

## Servalakshmi Paper : Weak Issue ; **Avoid**

**IPO Note: Commercial Production yet to start**

**Ranking:\***

### Issue details

Price band (Rs)	Rs. 27 - Rs. 29
IPO Opening Date	27/04/2011
IPO Closing Date	29/04/2011
Issue Size	Rs.60.00 Crore

### Valuations & Recommendation

Servalakshmi Paper Ltd. manufacturer of Printing & Writing Paper and Newsprint is entering the capital market with an IPO to raise funds to the extent of Rs 60 cr. for expansion. The company intends to issue shares in the price band of Rs 27-29. The issue opens on 27-04-11 and closes on 29-04-11. Keynote Corporate Services and IOB are the BRLMs.

**The company is yet to start commercial production and hence the financial analysis is not possible. It is still early days and it will take couple of years to show profits. There is no justification for premium for a loss making company. We strongly recommend to **AVOID** this high priced issue.**

### Highlights:

- ◆ Incorporated in 2005, has setup a Paper Plant at Kodaganallur Village, Tirunelveli district of Tamil Nadu.
- ◆ The company intends to utilize the funds for installation of balancing equipments and towards the working capital requirements.
- ◆ The paper mill has a total production capacity of 90,000 tonnes per annum, which is one of the largest single location plants in the country.
- ◆ The company is yet to start commercial production
- ◆ IPO Grade 2 by ICRA
- ◆ Huge long term debt – The Company has availed Rs 224 cr as long term debt
- ◆ B Sri Ramulu - director (son in law of the promoter R Ramaswamy) is the managing director of K G Denim Limited, which came public in early the eighties and now quoting around Rs 17 (FV Rs10).
- ◆ Phase I involving a total investment of Rs 280cr has been already completed and commercial production is likely to start in next few weeks.

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