

SHILPI CABLE TECHNOLOGIES LIMITED : Weak Issue

IPO Note: Demanding High premium ; High debt Equity ratio of 2.61 Rating*

Issue At A glance

Issue Open Date	22/3/11
Issue Closes Date	25/3/11
Price Band	Rs.65- 69

Valuations & Recommendation

The company has very limited operating history. The company had earlier defaulted to IDBI bank. For the expansion, no appraisal has been done and the expansion is fully funded by equity. The company operates in rapidly changing, highly competitive telecom sector.

At Rs 65-69 the company is demanding a PE multiple of 22, on its FY10 consolidated earnings, on the post issue capital of Rs 32 cr, which is very expensive. The comparable listed companies in the segment are – Bhagyanagar India, which is trading around Rs 17 at a PE ratio of 10. Looking to its financial performance and industry outlook we recommend to avoid this issue.

RANKING METHODOLOGY

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

SHILPI CABLE TECHNOLOGIES LIMITED

Recommendation : **Avoid**

- Shilpi Cable technologies Ltd. manufactures RF cables, low voltage power cables and cable accessories, cater to the telecom sector.
- Products are used in telecom, automobile and power sectors.
- Company's factory is located in Chopanki, Bhiwadi, Tehsil-Tijara, Dist. Alwar, Rajasthan.
- CARE has assigned grade 1 to the IPO indicating poor fundamentals.
- The company is offering the shares at 24 P/E which is expensive
- March 2009: The company defaulted in payment of an installment of Rs. 241.53 lacs for dues of term loans from IDBI Bank for a total period of one month at the end of the year (which was later regularized)
- For the expansion, no appraisal has been done and the expansion is fully funded by equity.
- Debt Equity ratio is 2.61 and PE ratio is 22, which is very expensive.

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