



NU TEK INDIA LIMITED

SMC RANKING 

OVERVIEW

Incorporated in 1993, Nu Tek India Limited (Nu Tek) is a telecom infrastructure service provider offering Infrastructure rollout solutions for both mobile and fixed telecommunication networks. Company offers services to Telecommunication Equipment Manufacturers, Telecom operators as well as third party infrastructure leasing companies in installing and maintaining Telecom Network Equipment & Infrastructure. Nu Tek's core expertise lies in the breadth of services it offers in the telecom infrastructure space. Nu Tek is registered with Department of Telecommunication as Infrastructure Provider - Category I.

Use of proceeds	Estimated Amt. (In Mn)
Capital Expenditure	235.79
Overseas Acquisitions	210.00
Augmenting Long Term Working Capital resources	440.00
General Corporate Purposes	-
Issue Expenses	-
Total*	-

*Will be incorporated on finalisation of issue price

INDUSTRY OVERVIEW

The Indian telecom sector has witnessed growth on a scale that has seen few parallels in any industry in the world with close to 300 mn customers and a target of 500 mn by 2010, making India one of the largest telecom markets in the world. More interesting is that the majority of new customers will be from the hinterland and remote areas with inadequate basic infrastructure and no previous connectivity. Sectoral growth is primarily driven by parallel economic growth, rising income levels and favorable demographics (54% of the population is less than 25 years of age). India has reached a wireless penetration of 22.8% in financial year 2008 registering an annual growth of 43.8%. With increased coverage and affordability, this growth is expected to continue in the medium term. The Indian telecommunication industry is poised to deliver solid growth as a result of several economic reforms that have led to strong GDP growth pegged at around 8% for financial year 2007-08. Higher per capita income and appetite for increased consumption is resulting in a greater-than-proportionate impetus for telecom growth.

ISSUE HIGHLIGHTS

Industry	Telecommunications Industry
Issue Size	Rs.76.50 Cr – Rs.86.40 Cr
No. of Shares	45,00,000 Shares
Price Band	Rs.170 – Rs.192
Offer Date	29th July '08
Close Date	01st Aug '08
Listing	NSE, BSE
Face Value	Rs.10.00
IPO Grading	CRISIL IPO "Grade 3"

(Indicates average fundamentals)

ISSUE COMPOSITION

Fresh Issue	35,00,000 Shares
Offer for Sale (Yamini Suppliers Private Limited)	10,00,000 Shares
Employees	1,00,000 Shares
QIBs	22,00,000 Shares
NIBs	6,60,000 Shares
RETAIL	15,40,000 Shares
Lot Size	30 Shares

BOOK RUNNING LEAD MANAGER

SPA MERCHANT BANKERS LTD
INDIA INFOLINE LIMITED

REGISTRAR TO THE ISSUE:

Aarthi Consultants Pvt Ltd

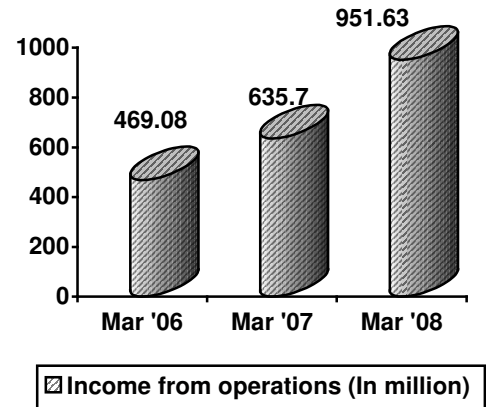
SHAREHOLDING PATTERN

	Pre-issue	Post issue
Promoters	53.21%	42.42%
Persons Acting in Concert (Yamini Suppliers Private Limited)	24.42%	13.67%
Non Promoters	22.37%	17.83%
Employees	-	0.58%
QIBs	-	12.75%
NIBs	-	03.82%
RETAIL	-	08.92%
Total	100.00%	100.00%

