

Press Release for Jindal Cotex Limited's IPO Grading

Brickwork Ratings assigns "BWR IPO grade 3" to the IPO of Jindal Cotex Ltd.

Jindal Cotex Limited

IPO Grade: BWR IPO Grade 3

Bangalore, India, November 12, 2008: Brickwork Ratings has assigned BWR IPO Grade '3' for the proposed initial public offering of Jindal Cotex Ltd. This grade primarily reveals "Average Fundamentals" in relation to other listed securities in India. Brickwork Ratings IPO grading is a mere opinion on the fundamentals of issuer and is just one parameter that an investor could use before the investment decision. The specific decision relating to invest must also consider the investor's risk profile, asset allocation, time horizon as well as the issue price, relative to the fundamental value. Brickwork does not comment on the price. The grade is neither a recommendation to buy / sell nor hold the graded instrument.

The Shares offered to public is 12,453,894 (about 12 million) Shares Face Value Rs.10/- each, representing 49.81% of post issue equity.

The Lead managers Registrar are Saffron Capital Advisors Private Limited and Bigshare Services Private Limited.

Background

Jindal Cotex Limited (JCL) offers 12,453,894 (about 12 million) Shares Face Value Rs. 10/- each, representing 49.81% of post issue equity. The present issue is being made to raise the funds for setting up a new facility for manufacturing of Cotton Yarn, Yarn Dyeing and Garments and to invest in Subsidiaries Jindal Medicot Limited and Jindal Specialty Textiles Limited. The company has not contemplated to use the proceeds to repay the bank loans.

Company profile

Jindal Cotex Limited (JCL) based in Ludhiana, Punjab, incorporated in 1998 has been promoted by Mr. Sandeep Jindal, Yash Paul Jindal, Rajinder Jindal and Ramesh Jindal. JCL is an ISO 9001:2000 certified company engaged in the business of manufacturing of Acrylic, Polyester, and Polyester-Viscose, Polyester Cotton, combed and carded yarns used in apparels, suitings & knitted fabrics. It has an installed capacity of 23,472 spindles for acrylic, cotton blended and polyester yarns with a manufacturing capacity of 6500 TPA. JCL manufactures and sells yarns under the trade name 'JINDAL'. In addition, the company has installed and commissioned Wind Electric Generator (Wind Mill) of 1250KW capacity at Pithla-Satta-Gorera in the state of Rajasthan.

Prospects

The grading reflects JCL's consistent revenue growth and profits over the past 5 years, the promoters experience and ability to consistently grow the company by expanding the capacities, product profile and to identify and execute new opportunities for business growth.

Constraints

The grading is however constrained by project implementation risk leading to cost and time overruns, business concentration with few customers as well as competition from large and small players in the domestic and International markets.

IPO Proceeds usage

The IPO proceeds will be used for the expansion of its capacity by 50,400 spindles along with a dyeing unit of 6TPD and garment manufacturing facility having a capacity of 3000 PC per day. The IPO proceeds would also be used to invest in its 100% subsidiaries in the field of Technical and Medical Textiles viz. Jindal Medicot Ltd and Jindal Specialty Textiles Ltd.

Financials

For the year ended 31st March, 2008 sales from operations increased by 42.69% to Rs. 994.24 million as compared to Rs. 696.78 million for the year ended 31st March, 2007.

Profit before Depreciation, Interest and Tax increased from Rs. 63.11 million to Rs. 96.72 million for the year ended 31st March, 2008 showing an increase of approximately 53.26%. Profit after Tax increased from Rs. 8.76 million for the year ended 31st March, 2007 to Rs. 42.31 million for the year ended 31st March, 2008 showing an increase of 382.99%.

EPS (Earnings per share) for the year ended 31st March, 2008 is Rs.6.04 against Rs.1.26 in the corresponding previous financial year. EPS has been calculated on the basis of weighted average number of Equity Shares.

The operating profit margin is 21.98% for the year ended 31st March, 2008 as compared to 19.62% for the corresponding previous year.

Summarized financial statements are in Annexure - 1 to this press release. Annexure – 2 provides the Rating Rationale for Jindal Cotex Ltd IPO Grading.

