

Subscribe

Issue Details

Issue Size to public	76.5 – 86.4
Face Value (Rs)	10
Bid opens	29 July
Bid closes	1 August
Issue band (Rs)	Rs 170-192
Issue Type	100% BB

Lead Managers

SPA Merchant Bankers Ltd., India Infoline Ltd.

Registrar

Aarthi Consultants Private Ltd.

Issue Structure Equity Shares

Fresh equity Shares	35,00,000
Shares offered by existing shareholder	10,00,000
Total no of shares	45,00,000
Employee Reservation	1,00,000
Net Issue Size	44,00,000
QIB Portion	22,00,000
Non Institutional Portion	6,60,000
Retail Portion	15,40,000

No of Issued, subscribed and paid up shares before the issue	1,37,59,300
No of Issued, subscribed and paid up shares after the issue	1,72,59,300

Promoter and Promoter Group holding (Pre Issue)	53.21
Promoter and Promoter Group holding (Post Issue)	42.42

Background

Nu Tek India Ltd provides management expertise to telecom players for infrastructure creation and installation for telecom sites which includes Passive Infrastructure like Towers, Telecom shelters, Backup power DG sets and battery banks, etc. It also provides Active infrastructure services like Base transceiver station, microwave, optic fibre, Base station controller, Intelligent networks and microwaves to the most advanced Wimax and future ready 3G Notes.

Objects of the issue

- ✓ Capital expenditure Rs23.6cr
- ✓ Overseas acquisitions Rs21.0cr
- ✓ Augmenting Long term Working capital resources Rs44.0cr

Business Model

- ✓ Getting direct orders of installation & maintenance of telecom tower infrastructure & equipments from telecom operators.
- ✓ Orders from leading telecom Equipment manufacturers who are engaged by telecom operators.
- ✓ Services to telecom Infrastructure leasing companies for creation of telecom infrastructures.

