

KEYNOTE

I P O N O T E

R.P.P. Infra Projects Ltd.

November 16, 2010

Price Band	: ₹68 – 75 per share
Minimum Bid Lot Size	: 80 Equity Share
IPO open during	: November 18 - 22, 2010
Book Running Lead Managers	: VC Corporate Advisors
To list on	: NSE & BSE
IPO Grading	: 2 / 5 (Fitch)
PE	: 12.97x (based on base price)*
	: 14.31x (based on cap price)*
Market Cap post-listing	: ₹169.5Cr or \$37.5mn (based on the cap price)
Market Cap of Free-Float	: ₹48.8Cr or \$10.8mn (based on the cap price)

* based on FY10 EPS.

IPO of 6.5mn equity shares of ₹10 each, aggregating to ₹48.75Cr or \$10.8mn (at the cap price) consisting of a fresh issue of 6.1mn shares aggregating to ₹45.75Cr (at the cap price) and an offer for sale of 0.4mn shares aggregating to ₹3Cr.

Shareholding Pattern

Shareholder Categories	Pre-Issue		Post-Issue	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoters	16,499,158	100%	16,099,158	71%
QIBs excl. Mutual Funds	0	0%	2,897,500	13%
Mutual Funds	0	0%	152,500	1%
Non-Institutional Investors	0	0%	915,000	4%
Public	842	0%	2,535,842	11%
Total	16,500,000	100%	22,600,000	100%

Executive Summary

- RPP Infra Projects Ltd. is primarily engaged in the business of infrastructure development such as Highways, Roads and Bridges. It diversified its civil works expertise into SEZ Development, Water Management Projects, Irrigation and Power Projects.
- Infrastructure related construction activity is an integral to the infrastructure and industrial development of India and involves construction of urban infrastructure, townships, highways, bridges, roads, rail network, ports, airports and power system.
- The Eleventh Five Year Plan has set an ambitious target of increasing total investment in infrastructure from around 5% of GDP in the base year of the Plan 2006-07 to 9% by the terminal year 2011-2012.
- RPP Infra own the latest construction equipments, comprising of crushers, hydraulic cranes, excavators, loaders, dozers, paver finishers, jack hammers, air compressors & transportation equipments such as trucks, tractors, trailers, jeeps, etc. The ownership ensures continuous availability of equipments, resulting in advantages like lower cost and rapid mobilization.
- RPP Infra's total order book position stands at ₹612.9Cr as of 30 June 2010.

Company Background

R.P.P. Infra Projects Ltd. (RPP Infra) was incorporated in 1995 and promoted by Mr. Arul P. Sundaram and Mr. R. P. Selvasundaram as R.P.P. Constructions (Private) Ltd. The company was subsequently converted to a public

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limited company in January 2010 and the changed name to the present one. The company is primarily engaged in the business of infrastructure development such as Highways, Roads and Bridges. It diversified its civil works expertise into SEZ Development, Water Management Projects, Irrigation and Power Projects.

Promoters and Management

Mr. P. Arul Sundaram, the Chairman and Managing Director, is the Founder and Promoter of the company and has been on the Board since its incorporation. He has over 22 years of experience in civil works in the fields of transportation/ power/ commercial buildings and irrigation projects. He is responsible for strategic direction and development of the company and is in overall control of its operations.

Ms. A. Nithya is the Whole Time Director, Finance of the company. She is responsible for the finance, accounting and treasury functions of the company.

Industry Overview

Infrastructure related construction activity is an integral to the infrastructure and industrial development of India and involves construction of urban infrastructure, townships, highways, bridges, roads, rail network, ports, airports and power system. The infrastructure industry globally has witnessed tremendous growth in the past few years. A significant part of the global engineering construction activity is concentrated in the oil and gas industry, the power sector, roads construction and the metals and mining sector.

The development of infrastructure and the construction sector has been in focus during the last decade. The increasing significance of construction activities in the growth of the economy was evident during the course of the Tenth five year plan with areas such as transportation, irrigation, housing, urban development, and civil aviation having received greater importance. The influence of the construction industry spans across several subsectors of the economy, such as industrial and mining infrastructure, highways, roads, ports, railways, airports, power systems, townships, offices, houses and urban/rural infrastructure, including water supply, sewerage, drainage, irrigation and agriculture systems, tele-communication systems, etc.

