



Archidply Industries

STOCK INFO. BSE Sensex: 16,063	BLOOMBERG N.A.	2 June 2008	Not Rated
S&P CNX: 4,740	REUTERS CODE N.A.		IPO Price Band: Rs70-80

IPO KEY DETAILS

Issue Size*

6.6m equity shares aggregating to Rs529.26m	
Issue Route	: 100% book built issue
Issue Open	: June 11, 2008
Issue Close	: June 17, 2008
IPO Band	: Rs70 - 80
Pre Issue Equity Capital (Nos)	: 15.3m
Post Issue Equity Capita (Nos)	: 22.0m
Post Issue Market Cap*	: Rs1,760 b
Face Value	: Rs10 each

Bid Lots

Minimum of 75 equity shares and in multiples of 75 thereafter.

Promoters

Mr. Deen Dayal Daga – CMD,
Mr. Shyam Daga – Joint Managing Director and CFO
Mr. Rajiv Daga - Director and Assam Timber Products Private Limited

BRLM

Motilal Oswal Investment Advisors Private Limited.
Listings : BSE & NSE
**At the cap price of Rs80 per equity share*

MEANS OF FINANCE

PARTICULARS	AMOUNT (RS M)
Proceed from the Public Issue	[●]
Term Loans	280.0
Internal Accruals	[●]
Grand Total	[●]

SHARE HOLDING PATTERN (%)	PRE ISSUE	POST ISSUE
Promoter and Promoter Group	97.68	68.31
Public	2.32	31.69
Total	100.0	100.00

ICRA Limited has assigned an IPO Grade 3 (pronounced 'three on five'), indicating average fundamentals. ICRA assigns IPO grading on a scale of IPO Grade 5 through IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals."

Overview

Archidply Industries Limited is the flagship company of the Archidply group. The Promoters have been associated with plywood manufacturing for more than 30 years under the brand 'Archidply'. The Company was incorporated in 1995 and today, is modern state-of-the-art manufacturer of wood panel products and decorative surfacing products in two locations, Rudrapur and Mysore, with a network of branches, distributors and dealers across India. The Company's manufacturing facilities are equipped with machineries from the world renowned manufacturers of equipment for this industry such as Dieffenbacher and Wemhoner from Germany, Steinemann, and Kundig from Switzerland.

The Company offers comprehensive engineered interior products which includes

1. Plywoods - Marine Plywood, Fire Retardant Plywood, Shuttering Plywood, Densified Film Faced Plywood, BWR & MR Plywood, Lamyply and Lamyboard.
2. Block Board and Flush Doors - BWR & MR grade
3. Particle Boards - plain, veneered and pre laminated particle board both in interior and exterior grade
4. Decorative Laminates – range from 0.8mm to 1.5mm and post form laminates
5. Decorative Veneers – Teak, natural exotic veneers, reconstituted veneers and dyed veneers.

The brand "Archidply" has positioned itself in the premium segment of the wood panel and decorative surfacing products and is well known amongst architects, interior designers and contractors for more than three decades, making it one of the oldest active brands in its product category.

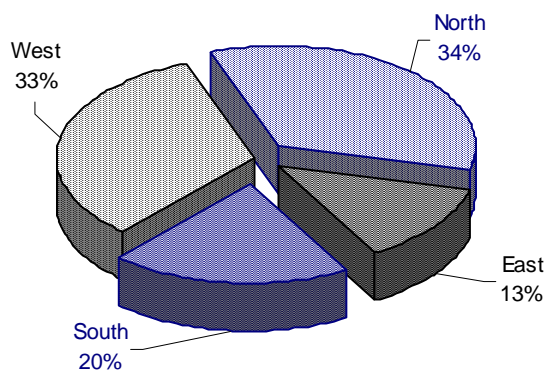
Mr. Deen Dayal Daga, Chairman and Managing Director have more than three decades of experience in managing wood panel industries.

