

Nu Tek India Limited**CRISIL IPO Grade 3/5****Details of the IPO**

CRISIL IPO Grade	CRISIL IPO Grade '3/5' . This grade indicates that the fundamentals of the issue are average relative to other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. (For details: Refer Page 2)
Shares Offered	4,500,000
As % of post issue Equity	26.07 %; Shares Outstanding 17,259,300
Proposed IPO Amount (estimated)	NTIL aims to raise Rs 1,125 million to Rs 1,350 million.
Lead Managers	SPA Merchant Bankers Limited

Company Background

Formed in 1993, Nu Tek India Ltd (NTIL) is a telecom infrastructure service provider, offering services related to infrastructure roll out, primarily for the wireless telecom network. The company's services include conceptualisation, design, construction, installation, commissioning, integration, testing, operation and maintenance of wireless telecom infrastructure (both active as well as passive). In addition, it also provides services in relation to laying of optic fibre network. The Delhi-based company derives a major portion of its revenues from the northern region of India.

Grading Highlights**Business Prospects**

- NTIL with its end-to-end services is well-positioned to take advantage of the expected strong growth in the roll out of wireless telecom infrastructure.
- The company has proven execution capability in the deployment of wireless telecom infrastructure in difficult terrains such as Jammu & Kashmir (J&K).
- NTIL also has the advantage of having worked on projects with relatively new technologies such WiMax and the successful implementation of the underground network for Delhi Metro Rail.
- The company has a strong order book visibility.

Financial Performance

- NTIL revenues grew 36 per cent to Rs 637 million in 2006-07.
- However, the working capital position has deteriorated over the past 2 years due to high outstanding debtor balances.
- Return on Capital Employed (RoCE) and Return on Equity (RoE) were 48.7 per cent and 41.1 per cent, respectively, in 2006-07.
- On the back of a healthy order book position and strong network roll out plans of telecom operators, we expect NTIL top-line to witness robust growth over the next four years. Margins may contract slightly due to change in the revenue mix in favour of full turnkey projects.

Management Capabilities

- Management has relevant experience and domain expertise.
- Reasonably strong second line management but scalability may be an issue due to expected healthy revenue growth

Corporate Governance

- The Board has six directors, of which three are classified as independent
- One independent director, Mr. Ameet Rane, is a nominee director for the financial investor in the company – Balyasny Asset Management.
- The company's corporate office is leased from one of the promoter's group companies, which may be potential area for conflict

Additional Information

- The proposed IPO is in the form of a fresh issue of 3.5 million equity shares and an offer for sale of 1.0 million equity shares, constituting 26.1 per cent of the post-IPO fully diluted paid-up capital.
- The combined stake of the two promoters would be 42.4% per cent subsequent to the proposed IPO.

Detailed Grading Rationale

Overall Grading Summary (CRISIL IPO Grade 3/5)

To arrive at the overall grade, CRISIL has considered the following broad parameters:-

- **Business prospects and financial performance**
- **Management capability**
- **Corporate governance**

CRISIL has assigned a CRISIL IPO Grade '3/5' (pronounced 'three on five') to the proposed Initial Public Offer of Nu Tek India Ltd. (NTIL). This grade indicates that the fundamentals of the issue are average relative to other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. The offer price for the issue may be higher or lower than the level justified by its fundamentals. The grade is not a recommendation to buy / sell or hold the graded instrument, the graded instrument's future market price or its suitability for a particular investor.

The grading reflects NTIL's strength in offering a complete range of services related to the roll out of wireless telecom infrastructure. We believe that the company with its end-to-end services is well-positioned to take advantage of the expected strong growth in the roll out of wireless telecom infrastructure. NTIL has a proven execution capability in the deployment of wireless telecom infrastructure in difficult terrains such as Jammu & Kashmir (J&K). The company also has the advantage of having worked on projects with relatively new technologies such as WiMax and the successful implementation of underground network for Delhi Metro Rail. NTIL clients include all major telecom operators, telecom equipment vendors and telecom infrastructure leasing companies. Further, revenue growth momentum witnessed in the past couple of years is likely to continue on the back of strong order book for the next two years.

Our grading is tempered by the company's unfavourable working capital position that has deteriorated over the past two years. Around 25 per cent of the company's debtors are due for over 365 days and around 15 per cent are due for over 540 days. The grading also takes into consideration the limited management bandwidth available to the company in view of the expected strong growth in the existing business. The grading also reflects the inadequate corporate governance structure that could lead to a potential area of conflict.

The aggressive network roll out plans by telecom operators over the next few years represents a strong business opportunity for NTIL. However, successful execution of projects in a specified time-frame will be key to the company's growth.

