

Ramky Infrastructure Ltd

Strong order book

Ramky Infrastructure Ltd. is an integrated construction and infrastructure development and management company in India. It caters to various sectors, including water & waste management, irrigation, industrial infrastructure and power. The water & waste segment accounted for almost a third of the total revenues for the financial year ended March 2010. Transportation infrastructure such as roads also contributed a third of its revenues with the rest by other sectors. Since no business segment contributes more than a third of the total income, it reduces the risk of over dependency of the company on a specific sector.

Order book: Ramky Infrastructure had an order book size of Rs 74,317.09 million as of March 31, 2010, 3.42 times its revenue for the 12 months to end March 2010. As per the company, the one-third of the total outstanding order book can be translated into revenue this year on a conservative basis. The company bagged additional orders of Rs 3, 1470 million in the quarter ended June 2010.

Rationale: The proceeds of the Issue are intended to be deployed to a) Investment in capital equipments; b) to meet the working capital requirements; c) repayment of loans; and d) general corporate purposes.

Future projects: The Hyderabad-based company is eyeing big ticket government infrastructure projects, especially in the railways and the marine sector in a bid to capitalize on the high growth being witnessed in the infrastructure sector backed by government funding.

PRICE BAND

Rs 405-468

RATING

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IPO Factsheet

Issue opens	Sept. 21, 2010
Issue closes	Sept. 23, 2010
Price band (Rs)	405 - 468
*Issue size (Rs bn)	5.29

*Considering the upper price band

Issue details

Particulars	No of shares (mn)
Total issue size	11.3
Net issue to public	3.8
Fresh Issue	7.5
QIB portion	6.8
HNI portion	--
Retail Portion	3.4



About Tecpro Systems

Competitive Strengths

- The company has enough experience and expertise in the construction and management of Water and Waste Water infrastructure projects. It has completed 104 Water and Waste Water projects valued at Rs.4,157.51 million and are currently undertaking 85 Water and Waste Water projects with an estimated value of Rs. 39,010.16 million.
- The company has a pan-India presence and its construction business operates in diverse sectors.
- The company has strong and diverse order book. The total value of order book stands at Rs. 74,317.09 millions at Mar.31, 2010.
- The company has strategically positioned to realize opportunities in the infrastructure sector.
- Ramky infra has increased its focus on the roads BOT business and real estate PPP projects over the last 3-4 years. Being a new player, the company has indicated that it would partner with other construction companies to bag big projects.

Business Strategy

- To become a world class construction and infrastructure development company, the company wants to improve and consolidate its position by implementing the following strategies:
- Focus on high value projects in the construction business to benefit from economies of scale.
- Diversify its construction business into more complex and multi-disciplinary projects, which tend to have a higher contract value and the potential for better margins.
- Currently it has in-house design capabilities for the Water and Waste Water and Irrigation sectors, and intends to enhance its design capabilities in other sectors such as the institutional Building Construction and the Transportation sectors.
- To reduce costs of materials through backward integration and importation.
- To expand its developer business by undertaking more projects in the sectors in which it has already engaged.



Industry Overview

The Indian construction industry has witnessed rapid growth over the last few years, with the growth of the sector having been strongly linked to the overall growth and development of the Indian economy. Investments in construction account for nearly 11% of India's GDP, and almost 50% of the gross fixed capital formation, which is the value of additions to the existing pool of fixed assets in India less fixed assets sold off or scrapped.

Industrial Construction

Expenditure on industrial construction is expected to grow by 2.2 times over the next five years (the period from 2008-2009 to 2012-2013) as compared to the previous five year period from 2003-2004 to 2007-2008. Industrial investment will maintain its growth momentum due to the increased government focus on this area.

Infrastructure Construction

The Government's emphasis on infrastructure development holds significant promise for the construction industry. Over the next five years, infrastructure development will account for 78.3% of all construction expenditure in India. CRISIL Research estimates that infrastructure construction opportunities will almost double over the next five years, from Rs.5,006 billion in the period from 2003-2004 to 2007-2008 (based on 2008-2009 prices), to Rs.9,548 billion in the period from 2008-2009 to 2012-2013.

In the infrastructure sector, road construction will be the primary growth driver, accounting for an expected 44.0% of total construction expenditure on infrastructure over the next five years, followed by irrigation and the development of urban infrastructure, which together will contribute 28.0%.



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