

Subscribe to Archidply Industries IPO: Hem

Hem Securities has come out with a report on Archidply Industries' IPO. It has recommended investors to subscribe the issue.

The issue has opened for subscription with its initial public offering (IPO) of 66,15,720 equity shares of face value Rs 10 each. The issue will close on June 17, 2008. The price band has been fixed at Rs 70 to Rs 80 per equity share.

Hem's report on Archidply Industries' IPO:

Company's brand proposition "Making Home owners proud since 1976" reflects long durability and trendy designs across its product range. Company have 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. Company's focus is to target the premium segment (SEC A) with its flagship brand of "Archidply" and middle segment (SEC B) with its economic brand "Silvi".

Company 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. Company's distribution channel is the key strength in ensuring its brand availability to the customers.

Company 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 plywoods and laminates. Company has introduced "Pureply" for the most premium category of customers. Pureply is the only plywood in India which combines fire retardant, fifteen ply constructions, low formaldehyde emission and marine grade features in one plywood. Company has also introduced Lamyply and Lamyboard which are unique in India. Consequent use of Lamyply and Lamyboard reduces the time taken for creating the furniture.

Company caters to the 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 corporates 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.

Valuation:

The company at a price band of Rs 70-80 per share will have the p/e multiple of 10.28-11.74 at post issue eps of Rs 6.81 (Basis PAT FY'08). The company has posted strong growth in its financials from last few years. In addition to that robust increase in its margins sets company apart from its peers group. The company with its unique brand proposition and sound financials looks an attractive issue to deploy the funds in. We recommend the investor to "Subscribe" the issue.

Disclaimer: The views and investment tips expressed by investment experts on moneycontrol.com are their own, and not that of the website or its management. Moneycontrol.com advises users to check with certified experts before taking any investment decisions.

