gambit of services ranges from undertaking Turnkey Infrastructure Rollouts including Civil & Electrical Infrastructure, construction, installation and integration of telecom equipment to taking up Operation & Maintenance contracts. Also its composite offering to build passive infrastructure and to operate and maintain them for the cellular operators allow it to offer a single window to address the infrastructure needs of the service providers.

- **Established Client Relationships:**

NTIL have developed strong and sustaining relationships with its clients i.e., Telecom Operators, Telecom Equipment manufacturers and Tower infrastructure leasing companies and is the basis of ongoing and repeat orders. NTIL has the distinction of having worked with almost all the leading equipment manufacturers as well as telecom operators. In the course of executing projects for the Telecom Equipment manufacturers, they are able to establish good relation with the Telecom Operators also, enabling them to receive long term direct orders for their Telecom service requirements.

Concerns

- **Concentration of Revenue:**

NTIL derives major portion of their revenues from few customers, loss of any such customer will have a material adverse impact on their business and revenue with the top client, i.e. ZTE Telecom India Private Limited contributed Rs. 16.89 crores representing 17.75% of their total revenues whereas their top 5 clients, i.e. ZTE Telecom India Private Limited, Ericsson Telecommunication Private Limited, Dishnet Wireless Limited, Motorola India Limited and Tata Teleservices Limited contributed 54.78 crores representing 57.57% of their total revenues in FY 2008. Also a significant portion of their revenues and projects are concentrated in northern India.

Their failure to successfully expand in other parts of the Country may adversely affect their business and result of operations.

Profit & Loss Account

(Rs in cr)

Particulars	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Operating Income	23.12	30.45	46.91	63.57	95.16
Other Income	1.25	1.23	1.66	0.23	1.54
Total Income	24.36	31.68	48.56	63.80	96.70
Total Expenditure	19.42	24.75	37.75	42.75	64.14
EBITDA	3.70	5.71	9.15	20.82	31.02
EBIDTA (%)	16.00	18.75	19.50	32.75	32.59
Depreciation	0.25	0.29	0.41	0.64	0.88
Interest	0.11	0.19	0.36	0.42	1.39
Profit Before Tax	4.59	6.46	10.04	19.99	30.29
Provision for Tax (Including FBT)	1.26	1.00	4.95	8.41	9.02
Profit after Tax	3.33	5.46	5.09	11.59	21.27
PAT (%)	13.7	17.2	10.5	18.2	22.0
EPS (Pre Issue)	2.42	3.97	3.70	8.43	15.47
EPS (Post Issue)	1.93	3.17	2.95	6.72	12.33

Financials

- The Operating income of the company has grown at a CAGR of 42.4% since last five years.
- Operating profits has grown by around 48.99% from Rs 20.82 cr in FY 07 to Rs 31.02 cr in FY 08. In the same period, Profit after tax has grown by 83.52% from Rs 11.59 cr to Rs 21.27 cr.
- PAT Margin has increased from 13.7% in FY 04 to 22.0% in FY 08.

Valuations

The issue is priced at 13.78x FY08 earnings on post issue capital at floor price and at 15.57x at cap price.

The comparable peers are valued as follows:

Company	EPS	P/E
GTL Limited	8.8	24.6

Recommendation

Nu Tek India Limited (NTIL) is a telecom infrastructure service provider offering Infrastructure rollout solutions for both mobile (wireless) and fixed telecommunication networks. It offers services to Telecommunication Equipment Manufacturers, Telecom operators as well as third party infrastructure leasing companies in installing and maintaining Telecom Network Equipment & Infrastructure.

Based on the valuations, the issue is attractively priced at 13.78x and 15.57x with an EPS of Rs. 12.33 for FY 08 at lower and upper band as compared to its peers. While NTIL has an impressive track record in executing projects with its end to end telecom services offerings and keeping in mind the NTIL pan India presence, strong order book in hand for FY 2009, proven project expertise and experience of over 15 years we recommend our investors to subscribe to the issue.

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