

Review of Public Issues

Three IPOs after a dry spell



IPO
Corner

By Dilip Davda

After Omkar Speciality Chemicals, we had a dry spell for three weeks with the primary market seeing few infra bond offers. Also, the recent listings of Midvalley, Omkar Speciality etc. have disappointed investors. Despite the recent debacle, three IPOs are opening this week in a hush-hush manner to mobilize funds before the Budget.

ACROPETAL TECHNOLOGIES

Acropetal Technologies Limited (ATL) is based at Bangalore and enjoys 100% EOU status since January 2003. After focusing initially on Engineering Design Services, it currently has a broad spectrum of Engineering Design Services to reduce product design cycle time and costs. Its IT/ITES solutions in the enterprise space allow organizations to optimize their core business activities like resource management, customer relationship management and supply chain management.

ATL is a recipient of the prestigious STPI award for 'High Growth in Small and Medium Business Unit' by the Software Technology Parks of India (STPI) and Department of Information Technology, Biotechnology & Science Technology, Karnataka for the year 2006-07 and 2008-09.

The company mulls expansion of existing facilities, setting up of new facility and potential acquisitions along with general corpus fund. To part finance the company is offering equity share of Rs. 10 each within a price band of Rs. 88-90 and aims to mobilize Rs. 170 crore. Issue opens on February 21 and closes on February 24. Application is to be made for

a minimum of 60 shares and in multiples of it. Shares will be listed on BSE and NSE. ICRA has assigned 'IPO Grade 3' to this issue indicating 'Average Fundamentals' of the company.

For the last 3 years, it posted an average EPS of Rs. 20 plus based on existing capital. However it translates into a P/E of 17 plus on expanded capital and Book value will be around Rs. 70.

Remarks: Modest investment for medium term rewards.

SUDAR GARMENTS

Sudar Garments Limited (SGL) is a leading manufacturer and exporter for readymade garments specialized in elegant Shirts, Trousers and wide range of apparel for Men, Women & Kids. SGL is promoted by first generation hard core entrepreneur Murugan Thevar who brought the company to the existing level and currently has 'Glory to Glory' as its popular brand and mulls launch of two more brands i.e. 'St. Paul' and 'Majesty' very soon.

To part finance the expansion of existing apparel units, setting up of retail outlets and brand building process along with general corpus fund, it is offering 9088000 equity share of Rs. 10 each within a price band of Rs. 72-77 via book building process and hopes to mobilize around Rs. 70 crore. Issue opens on 21.02.11 and closes on 24.02.11. Minimum application is to be made for 81 shares and in multiples of it thereafter. CRISIL has assigned 'IPO Grade 1' to this offer indicating at poor fundamentals of the company. With this offer, promoters holding will get diluted to 51%.

However, considering the performance of the company for 09-10 with a net profit of Rs. 4.11 crore on a turnover of Rs. 52.75 crore and a net profit of Rs. 4.07 crore on a turnover of Rs. 49.26 crore for first half of current fiscal, it appears that the company is

on a fast forward mode. These earnings translate in to a P/E of 14 plus on expanded equity. Book value post dilution will be around Rs. 36.
Remarks: Expect listing gains.

FINEOTEX CHEMICALS

Fineotex Chemical Limited (FCL) is an ISO 9001:2000 certified Company engaged in business of Specialty Chemicals and Enzymes for various industries. The company is promoted by Tibrewala family. Currently it has over 100 products for various Industries. The customer list includes Clariant Chemicals, Pidilite Industries, RCF, Croda Chemicals, Raymonds, Grasim etc. etc.

The company mulls setting up of speciality chemical manufacturing unit and setting up of sales office in Mumbai. For this purpose, FCL is offering 4211160 equity share of Rs. 10 each within a price band of Rs. 60-72 and hopes to mobilize around Rs. 30 crore. Issue opens on 23.02.11 and closes on 25.02.11. Shares will be listed only on BSE. At the time of filing DRHP the price band of Rs. 35-42 was indicated that now stands hiked to the current level. The issue constitutes 37.5% of the post issue capital of Rs 11.22cr. Minimum application is to be made for 90 shares and in multiples of it thereafter. CARE has assigned an 'IPO Grade 2', indicating at 'below average fundamentals' of the company.

On performance, the company earned net profit of Rs. 3.50 crore on a turnover of Rs. 20.92 crore for FY10 and has earned net profit of Rs. 2.15 crore on a turnover of Rs. 13.48 crore for H1 of current fiscal. At Rs 60-72, P/E translates into 22 plus on expanded equity and it is very high. Considering recent disaster of OMKAR Specialty Chemicals post listing and listing only at BSE which are the factors that goes against it.

Remarks: AVOID.

Mail any response to
dilip_davda@rediffmail.com