

SHANKARA BUILDING PRODUCTS

Issue Details	
Issue Opens	22-Mar-17
Issue Closes	24-Mar-17
Issue Size (Rs. Crore)	350
Face value (per equity share)	10
Price Band (Rs.)	440-460
Lot Size (No of Share)	32
No of Shares on Offer (crore)	0.65
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	05-Apr-17

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	62.4	56.2
Public (incl institutions and employees)	37.6	43.8
Total	100.0	100.0

Issue Date: 22nd Mar – 24th Mar 2017
Price Band (Rs.) : 440 – 460
Lot Size (No. of Share) : 32
Company Background

Incorporated in 1995, Shankara Building Products Ltd is one of the leading organised retailers of home improvement and building products in India based on the number of stores, operating under the trade name Shankara BuildPro. The company operated 103 stores spread across 9 states and 1 union territory in India. It 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

Financials

Particulars	For the year/period ended (in Rs. Million)				
	FY-16	FY-15	FY-14	FY-13	FY-12
Total Assets	5,913	5,505	5,956	5,725	4,560
Total Revenue	17,750	17,205	18,840	17,025	13,855
Profit After Tax	110	42	193	271	278

Concerns

- Due to low entry barriers in business, the company could face increased competition.
- Slowdown in the real estate activities could adversely impact the overall business performance.
- The inflation or deflation of product prices could affect pricing, demand for products, sales and profit margins.
- Retail business is subject to seasonal volatility, which may affect results of operations and financial condition.

Strengths

- Expanding its footprint in the retail business
- Strong vendor network with the relationship of over two decades.
- It has presence across the entire value chain with robust back-end infrastructure ensuring efficient supply chain management.
- The company also has experienced management team with strong track record and financial stability.

Our View

On the higher price band of Rs.460 and on FY16 EPS of Rs.5.18, P/E ratio works out to 88.8x. Even based on last 3 years EPS of Rs.4.71, P/E ratio works out to be 97.6x. There are no listed peers to compare. However, considering P/E ratio, it looks the issue price is highly priced.

Company revenues grew at 6% CAGR in last 5 years. It earned thin profits of 0.6% in FY16 and 0.2% in FY15. Its issue price is also highly priced. Considering slower growth rate and higher valuation of the company, we recommend our investors to avoid subscribing in this IPO.

Objects of the Issue

The objects of the Net Proceeds of the Fresh Issue are:

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