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Federal Contracting

After 2 buys, Indus readies for IPO

Washington Business Journal - July 8, 2005 by [Ben Hammer](#) Staff Reporter

Government contractor Indus, flush from the recent acquisition of two defense-sector companies, is eyeing an IPO as soon as 2006.

At the end of June, Vienna-based Indus acquired the secure networking unit of Halifax for \$12.5 million and Aaron B. Floyd Enterprises for an undisclosed amount.

Each company had about \$14 million in revenue in 2004 from contracts with the Defense Department and intelligence agencies. Each also has more than 100 employees.

Indus (www.induscorp.com) sells information technology services to Department of Homeland Security and civilian agencies. CEO Shiv Krishnan expects to increase revenue to as much as \$140 million in 2006 by adding Defense Department customers. Indus had revenue of \$75 million in 2004.

Companies that size can maintain a high growth rate through acquisitions and sharp increases in hiring. Krishnan says he prefers to fund that strategy through an IPO rather than with venture capital.

"Right now I'm in the learning stage on going public," he says. "By going public, the cost of capital is going to be very [much] less and you can use the liquidity to attract the best talent and can use the value of the currency for acquisitions."

Krishnan, who owns Indus, may also prefer an IPO because venture capitalists often trade investment in established companies for a majority stake.

Investment bankers say Indus is well-positioned for a public offering because of Krishnan's reputation and the company's growth rate in a strong market.

Krishnan was a finalist for Ernst & Young's Entrepreneur of the Year award in 1999, 2000 and 2001. He serves as president of the Association for Capital Growth's local chapter.

Indus has grown in revenue from \$20 million in 2001 to \$75 million in 2004.

"The IPO market is very accepting of very well-run and very well-managed corporations," says Rod Buck, managing director of investment bank The McLean Group. "Companies that are fast-growing and have their profitability will have their opportunities."

Service professionals and investment bankers say fewer companies are willing to go public because of the cost of Sarbanes-Oxley Act compliance and quarterly growth expectations. Buck says it's unclear whether those conditions will ease in the near future.

Krishnan is readying for a potential IPO with the help of investment bankers Rick Knop and John Allen at BB&T Capital Markets/Windsor Group and Tom Peltier at Legg Mason.

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