

# SWASTIKA INVESTMART LIMITED

[www.swastika.co.in](http://www.swastika.co.in)

## IPO NOTE

### ARSS Infrastructure Projects Limited

#### ISSUE DETAILS:

Issue Opens	February 08, 2010
Issue Closes	February 11, 2010
Issue Size	103,000,000 Equity Shares of Rs. 10/- each
Price Band	Rs. 410 to Rs. 450.
Market Lot	15 Equity Shares and Multiple
Industry	Construction
IPO Grading / Rating Agency	Grade 2 / CARE
Book Running Lead Managers	IDBI Capital Market Services Limited and SBI Capital Markets Limited

#### SWASTIKA INTELLIGENCE GROUP RECOMMENDATION

**ARSS Infrastructure's IPO is aimed at funding its capital requirements for various Joint ventures and also its future working capital requirements. The Company has developed expertise in railway construction projects, which includes earthwork, major and minor bridges, supply of ballast, sleepers, laying of sleepers and rails, linking of tracks etc. It has successfully completed over 200 kms. of rail line and over 300 kms. of roads and highways. Considering the long-term infrastructure story in the country to continue and ARSS's significant experience in this field, company is expected to have its own share of projects procuring in future. Hence, we recommend applying for the issue with price target of Rs. 525-575 in medium term. Listing gains on stock can also be seen.**

#### Industry Overview:

India's infrastructure which had been expanding at an accelerated pace to support the economic growth rate of over 9 per cent slowed down as economic activity in India slowed down in 2008-09 on account of the global turmoil. India's GDP growth for 2008-09 was 6.7%, down from the 9% average growth experienced over the last three years. The six core-infrastructure industries, which account for a combined weight of 26.68 per cent in the index of industrial production (IIP), registered a growth of 2.7% in 2008-09 compared to 5.9% in the previous fiscal.

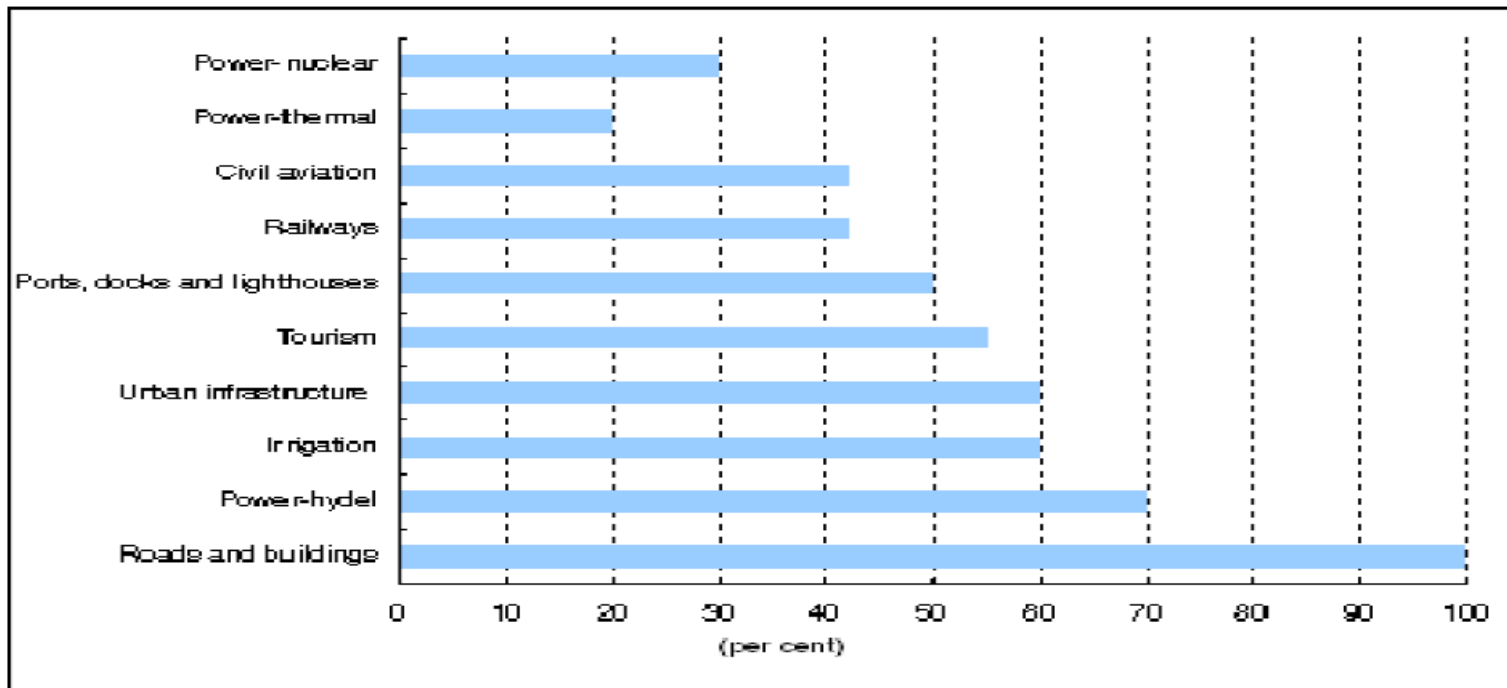
There are various Contract Model being adopted in Public Private Partnerships (PPP) which vary according to Risk and Responsibility between public and private sector.