Its products comply with quality standards of BIS and International standards of BS of UK, NEMA of USA and DIN of Germany. The Company has been awarded ISO 9001: 2000 for quality management systems in manufacturing and marketing of wood and agro based panel products.

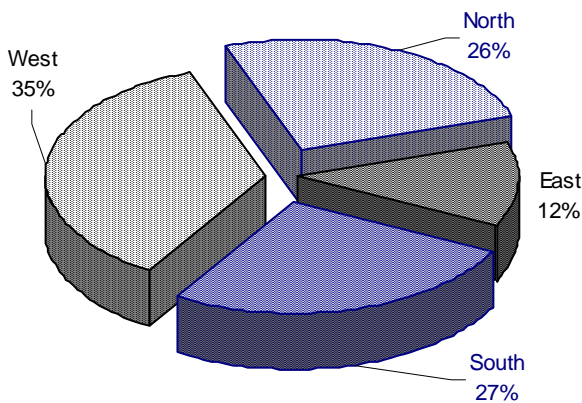
INFRASTRUCTURE

REGION	DISTRIBUTORS NETWORK			DEALERS NETWORK		
	STATES	CITY	NO. OF DISTRIBUTOR	STATES	CITY	NO. OF DEALERS
North	11	21	21	10	54	150
East	5	8	8	8	21	72
South	4	12	12	4	56	156
West	3	20	20	3	12	208
Total	23	61	61	25	143	586

DISTRIBUTORS NETWORK



DEALERS NETWORK



Source: Company

The Company has set up a large distribution network and operates through 16 marketing offices and 61 distributors and stockists. As on March 31, 2008, it has a network of 586 authorized dealers who in turn supply to more than 2,000 sub dealers / retailers, giving a pan India presence for marketing of its products. This ensures the availability of its products off-the-shelf in any corner of India. The

Company has the manpower strength of 531 of which 137 are deployed for marketing as on March 31, 2008.

Management

Mr. Deendayal Daga – Chairman & Managing Director

Mr. Deendayal Daga is a Bachelor of Law (L.L.B.). He has an experience of over 30 years in managing wood panel based industries. He has been conferred with several accolades for his contribution towards the development of industry.

Has received various accolades which include a) the “UDYOGAPATRA AWARD” from the Vice President of India in 1982 acknowledging his achievement as a self made industrialist, b) the “SWATANTRA SWARNA JAYANTI UDYOG VIBHUSHAN AWARD” from the Union Minister of Commerce in 1999 for his contribution to the economic development of the country and c) the “MELVIN JONES” fellowship award by Lions Club recognising his efforts towards social causes

Mr. Shyam Daga – Joint Managing Director & CEO

Mr. Shyam Daga is a commerce graduate from St. Xaviers, Kolkatta university. He was involved in the successful turn around of MCL, which was a sick unit at the time to take over. He was the Director of MCL during the period from 1996 to 2005. Presently is involved in running day to day operations of Uttaranchal Unit and looking after finance and marketing. Also oversees Strategic planning & execution of Northern and Southern India sales of all product categories for Archidply.

Mr. Rajiv Daga – Executive Director

Mr. Rajiv Daga joined the board during 2005 as a director of the Company. He did his Industrial Engineering from Purdue University, USA. He is involved in running day to day operations of Mysore Unit of Archidply Group. He was a Chief Operating Officer of Atlanta, USA during 2001-03. He was a director of MCL during the year 2003-05.

