

Sai Silks (Kalamandir) : Average Issue

IPO Note: Expensive Issue, Small Issue Size. Safety net will provide no downside risk for Small Investors in first six months

Ranking:**



Issue details

Price band (Rs)	Rs.70-75
IPO Opening Date	11/02/13
IPO Closing Date	13/02/13
Issue Size	Rs.89.00 Crore

Valuations & Recommendation

Out of the Rs 89Cr of IPO money, Rs59Cr will go for working capital, Rs 1Cr for repayment, Rs 8.50 Cr for brand promotion and only Rs 12.73 Cr for setting up of new stores. **For the last fiscal it has posted an EPS of Rs. 5.78. Its Book Value stands at Rs. 23.56 as on 31.12.2012. There is not any listed peer company. Considering offer price post issue capital can rise to around Rs. 32 crore and if we attribute current earnings, then its EPS for current fiscal stands at Rs. 3.65 and thus the asking price is at a P/E of over 20, which looks high and we recommend to avoid this IPO. Safety Net and the Buy back of the shares by the promoters is only the positive thing.**

Highlights

- Incorporated in 2005, Sai Silks (Kalamandir) Ltd is in the business of retailing of sarees under the brand name of Kalamandir, Mandir and Varmahalakshmi. Company has a mainly presence in south India with network of 12 retail outlets. Sai Silks (Kalamandir) mainly focus on Women's Ethnic wear.
- This is the second attempt by the company. Its maiden attempt in 2009 failed.
- Working capital intensive industry. Change in fashion and taste of consumer may lead to huge unsalable inventory pile up.
- The company has negative cash flows from its operating activity, investing activity and financing activity for the financial year 2007-08 to 2011-12 and for the period ended October 31, 2012.
- Under the safety net feature to original resident retail individual allottees, if the market value of the equity shares falls below the issue price at any time during six months from the date of credit of the equity shares in the demat account, the promoter and promoter group would buy the original allotted equity shares at the issue price from the eligible allottees up to a maximum of 1,000 equity shares per eligible allottee.
- ICRA has assigned IPO Grade 2 to this issue indicating at "Below Average Fundamentals" of the company.

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