

RDB Rasayan Limited: Weak Issue, Avoid

IPO Note: High PE , Unattractive Issue Rating*



Issue details

Price band (Rs)	Rs.72 - 79
IPO Opening Date	21/9/11
IPO Closing Date	23/9/11
Issue Size	Rs.32.40-35.55 Crore

Valuations & Recommendation

The Kolkata based RDB Rasayans is into manufacture of Flexible Intermediate Bulk Containers (FIBCs), Polypropylene (PP) Tape, PP woven sacks, Woven fabrics, Industrial woven fabric, PP woven fabrics and PP woven bags.

In FY 11 the company has posted an EPS of Rs.1.40, post issue will have equity of Rs 17.71 Cr. At Rs 72 -79, the issue has been priced around 50 PE which is very expensive . We suggest to avoid the issue.

Highlights

- The Kolkata based RDB Rasayans is into manufacture of Flexible Intermediate Bulk Containers (FIBCs), Polypropylene (PP) Tape, PP woven sacks, Woven fabrics, Industrial woven fabric, PP woven fabrics and PP woven bags.
- The company has manufacturing facility in Haldia with installed capacity of 7,000 MTPA.
- The Group has presence in infrastructure development, cigarettes and tobacco, printing and packaging, containers and bags, automobiles, retail business and power transmission.
- The company's products are used in fertilizers, cement, polymer chemicals, textiles, automobile and steel industry.
- The company had inconsistent growth in the past.
- Depends for sales, on a single / very few customers.
- Negative cash flow in the last 3 years, out of five.
- No track record of dividends.
- Highly competitive, low margin segment.
- IPO grading 2 by Brickwork, which is equal to grade 1 by CRISIL.

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