

## Timbor Home : Weak Issue ; Avoid

### IPO Note: High Debt and Low margins; Expensive Issue

### Ranking:\*

#### Issue details

Price band (Rs)	Rs. 54 - Rs. 63
IPO Opening Date	30/05/11
IPO Closing Date	02/06/11
Issue Size	Rs.19.93 - 23.25 Crore

#### Valuations & Recommendation

Timbor's products have weak branding in a highly fragmented furniture industry, where unorganized players have almost 90 percent market share.

In FY10, the company reported a net income of Rs.1.78 crore on sales of Rs.51.05 crore. The book value per share stood at Rs.21.9 as on 31<sup>st</sup> March 2010. On expanded equity of Rs.14.75 crore, EPS works out to Rs. 2.08. The company is offering the shares almost 32 PE on FY10 EPS of RS.2.08, which is expensive. The company has been operating in a very small scale and we think it does not support such high premium. **We recommend to AVOID this issue.**

### Highlights:

- **Timbor Home is a manufacturer and retailer of modular kitchens, furniture and doors, and door and window frames.**
- **It has a pan-India distribution network and three manufacturing units located in Gujarat.**
- **The company markets its products under the brand names Timbor Cuisine- Modular Kitchens, Timbor Doors- Doors & Door Frames, Timbor Home- Home Furniture, and IKI Kitchens- Hi-end kitchen solutions using 'Hettich' Hardware and accessories.**
- **CRISIL grade 1 for the IPO.**
- **Negative operating cash flow in FY10.**
- **Project not appraised.**
- **Company has no dividend history.**
- **Low margins, high debtors.**
- **In FY10, PAT margin declined by 76 bps to 3.5% due to higher interest and tax outgo.**

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