

IPO Details

Particulars

Issue opens	June 11, 2008
Issue closes	June 17, 2008
Issue mode	Book Building
Price band (Rs)	70 - 80
Face value (Rs)	10
Total Issue of shares (mn)	6.62
Extent of dilution (%)	30.07%
Issue size (Mn)	463 - 529
Market Cap (Mn)	1,540 - 1,760
Minimum bid size	75 shares
Multiples of	75 shares
Lead Managers	Motilal Oswal
Registrars	Karvy
Listing in	BSE, NSE
IPO Grade (CARE)	3 out of 5
(indicating Average Fundamentals)	

Issue Allocation

Number of shares	(mn)	Percentage
Net Issue	6.62	100%
QIB Portion	3.31	50%
HNI Portion	0.99	15%
Retail Portion	2.32	35%

Shareholding pattern

Particulars	Pre - IPO	Post - IPO
Promoters	97.68%	68.31%
Institutions	0.00%	15.04%
Others	2.32%	16.66%
	100.00%	100.00%

Key Metrics

Particulars	Mar-08
FDEPS (Rs) (Annualised)	6.74
Book Value (Rs)	27.9
Debt /Equity Ratio (x)	1.3
PE at FDEPS	10.4x - 11.9x

Company Overview:

Archidply Industries Ltd is the flagship company of the Archidply group engaged in the manufacture of wood panel products and decorative surfacing products. The company's promoters have been associated with plywood manufacturing for more than 30 years under the brand 'Archidply'.

AIL is constantly expanding and updating its product range in order to stay ahead of the market. The company offers comprehensive engineered interior products which include:

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 – Boiling Water Resistant (BWR) & Moisture Resistant (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 company's products are manufactured in integrated multi-product modern facilities strategically located in two different geographical zones namely Mysore, Karnataka in south of India and Rudrapur, Uttarakhand in the northern part of India. AIL'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 brand "Archidply", has positioned itself in the premium segment of the wood panel and decorative surfacing products as high quality raw material inputs are used like European and Japanese decorative papers and American, African and European decorative timbers which makes the pricing of the finished products in the highest range in the respective product categories. Thus company's brand 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.

AIL's products comply with quality standards of BIS and International standards of BS of UK, NEMA of USA and DIN of Germany. It has been awarded ISO 9001: 2000 for quality management systems in manufacturing & marketing of wood & agro based panel products. AIL has an established independent Research & Development laboratories at each of its manufacturing facilities where there is batch-wise testing for the mechanical and chemical properties of the products.

AIL has set up a large distribution network and operates through 16 marketing offices and 61 distributors and stockists. As on March 31, 2008, the company had 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.

AIL is promoted by individual promoters Mr. Deen Dayal Daga, Mr. Shyam D. Daga and Mr. Rajiv D. Daga and corporate promoter Assam Timber Products Pvt. Ltd. (ATPL).

Objects of the Issue:

Particulars	(Rs Mn)
Setting up of new manufacturing capacity at Chintamani in Karnataka	
- Land & Land Development	22.50
Factory Shed and Plant & Machinery for	
- Plain Particle Board	211.52
- Pre Laminated Particle Board	67.84
- Decorative Plywood	59.79
Common Building	15.00
Setting up of a new Manufacturing facility of medium density fibreboard at Rudrapur in Uttarakhand	261.82
Pre Operative Expenses and Provision for Contingencies	76.53
Margin Money for Working Capital Requirement	75.00
Issue Expenses	[•]
Total	[•]

Means of Finance:

Particulars	(Rs Mn)
Proceeds of the public Issue	[•]
Term Loans	280.00
Internal Accruals	[•]
Total	[•]

Strategies:

The business strategies of the company are:

- to move up the value chain by manufacturing the products to tailor made requirements of the customers, such as cut to size shutters, ready to assemble furniture components, ready to install designer doors.
- to ensure an assured supply of raw material by participating in future government initiatives for developing waste lands through agro forestry.
- to introduce new products either through in-house manufacturing or by trading thereby leveraging its extensive distribution channels thereby reducing its sales v/s marketing expense ratio leading to improvement in the profit margin.