BUSINESS SEGMENTS

PRODUCT	KEY APPLICATION
Plywood	
Waterproof & MR Plywood	Kitchen Cabinets, Speaker Cabinets.
Shuttering & Film Faced Plywood	Construction of buildings, bridges, beams, flyovers, vehicle bodies and roofing.
Marine Plywood	Shipbuilding Industry, Premium Furniture.
Fire Retardant Plywood	Railway Coaches, Vehicle body, Boiler house, kitchen roof wall lining.
Block Board	Furniture, Partition, Racks or Shelves, Shutter, Table tops, Doors.
Plain Particle Board	Post forming table tops, cavity flooring in computer rooms, speaker boxes and photo frames.
Pre Laminated Particle Board	Modular furniture, partitioning, paneling, false ceiling, cupboard, shutters and panel door inserts.
Decorative Plywood	Wall Paneling, Furnishing, Kitchen, Paneling, Speaker Cabinets, Tabletops, Partition Walls, Cupboards & Wardrobes, Fixtures and Shelves and Racks.
High Pressure Laminates -	
Medium Density Fiberboard	Cabinet doors, bed ends, carved surface sheets, toys, handles and furniture.

Source: Company

Competitive strength

- **Unique Brand Positioning** – reflects long durability & trendy designs across the product range.
- **Proven and Successful Management**
- “New ERA”- Empowerment – Responsibility – Accountability
- “Management by Participation” model
- Leadership by example
- Unmatched Exception Management Capability
- **High Technology Base** at both the manufacturing facilities with state of art modern technology
- **Large Distribution network and Unique marketing Model** – Distributors and dealers in more than 25 states covering 143 towns and cities, across India
- **Unique Product Features**
- **Diversified Customer base** in the building and Construction industry
- **Eco friendly Product and process**
- Use of Renewable and farm grown timber

- Products manufactured conforming to low formaldehyde emission standards
- **Locational advantage** – Company’s Manufacturing facility are located in two extreme locations, South and North of India
- **Integrated manufacturing facilities**
- **Tax advantage**
- Exemption from Entry Tax.
- Lower rate of 1% Central Sales Tax.
- Exemption from Central Excise Duty for ten years from the financial year 2006-07.
- Exemption of 100% from Income Tax for first 5 years with effect from FY 2006-07 and 30% for next 5 years.
- **Entry Barrier** for the manufacture of plywood & other wood based products.
- **In house Research and Development**
- **ISO 9001: 2000 for quality management systems.**

Business strategy

- **Move up the value chain** - manufacturing the products to tailor made requirements of the customers
- **Enhance customer interface** - partnering with major retail stores and also propose to create a portal
- **Ensuring assured supply of raw material**
- developing waste lands through agro forestry.
- to set up nurseries near its factory for distribution of subsidized seeds to encourage nearby farmers
- focus on maximum usage of renewable plantation timber and recyclable materials
- **Reap the benefits of economies of scale** - to be amongst the top three in each of its existing product categories in terms of market share
- **Introduction of new products in its product range**
- **To focus on continuous and aggressive brand building**
- **Market Penetration** - to increase its presence in fast developing tier 2 and tier 3 towns
- **to focus on optimizing the productivity and create industry benchmark**
- **to foray into the export market** which will have a dual benefit of penetration into newer markets and also avail of the Duty Exemption Scheme on the import of raw materials and capital equipment.

Investment positives

Unique Product Feature

- Introduced low formaldehyde emission standard products in BWR Plywoods and block boards and decorative laminates which reduces hazardous effects on health due to gas emission which is normally high in the other plywoods and laminates.
- The Product “Pureply”, The Company believe is the only plywood in India which combines fire retardant, fifteen ply constructions, low formaldehyde emission and marine grade features in one plywood.

State of Art Technology

- Its plants are equipped with modern technology which enhances productivity and energy efficiency.

Eco friendly Product and process

- The Company uses renewable plantation timber from nearby coffee estates in Coorg, Karnataka and farm grown plantation timber in Rudrapur, Uttarakhand. Thus, the Company are not destroying any forest cover of India or neighboring countries.
- The Company has received host country approval for Rudrapur unit for “Thermal energy generation from renewable Bio-mass” which may make us eligible for 24,659 CER’s annually.

