

Shankara Building Products Ltd : Average Issue

IPO Note :Thin Net- Profit Margin : Ranking**



Issue details

Price band (Rs)	Rs.440-460
IPO Opening Date	22/01/17
IPO Closing Date	24/01/17
Issue Size	Rs.345 Cr.

Recommendation

Total revenue grew at a CAGR of 10.59% from Rs.1445.12 Cr for the FY 2012 to Rs.2161.46 Cr for FY 2016 and Net Profit grew at a CAGR of 8.43% in the same period. For the nine months ended on 30.12.16, it has earned net profit of Rs.41.54 cr. on a turnover of Rs.1710 cr. If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.22.85 crore, the EPS works out to Rs. 24.22, then asking price Rs.460 is at a P/E of 18+. As per RHP, There are no comparable listed companies engaged in the same line of business, hence the comparison with industry peers are not applicable. Post-IPO its current paid up equity capital will be enhanced to Rs.22.85 crore. The company is working at a very thin net profit margin of 1.5%(average of last four year). It has debt of Rs.222 crore and debt equity ratio work out to 0.77. It is the first mover of the segment and may attract investors.

Highlights

- Shankara Building Products Ltd (SBPL) is one of the leading organized retailers of home improvement and building products in India
- As on December 31, 2016, it operated 103 Shankara BuildPro stores spread across 9 states and 1 union territory in India.
- As on December 31, 2016, it had 11 processing facilities having a total installed capacity of 323,200 MTPA operating at an average capacity utilization of 93.81% (annualized)

Company Introduction

Shankara Building Products Ltd (SBPL) is one of the leading organized retailers of home improvement and building products in India based on number of stores, operating under the trade name Shankara BuildPro. As on December 31, 2016, it operated 103 Shankara BuildPro stores spread across 9 states and 1 union territory in India. SBPL caters to a large customer base across various end-user segments in urban and semi-urban markets through its multi-channel sales approach, processing facilities, supply chain and logistics capabilities.

SBPL carry reputed third party brands such as Johnson, Sintex, Uttam Galva, Uttam Value, Futura, APL Apollo, Astral Pipes and Alstone and its own brands such as CenturyRoof, Ganga and Loha at its retail stores. Thus its revenue comprises of retail as well as enterprise sells. Company's enterprise sales caters primarily to large end-users, contractors, and OEMs, while the channel sales caters to dealers and other retailers through its extensive branch network. As on December 31, 2016, it had 11 processing facilities having a total installed capacity of 323,200 MTPA operating at an average capacity utilization of 93.81% (annualized). In January 2017, SBPL commenced production at its stainless steel pipes and tubes processing facility in Jigani, Bengaluru which has an installed capacity of 1,200 MTPA. These capacities can be scaled in a modular manner as per requirement. To cater to its customers, the company also have a robust logistics network which, as of December 31, 2016,



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Financial Summary (Rs. In Crore)

Particulars	Nine month ended Dec. 2016	Dec.2016	Dec.2015	Dec.2014
Total Income	1709.88	2036.58	1979.66	1927.92
Net Profit	41.54	41.32	22.57	28.7
EPS (Rs)	18.17	18.08	9.87	12.56

*EPS not annualize

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

consisted of 56 warehouses (29 operated by the Company, 23 operated by TVSPPL and 4 operated by CRIPL) aggregating 0.59 million sq. ft., and a fleet of 44 owned trucks to augment last mile delivery. A large part of its warehousing backbone is owned which ensures stability of operations. It also helps in catering to the requirements of company's retail outlets.

The object of the issue

- Repayment or pre-payment of loans of the Company and VPSPL
- General corporate purposes
- Receive the benefits of listing of the Equity Shares on the Stock Exchanges
- Enhancement of Company's brand name and creation of a public market for the Equity Shares in India.

IPO Issue Proceed

To part finance its prepayment of loans and general corpus fund needs, the company is coming out with a maiden IPO of 7500000 equity share of Rs. 10 each via book building route with a price band of Rs. 440-460 to mobilize Rs.331.96 to 345 crore on the basis of lower and upper price bands. Issue consists of fresh equity issue worth Rs. 45 crore (approx 978260 shares at the higher price band) and offer for sale of 6521740 equity shares. Issue opens for subscription on 22.03.17 and will close on 24.03.17. Minimum application is to be made for 32 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue its current paid up equity capital of Rs. 21.87 crore will stand enhanced to Rs. 22.85 crore.

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