- Build-Operate-Transfer ("BOT")
- Build-Own-Operate-Transfer ("BOOT")
- Design-Build-Finance-Operate ("DBFO")

**SWASTIKA INVESTMART LIMITED**

- Item Rate Contracts
- Engineering procurement Construction / Lump-Sum Turnkey (“EPC / Turnkey”) Contracts
- Operations and Maintenance (“O&M”) Contracts
- Front End Engineering and Design (“FEED”) Contracts
- Railways

### Sector wise Construction Component



### Company Background:

ARSS Infrastructure Projects Limited was incorporated on May 17, 2000 as ARSS Stones Pvt. Ltd. for carrying out construction of railway infrastructure. The Company changed its name to ARSS Infrastructure Projects Pvt. Ltd. in May, 2005 and became a Public Limited Company in November, 2005.

The Company undertakes construction of railway infrastructure, roads, highways, bridges and irrigation projects. It started its operations mainly in the state of Orissa and subsequently expanded the business activities in the zonal jurisdictions of East Coast Railway, South Eastern Railway, South East Central Railway, Southern Railway and North Western Railway. The Company has developed expertise in railway construction projects, which includes earthwork, major and minor bridges, supply of ballast, sleepers, laying of sleepers and rails, linking of tracks etc. Over the years it has diversified the field of activities into other construction segments such as development and construction of roads, highways, bridges, irrigation projects, EPC activities for railways.

The Company has entered into joint ventures with national and international players such as PT Adhikarya (Persero), Harish Chandra (India) Limited, Triveni Engicons Private Limited, RITES, Kalindee Rail Nirman (Engineers) Limited, Patel Engineering Ltd, Rohit Kumar Das Construction Private Limited, Backbone Enterprises Ltd. and Atlanta Ltd.

Its clients include Ministry of Railways, State Government of Orissa, Rail Vikas Nigam Limited, RITES Limited, IRCON International Limited, National Thermal Power Corporation, Hindustan Steel Corporation Limited, PWD – Orissa, IOCL, National Highway Authority of India, Vendata, Nalco, Jindal Steel & Power Limited, etc. It has successfully completed over 200 km rail line and more than 300 km of roads and highways.

The Company has presence in Eastern India, particularly in the state of Orissa. However, in recent years it has pursued opportunities in other parts of India including states of Chhattisgarh, Rajasthan, Jharkhand, Haryana, Kerala, Andhra Pradesh, Assam, Maharashtra, Tamil Nadu, Gujarat, Uttar Pradesh and Madhya Pradesh.

**Some of the important projects being currently executed by the Company on standalone/joint venture basis are as follows:**

- Construction, rehabilitation and widening of Cuttack - Paradeep road, Orissa, for a contract value of Rs. 20,826.77 lacs.
- Construction of Roadbed including Major and Nior Bridges, Facilities and General Electrification in connection with construction of New BG line between Haridaspur and Paradeep in East Coast Railway in the State of Orissa, India. The contract value for the project is Rs. 10,096.66 lacs.
- Work Order for execution of Rail Infrastructure Work of Rs.26,100.00 lacs for the Angul project of Jindal Steel & Power
- Construction of new broad gauge line, bridges, earthwork cuttings, road over bridges, road under bridges and sub ways between Salem-Karur, Chennai. The contract value for the project is Rs. 5,139.05 lacs.
- Construction of Kaushilia Dam and appurtenant works in Panchkula district of Rs. 11299.19 lacs

