

Rushil Decor Limited : Average Issue IPO Note: High Debt – Negative Cash flow Ranking:**

Issue details

| | |
|------------------|------------------------|
| Price band (Rs) | Rs.63 - 72 |
| IPO Opening Date | 20/06/11 |
| IPO Closing Date | 23/06/11 |
| Issue Size | Rs.35.56 - 40.64 Crore |

Valuations & Recommendation

For FY10 the company earned a PAT of Rs 3.51cr, on the total revenue of Rs 99.80 cr. For the 9 months period ended 31-12-10, the figures are Rs 3.76 cr. and Rs 87.67 cr. respectively. The annualized EPS, on post issue capital of Rs.14.40 cr, is less than Rs 4, which makes the IPO unattractive. The full impact of sales and profitability of the expansion can be seen only in FY13. The company's debt gearing is high at 2.73 times its net worth. This will have a bearing on the future profitability.

The company offers shares at 20 times at higher price band of Rs.72 which is expensive compare to market leader like Greenply Ind and Century Plywood, which trades at 17.90 and 19.17 respectively. Also it has high debt which is 2.73 times of net worth. Hence we recommend to avoid this issue.

RUSHIL DECOR LIMITED : AVOID

Highlights:

- ◆ The company had negative cash flow, in the last 5 years
- ◆ IPO grade 2 by ICRA.
- ◆ Company faces stiff competition from organized players.
- ◆ High working capital intensive unit.
- ◆ Phenol, Methanol and Melamine, are some of the raw material used by the company, which are petrol based products, any variation in price may affect profitability.
- ◆ RDL has an installed capacity of 30 lakh sheets per annum.
- ◆ RDL is setting up a MDF unit with an installed capacity of 90,000 cu m at Chikmagalur, Karnataka. The total cost of the project is Rs. 67.28 crores

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