- **Strength in providing end-to-end services**

NTIL provides services related to the roll out of wireless telecom infrastructure right from the stage of conceptualization to operation and maintenance. The company offers services related to the construction and installation of passive telecom infrastructure such as telecom towers, shelters, diesel generator (DG) sets and power regulation equipment. In addition, the company offers services related to the installation, commissioning and integration of active telecom infrastructure such as radio antenna, BTS (base transceiver station), cables, and other transmission equipment. NTIL also offers services related to the maintenance of telecom networks. We believe that the company, with its end-to-end services, is well-positioned to take advantage of the expected strong growth in the roll out of wireless telecom infrastructure.

- **Proven execution capabilities**

NTIL has proven execution capabilities and has executed projects for most leading telecom operators, telecom equipment vendors and telecom infrastructure leasing companies. The company has also worked on GSM network roll out projects in difficult terrain such as Jammu & Kashmir (J&K). In addition, NTIL has worked on projects with new technologies such as WiMax and has also successfully implemented the underground network for Delhi Metro Rail. We believe that with its experience in these relatively new technologies, the company will be able to capitalise on growth opportunities in these segments.

- **Strong order book visibility**

NTIL has strong order book visibility for the next two years. The company has signed contracts and received payment orders for the construction of around 600 telecom towers. It has also received a letter of intent (LOI) from Quipo Telecom Infrastructure Limited for services related to the roll out of their passive telecom infrastructure for an estimated 1,250 tower sites for a contract value of approximately Rs 2,875 million.

➤ **Working capital position has deteriorated**

NTIL's working capital position has deteriorated over the past two years. The company's average debtor days increased from around 75 days in 2005-06 to 101 days in 2006-07 and 203 days for the six-month period ended September 2007. Around 25 per cent of the company's debtors are due for over 365 days and around 15 per cent are due for over 540 days. Increased working capital requirements would continue to impact the key returns ratio going forward.

➤ **Corporate governance and related party transactions**

NTIL has three directors, who are classified as independent, one of them is however a nominee director for the financial investor in the company, Balyasny Asset Management. The company's corporate office is leased from one of the group companies, Oriental Stitch Private Limited (promoter has a 100 per cent stake), which might lead to a potential area of conflict.

➤ **Successful scalability of the business model will be a key challenge**

The growth in NTIL has been constrained by the financial resources available to the company to fund its working capital requirement. With the IPO money being used to fund the working capital requirement, the challenge for the company will be to scale-up its resources to be able to take advantage of the growth opportunities available due to the strong growth in wireless telecom network roll out.

Business Profile

NTIL is a telecom infrastructure service provider, offering services related to the infrastructure roll out, primarily for the wireless telecom network and to a small extent for the fixed telecom network. The company's bouquet of service includes conceptualization, design, construction, installation, commissioning, integration, testing, operation and maintenance of wireless telecom infrastructure (both active as well as passive). In addition, it also provides services in relation to the laying of optic fibre network. The Delhi-based company derives a major portion of its revenues from the Northern region of India. NTIL's total employee strength was 987 as on November 30, 2007.

NTIL was started by Mr. Inder Sharma and his wife Mrs. Sumati Sharma in 1993, as a company providing maintenance services for Alcatel's E-10B switches to ITI Ltd. In 1996, the company started offering technical manpower outsourcing services for telecom projects and in 1999, the company expanded its operations by offering services related to the installation and integration of active telecom infrastructure. In 2002, the company ventured into telecom turnkey projects for the construction and installation of passive telecom infrastructure. Finally, in 2005, NTIL began offering services related to the operation and maintenance of telecom infrastructure.

NTIL has recently set up a subsidiary in Turkey, Nutek Telecommunication Consultancy Engineering and Foreign Trade Limited Liability Company, to carry on the existing business of telecom infrastructure services in Turkey.

