

READYMADE STEEL INDIA : Weak Issue ; Avoid IPO Note: Business in nascent stage, Low margin Ranking:*

Issue details

Price band (Rs)	Rs. 90 - 108
IPO Opening Date	27/06/11
IPO Closing Date	29/06/11
Issue Size	Rs.34.75 Crore

Valuations & Recommendation

The concept of ready to use steel is at the nascent stage and there are some inherent disadvantages particularly transportation of fabricated steel and flexibility in usage. The company will have a post issue capital of around Rs 9.00 cr. Since the margins are very thin, the company will find it difficult to service the equity. In FY10, the turn over and margins have improved many folds.

In FY09 and FY10, it registered turnover of Rs.4.89 crore and Rs.32.37 crore respectively and reported net profit of Rs. 0.03 crore and Rs.0.76 crore. As per the 9MFY11 provisional results, the company posted net sales of Rs.81.61 crore and PAT of Rs.2.13 crore. We recommend to Avoid this IPO.

READYMADE STEEL INDIA : **AVOID** Highlights:

- ◆ Readymade Steel is basically a steel re-rolling company. It converts steel used in construction industry into various shapes and sizes like cranked bars, stirrups, verticals, and column /beam cages as per the requirement of the customers.
- ◆ IPO grade 2 by CARE.
- ◆ Listing only at BSE.
- ◆ The concept of ready-to-use steel is at a nascent stage in the country and is yet to acquire industry wide acceptance.
- ◆ Dependence on one segment. Six customer contributes 95% of the company sales.
- ◆ The appraising bank – Union Bank of India has expressed concern over the ability of the company in convincing the industry to adopt the ready to use method instead of conventional methods.
- ◆ The Company has embarked upon a project of approximately Rs. 6121 Lacs, which compared to the present net worth / revenue is huge. There are execution risks.

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