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Jul 28, 2008 12:12 pm
Technically, looks competent!



Nu Tek India is entering the capital market on 29th July 2008 with a public issue of 45 lakh equity shares of Rs.10 each in the band of Rs.170 to Rs.192. Of this, fresh issue is of 35 lakh shares while offer for sale is of 10 lakh shares.

The company is a Telecom infrastructure service provider offering infrastructure rollout solutions for both mobile and fixed telecommunications networks by offering services to Telecommunication Equipment Manufacturers, Telecom Operators and third party infrastructure leasing companies.

Among Telecom Equipment Manufacturers, the company clients are Nokia, Ericsson, Motorola and Nortel while amongst Telecom Operators are Tata Tele, R-Com, Bharati, Idea, Vodafone and Tata Communications. Presently, the company is executing works of Rs.137 crores for its various clients.

For FY 08 the total income of the company was at Rs.97 crores with EBITDA of Rs.32 crores, giving a margin of 33.66%. PBT was placed at Rs.30.29 crores while PAT was at Rs.21.27 crores, resulting in an EPS of Rs.15.50 on present equity base of Rs.13.76 crores. FY 08 the company has posted a growth of 50% in topline while 100% in bottomlines.

Due to rapid increase in telecom subscribers which are now at 308 million of which 269 million are wireless subscribers, service providers and equipment makers need to focus on network quality as a competitive necessity. As the company is an end to end solution provider with track record of over 12 years of project management for all type of customers with 1,083 permanent employees, enjoys a strong position in the domestic market. The company now has estimated a capex of Rs.89 crores, of which, Rs.21 crores is for overseas acquisitions to enable the company to have overseas foothold. Also, Rs.44 crores is for capital expenditure. Though presently, the company is debt free but has Rs.50 crores, projects for Customers Under Progress and Rs.47 crores as Sundry Debtors. These are partly financed by current liabilities of Rs.34 crores, which if curtailed, could improve the operating margins of the company, by procuring the materials at the competitive rates.

Fresh infusion of the funds would only supplement the present operations which would improve its growth. Even equity dilution, considering offer for sale is 25.50% only, with post-issue equity at Rs.17.26 crore. Due to huge growth potential of the telecom sector, the company should be able to have a CAGR of 40% in topline and bottomline for the next three years.

Share at lower band of Rs.170 is definitely attractive. However, even at the upper band of Rs.192, based on historic earnings, it is issued at a PE multiple of about 12 times, while at about 10 times, based on FY 09 earnings. Even this is considered quite good, and price is likely to get discovered at the upper band of Rs.192 and even at that level it can prove to be a rewarding investment.

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