The construction industry can be broadly classified into:

- Real estate construction (residential and commercial construction);
- Infrastructure (roads, urban infrastructure, power, railways and irrigation, etc); and
- Industrial construction (metals, oil and gas, textiles, automobiles, etc).

The industry is highly fragmented with a few large players and several medium to small scale entities. The industry is highly labour intensive and is the second largest employer after agriculture in the country.

It is expected that India will require a sustained momentum in infrastructure investment in order to maintain its current pace of growth. The 11th Five Year Plan envisages an infrastructure investment of ₹20,561bn (at FY 2007 prices) to be shared between the centre, states and private sector in the ratio of 37.2%, 32.6% and 30.1%, respectively. Estimated level of investment in the infrastructure sector over XI plan is set below:

(₹bn)

Sector	Xth Plan (Anticipated Exp.)	2007-08	2008-09	2009-10	2010-11	2011-12	Total XI Plan
Electricity	2,918	820	1,016	1,264	1,579	1,986	6,665
Roads and Bridges	1,448	518	548	592	684	800	3,142
Telecommunications	1,034	314	381	486	616	787	2,584
Railways(incl. MRTS)	1,197	342	410	495	604	767	2,618
Irrigation(incl. Watershed)	1,115	275	359	472	623	804	2,533
Water Supply & Sanitation	648	193	228	273	333	411	1,437
Ports	141	124	148	174	200	234	880
Others	213	117	126	137	152	170	702
Total	8,714	2,703	3,216	3,893	4,791	5,959	20,561

The Eleventh Five Year Plan has set an ambitious target of increasing total investment in infrastructure from around 5% of GDP in the base year of the Plan 2006-07 to 9% by the terminal year 2011-2012. This paper spells out the specific assumptions underlying this projection which result in a total investment requirement of ₹2,056,150Cr (\$ 514bn) for ten infrastructure sectors over the five year period.

The last few years have seen the central government take up huge infrastructure projects, mainly the Golden Quadrilateral, East-West and North South Corridor, port connectivity, up-gradation of internal airports, creating berths and container terminals at seaports, setting up thermal, hydro and nuclear power plant and developing canal structures for increased and improved water supply. All these projects are underway through private participation. Foreign construction companies have also forayed into the Indian construction industry through the joint venture route.

Business Operations

R.P.P. Infra Projects Ltd (RPP Infra) is a construction company primarily engaged in the business of infrastructure development such as Highways, Roads and Bridges and further diversified its civil works expertise into SEZ Development, Water Management Projects, Irrigation and Power Projects. The company's construction activities are primarily span in South Indian region covering state of Karnataka, Andhra Pradesh, Tamil Nadu and the Union Territory of Pondicherry and Andaman Nicobar Islands. It has recently entered the Sri Lanka market and currently executing a project in the Railway Sector.

RPP Infra executes civil construction projects, which include providing integrated one stop solutions in allied services across the value chain such as mechanical and electrical, plumbing, fire-fighting, ventilation and air conditioning, interior fit-out-services, landscape and glazing solutions. The company also undertakes irrigation and water supply projects including dams, tunnels, lift irrigation projects and sewerage schemes and industrial construction projects such as development of Special Economic Zones and related works.

Services

RPP Infra provides following construction related works:

Infrastructure Projects

RPP Infra provides engineering and construction services for a diverse range of infrastructure projects, including transportation engineering projects, irrigation, water supply and execution of civil works for power thermal / hydel projects.

Civil Construction Services

RPP Infra forays into the construction business by providing engineering and

construction services for civil construction projects, especially the construction of buildings. The company has a track record of execution of mass housing projects and townships, industrial structures, an information technology park, corporate offices, hotels, hospitals and universities and educational campuses.

Transportation Engineering and Irrigation & Water Supply Projects

RPP Infra completed 5 transport engineering and irrigation & water supply projects, which includes construction of water supply scheme to Madurai Municipal Corporation and CD works up to GSB level in Milestone III for TNRSR 03 Road Project between Mimisal to Thondi.

