



I P O - N O T E

Issue details

Issue size (in crs)	255-262
Fresh Issue (Shares in crs)	0.625
Offer for sale (Shares in cr)	0.130
Bid/Issue opens on	23 rd September, 2010
Bid/Issue closes on	28 th September, 2010
FV	10
Price Band	340-355

Object of the Issue

- Fund Working capital requirements
- Fund expenditure for general corporate purpose

Registrar to the Issue

- Link Intime India Private Limited

Book Running Lead Managers

- SBI Capital Market Limited
- Kotak Mahindra Capital Company Limited

Capital structure (Rs. in cr)	Aggr. Value
Authorised Capital	127.90
Paid up before the Issue	44.20
Present issue	7.55
Fresh Issue	6.25
Offer for Sale	1.30
Paid up after the Issue	50.45

Share holding Pattern

	Pre Issue
Promoters	60.03
Institutions	13.28
Non Institutions	26.69
Public	-
Total	100.00

Company Description

Tecpro System is an **established material handling company in India**, engaged in providing turnkey solutions in material handling, ash handling, balance of plant (BOP) and engineering, procurement and construction (EPC) contracts. The flagship business of material handling solutions, design, engineer, manufacture, sell, commission and service a range of systems and equipment for the core infrastructure related sectors like power, steel, cement and other industries. The four manufacturing facilities out of which three facilities are located at Bhiwadi, Rajasthan and one at Bawal, Haryana.

The company has **seven collaborations** for various **material handling equipment and technologies**, and **three collaborations in relation with ash handling operations**. Some of the technical collaborations include FAM Magdeburger Forderanlagen und Baumaschinen GmbH, Germany and Hein, Lehmann, Trenn-und Fordertechnik GmbH, Germany for material handling equipment and with Xiamen Longking Bulk Materials Science and Engineering Company Limited in relation to dry bottom ash handling system and pneumatic coal mill reject handling system for which Longking provides technical assistance.

The **company's Subsidiaries** are Tecpro **International FZE in Dubai, UAE and Tecpro Systems (Singapore) Pte. Limited in Singapore** and marketing office in Johannesburg, South Africa.

Highlights

The **company operations are on pan India level** from Chennai, Gurgaon, Kolkata, Mumbai, Secunderabad, Ahmedabad, and Bangalore. On **global level** it also caters to the needs of the Middle East, South-East Asia and the African markets, respectively.

The **order Book of the company is Rs. 2311.29 crs as on July 2010** giving future revenue visibility. The order break up is **material handling contributes 46% followed by BOP+EPC 30% and ash handling is 24%**.

The company has an **established track record of project execution** as it has received repeat orders from 141 clients for 1222 orders of material handling and 78 repeat orders from 21 customers for ash handling.



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Financials Consolidated (Rs. in cr.)

Particulars	FY10	FY09
Total Income	1484.96	838.16
Total Expenditure	1238.66	729.60
PBIDT	246.30	108.56
Interest	71.44	14.37
PBDT	174.86	94.19
Depreciation	7.44	3.37
PBT	167.42	90.82
Tax	58.93	35.45
PAT	108.49	55.37
Equity Capital before the issue	44.22	27.70
FV	10.00	10.00
EPS	24.53	19.99
Equity Cap after the issue	50.47	50.47
EPS after the issue	21.50	10.97
PE after the issue (upper band)	16.51	32.36

The company has **technical collaborations** (as stated above) and **alliances with international manufacturers** which **provides access to advances technologies** and expertise to the company.

The company is **well capitalized** on the growth opportunities in the **power sector in India as ~80% of the order book** is booked for power projects.

Concerns

Any delay in execution or working capital management may impact the financial performance of the company.

Valuations and Recommendation

The market prospects for material handling looks promising on infrastructure growth story as they are correlated to each other. This is also reflected from the company's performance as its PAT has doubled in FY10 and looking at its order book visibility the company has good prospects going ahead. Comparing to its peers it looks fairly valued as therefore we recommend

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Peer group Comparison

	FV	EPS	P/E	RONW	NAV/share
Tecpro Systems Limited	10	24.53	14.47	32.04	76.72
BGR Energy Systems Limited	10	27.90	29.1	22.3	97.6
Elecon Engineering Company Limited	2	5.60	16.60	18.1	35.1
Mcnally Bharat Engineering Company Limited	10	11.20	25.3	10.4	72.5
Sunil Hitech Engineers Limited	10	18.0	10.9	9.18	161.8
TRF Limited	10	41.9	19.4	31.25	154.3

Note: Tecpro Systems EPS and PE calculated on equity capital before the issue and higher price band.

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