

Fatpipe Networks: Weak Issue ; Avoid

IPO Note: Low Promoter's Stake ; Highly Competitive Segment

Ranking:**

Issue details

Price band (Rs)	Rs.82 - Rs.85
IPO Opening Date	07/06/2010
IPO Closing Date	09/07/2010
Issue Size	Rs.49 Crore

Valuations & Recommendation

The company's financial history is not readily available for comparison. At the higher end of the price band, Fatpipe seeks a P/E of 23x, adjusted for IPO equity dilution. At the current price it is looking expensive compared to other listed peers. Also the company is operating in a highly competitive industry. **We recommend to avoid this issue but investors with high risk aptitude can take exposure in this issue looking to its expansion plan and low capital requirement.**

Highlights:

- The company is also looking at establishing 16 new Marketing Offices across the globe including additional offices in the USA and is also aiming at strategic acquisition of business/company.
- promoters' stake in the company will decline to around 26% after the IPO from around 37% currently.
- Brickwork Ratings India Pvt. Ltd has assigned an IPO Grade 2 to Fatpipe Networks IPO.
- FatPipe is proposing to expand its operations to China, Singapore, South Africa, Kenya, Nigeria, Argentina, Belgium, Germany, France, Eastern Europe and Australia.
- Fatpipe will be setting up a wholly owned subsidiary in the US to expand US operations and to solicit government business.

Company Introduction

Promoters and Company details

Fatpipe Networks India Limited, owned by DR. RAGULA BHASKAR, is the inventor and multiple patents holder of technology that provides the highest levels of WAN optimization, reliability, security, and bandwidth management.

Fatpipe's core technology, router clustering, involves patented and patent-pending methods that provide the highest levels of optimization, reliability, security and acceleration of Wide Area Networks (WANs) and enable high-speed data transfer through

Financial Summary

Particulars	0912 (9)	0903 (12)	0803 (12)
Total Income	4591.38	4229.6	316.21
Net Profit	520.09	399.37	16.99
EPS* (Rs)	3.99	6.46	169.86

* EPS annualised for nine month ended Dec 2009

RANKING METHODOLOGY

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

multiple lines, multiple ISPs, and backbones over WANs with seamless reassembly of data streams. Fatpipe technology affords companies, that run mission critical WAN applications over any type of infrastructure, automatic and dynamic failover of a downed data line due to a WAN component, line or service failure.

Company holds 7 patents on a technology called "Router-Clustering," which enables customers to obtain highly redundant and fast Internet/WAN access. FatPipe sells its products worldwide through a network of 2 authorized distributors and over 500 resellers. FatPipe is proposing to expand its operations to China, Singapore, South Africa, Kenya, Nigeria, Argentina, Belgium, Germany, France, Eastern Europe and Australia. Fatpipe will be setting up a wholly owned subsidiary in the US to expand US operations and to solicit government business.

IPO and Proceeds

Fatpipe Networks India Ltd plans to raise funds up to Rs 49 crore from the capital markets for its expansion plans. The company's Initial Public Offer (IPO) price band is set at Rs 82-85 for equity shares of face value Rs 10 each. Keynote Corporate Services Ltd is the sole Book Running Lead Manager to the issue and Karvy Computershare Pvt Ltd is the Registrar to the issue.

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