

Tecpro Systems : Very Good Issue ; subscribe

**IPO Note: High Margin, Strong Order Book And Robust Financials
Rating*****

Issue details

Price band (Rs)	Rs.340-355
IPO Opening Date	23/09/10
IPO Closing Date	28/09/10
Issue Size	Rs.256.70-268.03 Crore

Valuations & Recommendation

Consolidated sales of the company for the fiscal ended March 31, 2010, were higher by 82% to Rs.1454.92 crore and net profit doubled to Rs.108.71 crore. The EPS on post-issue equity of Rs 50.47 crore was Rs 21.5. And at the offer price band of Rs 340-355 the PE works out to 15.8-16.5 times of its FY 2010 consolidated earnings. In contrast, McNally Bharat Engineering quotes at a PE of 15.5 times and TRF at 19.8 times its FY 2010 consolidated earnings. BGR Energy Systems, gets higher valuation with a PE of 28 times of its FY 2010 consolidated earnings.

The company has posted high margins as compare to its peers. Company with strong track record of successfully executing over 694 material handling projects in diverse Sectors. Robust financials gives an attractive investment opportunity. Hence we recommend investors to subscribe the issue. It will not only give listing gain but one should hold it for 6-12 months for better return.

Highlights

- ◆ An established player in the material/coal-handling and ash-handling segments
- ◆ Crisil has assigned CRISIL IPO Grade '4/5'
- ◆ Consolidated sales for the FY 2010, were higher by 82% to Rs 1454.92 crore and net profit doubled to Rs 108.71 crore.
- ◆ The company has received highest number of orders (or 19% market share) for coal handling plants among the orders placed for the eleventh five-year plan power projects. Similarly for ash handling it has about 15% market share out of the orders finalized for the eleventh five-year plan projects.
- ◆ Strong order backlog end of July 31, 2010, at Rs 2311.30 crore.
- ◆ About 79.4% of the total order backlog is from the power sector.

Company Introduction

Company Profile and Business Activities

Tecpro Systems 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. In its flagship business of material handling solutions, it 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. Over the years it has developed in-house capabilities for providing comprehensive solutions in material handling and ash handling systems. With a vision to build an integrated business serving the power sector, they have expanded into various complimentary



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Financial Summary

Particulars	0803 (12)	0903 (12)	1003 (12)
Sales	504.66	799.31	1454.92
OPM (%)	13.7	12.1	15.5
Net Profit	40.55	54.29	108.71
EPS* (Rs)	8.1	10.8	21.5

* EPS on post-issue equity capital of Rs 50.47 crore based on lower price band.

RANKING METHODOLOGY

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

businesses across different segments of the power sector.

Turnkey Projects

The company has begun to focus on turnkey BoP contracts in the thermal power generation sector. The scope of its services for BoP contracts includes design and engineering, manufacturing and sourcing of equipment and packages, project management and commissioning. The company has an ability to provide coal handling and ash handling solutions in-house, which forms a substantial part of the BoP contracts, and provides them with a competitive advantage in terms of cost, quality and execution timeline. It was awarded its first BoP contract worth Rs 9,930 million by the Chhattisgarh State Power Generation Company for a 1x500 MW thermal power plant at Korba West in August 2009 through a consortium led by the company.

Collaboration and license agreements

The company in relation to its material handling, ash handling and other operations has entered into collaboration and license agreements with 12 companies such as Siebtechnik GmbH (for vibrating screens), Maschinenfabrick Liezen (for crushers); GEA EGI Contracting/Engineering Company (for high concentration slurry disposal systems), etc. However, some of the collaborators/licenses are under review. Maschinenfabrick Liezen Und Giesserei GmbH has terminated the license agreement pursuant to a letter dated August 19, 2010, with effect from February 19, 2011. Similarly, the company is currently in the process of renewing its MoU with Xiamen Longking Bulk Materials Science and Engineering Company Ltd and co-operation agreement with Greenbank Terotech.

Subsidiaries

The company has formed subsidiaries, Tecpro Systems (Singapore) Pte. and Tecpro International FZE, for operating in Singapore and Dubai, respectively, and intend to expand into emerging markets such as Africa and South East Asia. Moreover it recently entered into a contract with Vietnam Machinery Installation Corporation for supply of ash handling systems.

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