IPO Snapshot

March 07, 2012

Issue Snapshot:

Issue period March 09 – March 13 2012

Price Band: Rs. 30 – Rs. 32

Issue Size: Rs.25.00 crs

*Issue Size: 7812500 equity shares

QIB	upto	50% eq sh
Retail	atleast	35% eq sh
Non Institutional	atleast	15% eq sh

*= assuming issue subscribed at the upper price band

Face Value: Rs 10

Book value: Rs 14.65 (December 31, 2011)

Bid size: 200 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs	8.51 crs
Post issue Equity:	Rs.	16.33 crs *

*= assuming issue subscribed at the upper price band

Listing: BSE

Lead Manager: Ashika Capital Limited

Registrar to issue: Cameo Corporate Services Ltd.

Current Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue % *
Promoters & Promoters Group	94.35	49.21
Public (incl Employees & others)	1.11	50.79
Total	**100.0**	**100.0**

*= assuming issue subscribed at the upper price band

CRISIL IPO grading: 1/5 indicating poor fundamentals

Highlights of the issue:

Incorporated in 1992, Olympic Cards Ltd (OCL) is a Chennai-based manufacturer and trader of wedding and greeting cards, business cards, envelopes, letterheads, calendars, notebooks and account books. It also trades in printing inks. Its manufacturing facility is located in Chennai with an installed capacity to produce 177 mn pieces (as of FY11). Manufacturing sales comprise 84% of total revenues while trading sales make up the rest. Wedding cards comprise for more than 50% of total sales. Its existing client base includes wholesalers as well as retailers. The company procures its key raw material - paper and boards - locally as well as imports them from Indonesia and Hong Kong. It even exports (manufactured and traded) wedding and greeting cards, visiting cards, envelopes and printing inks to Malaysia, Singapore, Sri Lanka and Dubai. It has plans to expand its market presence both within and outside India

Late Mr N. M. Habibullah founded Olympic Cards in 1962. Originally incorporated as Olympic Business Credits (Madras) Private Ltd in April 1992, the company got converted into public limited in March 1995 and it was rechristened Olympic Cards Ltd in May 1998. The Company was formed mainly with a view to capture the market of wedding cards and other associated products, like Greeting Cards, Office Envelopes, Cloth-lined Covers, Student Notebooks, Account Books, Files, etc., and continued to carve a niche for itself in its segment of business.

Objects of Issue:

The objects of the Issue are:

- Setting up of a new manufacturing unit near Chennai.
- Capital Expenditure for establishing 4 own retail outlets of the Company.
- Meet Issue Expenses.

Cost of Project:

Rs. Crs

S. No.	Particulars	Total Amount
1	Setting up of a new manufacturing unit near Chennai	19.83
2	Capital Expenditure for establishing 4 own retail outlets of the Company	3.16
3	Issue Expenses	*
	Total	**25.00**

(Source: RHP)

Means of Finance:

The fund requirement will be met entirely from the proceeds of the Issue and shortfall, if any, will be met from internal accruals of the Company.

For nine months ended December 31, 2011, it reported total income of Rs.32.72 cr and a PAT of Rs.1.93 cr. For FY11, it reported a total income of Rs.45.72 cr and a PAT of Rs.2.19 cr.

OCL's strengths:

- Existence of the group in the business for 5 decades.
- Large-scale, versatile manufacturing infrastructure.
- High-quality products.
- Cost-efficiencies through scale, experience and technology.
- Research and Development.

OCL's strategy:

- Diversified product mix.

Please read important disclosures on the last page

- Increased market penetration through the creation of additional retail outlets.
- Enhancing its brand "Olympic.
- Increase capacity and extend its distribution capabilities.

Risks & Concerns:

- OCL is using the registered trademark "Olympic" registered under the Trade Marks Act, 1999 which is owned by one of its group entity Olympia Paper & Stationery Stores, a proprietary concern of its promoter Mr. H. Noor Mohamed. The trademark "Olympic" is also being used by the entity (ies) promoted by Late H. Salahudeen Babu (brother of its promoter, Mr. H. Noor Mohamed) and his successors as per family arrangement. Revenues of OCL may be affected due to the use of trademark by other entities, as it does not own the registered trademark

- OCL has a negative cash flow in the past years.

- The IPO grading report of CRISIL states the weaknesses, which includes highly fragmented Industry due to low entry barriers, concentrated in the State of Tamil Nadu only, Risk of brand dilution and Centralised Management and relatively weak internal processes and management information system.

- There are certain restrictive covenants in the loan agreements entered into by OCL, which could influence the Company's ability to expand, in turn affecting its business and results of operations.

- One of the Promoters of OCL, Mr. H. Noor Mohamed, has interest in certain entities, which may engage in similar businesses, and this may create a conflict of interest.

- OCL has entered into certain transactions with related parties and it cannot be assured that it may not continue to do so in future also. This could have an adverse effect on its financial condition and result of operation

- Mishaps or accidents at the manufacturing facilities could result in a loss or shutdown of operations and could also cause damage to life and property

- OCL depends on the adequate and timely supply of raw materials at reasonable prices. Any delay in procuring requisite raw materials at suitable prices could affect its business operations

- OCL"s inability to obtain and / or maintain sufficient cash flow, credit facilities and other sources of funding, in a timely manner, to meet its requirement of working capital or pay its debts, could adversely affect its operations

- Competition from existing players and new entrants and consequent pricing pressures may adversely affect OCL's business, financial condition and results of operations.

- Any failure to keep abreast with the latest trends in the designs of OCL's products and technologies used for the products may adversely affect its cost competitiveness and ability to develop new products.

- All OCL's current manufacturing facilities are geographically located at one place, i.e. Chennai and the loss or shutdown of operations at the facility could have a material adverse effect on it.

- There can be delay in setting up of the Retail Outlets for which Rs 316.00 Lacs have been earmarked in this Issue, as it has not yet entered into any lease agreement with the property owners.

Extract from grading rationale by CRISIL:

"The grade assigned to Olympic Cards reflects its presence in an industry which by its very nature - highly fragmented, due to low entry barriers - weakens the bargaining power of players. Further, due to low product differentiation, no player enjoys any edge over the competitors. Plus, the current state concentration has put the company's long-term prospects in a noose. Olympic Cards does have plans to augment its manufacturing capacity in Chennai to cater to geographies outside Tamil Nadu. However, the spectre of localized competition looms large. The grade factors in the company's exposure to the risk of brand dilution. It shares the 'Olympic' brand with the promoter's relatives who have a similar business.

Centralised management, and relatively weak internal processes and management information systems have also influenced the grade. Further, the independent directors have limited ability to exercise management oversight.

The grade derives support from the company's presence in the wedding card segment which is expected to grow 15-18% over the next three-five years with nearly 35% of the population in the marriageable age group and increase in wedding budgets."

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