

IPO Note

IPO Details

Face Value	Rs. 10
Price Band	Rs. 70 - 80
Issue Opens	11-Jun-08
Issue Closes	17-Jun-08
BRLM	Motilal Oswal Investment Advisors Private Ltd.
Registrar to issue	Karvy Computershare Private Ltd
Shares on offer for sale	6.6 mn

Pre issue shareholding pattern

Shareholders	% Stake
Promoters	97.7
Others	2.3

Post issue shareholding pattern

Shareholders	% Stake
Promoters	35.1
Public & Others	64.9

Segmented Allocation

QIBs	3,307,860
Non-Institutional	992,358
Retail	2,315,502

IPO Details (In mn)	Lower End	Upper End
Price Band (Rs.)	70	80
Equity Shares prior to issue	15.4	15.4
Fresh Issue of shares	4.3	4.3
Total Equity Shares	20	20
Share Capital (mn)	Rs. 197	Rs. 197
Implied market cap (mn)	Rs. 1,377.9	Rs. 1,574.8
Debt (mn) (as on 31/03/07)	Rs. 549.5	Rs. 549.5
Cash (mn) (as on 31/03/07)	Rs. 27.5	Rs. 27.5
Implied EV (mn)	Rs. 1,899.9	Rs. 2,096.8

Archidply Industries Limited

Subscribe

Archidply Industries Limited (Archidply) is the modern state-of-the-art manufacturer of wood panel and decorative surfacing products with its facilities at Rudrapur, Uttarakhand, Mysore, and Karnataka. Archidply is the flagship company of the Archidply group, and has been associated with plywood manufacturing for more than 30 years under the brand Archidply.

Archidply had witnessed a CAGR of 79.2% and 319.6% over FY06-08 in net sales and net profit, respectively, which is higher than its peers such as Century ply (103% and 91%) and Greenply (20% and 27%). The higher growth rate is a reflection of the competitive edge over the peers and an increasing market share, which in the light of the booming real estate market makes us confident about the Company's good performance in the coming years.

Through the IPO proceeds, the Company is planning to enter into the capital market for setting up a new manufacturing facility at Chintamani, Karnataka, where Plain Particle Board (PPB), Pre Laminated Particle Board (PLB) and Decorative Plywood will be manufactured, and a manufacturing unit at its existing facility at Rudrapur, Uttarakhand, to manufacture medium density fibreboard (MDF).

Valuation and Recommendation

At a price band of Rs. 70-80, Archidply is valued at a P/E of 7.2x and 8.2x at the lower and upper price band, respectively. Archidply trades at a nominal discount to the other listed companies in the plywood sector, which has an average P/E of 8.6x based on LTM FY08 EPS. However, considering Archidply's consistent growth in the last three years, competitive edge in the operations, and wide distribution network, we have a bullish outlook about the Company.

Based on our analysis and considering the long-term growth potential of the Company, we recommend investors to Subscribe to the issue.

Peer group comparison

Valuation	Market cap (in Rs.mn)	P/E Ratio
Century ply	14,264	9.6x
Green ply	2,813	7.6x
Peer group average		8.6x
Archidply Industries Limited		
Lower price band	1,540	7.2x
Upper price band	1,760	8.2x

IPO

Issue details

Archidply is coming up with an IPO of 6.6 mn equity shares, which will dilute the promoters' stakes in the Company by 62.6%. The promoters currently hold 97.7% of the issued and paid-up share capital, which will reduce to 35.1% post issue. The Company has reserved 3.3 mn shares for QIBs, 1 mn shares for non-institutional buyers, and the remaining 2.3 mn shares are reserved for the retail applicants.

Issue objective

The IPO is being carried out for:

- Setting up a new manufacturing facility of Plain Particle Board (PPB), Pre Laminated Board (PLB) and decorative plywood at Chintamani, Karnataka
- Opening up a new manufacturing capacity for medium density fiberboard (MDF) at Rudrapur, Uttarakhand.
- Funding expenditure for working capital

Promoters

The Company's promoters are Deen Dayal Daga, Shyam D. Daga, Rajiv D. Daga and Assam Timber Products Private Limited (ATPL).