The Company adheres to international best practices standards and have been certified with ISO 9001: 2008 Quality Management System Standard Certificate by Moody International Certification Limited for “Construction of Civil and Infrastructure Work like Highways Roads, Bridges, Railway Track Linking Works (including OHE SNT), Earth Works, Irrigation Projects like Dams etc”

**In January, 2008, SBI took a 7.97% stake in the company, at a price of Rs. 315 per share (including a premium of Rs. 305).** The Company also has crusher plants in different districts of Orissa for quarrying and crushing stones to produce various sizes of rock products required for execution of contracts. As of January 10, 2010, total value of Order Book is Rs. 287,753.11 lacs, which consists of the unexecuted portions of the ongoing projects and new confirmed projects awarded to the Company, which are yet to commence construction. The composition of the Order Book is as follows: -

Particulars	January 10, 2010		2008-09		2007-08		2006-07	
	Amount	%	Amount	%	Amount	%	Amount	%
Railway work	118,414	41.15	99,121.48	39.25	81,222.98	52.6	27,628	42.65
Road work	116,405	40.45	42,149.41	56.29	60,854.35	39.41	37,156	57.35
Irrigation	7270	2.53	5,709.98	2.26	8,705.47	5.64		
Other work	45,664	15.87	5,545.00	2.20	3,648.00	2.36		
<b>Total</b>	<b>287,753.11</b>	<b>100</b>	<b>152,525.87</b>	<b>100</b>	<b>154,430.80</b>	<b>100</b>	<b>64,784</b>	<b>100</b>

## Objects of Issue:

- For Investment in Joint ventures.
- To meet the long term working capital requirement.
- For General Corporate Purposes.

## Strength:

- The Government is giving continuous thrust by the Government for Infrastructure Development.
- SBI is taking active interest in the Company by virtue of acquiring an equity stake.
- Company has track record of completing 86 projects that includes 300 km of roads and highways, 200 km of rail tracks, 10 minor and major bridges and other general civil engineering works over the span of nine years.
- The company is in Joint Ventures with some known National players and that gives it a Long-Term Advantage.

## Weakness:

- CARE has awarded Grade 2 to ARSS Infrastructure Projects Limited, which translates to “Below Average Fundamentals” grade.
- The company needs to have strong relationships with client independently, other than working in Joint Ventures.
- The Company has a number of pending litigations against it and / or the promoters.

## Peer Group Comparison:

The comparable ratios of the companies which are to some extent similar in business are as given below:

Particulars	CMP (06-02-10) (Rs.)	EPS (Rs.)	P/E Ratio	RONW (%)	NAV (Rs.)
Industry Average <sup>^</sup>	N.A.	N.A.	24.29	1.57	N.A.
Tantia Constructions	126.70	18.88	6.71	15.65	70.71
Pratibha Industries	320.65	28.61	11.22	19.90	134.68
Kalindee Rail Nirman	198.85	2.85	69.95	10.13	84.90
Patel Engineering	416.05	22.29	18.80	17.81	140.33
ARSS Infrastructure Projects Ltd.	N.A.	5.78	77.85*	1.38#	418.28#

\*Calculated on the Upper Price Band of Rs. 450. # Calculated after considering fresh equity issued.

<sup>^</sup> Source: Capital Line Database

## Financial Overview:

### STANDALONE STATEMENT OF PROFIT & LOSS ACCOUNT

(Rs. In Lakhs)