Power Plant Projects

RPP Infra has two ongoing power plant project for RTPP Thermal Power Project in Royal Sheema Thermal Power Project, Andhra Pradesh and civil structural & architectural works for 2x25 MW CPP for Chemplast Sanmar Ltd.

Strengths

Technical expertise and vast industry experience

Experienced management team and rigorous training programmes facilitate RPP Infra to meet the highest standards of quality and workmanship in a cost effective manner while strictly adhering to committed timelines in delivery. The company's expertise in project implementation and expertise of its engineers and their support team provides competitive advantage in their business.

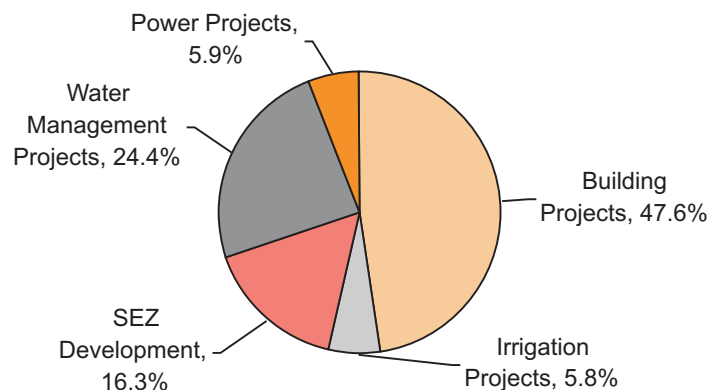
Sustained investment in construction equipment

RPP Infra own the latest construction equipments, comprising of crushers, hydraulic cranes, excavators, loaders, dozers, paver finishers, jack hammers, air compressors & transportation equipments such as trucks, tractors, trailers, jeeps, etc. The ownership ensures continuous availability of equipments, resulting in advantages like lower cost and rapid mobilization.

Operations in diverse sectors with strong order book position

RPP Infra leveraged its civil construction expertise in diverse segments of the construction and infrastructure industry such as Roads, Bridges, Highways, SEZ Development, Irrigation, Water Supply Management and Power Projects. The total order book position of the company as of 30 June 2010 stands at ₹612.9Cr.

Sector wise classification of order book



(Source: RHP)

RPP Infra continues to add new orders, added orders worth more than ₹400Cr during the period from March 31, 2009 to June 30, 2010. The large order book will increase the operational efficiency of the company on economies of scale.

Track record of timely completion of projects

The timely completion of projects is very critical in the construction industry. RPP Infra has a track record of timely execution of the project, which minimize cost overruns and eliminates any possibilities of penalties. This will facilitate repeat order from the existing clients.

Continuous growth in bid capacity and pre-qualification capability

Growth of construction business depends on the ability to bid and secure large projects. Bidding for infrastructure projects is dependent on various criteria, including, bid capacity and pre-qualification capability. RPP Infra has focused on increasing these parameters to increase bid capacity.

Objects of the Issue

The offer comprises a fresh issue by the company and an offer for sale by the selling shareholders.

The object of the issue is to fund margin requirement for working capital, capital expenditure, investment in SPVs for BOT projects, meeting general corporate expenses and issue related expenses.

Utilisation of Net Proceeds	(₹Cr)
Funding margin requirement for working capital	17.0
Investment in Capital Equipment	11.0
Investments in SPVs for BOT projects	10.0
General Corporate Purposes	[•]
Issue Expenses	[•]

Risk and Concerns

(Please refer to the RHP for a complete listing of risk factors)

Managing Director of RPP Infra, Mr. P. Arul Sundaram, has attracted disqualification under section 274(1) (g) of the Companies Act 1956 from being appointed / reappointed as Director on the Board of any other public limited company for a period of 5 years ending November 30, 2012.

RPP Infra has not executed any BOT projects in the past and hence has no prior experience of executing BOT projects.

Any delay in project execution may have a material adverse effect on the cash flow and earnings of RPP Infra.

RPP Infra sub-contracts some works to the third party. Any delay or poor quality of work may have adverse effect on execution of the project.