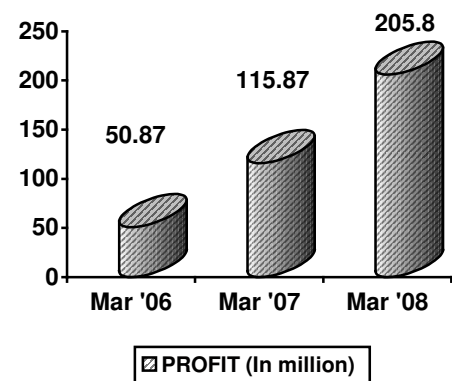
INVESTMENT RATIONALE

- **Nu Tek takes on turnkey projects, provide management expertise to the clients for infrastructure creation and installation for telecom sites which includes Passive Infrastructure like Towers, Telecom Shelters, Backup Power - DG sets and Battery Banks, Electrical Infrastructure and Earthing Stations etc.** and active infrastructure like Base Transceiver Station (BTS), microwave, optic fibre, Base Station Controller (BSC), Mobile Switching Centres (MSC), IN (Intelligent networks), Value added services (VAS) equipments, transmission equipment such as STM's and Microwaves to the most advanced World Interoperability for Microwave Access (WIMAX) equipment and future ready 3G Nodes.
- **With site-offices and facilities located in major cities and having executed projects in all the 23-telecom circles, company has the means to undertake multi-site projects pan India.** Nu Tek caters to nearly all the Telecom Operators and Telecom Equipment Manufacturers. It has a fully equipped Maintenance team, which is responsible to regularly maintain the Telecom Infrastructure so built and also the Maintenance of Passive Infrastructure built by other infrastructure service providers.
- **Company further 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 the clients.** This activity is undertaken through the engineers and technical staff deputed on client sites/offices.
- Nu Tek's **business model works in three ways. One, getting direct orders of installation and maintenance of telecom infrastructure and equipment from telecom operators. Secondly, getting orders from leading Telecom Equipment Manufacturers, who are engaged by telecom operators and thirdly from telecom infrastructure leasing companies for creation of telecom infrastructure.**
- Company's **major clients amongst Telecom Equipment Manufacturers** for whom it has successfully implemented various projects are:
 - Nokia Siemens Networks Pvt. Ltd.
 - Ericsson India Pvt. Ltd.
 - Motorola India Pvt. Ltd.
 - Nortel Networks India Pvt. Ltd.
 - Huawei Telecommunications (India) Co Pvt. Ltd
 - ZTE Telecom India Pvt. Ltd
- **Among the Telecom Operators,** for whom Nu Tek has successfully implemented various projects / currently working are:
 - Tata Teleservices Ltd.
 - Reliance Communications Ltd.
 - Bharti Airtel Ltd.
 - Idea Cellular Ltd.
 - Vodafone Essar South Ltd.
 - Videsh Sanchar Nigam Limited
 - Aircel / Dishnet Wireless Ltd.
 - Shyam Telelink Ltd.
- **Besides all of the above it undertakes Optical Fibre Cable backbone projects which include a range of activities involving Right of Way (ROW) Permissions, Optic Fiber cable laying, installing Optical Network Units (ONUs) and Digital Loop Carrier (DLCs), maintenance of existing OSPs etc.** It has executed such projects for Lucent Technologies in Mumbai and Bharti Airtel Ltd. in UP (East).