Deen Dayal Daga is the Chairman, Managing Director, and CEO of the Company. He is a Bachelor of Laws (LLB) and having an experience of over 30 years in managing wood-based industries. Mr. Shyam D. Daga is the Joint

Managing Director and CFO of the Company. He is a commerce graduate from St. Xavier's, Kolkata University. Rajiv D. Daga is the Executive Director of Archidply. He holds Bachelors in Industrial Engineering from Purdue University, USA. ATPL, which incorporated in 1979, is the corporate promoter of Archidply, and founded by Deen Dayal Daga.

Rationale

Unique features of products

Archidply has introduced low formaldehyde emissions standard products in BWR Plywoods and block boards and decorative laminates, which is being produced to reduce hazardous effects on health due to gas emission. The premium brand "Pureply" is the only plywood in India giving all the features of fire retardant, fifteen ply constructions, low formaldehyde emission and marine grade in one plywood. We believe the unique and useful features will drive the demand for the products in the future.

Wide dealer network

Currently, the Company has a network of 586 authorized dealers who, in turn, supply to more than 2,000 sub-dealers/retailers. The wide distribution network will help Archidply to market its products across the nation and deeply penetrate into the market.

Experienced management

Archidply has an efficient management in the wood panel products and decorative surface product industry. This can be demonstrated by the fact that in 1995, the management acquired an abandoned manufacturing unit of particle board and plywood at Mysore, and successfully turned it around. Further in 2005-06, the Company set up green-field plywood, pre-laminated particle board, and decorative laminates project at Rudrapur, Uttarakhand. The commercial production of the first phase i.e. the plywood division was commenced within six months from the date of its land acquisition. The management's vast experience and background in production, finance and marketing in similar industry gives us the strength about the Company's success in this project.

Diversified customer base

Archidply is not dependent on the single sector for the sales of its products. It caters to wide spectrum in the building and construction industry like OEM's making modular furniture using pre laminated particle board and post form laminates, Government departments like CPWD and MES using Exterior grade pre laminated particle boards, luxury hotels and corporate using decorative plywood, residential projects using durable water proof plywood, builders using shuttering and densified film face plywood, multiplexes using fire retardant plywood, boat building using marine plywood to the retail segment comprising of carpenters, contractors and dealers

Outlook

The plywood industry is expected to witness a strong growth driven by the construction and real estate sectors. Moreover, the competition in the sector is expected to ease out due to the difficulties (on deforestation concerns) in obtaining fresh licence from CEC for new plywood capacities. The higher disposable income and buying power are expected to drive the demand of branded products of Archidply.

Archidply has grown at a remarkable rate by registering revenue and net profit at a CAGR of 79.2% and 319.6%, respectively, over the period FY06-08. The Company's strong positioning in the sector and the demand of its products are expected to yield the growth of 30% yoy to Rs. 2004 mn in revenues by FY09E. Assuming 10.4% net profit margin, we expect that net profit would be Rs. 208 mn and EPS would stand at Rs. 9.5. Further, we believe that the production capacity expansion and sector's growth prospect will stimulate the Company's profitability.

At a price band of Rs. 70-80, Archidply is valued at a P/E of 7.2x and 8.2x at the lower and upper price band, respectively. Based on our analysis, we recommend the investors to Subscribe to the issue with a long-term perspective.

Company Background

Archidply Industries' history dates back to September 05, 1995 when it was incorporated as ATP Silvi Products. The Company got its present name on March 30, 2007. The Company is headquartered at Bangalore and is a part of the Archidply group, which has been associated with plywood manufacturing for more than 30 years under the brand Archidply.

Being an ISO 9001:2000 certified company, it offers comprehensive engineered interior products including marine, fire retardant, shuttering, densified film faced, BWR and MR, lamyply and lamyboard range of plywood; block board and flush doors; plain, veneered and pre laminated particle boards both in interior and exterior grades; decorative laminates; teak, natural exotic veneers, reconstituted veneers and dyed veneers. The two modern state-of-the-art manufacturing units are located at Rudrapur, Uttarakhand and Mysore in Karnataka.

The company has a large distribution network and operates through 16 marketing offices and 61 distributors and stockists. As on March 31, 2008, it had a network of 586 authorized dealers, supplying to more than 2,000 sub-dealers and retailers across the country. Some of the high-end consumers include Apollo Hospital, Hotel Leela Venture, and ABN AMRO.

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