

SHEKHAWATI POLY-YARN LIMITED : Weak Issue, Avoid IPO Note: P/E Ratio 20 is very high compared to other company Rating*

Issue Open	27-12-2010
Issue closes	29-12-2010
Issue Price(Fixed)	Rs. 30

Valuations & Recommendation

The company's expansion project has not been appraised by any Bank or Financial Institution. Small player in polyester yarn business. The company faces high competition both from domestic as well as international players. The net profit margins are very thin. Century Enka, one of the oldest players in the industry is available around 5 PE. When compared with Filatex, it is also quotes at price earnings multiple of 4.39 based on March 2010 and even lower at 4.08 times based on half year annualised numbers of September 2010. **At Rs 30, the company is offering the shares at a P/E ratio of 20 on its FY 10 earnings, which is expensive. We recommend to avoid this issue and and buy other listed stocks with better fundamentals from the secondary market in the same segment.**

RANKING METHODOLOGY

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

SHEKHAWATI POLY-YARN LIMITED Recommendation : Avoid

- At present, the company has 20 Texturising Machines with an installed capacity of 13,200 MTPA to produce PTY. The company has also installed 5 Twisting machines to produce Twisted Yarn with installed capacity of 600 MTPA.
- The company has very poor corporate governance
- The project is fully equity funded without promoters' contribution.
- CARE has awarded IPO grade 2, indicating below average fundamentals.
- No firm tie-up for raw materials. The company is yet place order for plant & Machinerics.
- There is clash of business interest among the promoter group.
- The company operates in highly competitive industry, where the prices of products are dictated by big players.
- The company's expansion project has not been appraised by any Bank or Financial Institution.

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