Income from operations over the last 3 financial years



Profit over the last 3 financial years

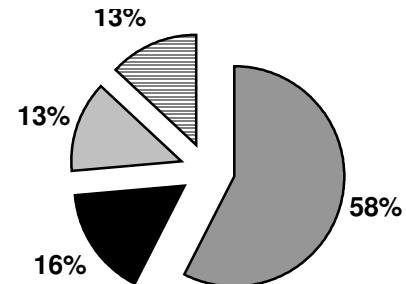


- **As on 15th June 2008, Nu Tek is executing work for its clients worth Rs.1365.75 Million.** This includes work orders from Aircel / Dishnet Wireless Limited for Rs.687.95 Million, Huawei Telecommunications (India) Co Pvt. Ltd for Rs.132.35 Million, Ericsson for Rs.125.53 Million, ATC Tower Company of India Pvt. Ltd. for Rs.117.67 Million, Shyam Telelink Ltd. for Rs.85.53 Million. In addition, it has Letter of Intents amounting to Rs.385.32 Million from various clients against which work orders are yet to be received.
- **Some of major agreements entered with various clients are as under:**
 - Agreements with Nokia Siemens Networks Pvt. Ltd. for various BSNL telecom circles for turnkey rollout services.
 - Contract with Ericsson for Telecom Implementation activities, Operation and Maintenance (BSNL, Aircel) and Technical support for various circles.
 - Agreements with Aircel Ltd. /Aircel Cellular Ltd./ Dishnet Wireless Ltd for Supply, Installation and services and Operations and maintenance of Passive Infrastructure.
 - Agreement with Shyam Telelink Ltd for supply, installation, Commissioning, Engineering and Project Management Services
- **15 years of industry experience coupled with expertise and knowledge of the industry positions Nu Tek well to exploit the tremendous growth opportunities** which India's rapidly growing telecommunications market is presently offering.
- **Company provides services and solutions for Wireless networks (GSM & CDMA), Fixed line networks (Switching Equipments), Broadband (Voice & Data) and Transmission Networks (MW & OFC).** It has the ability to take on projects from concept to design to implementation to maintenance of networks. The 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.
- **Company has successfully executed projects in difficult operating terrains such as Jammu & Kashmir and in adverse weather conditions.** Despite facing unavailability of key resources like manpower & material at local level, it was able to mobilize resources, materials and personnel to the project site at short notices.

RECENT DEVELOPMENTS

- Recently on 17th June 2008, it has entered into a contract with M/s Ericsson AB, Dubai for Resource Provider Services for their operations in Middle East and West Asia excluding Saudi Arabia. Nu Tek has to provide Technical Support Services and will be deputing technical manpower at their work sites. The contract is valid upto 30th April 2009.
- It has participated in MTNL's tender for Operations and Maintenance of passive infrastructure in Delhi and NCR and are the lone bidder whose tender is under consideration by the MTNL management as per their letter dated 22nd May 2008.
- Nu Tek has entered into an agreement on May 23, 2008 with "o3 Capital LLC", New York, USA, an investment bank, appointing them as Financial Advisor in identifying target firms for acquisition.

REVENUE MIX



- Turnkey Solutions
- Technical support services
- Telecom Implementation
- O&M, PMC

ABOUT THE PROMOTERS

MR. INDER SHARMA, Chairman & Managing Director: He is BE Electronics and Communication Engineering from North Carolina State University, USA. He has over 18 years of experience in the telecommunication industry. He has worked as MTS (Member Technical Staff) in AT&T on Electronic switching system (5ESS). He has experience in developing firmware for PCB maintenance and involved in setting up of one of the initial GSM network along with Motorola India Ltd. He promoted Nu Tek India Private Limited in 1993. He is responsible for the overall management and supervision of the activities of Nu Tek and for the development of strategies for its future growth.

MRS. SUMATI SHARMA, Non Executive Director: She is a postgraduate. She is associated with the company since incorporation. She is also Director in Nu Tek Structures Private Limited, and Oriental Stitch Private Limited. She gives valuable advise to the company on HR matters.

BUSINESS STRATEGY

- Reliable market performance and acceleration to the market are the vital components to the success of wireless service providers. **Company's ability to assist customers in meeting their goals will contribute to the success of the company. Nu Tek intends to continue to focus on customer service.** For example, reducing cycle time for key functions. Accordingly, it has established a team dedicated to explore and leverage on customer-driven process improvement capabilities.
- **Understanding of the network needs of the customers and the ability to convey effectively how the company can satisfy those needs is the key to its efforts to add new customers,** cross-sell its services and identify desirable new infrastructure development projects.
- **Company is actively pursuing inorganic growth through acquisitions. The acquisitions would be of companies abroad which are being identified after a careful study of the company as a whole, its location, the customer it addresses, the synergies it could bring to Nu Tek and the future potential of the target company's products and services.** It has identified certain entities in US in the similar technological space and is in negotiations for the acquisitions. It has earmarked Rs.210 million for such acquisitions.

