

Sanghvi Forging and Engineering : Weak Issue ; Avoid IPO Note: PE Ratio almost 20.0; High priced Issue Ranking:*

Issue details

Price band (Rs)	Rs. 80 - Rs.85
IPO Opening Date	04/05/11
IPO Closing Date	09/05/11
Issue Size	Rs.36.90 Crore

Valuations & Recommendation

Vadodara based Sanghvi Forging and Engineering Limited is entering the capital market and intends to raise Rs 42.50 cr.

The company is demanding a PE multiple more than 20 which is expensive. The post issue capital of the company would be around Rs 13 cr. At Rs 80-85, The shares of established peers like Ahmednagar Forging and Ramakrishna Forging are available at PE of 6.0 and 11.0 respectively, much cheaper valuation while turnover of these two companies are almost Rs. 800 crore and Rs.400 crore while Sanghi has merely Rs.30 crore. **There is no justification for such high premium. We strongly recommend to AVOID this high priced issue.**

Highlights:

- ◆ The company is a manufacturer and exporter of forging products for the non-automotive sector.
- ◆ It manufactures forged flanges, forgings and machined components for various industries like oil & gas, fertilizers, power, desalination & water treatment, ship building, defense, fabrication of process equipments, instrumentation etc.
- ◆ The Company has an installed capacity of 3600 MTPA for manufacturing of forged flanges and precision machined components (with single piece forging up to 4 MT) in the area of open and closed die forgings.
- ◆ It proposes to set up a 15,000 MTPA open die forging unit at estimated to cost Rs.120.39cr
- ◆ The appraising bank – SBI has expressed concern over cost and time over-run, operating risk and on the capability of the management in execution of the proposed expansion.
- ◆ IPO grade 3 by CARE.

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