- to increase its market presence in fast developing tier 2 and tier 3 towns through appointment of marketing executives and authorized stockists.
- to foray into export market leading to dual benefits of penetration into newer markets and availing of the duty exemption scheme on the import of raw materials and capital equipments.

Key Strengths:

The key strengths of the company are:

- AIL has been able to position its brand as eco-friendly products using sustainable renewable plantation timber and having low chemical gas emission at all times since 1976 thus reducing indoor pollution.
- AIL's promoters and senior management have good experience in wood panel products and decorative surface products demonstrated by the fact that they successfully turned around a acquired particle board and plywood manufacturing unit closed for seven years at Mysore.
- AIL has an extensive network of distributors and dealers in more than 25 states covering 143 towns and cities, across India from Srinagar in north to Trivendrum in south and Rajkot in west to Guwahati in east.
- AIL has recently 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 plywood and laminates.
- AIL is able to save on transportation cost as about 60% of the products manufactured are sold in the nearby plant locations.
- AIL enjoys the power supply from Uttarakhand Power Corporation Ltd at competitive rate of Rs.2.5 per unit (average) which is amongst the lowest in the country.
- AIL manufactures multiple product range under one roof resulting in cost savings in terms of shared overhead and resources across different product categories.
- AIL's manufacturing units are located at Rudrapur, Uttarakhand is entitled for the tax benefits under various acts which helps it to offer the products at competitive rate.
- The Supreme Court has restricted the issue of new licenses for the manufacture of plywood & other wood based products. Complexity in getting licence has made the entry of new players in the industry difficult thus acting as an entry barrier.

Concerns:

- AIL operates in an industry which is highly fragmented and the company faces intense competition from the unbranded/unorganized sector.
- Declining global forest cover and growing concerns of climate change may lead to upward pressure on raw material (wood) prices which may affect the profitability of the company.
- The company is working capital intensive coupled with the aggressive pricing strategy will keep the cash flows under pressure in near future.
- AIL has a medium size of operations in comparison to other large organized players.

Valuation & Recommendation:

Particulars	Century Plyboard	Green-ply	Novo-pan I	Uniply	Archidply	
Net Sales (mn)	6,867	4,366	822	1,107	1,435	1,435
Net profit (mn)	1,030	228	58	27	149	149
EBITDA Margin	22.8%	9.8%	14.8%	8.9%	18.4%	18.4%
CMP (Rs) (11/6/08)	63	163	41	15	70	80
FDEPS (Rs)	5.1	13.3	4.5	2.0	6.7	6.7
P/E	12.3	12.2	9.1	7.4	10.4	11.9

At the price of 70-80, the issue is priced at 7.3x-8.3x its FY08 EPS of Rs9.64 and at 10.4x-11.9x its FY08 FDEPS of Rs6.7. On comparison with its peers we believe that the stock is reasonably priced and we recommend our investors to SUBSCRIBE to the issue with a * * * rating.

Financials:

Profit & Loss A/c			(Rs Mn)
Particulars	Mar-06	Mar-07	Mar-08
Net sales	447	940	1,435
Other Income	3	8	11
EBITDA	50	123	264
EBITDA Margin	11.1%	13.1%	18.4%
PAT	2	58	149

Balance Sheet			(Rs Mn)
Particulars	Mar-06	Mar-07	Mar-08
Networth	140	264	429
Debt	256	549	541
Other Liabilities	8	5	2
Capital Employed	404	819	973
Fixed Assets	226	410	409
Investments	0	0	0
Net Current Assets	178	408	564
Capital Deployed	404	819	973

Rating structure:

*****	- Excellent
****	- Very Good
***	- Good
**	- Average
*	- Poor

Equity investments are subject to market risks. Please read the offer document carefully before investing.

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