INVESTMENT CONCERNS

- Company's top client, i.e. ZTE Telecom India Private Limited contributed Rs.168.91 million representing 17.75% of the total revenues whereas the 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 Rs.547.82 million representing 57.57% of the total revenues in FY 2008. Nu Tek renders telecom infrastructure related services to the telecom industry, which presently has limited number of players. Consequently, the business is dependent on few customers.
- Most of the infrastructure roll out experience is concentrated in the northern region of the country, while the exposure to the southern and eastern regions is limited to smaller projects. In the financial year ended March 31, 2008, Rs.661.01 million representing 70% of the total income was from operations in North India. However, as on June 15, 2008, 46% of the order book and Letter of Intent is from northern region.
- In case of civil construction items such as tower/pole/foundations, it is the responsibility to get electricity connection of suitable capacity in the name of the customer for the telecom infrastructure sites from the concerned State Electricity Board. In some of its projects, it is also responsible for clearance from SACFA (Standing Advisory Committee on Radio Frequency Allocation) for construction of towers (Roof Top Tower or Ground Base Tower) from the WPC (Wireless Planning & Coordination wing of Ministry of Communications) on behalf of the Telecom Service Provider. Any delay or inability in obtaining any such statutory and regulatory permits and licenses may have an adverse effect on the business.
- The funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution

FINANCIAL PERFORMANCE

PROFIT & LOSS STATEMENT

(In Mn)

Particulars	March '08	March '07	March '06
Net Sales	951.63	635.70	469.08
Total Expenses	641.41	427.55	377.50
OPM (%)	32.60%	32.74%	19.52
Operating Profit	310.22	208.15	91.58
Other Income	15.41	2.34	16.55
PBDIT	325.62	210.50	108.12
PBDT	311.70	206.29	104.51
PBT	302.87	199.94	100.37
PAT	212.65	115.87	50.87

PEER GROUP COMPARISON RATIOS

Particulars	Nu Tek*	GTL
Face value	10.00	10.00
Latest Equity	17.25	94.57
Mkt. Price	-	196.55
Book Value	97.57	97.67
EPS	12.32	11.69
P/E	15.58	16.81
P/B	1.97	2.01
M.Cap/Sales	3.48	1.30
PAT/Sales	22.34	7.65
PBDIT/Sales	34.22	16.68
M.Cap	331.37	1858.77

*Figures for Nu Tek include post issue equity and share premium and are for period ended Mar '08. P/E, P/B and M.cap is based on the upper price band.

Note – P/E, P/B and M.cap for peers is as on 25th July '08. The remaining figures are for the period ending on March 2008.

BALANCE SHEET

(In Mn)

Particulars	March '08	March '07	March '06
Shareholder's Fund as represented by:			
Equity Share capital	137.59	116.61	116.61
Preference share capital	-	56.00	-
Share Application money	-	-	3.18
Profit & Loss account	445.07	239.27	123.40
Share Premium	282.40	-	-
Shareholders fund	865.04	411.88	243.19
Net Block	39.79	21.15	18.88
Investments	122.10	0.99	1.43
Current Assets, Loans and advances	1223.51	720.99	433.25
Total (A)	1385.4	743.13	453.56
Secured loans	65.35	35.78	6.98
Unsecured loans	30.00	30.00	45.00
Current liabilities	335.30	179.51	119.79
Deferred tax liab	(10.40)	(3.20)	0.20
Provisions for tax	96.96	87.46	37.66
Other provisions	3.15	1.70	0.74
Total (B)	520.36	331.25	210.37
Net Worth (A-B)	865.04	411.88	243.19

DU PONT ANALYSIS

Particulars	March '08	March '07	March '06
Net Profit Margin	22.35	18.23	10.84
Asset Turnover	0.69	0.86	1.03
Equity Multiplier	1.60	1.80	1.87
ROE	24.58	28.13	20.92
ROA	15.35	15.59	11.22

VALUATIONS – The revenue of the company has grown at a CAGR of 42.43% from Rs.469.08 million in fiscal 2006 to Rs,951.63 million in fiscal 2008. PAT increased from Rs.50.87 million in FY2006 to Rs.212.65 million in FY2008 at a CAGR of 61.08%.

The issue at a price band of Rs.170 to Rs.192 trades at a P/E of 10.08 at lower band and 11.39 at the higher end of its EPS of Rs.16.86 for FY 2008. Looking at the post issue valuation the issue is likely to trade at a P/E of 13.80 at the lower end and 15.58 at the higher end.

SMC Global Securities Limited: RESEARCH WING

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Head (Research)

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RANKING METHODOLOGY

★ WEAK

★★ NEUTRAL

★★★ FAIR

★★★★ GOOD

★★★★★ EXCELLENT

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