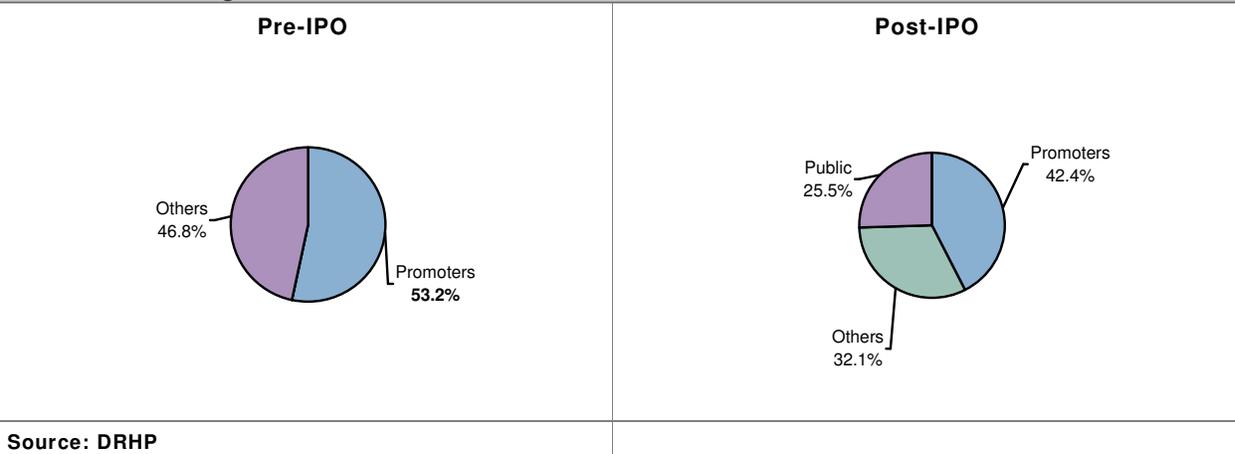
Financial Profile

NTIL's business growth has been propelled by the stupendous growth in roll out of wireless telecom infrastructure over the past 3-4 years. In 2006-07, the company reported a net profit of Rs 127 million on a turnover of Rs 637 million. In 2006-07, NTIL's revenues and profits witnessed y-o-y growth of 36 per cent and 135 per cent, respectively. In 2006-07, the company's return on capital employed (RoCE) and return on equity (RoE) was 48.7 per cent and 41.1 per cent, respectively. For the six-month period ended September 2007, NTIL reported a net profit of Rs 74 million on a turnover of Rs 386 million.

Financial Performance Snapshot			
Particulars	Unit	2005-06	2006-07
Operating income	Rs Million	469.1	637.1
Operating margins	Per cent	22.3	33.0
Net profits	Rs Million	54.1	127.4
Net margins	Per cent	11.5	20.0
ROCE	Per cent	43.5	48.7
Return on Equity	Per cent	27.1	41.1
No. of equity shares	Million	11.7	11.7
Net worth	Rs Million	246.6	374.0
Basic Earnings per share	Rs	4.6	10.9
Diluted Earnings per share	Rs	3.9	9.3
Book value	Rs per share	17.9	27.2
Gearing	Times	0.22	0.37

Note: The above figures have been reclassified as per CRISIL standards; DRHP

NTIL: Shareholding Pattern



Source: DRHP

Profile of Management and Board

NTIL’s business direction and vision is governed by its founder promoter – Mr. Inder Sharma. The second line management of the company is relatively strong and headed by people with vast domain expertise.

NTIL’s board comprises six directors, viz, two promoters, one executive director and three independent directors. All independent directors have been fairly involved in the company’s decision making process since they have joined the Board.

Annexure: Profile of the Directors

Name of Directors	Designation	Age	Date of joining	Qualification	Other Directorships	Professional background
Inder Sharma	Chairman and Managing Director	40	June, 1993	B.E , Electronics and Communication(North Carolina State Univ.)	Nu Tek Structures Private Limited Nu Tek Cellulars Private Limited Oriental Stitch Private Limited Nutek Infrastructure	Worked as a member of technical staff with AT&T, U.S.
Sumati Sharma	Non-Executive Director	40	June, 1993	Post graduate	Nu Tek Structures Private Limited Oriental Stitch Private Limited	n.a.
Vineet Sirpaul	Executive Director	34	July, 1996	B.E (Bombay University), PGDBM (Institute for Integrated Learning in Management, Delhi)	None	first employment
Sandeep Bedi	Independent Director	34	May, 2007	B.E, Computer Sciences (Pune University)	None	previously worked with TCS, EDS, IBM, Keane India Ltd., Genpact Software and Agilent Technologies. Currently working as an associate director with COLT Telecom.
Vishal Jain	Independent Director	34	June, 2007	B.E. (Electronics & Communication), PGDBM (Finance) from ICFAI, MBA from National University of Singapore and Columbia Business School.	Cinesprite (I) Limited	previously worked as an investment advisor with DSP Merrill Lynch in the U.S. has recently started his own investment advisory firm in Bangalore.
Ameet Nitin Rane	Independent Director	25	November,2007	Graduate in Economics, University of Texas	Prabhudas Liladher Advisory Services Private Limited	working with Balyasny Asset Management as an Analyst. represents Balyasny SI Limited – the private equity investor in Nu Tek

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