Locational Advantage

Company’s manufacturing facilities are located in two different extreme locations i.e. Mysore in south India and Rudrapur in north India, it gives the following benefits:

- Transportation cost of bulky finished products could be minimized
- Dependence on raw material is not restricted and concentrated on one source
- The service to its distribution network is better as lead transportation time for delivery of goods is reduced.

Integrated manufacturing facility

- Both the factories manufacture multiple product range under one roof which results in cost savings in terms of shared overhead and resources.

Concern

- The Company and the wood based industry in general continue to face competition from the unorganized sector.
- Declining global forest cover and growing concerns of climate change may lead to upward pressure on raw material (wood) prices.
- High working capital intensity along with aggressive pricing strategy to keep pressure on cash flows in near future.
- Medium size of operations in comparison to other large organized players.

CAPACITY (M)			
CLASS OF GOODS	EXISTING CAPACITY	PROPOSED CAPACITY	TOTAL CAPACITY
Wood Based Products (Sq. Mtrs - 4mm)			
Plywood & Block Boards	12.80	2.20	15.00
Plain Particle Boards	11.25	-	11.25
Pre Laminated Particle Board	9.90	5.40	15.30
Veneers	3.75	-	3.75
Medium Density Fibreboard	-	15.00	15.00
Paper Based Products			
Decorative Laminates (No. of Sheets)	1.20	-	1.20

Source: Company

OBJECTS OF THE ISSUE	
PARTICULARS	AMOUNT (RS M)
Setting up of new manufacturing capacity at Chintamani in Karnataka	
Land & Land Development	22.5
Factory Shed and Plant & Machinery for	
Plain Particle Board	211.5
Pre Laminated Particle Board	67.8
Decorative Plywood	59.8
Common Building	15.0
Sub Total	376.7
Setting up of a new Manufacturing facility of medium density fibreboard at Rudrapur in Uttarakhand	
Pre Operative Expenses and Provision for Contingencies	261.8
Margin Money for Working Capital Requirement	76.5
Sub Total	790.0
Issue Expenses #	[●]
Grand Total	[●]

Source: Company

FINANCIAL HIGHLIGHTS

Y/E MARCH	MAR-07	MAR-08
Income (Rs m)		
Net Sales	900	1,359
Increase /(Decrease) in Inventory	59	-
Total Income	959	1,359
- Operating Expenses	835	1,102
Operating Profit	123	258
+ Other income	8	11
- Depreciation	26	37
- Interest	40	70
- Tax	11	18
- Preli. Pre op. Exp.	1	0
PAT	53	143
Balance Sheet (Rs m)		
Net Worth	272	424
Debt (LT+ST)	549	541
Deferred Tax Liability	5	2
Capital Employed	827	967
Fixed Assets	412	409
Investments	0	0
Working capital	388	506
Cash	27	51
Capital Deployed	827	967

PEER COMPARISON

COMPANY	EPS (RS)	P/E (X)	RONW% (%)	NAV PER SHARE (RS)
Archidply - (March 2007)	11.46	[?]	21.87	17.27
Greenply Industries	13.3	14.70	26.70	65.4
Novopan Industries	4.5	11.80	15.00	22.8
Uniply Industries	2.0	47.50	11.20	19.9
Century Plyboard	9.9	29.80	19.50	59.1
Industry Composite	21.57			

(Source: Capital Market, Vol XXIII/03, Apr 07– 20, 2008, Category "Miscellaneous – Wood Panel Industry")

Valuations

At the price band of Rs70 – Rs80, the stock is available at 7.2x - 8.3x FY08 EPS of Rs9.7.



For more copies or other information, contact

Institutional: Navin Agarwal. **Retail:** Manish Shah

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: inquire@motiloswal.com

Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

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Disclosure of Interest Statement

Archidply Industries

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|---|-----|
| 1. Analyst ownership of the stock | No |
| 2. Group/Directors ownership of the stock | No |
| 3. Broking relationship with company covered | No |
| 4. Investment Banking relationship with company covered | Yes |

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