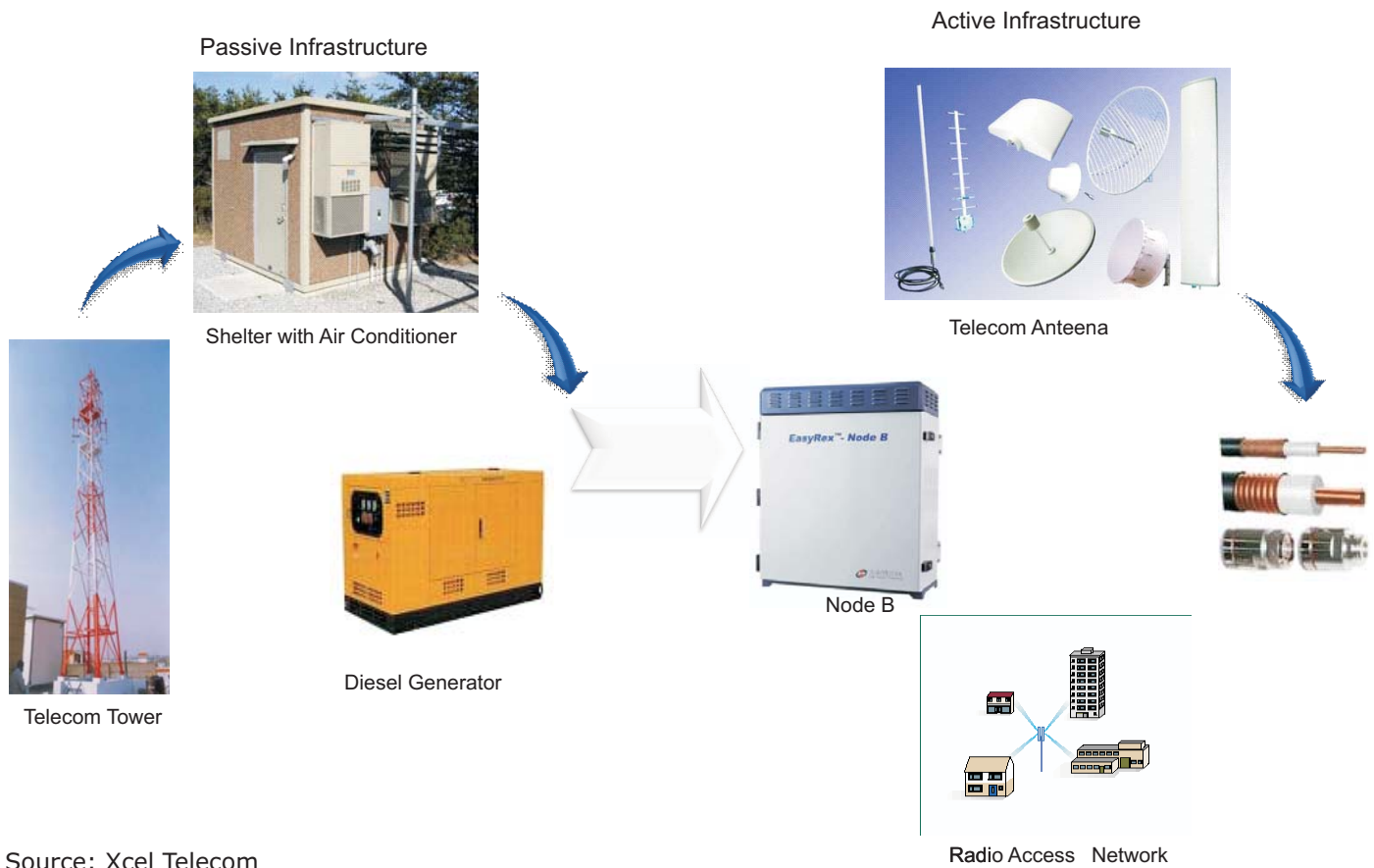
Professional Services

- Turnkey Network Deployments & Project Management
 - Site Acquisition & Permits
 - Site Engineering - Survey & Design
 - BSS Site Preparation and Civil Infrastructure Works
 - Tower Supply & Foundation & Erection
- Network RF & Tx Planning and Optimization
- Installation & Commissioning (Telecom I&C)
- Fiber Optic Backbone & Networks Deployment and I&C
- Logistics Services
- Maintenance Services
- In-Building Sites for indoor Coverage
- Site Audit Services
- Swap and BTS Type Change Services

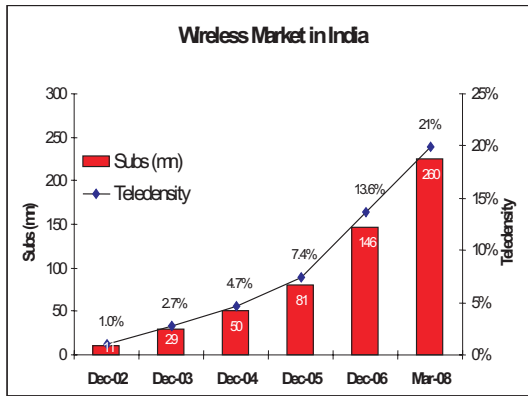
Clientele

Telecom Equipment Manufacturer	Telecom Operators	Third Party Infrastructure Leasing Companies
✓ Nokia Siemens Networks	Tata Teleservices Ltd.	Quipo Telecom Infrastructure
✓ Ericsson India	Reliance Communications	Xcel Telecom
✓ Motorola India	Bharti	ATC Tower Company of India
✓ Nortel Networks India	Idea Cellular	Wireless – TT Info services
✓ Huawei Telecommunications	Vodafone Essar South	IMI Ltd.
✓ ZTE Telecom India	VSNL	
	Aircel	
	Shyam Telelink	

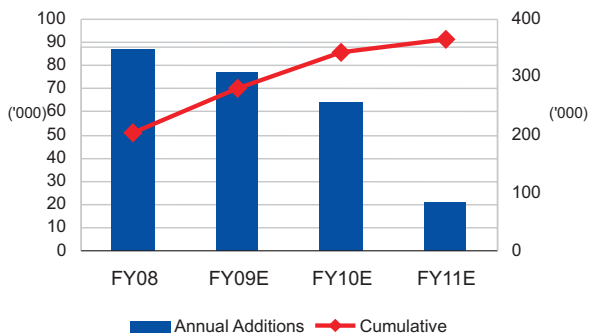
INFRASTRUCTURE SHARING



Source: Xcel Telecom



Source: Anagram Research



Source: Anagram Research

Industry Overview

India is currently having 260mn wireless subscribers with 1,70,000 towers and according to TRAI estimates India will require 3,10,000 towers for a subscriber base of 400mn. TRAI last year allowed Passive Infrastructure and recently also allowed Active sharing (Excluding sharing of Spectrum). After Active Infrastructure sharing, now 70-80% of the network infrastructure cost can be shared among the telecom service providers. Infrastructure sharing is the new theme in India where we recently witnessed large telecom players joining hands for passive sharing. Indus tower – Company formed by Bharti, Vodafone and Idea where Bharti and Vodafone will hold 42% each and Idea will hold remaining 16% is the move in this direction. Infrastructure sharing is an old concept in developed markets like US where there are large companies like American Tower providing Passive Infrastructure sharing services. If we look at individual independent companies providing infrastructure sharing in US they constitute 60% of total sharing while in India still the ratio is inverse where wireless operators provide major Infrastructure sharing services.

Active Infrastructure sharing was recently allowed by TRAI where Antennas, Feeder Cables, Radio Access Networks (RAN) can be shared except allocated spectrum. Passive Infrastructure results into 60% of Network cost and rest constitutes of Active Infrastructure cost. But Globally Active Infrastructure sharing has not worked that successfully because of lot of issues involved. All the recent move on Infrastructure sharing will help fast roll out of services by new entrants which recently got LOIs.

