



## Premium Investments

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### New Issues Analysis(IPO)

Jun

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2008

**For a smooth finish**





Archidply Industries is entering the capital market on 11<sup>th</sup> June 08, with a public issue of 66.16 lakhs equity shares of Rs.10 each in the band of Rs.70 to Rs.80 per share.

The company is having two manufacturing plants in Mysore and Rudrapur in Uttaranchal, making Plywood, Particle Boards, Pre-Laminated Particle Boards and Veneers and Decorative Laminates. The plant at Rudrapur has commenced production in the first quarter of year 2007, which has resulted in improved working for FY 08.

The company posted good financial performance for FY 08 with topline at Rs.144 crores, with an EBITDA of Rs.27.62 crores, PBT of Rs.16.78 crores and PAT of Rs.15 crores, resulting in an EPS of Rs.9.75 for the year on equity of Rs.15.38 crores. Due to various benefits available to the Rudrapur unit, this performance has been possible as the said unit has been contributing about 60% to the company's topline.

The company is now setting up a new manufacturing facility for Plan Particle Board (PPB), Pre-Laminated Board (PLB) and Decorative Plywood at Chintamani in Karnataka and Medium Density Fibreboard (MDF) at Rudrapur. The total cost of project is estimated at Rs.83 crores, which is being financed by a term loan of Rs.33 crores and Rs.50 crores by the IPO.

A capacity of 45,000 cubic meters of PPB; 38,000 cu. Mt of PLB; 10,000 cu.mt of Decorative Plywood and 60,000 cu.mt. of MDF is being created. MDF has huge potential and it is on this that the company hopes to capitalize. Also, since Rudrapur unit has commenced production last year, improvement in capacity utilization is likely in the current year. New addition in capacity would start from September 09.

Promoters of the company are having over 30 years of experience in the industry and have also subscribed to about 7.50 lakh shares at Rs.100 per share. Probably, present state of market has forced them to keep the price band in a range of Rs.70 to Rs.80 per share. Also, strong marketing network of 61 distributors and 586 dealers would help the company to push through its increased capacity.

Considering an EPS of close to Rs.10, share at the upper band of Rs.80 is being issued at a PE of 8 times. FY 09, though may not see contribution from new projects and could show an EPS of Rs.13 due to improved capacity utilization of Rudrapur unit, which results into a PE of about 6 times at the upper band. Post issue equity of Rs.22 crores results in a market capitalization of Rs.175 crores at the upper band, which leaves scope of appreciation.

Hence investment is recommended in the issue even at the upper band of Rs.80 with medium term view.