

Ramky Infrastructure : Good Issue; Subscribe for long term IPO Note: Strong Order Book Position of 7430 Crore Rating***



Issue details

Price band (Rs)	Rs.405-468
IPO Opening Date	21/09/10
IPO Closing Date	23/09/10
Issue Size	Rs.530.00 Crore

Valuations & Recommendation

For FY 2010 it clocked consolidated revenue of Rs 2182.72 crore, a growth of 40%, and a net profit of Rs.128.85 crore, a rise of 55%. The EPS works out to Rs.22.6 on post-issue equity of Rs. 56.90 crore on upper price band. The offer price of Rs 405-468 discounts the consolidated FY 2010 EPS by 18.2-20.7 times. **The current valuation looks fair, compared with its peers, such as Simplex Infrastructure and Hindustan Construction, whose scripts are trading at 18.04 and 34 times earnings respectively.** It has 19.25% orders from irrigation in AP where executing such projects have been slowing on execution due to delay in payments. This may affect the revenue and profit.

Overall Ramky is fundamentally strong. Boom in the infrastructure sector is likely to continue. The positioning of the company in its area of operation and its strong order book, we recommend to invest in this issue for long term view.

Highlights

- ◆ A diversified construction company
- ◆ Order book stood at Rs 7431.71 crore end March 2010, translating into 3.4 times its trailing sales
- ◆ The company has to repay the secured debt of Rs.519.61 crore in the current fiscal ending March 2011. End of March 2010, secured debt stood at Rs.1011.02 crore.
- ◆ For FY 2010 the company clocked consolidated revenue of Rs 2182.72 crore, a growth of 40%, and a net profit of Rs 128.85 crore, a rise of 55%.
- ◆ About 35% of the total order book is from Andhra Pradesh and the irrigation orders stand 19.25% of total orders book as of March 2010.

Company Introduction Company Profile

Ramky Infrastructure was incorporated as Ramky Engineers on April 13, 1994. The company diversified into the field of infrastructure activities such as construction of roads, highways, bridges, flyovers, water supply and irrigation projects. In the year 2003, the name of the company changed from 'Ramky Engineers' to 'Ramky Infrastructure' and it has entered into a PPP for infrastructure projects through Deheradun's Inter-State Bus Terminal, a private sector bus terminal on a BOT basis. The company has been promoted by Alla Ayodhya Rami Reddy and Yancharla Ratnakar Nagaraja.

Business Operation

The company operates in two principal business segments; a construction business which is operated by the company and a

Financial Summary

Particulars	0803 (12)	0903 (12)	1003 (12)
Sales	1117.00	1564.65	2182.72
OPM (%)	10.0	11.2	11.1
Net Profit	52.22	83.32	128.85
EPS* (Rs)	9.2	14.6	22.6

* EPS on post-issue equity capital of Rs 56.90 crore

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

developer business which is operated through 10 subsidiaries and four Associates. A majority of the development projects are public private partnerships and are operated by separate special purpose vehicles promoted by the company and the Government. The company's wholly owned Subsidiary in the UAE, Ramky Engineering and Consulting Services FZC, operates a small consultancy business in areas such as infrastructure development, waste management, environment and property development.

Projects Developments

The company has 14 development projects including five industrial parks, five road projects, one transport terminal project and three integrated township projects. Barring the Hyderabad Ring Road project, all other projects are under various stages of implementation/development. The company has a 51% equity interest in Ramky Elsamex Hyderabad Ring Road Project, a SPV formed for the Hyderabad Ring Road project. The company is currently developing three integrated township projects (around Hyderabad and Warangal in AP) with an aggregate saleable area of 16.4 million sq ft including 14 million sq ft from a project, which is developed as one of the consortium partner with an equity interest of 29.19%. The other consortium partners in the large township project are other promoter group companies.

Strong order book

The value of the company's order book was Rs 7431.71 crore as at March 31, 2010. The company continues to add new orders to its order book at a steady pace and has added contracts worth Rs 31,47.31 crore to its order book during the period from April 1, 2010 through to June 30, 2010. Additionally, the company's order book is diversified across sectors. As at March 31, 2010, none of the sectors in which its construction business is involved contributed to more than 33% of its order book.

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