IPO Snapshot

February 21, 2011

Issue Snapshot:

Issue period February 21– February 24 2011

Price Band: Rs. 88– Rs. 90

Issue Size: Rs. 170.0 crs

Issue Size: 1,88,88,889 equity shares *

QIB	Upto	50 % eq sh
Retail	atleast	35 % eq sh
Non Institutional	atleast	15 % eq sh

* = Assuming issue subscribed at the upper price band

Face Value: Rs 10

Book value: Rs 65.50 (December 31, 2010)

Bid size: 60 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs	20.00 crs
Post issue Equity:	Rs.	38.88 crs *

* = Assuming issue subscribed at the upper price band

Listing: BSE & NSE

Lead Manager: Saffron Capital Advisors Pvt Ltd.

Registrar to issue: Sharex Dynamic (I) Pvt Ltd

Current Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoters & Promoters Group	85.72	44.09
Public (incl Employees & others)	14.28	55.91
Total	**100.0**	**100.0**

ICRA IPO grading: 3/5 indicating average fundamentals

Highlights of the issue:

Incorporated in the year 2001 Acropetal Technologies Limited (ATL) in Bangalore received 100% EOU certification in January 2003. The initial focus of the company was on Engineering Design Services. It offers a broad spectrum of Engineering Design Services to reduce product design cycle time and costs. The portfolio of services includes concept design, product design & development, advanced analysis, reliability engineering and value engineering. Product quality improvement, idea generation, product teardown, material cost out, product re-design, back office support to accomplish 2D Drawings, Data Conversion and 3D Modelling are the value added services offered to its customers.

Its IT/ITES solutions in the enterprise space allow organizations to optimize their core business activities like resource management, customer relationship management and supply chain management. It helps organizations to improve their business processes, functions through the effective application of Enterprise solutions that align with organization's business objectives and strategies. Together with its group companies, it is committed to meet its customer's business needs with end-to-end solutions for small, medium and large businesses. It is currently working on the following competency based verticals

- Engineering Design Services
- Healthcare Services
- Enterprise & IT Services
- Energy & Environment Services
- IT Infrastructure Management Services
- T Security Consulting Services

ATL set up a wholly owned subsidiary (WOS) Vision Info Inc. located in Dubai, UAE in January 2009 by acquiring 100% shareholding to cater to the business opportunities in the Middle East region. The WOS is registered with the Registrar of Ras Al Khaimah Free Trade Zone Authority pursuant to International Companies Regulations 2006 of Ras Al Khaimah Free Trade Zone, UAE.

Objects of Issue:

The objects of the Issue are:

- To finance the funds required for its potential acquisitions
- To set up a Software Development Centre cum Corporate Office at Hosur Road,
- Bangalore
- Expansion & Establishment of overseas offices
- Part Repayment of Term Loans
- Additional Working Capital requirements
- General Corporate Purposes
- Meeting public Issue expenses

Means of Finance

The entire fund requirement will be met from the proceeds of the Net issue

Cost of Project: **Rs. Crs**

S. No.	Particulars	Total Amount
1	Proposed Acquisitions	55.00
2	Setting up of Software Development Centre and Corporate Office	26.18
3	Expansion & Establishment of overseas offices	19.45
4	Part Repayment of Term Loans	25.00
5	Additional Working Capital requirements	25.00
6	Public Issue Expenses	15.00
7	General Corporate Purposes	4.36
	Total	**170.00**

(Source: RHP)

Please read important disclosures on the last page

For FY10, it reported consolidated net sales of Rs.152.20 cr and PAT of Rs.35.71 cr. The company reported consolidated net sales of Rs 148.13 cr for the 9 months ended December 31, 2010, and PAT of Rs 28.41 cr.

ATL's strengths:

- Focused on four major Industry segments.
- Product + Services Mix
- Existing Strong Client Base.
- Unique Global Delivery Model.
- Strong Leadership Team.