Investment Rationale

- ✓ In India still there is huge investment to be made in Telecom Infrastructure despite being second largest wireless market in the world. Indian Telecom players have lined up huge capex for next 2 – 3 years to spread their wings all across India. Now, after both Passive & Active infrastructure sharing allowed, independent service providers who have the ability to offer end to end telecom solutions will be benefited. As subscribers base increases, telecom operators will focus on network quality and will invest in the upgrades in the networks.
- ✓ Due to changing mobile technology need we will see revolutionary changes with telecom operators going for superior technical rollover from the existing mobile technology. Going forward we are going to see 3G roll out and new innovative technology like WiMax. Nutek has an experience in the field of new technology where it has successfully executed projects for the telecom technologies like GSM – 2G, 2.5G, 3G, CDMA and transport technologies like MW Access, Backbone, Optical Transport and WiMax, etc. So introduction of new innovative technologies like 3G rollover to enable high speed data transmissions will give an enormous opportunity to experience players like NuteK.
- ✓ Nu Tek India Ltd. has developed skills and expertise over the last 15 years in providing end-to-end telecom infrastructure solutions to both mobile and fixed telecommunication networks. It installs and maintains Telecom Network Equipment and Infrastructure for telecommunications equipment manufacturers, telecom operators and third party infrastructure leasing companies.

- ✓ In project management and providing Turnkey solutions, NTIL has a proven track record in designing, constructing, commissioning, networking and maintaining tower sites and equipment i.e. from concept to completion. NTIL provides a gambit of services ranging 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.
- ✓ Moreover, company has strong clientele base and has executed projects for Nokia, Ericsson, BSNL, ZTE Telecom India, Quipo Telecom Infrastructure, Essar Telecom Infrastructure, Tata Teleservices, Reliance Infocomm, MTNL and Delhi Metro Rail Corporation.
- ✓ Company's constant strive to move up the value chain has led to improved revenue mix over years and therefore better margins. Over past revenues dominantly came from Technical Support Services (TSS) and Telecom Implementation (TI), however Turnkey Solutions business saw growth from 2005, which improved significantly. Moreover, management believes higher sales contribution of the Operating & Maintenance (O&M) segment and efficient utilization of resources helped in achieving cost efficiencies.

Revenue Mix

Business Segments	FY06	FY07	FY08
Turnkey Solutions	69%	70%	57%
Technical Support services	18%	12%	16%
Telecom Implementation	14%	11%	13%
O&M, PMC		7%	13%

Robust expansion in EBITDA margin (from 16% in FY04 to 33% in FY08) has been achieved due to sharp decline in employee costs and SG&A costs as percentage of sales. O&M business activity is partially an O&M segment revenues are partially an offshoot of Turnkey Solutions business, the increasing revenues of O&M business in total operational income suggests visible and sustainable earnings for company.

Concerns

- ✓ Entry barriers in the industry are very low which may attract many new players in the industry resulting into intense competition in the infrastructure sharing space. Few big players have an advantage of larger scale which can pose a serious threat to smaller players like Nutek.
- ✓ Heavily dependent on few clients. Nutek top 5 clients contribute 58% & top 10 contributes 88% of the revenues which makes it highly vulnerable if any client cease to continue doing business with the company.

Valuations & Recommendation

Nutek India with its track record and experience in executing projects is well placed to capitalize the vast opportunity in Telecom Infrastructure space in India. Company like Nutek having presence across all segments and with diversified portfolio will benefit from the capex lined up by telecom players for infrastructure expansion and new technologies like 3G, Wimax etc. Topline of the company have witnessed a CAGR of 46% and profitability has improved by 57% over last 3 years. Operating margins improved from 19.5% in FY06 to 32.6% in FY08 due to changing revenue mix where the share from O&M and PMC has increased substantially. AT the upper band the issue is priced at 16x its FY08 EPS of Rs12. We recommend investors to **Subscribe** the issue for long term horizon.

Financial Highlights

Particulars	FY06	Growth %	FY07	Growth %	FY08	Growth %
Net Sales	46.91	54.06	63.57	35.51	95.16	49.69
Total Expenses	37.75	51.97	42.75	13.25	64.14	50.04
Operating Profit	10.82	55.91	21.05	94.55	32.56	54.68
Other Income	1.66	24.81	0.23	(86.14)	1.54	569.57
Interest	0.36	89.47	0.42	16.67	1.39	230.95
Depreciation	0.41	41.38	0.63	53.66	0.88	39.68
PBT	10.05	55.57	20.00	99.00	30.29	51.45
Tax	4.96	--	8.41	--	9.02	--
PAT	5.09	(6.78)	11.59	127.70	21.27	83.52
Extraordinary item	0.67	--	--	--	--	--
Adjusted PAT	4.42	(20.22)	11.59	162.22	20.91	80.41
Equity	1.73	--	1.73	--	1.73	--
EPS	2.55	--	6.70	--	12.10	--
Margin (%)						
<i>OPM</i>	19.53	--	32.75	--	32.60	--
<i>NPM</i>	9.42	--	18.23	--	21.97	--

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RATING INTERPRETATION

- Buy** Expected to appreciate more than 20% over a 12-month period
- Accumulate** Expected to appreciate up to 20% over a 12-month period
- Hold** Expected to remain in a narrow range
- Avoid** Expected to depreciate up to 10% over a 12-month period
- Exit** Expected to depreciate more than 10% over a 12-month period

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