Pre-qualification for certain infrastructure projects require higher capital adequacy or technical expertise. In order to meet pre-qualification, RPP Infra has to enter into joint ventures with third parties. In case of non-alliance with such third parties, the company may lose on the opportunity of qualifying for such projects.

RPP Infra requires certain approvals or licenses in the ordinary course of business and the failure to obtain or retain them in a timely manner may adversely affect its operations.

Restated Profit & Loss Statements

(₹Cr)

For Period Ended	FY06	FY07	FY08	FY09	FY10	Q1FY11
Total Income	41.32	43.93	70.76	100.10	144.54	36.64
Expenditure						
Construction Exp.	33.89	32.72	54.25	80.64	117.77	28.16
Administrative & Other Exp.	3.23	7.27	12.06	8.90	12.02	3.55
Total Exp.	37.12	39.99	66.31	89.54	129.79	31.71
EBITDA	4.20	3.95	4.45	10.55	14.76	4.93
Other Income	0.24	0.74	1.38	1.13	2.34	0.22
Interest and Finance Charges	0.87	0.28	0.47	3.44	3.16	1.15
PBDT	3.57	4.40	5.35	8.24	13.94	4.00
Depreciation	0.97	1.54	2.08	2.23	2.41	0.88
Profit Before Tax	2.60	2.87	3.27	6.02	11.53	3.11
Prior Period Exp.	-0.02	-0.06	-0.10	0.16	0.00	0.00
Tax	0.91	1.01	1.22	1.89	3.27	0.93
Adjustments	-0.46	-0.03	1.98	-0.95	0.00	0.00
Profit After Tax	1.22	1.77	3.93	3.33	8.26	2.18
EBITDA margin	10.2%	9.0%	6.3%	10.5%	10.2%	13.5%
Basic EPS (₹)	2.00	2.91	6.46	5.47	5.24	1.32
Diluted EPS (₹)	0.77	1.12	2.49	2.11	5.24	1.32
Book Value (₹)	11.35	14.26	23.42	28.70	15.67	16.30
Weighted Average number of Equity shares (Lacs)	60.86	60.86	60.86	60.86	157.77	165.00

Restated Balance Sheets

(₹Cr)

As at,	FY06	FY07	FY08	FY09	FY10	30.06.10
Sources of Funds						
Paid-up Equity Capital	1.01	1.01	2.72	2.72	16.50	16.50
Reserves & Surplus	5.89	7.66	11.54	14.75	8.22	10.40
Shareholders Funds	6.91	8.68	14.25	17.47	24.72	26.90
Secured Loans	6.06	13.78	19.10	15.43	27.95	33.97
Unsecured Loans	0.42	0.02	0.65	0.67	0.36	0.28
Total Debt	6.48	13.80	19.75	16.10	28.31	34.25
Total Liabilities	13.39	22.48	34.00	33.56	53.03	61.14
Applications of Funds						
Gross Block	11.35	17.96	21.57	22.70	34.64	36.51
Less : Acc. Depr.	4.83	5.84	7.24	8.72	10.81	11.63
Net Block	6.52	12.12	14.33	13.98	23.82	24.88
Investments	0.42	0.38	0.38	0.15	0.08	0.08
Current Assets and Loans & Adv.						
Inventories	0.51	0.76	0.77	0.99	1.14	0.53
Sundry Debtors	1.45	4.55	8.03	5.16	8.41	24.11
Cash and Bank Balances	2.62	3.35	4.25	5.67	7.45	7.71
Other Current Assets	11.01	13.41	17.68	24.22	38.57	28.24
Loans and Advances	0.04	1.01	3.01	1.24	2.69	1.36
Total Current Assets	15.62	23.08	33.73	37.28	58.25	61.94
Less: Current Liab. & Prov.	8.94	12.83	14.27	17.73	29.04	26.09
Net Current Assets	6.69	10.25	19.46	19.55	29.22	35.85
Miscellaneous expenditure	0.00	0.00	0.00	0.00	0.17	0.46
Net Deferred Tax	-0.25	-0.27	-0.16	-0.12	-0.26	-0.13
Total Assets	13.39	22.48	34.00	33.56	53.03	61.14

Keynote Capitals Ltd.

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