ATL's strategy:

- Customer/Services Portfolio Mix
- Business Model Innovations
- Strengthen Operations/Delivery
- Making Strategic Investments.
- R&D Incubation Centre

Risks & Concerns:

- The acquisition of other companies, businesses or technologies in the future could result in operating difficulties, integration issues and other adverse consequences. As the specific acquisition targets have not been identified, the fund deployment in this regard is uncertain.
- Any revision in the estimates may require ATL to reschedule its Project expenditure and may have a bearing on its expected revenues and earnings.
- ATL require various approvals, licences etc for the successfully setting-up of Software Development Centre cum Corporate Office, applications for which are yet to be made. Any delay or denial in the receipt of these approvals, licences etc could adversely impact its timelines, operations and profitability.
- The construction of ATL's new Software Development centre cum Corporate Office is dependent on performance of external agencies and non-performance by them may lead to delay in project implementation and may adversely affect its business and profitability.
- ATL has not entered into any MoUs/Letter of Intents/ agreements with third parties abroad to utilise the proceeds of the Issue for setting-up offices in UK, USA, Singapore and Dubai.
- ATL has not made firm arrangements for funding of balance working capital requirement from Banks. The failure to obtain additional financing may adversely affect its ability to grow and its future profitability.
- Inability to complete the project as per the stated schedule of implementation may lead to cost/time overruns and may impact ATL's future profitability.
- Substantial portions of ATL's Sales have been dependent upon a few customers. The loss of any one or more of its major customers would have a material adverse effect on its business operations and profitability
- ATL has entered into related party transactions aggregating Rs. 259.17 Lacs and Rs. 63.39 Lacs respectively for the year ended March 31, 2010 and for the 9 months period ended December 31, 2010. Such transactions or any future transactions with related parties may potentially involve conflicts of interest and impose certain liabilities on it. Further Some of its Promoter Group entities have objects similar to that of ATL's business and this could lead to a potential conflict of interest. Further, some of its Directors are also directors/ shareholders of its Group Companies.
- Covenants with institutional lenders may restrict ATL's operations and expansion ability, which may affect its business and results of operations and financial condition.
- Business and profitability of ATL may suffer if it fails to anticipate and develop new products and services and enhance existing products and services in order to keep pace with rapid changes in technology and the industries on which it focus.
- Increasing intense competition in the market for IT products and services could affect ATL's margins, and could also reduce its share of business from clients and may adversely impact its revenues and profitability.

- ATL could become liable to claims by customers, suffer adverse publicity and incur substantial costs as a result of defects in its products or services, which in turn could adversely affect its results of operations.
- ATL derive a significant portion of its revenues from exports and accordingly face exchange rate risks.
- ATL faces a possible risk on account of not meeting its net foreign exchange earning obligations.
- The industry is highly dependent on skill sets and domain expertise of ATL's employees, which are not readily replaceable. It may be unable to attract and retain skilled professionals in the competitive job market for IT professionals. Further Increases in wages for IT professionals could reduce its cash flows and profit margins.
- Reduction or termination of ATL's tax incentives could increase its tax liability and reduce its profitability.
- ATL's derive a high proportion of its revenues from clients located in the United States, Middle East, Europe and Asia, which may be materially affected by such legislation.
- Delays or defaults in client payments could result in a reduction of ATL's profits.

Extract from grading rationale by ICRA:

The grading assigned takes into account the robust revenue growth demonstrated by the company in the past few years, its healthy operating margins and efforts made by the company to strengthen its management by induction of several experienced management personnel during the last one year. The grading also takes into account the favourable growth prospects of the Healthcare and Energy segments where the company has entered lately.

The grading is however, constrained by the risks associated with an acquisition based growth, and the limited track record of the company in the Healthcare and Energy segments. It also takes into consideration the company's presence in the competitive and crowded market for Indian Information Technology (IT) services; the intense competition in Banking, Financial Services and Insurance (BFSI) segments, which accounted for the substantial part of ATL's revenues in FY10; the company's high client concentration with about 83% of FY10 revenues contributed by five customers, and reliance on intermediaries for revenues, which lead to high receivable days and affects cash flow from operations. Moreover, ICRA has also considered the risk of foreign currency fluctuation and employee attrition, which are typical to the information Technology (IT) industry.

Going forward, in ICRA's opinion, ATL's profit margins can come under pressure because of significant investments in overseas offices and high cost personnel, which might not yield commensurate returns in the short term. However the funds from the proposed IPO would enable ATL to maintain an adequate capital structure while funding its growth.

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