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SAI SILKS (KALAMANDIR) -NOT WORTH

DESPITE "SAFETY NET" IT IS BETTER TO GIVE IT A MISS

After the first IPO of V Mart in first week of February 2013, we have yet another IPO in retail sector in second week of February. This time it is a south based company called Sai Silks (Kalamandir) Ltd. (SSKL)

The company was started as a Partnership Firm under the name and style of "Sai Silks" on August 10, 2005 with Mr. Chalavadi Naga Kanaka Durga Prasad and Ms. Chalavadi Jhansi Rani as partners. It was converted into a Private Limited Company in the year 2008 under the name and style of Sai Silks (Kalamandir) Private Limited and later on converted into a Public Limited Company and received fresh Certificate of Incorporation on May 21, 2009 from the ROC, Andhra Pradesh.

The company started with a retail outlet of 3500 sq. ft at Ameerpet-Hyderabad in 2005 aand currently has 15 outlets in southern region with a total of 1,29,035 Sq. ft. of area. SSKL is majorly in the business of retailing of sarees under the brand name of "Kalamandir", "Mandir" and "Varamahalakshmi" and the entire range of sarees is in the price range of Rs. 300-350000.

In order to expand our products range, it also undertook display and sale of jewellery in its retail outlets under shop-in-shop model. SSKL has also entered into the business of generation of Electricity through Non-conventional energy sources by setting up a Wind Power Project with a capacity of 2 MW at Kondamedapally.

Company's product range includes Sarees, Women's dress materials, Men's wear, Kid's wear and Gold Jewellery & Silver Jewellery. It has chalked out a fund mobilization plan of Rs. 89 crore to set up 4 retail outlets, expenses for Brand Promotion and repayment of old debts with other corpus funds. For this, it is coming out with a book building route public issue of (*) equity share of Rs. 10 each with a price band of Rs. 70-75. Minimum application is to be made for 200 shares and in multiples thereof thereafter. Issue opens for subscription on 11.02.13 and will close on 13.02.13. Shares will be listed on BSE and NSE post issue. Issue is lead managed by Ashika Capital Ltd jointly with Vivro Financial Services Pvt. Ltd. and Bigshare Services Pvt. Ltd is acting as registrar to the issue. ICRA has assigned IPO Grade 2 to this issue indicating at "Below Average Fundamentals" of the company. With this IPO much waited "Safety Net" as well as E-IPO process starts.

On company's performance front, for last three fiscals it has posted an average EPS of Rs. 4.63 and for the first seven months of current fiscal it stands at Rs. 3.47 (not annualized). Its NAV stands at Rs. 26.61 as on 31.10.2012. It has not given any details of its peer and as such is not comparable with any listed entity. Considering offer price post issue capital can rise to around Rs. 32 crore and if we attribute current earnings, then its EPS for current fiscal stands at Rs. 3.76 and thus the asking price is at a P/E of around 20. This is the first IPO that offers "safety net" to retail investors for buying back up to a maximum of 1000 shares from original eligible allottees only. Under this Scheme, if the market value of the equity shares falls below the Issue Price at any time during the Scheme Period, the providers will buy only original allotted equity shares of our Company at the issue price, This Scheme will remain open for a period of six (6) months from the date of credit of the Equity Shares in the Demat account of the Original Resident Retail Individual Allottees in this IPO.

As far as BRLM's mandate front is concerned, they have poor track record. While only 2 out of 8 IPOs gave listing gains from Ashika Capital, Vivro's only one IPO failed to perform on debut.

Considering this, despite "safety net" it is better to give it a miss.

TBZ Q3 net up 30%

Tribhovandas Bhimji Zaveri Limited (TBZ The Original) Indias well-known and trusted jewellery retailer with a rich legacy of around 150 years, continues on its growth and expansion plans in FY13. TBZ has posted total income (standalone) of Rs. 577.08 crore, for the quarter ended December 31, 2012. The Company posted a net profit of Rs. 24.73 crore for Q3 FY 2013. The Company achieved an impressive top line growth of 65% and bottom line growth of 30% on Quarter over Quarter despite a tough economic environment and higher gold prices. The EBITDA for Q3 stood at Rs. 43.59 crore and the EBITDA margin for Q3 was 7.55% of total income even though the industry faced several challenges in the third quarter. TBZ has achieved net profit margin at 4.29% for the quarter on account of sales growth, an optimal sales mix of gold and diamond wherein diamond jewellery sales enhanced the margins. The jewellery business continued to be affected by input cost increases and depressed consumer sentiments leading to a challenge on managing desired margins.