

VASWANI INDUSTRIES LIMITED : Weak Issue ; Avoid IPO Note: Highly competitive segment; Highly priced Ranking:*

Issue details

Price band (Rs)	Rs. 45 - 49
IPO Opening Date	29/04/2011
IPO Closing Date	03/05/11
Issue Size	Rs.45.00 - 49.00 Crore

Valuations & Recommendation

Vaswani Industries belongs to Vaswani Group of Companies was established with the object of manufacturing of Sponge Iron, Steel Billets and captive power generation. During 2009-10 the company reported an operating income of Rs.95.95 cr and a profit after tax of Rs.3.68cr, giving an EPS of Rs 3.15.

Post IPO it will have equity of Rs 23.49 cr. The issue has been offered in a price band of Rs 45-49 per equity share. Based on the EPS of Rs 3.15 for the fiscal years ending March 31, 2010 the P/E comes at 14.29x at the lower price band while, it comes at 15.55x at the upper price band., while its other peers are available at better valuation. **The listed peers are MSP Steel & Power and Godhavari Power & Steel are available at PE of 6.0 and 9.0. We strongly recommend to AVOID this high priced issue.**

VASWANI INDUSTRIES LIMITED: AVOID Highlights:

- The chattisgarh based company is engaged in manufacturing of sponge iron, billets and power generation
- ICRA has assigned 'GRADE 2'to the issue, indicating 'below average fundamentals' of the issue.
- The Company does not have any long term arrangements with any of its key customers to purchase its products in the future, at the current prices or at all.
- The percentages of sales derived from top customers in last three fiscal years
- During 2009-10 the company reported an operating income of Rs.95.95cr and a profit after tax of Rs.3.68cr, giving an EPS of Rs 3.15.
- Company has a negative cash flow in the past 5 years and for 7 months period ended October 31, 2010.

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