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Mumbai

CRISIL Research assigns IPO grade 3/5 to Man Infraconstruction Ltd.

CRISIL has assigned a CRISIL IPO Grade "3/5" (pronounced "three on five") to the proposed initial public offer (IPO) of Man Infraconstruction Ltd (Man Infra). This grade indicates that the IPO's fundamentals are average, relative to the other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate with regard to its fundamentals. The grade is not a recommendation to buy/sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The IPO grade assigned to Man Infra reflects that the company is well positioned in contracting services in the ports sector and in the real estate contracting business in Mumbai. The grading takes into account the expected buoyant supply in the Mumbai residential market (driven by pickup in demand) and significant investments likely in the ports sector, given the current high utilisation rates, expected increase in traffic and the need to improve efficiency. The grading also takes into consideration the company's strong order book position of about Rs 14.2 Bn, which provides it with sufficient revenue visibility. The grading also factors in high operating margins, low gearing and the company's strong balance sheet. Man Infra's promoter Mr. Parag Shah also has a strong background and experience in the construction sector. The company also has a fairly experienced management.

However, there is a high dependence on the real estate market with more than 80% of its order book coming from the real estate sector. Any slowdown in the real estate market may have an impact on order accretion and may lead to delay or cancellation of projects. Also, over the past few years, the company has been reliant on a few clients for its orders; however it has recently acquired new orders from varied set of clients thereby de-risking itself.

About the company and the issue

Man Infraconstruction Ltd, incorporated as a private limited company on August 16, 2002, was later converted into a public limited company on July 15, 2004. Based in Mumbai, the company is involved in providing contracting services for the ports sector, residential and commercial real estate segments. The company started as a contractor for port infrastructure, providing services which included construction of onshore terminals, container freight stations, operational buildings and workshops and gradually entered into contracting services in the residential and commercial space in the Mumbai market. Promoters Parag Shah and Mansi Shah and their groups, currently own 71.1% of Man Infra's shares, which will reduce to 63.0%, following the IPO.

Man Infra's board is chaired by non-executive and independent director, Mr Pramod Chaudhari, who has more than 37 years of experience in the industry. The Board comprises eight directors, four of whom are independent directors and two are investor directors.

Man Infra is planning to raise Rs 1,500 Mn from the IPO, of which, Rs 1,186 Mn is expected to be used to purchase capital equipment, while the balance would be used for general corporate purposes.

In 2008-09, the company reported net profit of Rs 872 Mn on a turnover of Rs 5,093 Mn, translating into a net margin of 14.8%. The company's revenues registered a CAGR of 159.6% during FY07-09. It posted an EPS of Rs 28.3 at the end of FY09, while its book value per share stood at Rs 92.5. Man Infra's return on capital employed (RoCE) and return on equity (RoE) for FY09 stood at 47.9% and 43.7%, respectively.

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