

11th March, 2010**Issue Details**

Offer Price Band	Rs. 100-110
Face Value	10
Shares Offered	1.06 crore
Type	Fresh Issue
Promoters	Mr. Pradipkumar karia
Lead Manager	Anand Rathi
Listing (Stock Exchange)	NSE, BSE
Offer Open Date	11 th Mar, 2010
Offer Close Date	15 th Mar, 2010

Website: www.pradipoverseas.com**Scrip Estimates**

Market Cap (Rs Crores)	404-444
EPS - FY10E (Rs)	16.9
P/E(x) (fully diluted)	5.9-6.5

Share Holding Pattern (%)	Pre Offer	Post Offer
Promoter & Promoter Group	80.1	59.0
Employees	3.3	3.7
Others	16.6	12.3
Public	-	25.0

Financials (Rs Crores)	FY08	FY09	9mFY10
Sales	658.0	1170.6	1216.8
Expenditure	575.9	1057.2	1093.1
EBIDTA	82.1	113.4	123.7
EBIDTA (%)	12.5	19.7	10.2
PBT	60.8	67.5	76.3
PAT	38.2	41.5	51.1
Equity	14.9	29.8	29.8
EPS (Rs)	25.6	13.9	17.2

Investors should read the risk factors and more detailed information in the Prospectus and the application form before investing in the issue.

Website: www.way2wealth.com

Analyst: Nisha Harchekar

Email: nishaharchekar@way2wealth.com

Contact: 022 - 40192900

Promoted by Pradipkumar Karia, Chetan Karia and Vishal Karia, **Pradip Overseas** is one of the few niche textile companies in India focused on home linen products in wider and narrow width. Currently, the company has facilities at Changodar near Ahmedabad in Gujarat.

Objects of the Issue: The company intends to utilise the issue proceeds to part finance the setting up the proposed Manufacturing facility within the Proposed Textile SEZ, to part finance the incremental margin money requirement for working capital.

Key Points

- ❖ The company has a **unique business model where it begins its manufacturing process from post weaving stage**. It sources grey fabric and then processes the same before the finished fabric is ready for stitching. The ready fabric is stitched and then converted into bed sheets and pillow covers and other material as required.
- ❖ The company has drawn up plans to **expand its current capacity from 136.5 million meters to 169.50 million meters p.a by setting up manufacturing facility in a proposed textile SEZ in Ahmedabad, Gujarat**. Expanded capacity is to be commissioned by January 2011.
- ❖ The company caters to both domestic and export markets. The **order book as on February 15, 2010 was Rs 333.78 crores, comprising export orders worth Rs 101.51 crores and domestic orders worth Rs 232.27 crores**. Exports constitute around 45-50% of the net sales in the past three years.
- ❖ Majority of the company exports are indirect exports and primarily shipped to American and European markets.
- ❖ The company has also **makes small quantity of garments, dress materials and bottom wear fabrics**, primarily for international markets and has drawn up plans to scale it up. Apart from these value added products, it is also looking at industrial textiles as potential opportunity. The company is also focusing on value added products such as quilts and organic cotton home linen products.
- ❖ In a move to strengthen the business presence, the company has also received permission from International Development LLC, Tampa, FL, USA (IDL) for using and **marketing the brand, Lucy B Linens, for home linen products in India and other pertinent countries**. The company distributes its home linen products through C A Patel Textiles, which has a retail network of more than 2,000 retailers across the country.
- ❖ Its **capacity utilization** is continuously improving, from 86.32% in FY07 to 97.92% in FY09.

Investment Concerns

- ❖ The Company does not have presence in direct retail.
- ❖ It operates in a highly competitive market and faces stiff competition from other organized players in this segment and also from the unorganized sector.
- ❖ The home textile sector is export oriented and so is more vulnerable to global economic and liquidity factors.
- ❖ Volatility in forex market

Valuations & Advise: The company is in the highest value addition segment of textile value chain which is fabric processing and has an asset-light model. It is predominantly single product company i.e home linen. It cannot be fully compared with Alok Industries or Welspun Indian as they are integrated players and have diversified products. The full benefit of expansion will be felt in FY12 wherein the profits are expected to double from current levels. At the price band of Rs 100-110, the PE works out to 5.9-6.5x. Alok Industries and Welspun India are trading at P/E of 6.4x and 5.5x. The asking price is in line with its peers. **SUBSCRIBE**

RESEARCH TEAM

K.N.Rahaman	Deputy Research Head	Equities & Commodities	rahaman@way2wealth.com
Jigisha Jaini	Sr. Research Analyst	Capital Goods & Engineering	jigishajaini@way2wealth.com
Nisha Harchekar	Sr. Research Analyst	FMCG, Hotels, Media	nishaharchekar@way2wealth.com
Sejal Jhunjunwala	Sr. Research Analyst	Auto, Shipping & Metals	sejal@way2wealth.com
Abhishek Kothari	Research Analyst	Banking, NBFC & Financial Services	abhishekkothari@way2wealth.com
Vishwa Doshi	Research Analyst	IT, Telecom, Midcaps	vishwadoshi@way2wealth.com
Krishna Reddy	Research Analyst	Commodities, Economic Update	krishnareddy@way2wealth.com
MSR Prasad	Research Analyst	Commodities	Prasad.m@way2wealth.com
Prateek Jain	Sr. Research Analyst	Mutual Funds & Economic update	prateek@way2wealth.com
Ritu Gupta	Research Analyst	Mutual Funds	ritugupta@way2wealth.com
Aditya Agarwal	Sr. Derivative Analyst	Derivative Strategist & Technicals	aditya@way2wealth.com
Amrut Deshmukh	Sr. Technical Analyst	Technical Analysis	amrut@way2wealth.com
Parag Joshi	Technical Analyst	Technical Analysis - Commodities	paragjoshi@way2wealth.com
Rupali Prabhu	Research Assistant	Database Management	rupali@way2wealth.com
Contact		022-40192900	

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