

BS TRANSCOMM LIMITED : Weak Issue, Avoid IPO Note: Debt Rs.226.75 Crore, 2.75 times of Net worth Rating*

Valuations & Recommendation

The company filed Draft prospectus with SEBI in Sept 2008, hitting the market, after two years. The object of the issue remain the same. As of March 2010, **the company has Rs 226.75cr debt**, which is 2.75 times the total net worth. As per ICRA report, the company has experienced liquidity problems in the recent past. The company has significant debt repayment obligation in the medium term. May be, one of the hidden object is for repayment of debts, and to improve the liquidity of the company. The debtors' realization has gone up from 125 days in 2009 to 169 days in 2010. **In the price band of Rs.257 - 266, the issue is highly priced. The company is demanding a PE multiple of 24 on its FY 10 earnings**, where as the shares of peers in the industry like Jyothi Structure, KEC Intl, Sujana Towers are available in 12 to 16 PE. There is no justification for such high valuation. **We strongly recommend to avoid this issue.**

RANKING METHODOLOGY

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

BS TRANSCOMM LIMITED

Recommendation : Avoid

- **The company lacks the pre-qualification criteria to bid for transmission tower projects on a standalone basis, mainly because of its limited experience in providing turn-key solutions. As a result, the company has to largely depend upon its various joint venture partners for bidding for such projects.**
- **IPO grading 2/5 by ICRA.**
- **The company has limited track record in its core activities (including tower manufacturing and turn-key solutions)**
- **High market risk associated with expansion plans, particularly given the high competitive intensity of the business. Industry dominated by large established players. The company's capability to sustain current level of growth and return on investments remains to be seen.**
- **Profitability could be affected due to steel price fluctuation.**

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