

SUDAR GARMENTS : Weak Issue

**IPO Note: High PE and competition from other established player
Rating***

Valuations & Recommendation

At Rs 72-77, the company is demanding a valuation of 24x on its FY11 earnings, on the post issue capital of Rs 18.54 cr, which is very expensive. Well established companies in the segment, like Kewal Kiran Clothing, Mandhana Industries are trading around 12 PE. More over garment manufacturing is highly competitive sector with not so attractive margins. Looking to its valuations and competition from the other established players we strongly recommend to avoid this issue.

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

SUDAR GARMENTS

Recommendation : Avoid

- SUDAR Garments sells its own brands through distributors and multi-brand outlets. The company also undertakes contract manufacturing for several domestic apparel brands.
- The company has manufacturing facilities at Khalapur, Raigad, Maharashtra.
- At present, the company has installed capacity to manufacture 20 lakhs garments per annum.
- SUDAR functions as an integrated apparel manufacturer with the capability of designing and manufacturing involving cutting, body stitching, washing, ironing and finishing.
- The funding requirements and deployment of the issue proceeds are based on management estimates and have not been independently appraised by any bank or financial institution
- The average cost of acquisition of Equity Shares Murugan Muthiah Thevar is Rs.14.72 per Equity Share.
- IPO grade 1 by CRISIL indicating below average fundamentals.
- The company is offering the shares at 24 P/E which is expensive

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