

Tijaria Polypipes Limited : Average Issue IPO Note: Offer Price High, Good Expansion Plan Rating**



Issue details

Price band (Rs)	Rs.60
IPO Opening Date	27/9/11
IPO Closing Date	29/9/11
Issue Size	Rs.60.00 Crore

Valuations & Recommendation

In FY 2010-11, the company reported a profit after tax of Rs 6.90 crore on an operating income of Rs 112.29 crore while in FY 2009-10, it reported a PAT of Rs 6.74 crore on an operating income of Rs 107.46 crore. The EPS for the period were Rs 5.46 and Rs 5.26 respectively.

After the issue the equity capital of the company would be Rs 23.63 crore and on enhanced equity, EPS will be Rs.2.9. At the offer price of Rs 60, the shares are offered around 20 PE, on the FY 11 earnings. Other well established companies like Jain Irrigation trading at PE of 17.0. Considering the above and the industry in which it operates, the IPO price is looking little bit high so we recommend to enter into the stock at lower level after listing.

Highlights

- Tijaria Polypipes Limited (TPL) is engaged in the manufacturing of pre-lubricated HDPE pipes (PLB HDPE), PVC & SWR pipes, sprinkler pipes and systems, flat tubes, fittings and PET straps
- Total production capacity of 25163 million tonnes per annum (MTPA). The company markets most of its products under the brand names Vikas and Tijaria.
- The company is planning to raise Rs 60 Cr to fund its expansion cum diversification project.
- It carries IPO grade 2 assigned by ICRA.
- Intense competition, fragmented nature of the industry and vulnerability of profitability to fluctuations in raw material prices.
- Small player in the plastic pipes business.
- High business growth and large working capital requirements may impact the margins.
- There are some corporate governance issues like following proper accounting standards.
- The company is yet to register its branches out side Rajasthan under Shops and Establishment Act.
- The company had negative cash flow in the year's 2008 and 2009.

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