PARTICULARS	For the Financial Year / Period ended on					
	31.12.2009	31.03.2009	31. 03. 2008	31. 03. 2007	31. 03. 2006	31. 03. 2005
<b>INCOME</b>	<b>60991.28</b>	<b>62822.52</b>	<b>31541.61</b>	<b>13384.09</b>	<b>6064.13</b>	<b>2966.75</b>
<b>EXPENDITURE</b>	<b>49158.54</b>	<b>52337.43</b>	<b>26509.54</b>	<b>11372.49</b>	<b>5304.16</b>	<b>2535.96</b>
<b>Profits Before Depreciation, Interest &amp; Tax</b>	<b>11832.74</b>	<b>10485.09</b>	<b>5032.07</b>	<b>2011.60</b>	<b>759.97</b>	<b>430.79</b>
Interest & Financial Charges	3520.57	2701.74	946.80	375.59	201.92	121.83
<b>Profits Before Depreciation &amp; Tax</b>	<b>8312.17</b>	<b>7783.35</b>	<b>4085.27</b>	<b>1636.01</b>	<b>558.05</b>	<b>308.96</b>
Depreciation	748.24	734.88	395.01	175.10	116.04	77.07
<b>Profits Before Tax</b>	<b>7563.93</b>	<b>7048.47</b>	<b>3690.26</b>	<b>1460.91</b>	<b>442.01</b>	<b>231.89</b>
Provision for Taxation						
Current Tax	2155.87	1545.54	871.05	367.78	100.47	46.91
Deferred Tax	399.53	37.77	126.31	31.90	6.98	34.27
Fringe Benefit Tax	--	26.83	12.74	5.58	2.31	-
<b>Net Profit After Taxation</b>	<b>5008.53</b>	<b>5104.33</b>	<b>2680.16</b>	<b>1055.63</b>	<b>332.24</b>	<b>150.71</b>

### STANDALONE STATEMENT OF ASSETS & LIABILITIES

(Rs. In Lakhs)

PARTICULARS	For the Financial Year / Period ended on					
	31.12.2009	31.03.2009	31. 03. 2008	31. 03. 2007	31. 03. 2006	31. 03. 2005
<b>FIXED ASSETS</b>	<b>21381.66</b>	<b>14662.03</b>	<b>7775.23</b>	<b>2678.22</b>	<b>1234.95</b>	<b>1036.94</b>
<b>INVESTMENTS</b>	<b>336.68</b>	<b>382.13</b>	<b>226.79</b>	<b>154.98</b>	<b>63.03</b>	<b>23.52</b>
<b>CURRENT ASSETS</b>	<b>52104.46</b>	<b>35858.64</b>	<b>20836.56</b>	<b>5241.62</b>	<b>2972.64</b>	<b>1181.02</b>
<b>LIABILITIES &amp; PROVISIONS</b>	<b>53981.34</b>	<b>36071.29</b>	<b>18966.41</b>	<b>5205.65</b>	<b>3209.91</b>	<b>1794.58</b>
<b>TOTAL/NET WORTH</b>	<b>19841.46</b>	<b>14831.51</b>	<b>9872.16</b>	<b>2869.17</b>	<b>1060.71</b>	<b>446.90</b>
<b>SHARE CAPITAL</b>	<b>1255.40</b>	<b>1255.40</b>	<b>1255.40</b>	<b>1079.61</b>	<b>259.70</b>	<b>100.00</b>
<b>RESERVES &amp; SURPLUS</b>	<b>19843.43</b>	<b>14834.91</b>	<b>9877.46</b>	<b>2873.95</b>	<b>1064.47</b>	<b>447.16</b>
Less: Miscellaneous Expenses	(1.97)	(3.40)	(5.30)	(4.78)	(3.76)	(0.26)
<b>TOTAL / NET WORTH</b>	<b>19841.46</b>	<b>14831.51</b>	<b>9872.16</b>	<b>2869.17</b>	<b>1060.71</b>	<b>446.90</b>

## Swastika Investmart Limited

48, Jaora Compound, MYH Road, Indore (M.P.)

website: [www.swastika.co.in](http://www.swastika.co.in), Tel: 0731-3045000

### Research Team:

Mr. Vaaibhav Jhaverr	Head – PMS & Value Research	<a href="mailto:vaaibhavjhaverr@swastika.co.in">vaaibhavjhaverr@swastika.co.in</a>	0731-3049187
Mr. Deepak Jain	Commodity Research Analyst	<a href="mailto:deepakjain@swastika.co.in">deepakjain@swastika.co.in</a>	0731-3049190
Ms. Sonal Natani	Research Analyst – PMS	<a href="mailto:fundamentals@swastika.co.in">fundamentals@swastika.co.in</a>	0731-3049196

### Branch Network

*Ahemdabad, Betul, Bhilwara, Bhopal, Bundi, Delhi, Gandhi Nagar, Guna, Hyderabad, Jabalpur, Jaipur, Jodhpur, Katni, Kota, Mumbai, Nagpur, Raipur, Ratlam, Udaipur, Ujjain*

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