

Nu Tek India Ltd.

IPO Note

Neutral

IPO Statistics

Issue Open On	29 th July 2008
Issue Close On	01 st August 2008
Price Band	Rs 170-192 Per Share
Face Value	Rs 10 Per Share
Bid Lot	30 Eq Shares
Issue Size	4,500,000 Eq Shares
Offer For Sale	1,000,000 Eq Shares
Fresh Issue	3,500,000 Eq Shares
Pre Issue Eq Capital	Rs 137.59 Million
Post Issue Eq Capital	Rs 172.59 Million

Shareholding Pattern (%)

	Pre Issue	Post Issue
Promoter & Group	53.21	42.42
Non Promoter Holding	46.79	32.08
Public	----	25.49

Other Specifics

Lead Manager	SPA Merchant Bankers Ltd, India Infoline Limited
Registrar	Aarthi Consultants Private Ltd

Objects of Issue:

The company intends to use the issue proceeds for:

- Capital expenditure which mainly includes various testing equipments, laptops and transport vehicles for commutation between various rollover sites.
- The company intends to enhance its capabilities and address overseas geographical coverage through strategic acquisitions of business (es) and/or assets, investments or joint ventures. Towards this end the company proposes to target companies overseas which are offering services in Telecom infrastructure space. As on date the company has not yet entered into any letter of intent or definitive commitment for such acquisition or investment. The company has ascertained an amount of Rs 210 million for the same.
- For augmenting long term working capital requirement.

The company is into the business of providing telecom infrastructure rollout solutions for both mobile and fixed telecommunication network. The company offers its services to Telecommunication Equipment manufacturers, Telecom Operators as well as third party infrastructure leasing companies in installing and maintaining Telecom Network Equipment and Infrastructure. The company offers all outsourced services related to design, installation, construction, operation and maintenance of telecom networks. The company also undertakes turnkey projects; provide management expertise to its clients for infrastructure creation and installation for telecom sites which includes both active and passive infrastructure. The company also provides technical support services in the High End Telecom segments such as Radio Frequency and Transmission Planning, Network Tuning & optimization and quality of Service (QoS) to its clients. With site –offices and facilities located in major cities and having executed projects in all 23 telecom circles, the company has the wherewithal to undertake multi site projects pan India.

Investment Rationale

- As on 15th June 2008, the company is executing works for its clients worth Rs 1,365.75 million. This includes work orders from Aircel/Dishnet Wireless Ltd for Rs 687.95 million, Huawei Telecommunications (India) Co Pvt Ltd for Rs 132.35 million, Ericsson for Rs 125.53 million, ATC Tower Company Of India Pvt Ltd for Rs 117.67 million, Shyam Telelink Ltd for Rs 85.53 million. In addition to that ,company have Letter of Intents amounting to Rs 385.32 million from various clients against which work order are yet to be received.
- Company has strong clientele and its major clients include big names like Nokia Siemens Networks Pvt Ltd, Ericsson, Motorola India Pvt Ltd, Tata Teleservices Ltd, Reliance Communication Ltd, Bharti Airtel, VSNL, Idea Cellular Ltd, Shyam Telelink Ltd, ZTE Telecom India Private Ltd, Vodafone Essar South Ltd, Quipo Telecom Infrastructure ,Xcel Telecom and many more.
- The company has incorporated a subsidiary in Turkey on Dec 14 2007 which has commenced operations on Jan 06, 2008. The company also plans to venture into Middle East and North African market in order to tap the potential for Telecom Infrastructure Service Provider over there. This in turn will help the company in expanding its presence worldwide.

Annual Results

Rs (Millions)

Particulars	Mar'04	Mar'05	Mar'06	Mar'07	Mar'08
Total Income	231.18	304.51	469.08	635.70	951.63
Growth (%)	-	31.72	54.04	35.52	49.70
Total Expenditure	194.16	247.47	377.50	427.54	641.41
EBIDTA	37.02	57.04	91.58	208.16	310.22
Growth (%)	-	54.08	60.55	127.30	49.03
EBIDTA Margin	16.01	18.73	19.52	32.75	32.60
Other Income	12.45	12.32	16.55	2.34	15.41
Depreciation	2.49	2.85	4.14	6.35	8.83
EBIT	46.98	66.51	103.99	204.15	316.80
Interest	1.10	1.90	3.61	4.21	13.92
PBT	45.88	64.61	100.38	199.94	302.88
Tax	12.620	10.02	49.50	84.07	90.21
Adjusted PAT	33.26	54.59	50.88	115.87	212.67
Growth%	---	64.13	-6.80	127.73	83.54
Adjusted NPM	14.39	17.93	10.85	18.23	22.35
Other Adj	-0.93	0.00	0.00	0.00	6.84
Reported PAT	34.19	54.59	50.88	115.87	205.83
Equity Capital	0.50	0.54	116.61	116.61	137.59
Net Worth	60.21	149.82	243.19	411.88	865.06
Equity Shares	0.05	0.05	11.66	11.66	13.76
EPS	665.20	1,010.93	4.36	9.94	15.46
Book Value	1204.20	2774.44	20.85	35.32	62.87
ROCE (%)	74.10	39.60	35.20	42.70	33.0
ROE (%)	55.24	36.44	20.92	28.13	24.58

Concerns

- Company's top client ZTE Telecom India Pvt Ltd contributed 17.75% of company's total revenues whereas its top 5 clients i.e. ZTE Telecom India Private Ltd, Ericsson Telecommunication Private Ltd, Dishnet Wireless Ltd, Motorola India Ltd and Tata Teleservices Ltd contributed 57.57% of company's total revenues in FY2008. Hence in the event of loss of any of such clients will adversely affect the operations of the company.
- The company's cash flow have been negative from last 3 years as cash flow from operating activities are -155.10, -61.62 and -105.74 million in FY'06, FY'07 and FY'08 respectively.
- A significant portion of company's revenues and projects are concentrated in northern India, hence in case of company's failure to successfully expand in other parts of the country may adversely affect company's business and result of operations.

Valuation

(Rs Cr)

Company Name	Sales-FY'08	PAT-FY'08	Capital	EPS	Book Value	P/E	Closing Price-25/07/2008
GTL Ltd	1433.33	128.50	94.57	11.56	100.32	17.00	196.55
Nutek Ltd-(As on 31.03.2008)	95.16	21.23	13.76	15.46	62.87	----	----

The company at a price band of Rs 170-192 per share will have the p/e multiple of 13.80-15.58 on post issue eps of 12.32 (Basis PAT FY'08). On valuation basis the company seems fully priced at post issue eps of Rs 12.32 but on basis of the impressive financial performance and brighter future prospects of company due to continuous increase in subscribers by telecom operators, we rated the issue a "Neutral" one.