The pre-issue and post- issue shareholding is summarized below

• Shareholding Pattern of the Company before and after the Issue is as under:				
Category	Pre-Issue		Post-Issue	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoters	1,04,97,114	83.67%	1,17,01,008	46.80%
Promoter Group	20,48,992	16.33%	20,48,992	8.20%
Employees	--	--	5,00,000	2.00%
Public	--	--	1,07,50,000	43.00%
Total	1,25,46,106	100.00%	25,000,000	100.00%

Brickwork Ratings IPO Grading

Brickwork Ratings IPO (Initial Public Offering) Grading is an opinion on the fundamentals of the graded issue that reflects Brickwork Ratings's independence and expertise. This opinion is expressed as a relative assessment in relation to other listed equity securities in India. The assessment is based on a grading exercise carried out by industry specialists from Brickwork Ratings Research.

About Brickwork Ratings

Brickwork Ratings is a SEBI licensed credit rating agency in India, based in Bangalore, that is committed to spread of **financial literacy** (www.financial-literacy.in) in India. Brickwork was formulated with the specific objective of providing strong research-based information for Indian investors to make the most appropriate investment decisions. Brickwork uses most relevant information, both on-balance and off-balance sheet assets and liabilities, management quality, as well as the latest financial technology to decide on ratings. Brickwork Ratings focuses on the Indian investment scene and is completely in tune with the Indian business, sociopolitical- economic developments, market psychology and Indian investor risk profile.

Disclaimer

A BRICKWORK IPO Grading is neither a complete audit of the issuer by BRICKWORK nor is a credit rating. A BRICKWORK IPO Grading is a present assessment and research result of the analysis of fundamentals of the equity issue in relation to other Indian listed securities.

BRICKWORK does not guarantee the completeness or accuracy of the information on which the grading is based. The BRICKWORK IPO grading depends on the information provided by the issuer or obtained by relevant source by BRICKWORK. A BRICKWORK IPO grading is not a recommendation to buy / sell or hold the graded instrument, it does not comment on the issue price, future market price or relevance for a particular type of investor. BRICKWORK IPO grading has a limited validity.

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Annexure - 1

Balance Sheet of Jindal Cotex Limited					
Liability and Shareholder's Equity	As on 31st March, 2008	As on 31st March, 2007	Assets	As on 31st March, 2008	As on 31st March, 2007
	(Amount in Million)			(Amount in Million)	
Current Liabilities & Provisions			Current Assets & Loans and Advances		
- Sundry Creditors	76.41	75.34	- Cash and Bank Balances	28.27	32.78
- Advances from Customers	2.56	0.30	- Sundry Debtors	92.17	54.54
- Other Current Liabilities	9.38	19.50	- Inventories	140.64	142.93
- Provisions	9.75	5.98	- Loans and Advances	109.24	94.38
Total Current Liabilities	98.10	101.12	Total Current Assets & Loans and Advances	370.32	324.63
Secured Loans	363.08	235.28	Fixed assets		
Unsecured Loans	2.30	46.67	Tangible Fixed Assets		
Deferred Tax Liabilities	10.53	11.61	- Property, Plant and Equipment	226.58	178.10
Total Liabilities	474.01	394.68	- Capital Work-in-Progress	71.74	5.26
Share Holder's Equity			- Capital Advances	34.40	0.99
- Share Capital	77.44	70.02	Total Tangible Fixed Assets	332.72	184.35
- Retained Earnings	153.39	44.28	Total Fixed Assets	332.72	184.35
Total Share Holders Equity	230.83	114.30	Investments	1.80	
Total Liabilities and Share Holder's Equity	704.84	508.98	Total Assets	704.84	508.98

Profit and Loss Account of Jindal Cotex Limited		
Particulars	(Amount in Million)	
	For the year ended 31st March, 2008	For the year ended 31st March, 2007
Operating Revenue		
- Net sales	994.24	696.78
Operating Expenses		
- Cost of goods sold	775.65	558.45
- Manufacturing expenses	83.35	89.81
- Selling, General & Administrative expenses	40.15	34.61
- Decrease / (Increase) in Stock	7.03	(46.22)
- Depreciation	25.08	28.53
Profit from operations before other income, Interest and Tax	62.98	31.60
- Other income	8.66	2.98
Profit before Interest and Tax (PBIT)	71.64	34.58
- Interest expenses	20.59	20.18
Profits before Tax (PBT)	51.05	14.40
- Taxes	8.74	5.64
Profit After Tax (PAT)	42.31	8.76
Key Ratios		
- Operating Profit Margin	21.98%	19.62%
- Net Margin	9.73%	9.08%
- ROCE	31.04%	30.27%
- EPS	6.04	1.26
- Book value	29.81	14.75
- Return on Net Worth	18.36	7.70
- Debt-Equity Ratio	1.58	2.47