

Swajas Air Charters : Weak Issue, Avoid IPO Note: Capital intensive and Low Margin Segment Rating*



Issue details

Price band (Rs)	Rs.90-100
IPO Opening Date	26/9/11
IPO Closing Date	28/9/11
Issue Size	Rs.37.50 Crore

Valuations & Recommendation

The company reported a total income of Rs 29.15 Cr, PAT of Rs 0.78Cr and EPS of Rs 4.60 for the year 2010. The EPS for the FY 11 is Rs 3.88. The company will have post issue capital of Rs 15Cr.

The company operates in highly capital intensive and low margin segment. Proper infrastructure development is essential for growth of this segment. Looking to its small operation and competitive segment we suggest to avoid the Issue.

Highlights

- ◆ Swajas is a Non-Scheduled Airline Operator, which has 3 helicopters and one Air craft, taken on dry lease. The company services are mainly concentrated in southern India.
- ◆ The company has very limited operational history, demands a premium of Rs 80 / 90, where as the shares of well established, bigger players of the sector are languishing in Rs 20-30 range.
- ◆ The company offers services under General Air-Charter Services, Off-Shore Transportation & Logistics, Charter Tourism.
- ◆ Depends on very few customers for business. Top 10 customers' accounts for 80% of the revenue in FY 2011.
- ◆ The volatile price movement of ATF prices adds more discomfiture to the business.
- ◆ Swajas had negative cash flow in the past.
- ◆ The IPO carries grade 2 by ICRA, indicating below average fundamentals.

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