

Press Release

Brickwork Ratings assigns “BWR IPO Grade 2” to the proposed Initial Public Offer of Sumatex Limited.

Sumatex Limited

**IPO Grading: BWR IPO Grade 2
(Below Average Fundamentals)**

Brickwork Ratings (BWR) has assigned BWR IPO Grade 2 to the proposed IPO of SUMATEX Limited. Brickwork Ratings’ BWR IPO Grade 2 indicates below average fundamentals for the issue in relation to the other listed equity securities in India. BWR assigns IPO grading on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 signifying strong fundamentals and Grade 1 signifies poor fundamentals of the issue in relation to the other listed equity securities in India.

The grading factors in Sumatex management’s experience in Textile Engineering Industry, R&D efforts to develop indigenous Electronic Selvedge and Full Jacquard Machines which are compatible with almost all the weaving machines, equipment and systems design expertise, quality control and Government recognition as benchmark manufacturer for Computerized Jacquards Machines. The grading is constrained by company’s track record of negative cash flows from operating and investing activities, low profit margins, lack of diversified product portfolio, competition from unorganized weaving machinery industry and imports, localized operations and lack of competitive advantage in textile machinery manufacturing. In absence of funding or appraisal by a bank or term lending institution, the project cost is estimated by the company management. Prior to issue, there has been dilution by issue of bonus shares and the promoters are not participating in the IPO.

Company Profile:

Sumatex is a textile engineering company and was incorporated in January 1998 to develop and manufacture textile machinery for weaving. The company was initially, manufacturing mechanical pattern making machines.

Sumatex over the years has been making substantial R&D efforts to develop prototype for machines based on Jacquard technology which are compatible and synchronize with all kinds of weaving machines. The company has succeeded in developing the technology to manufacture Computerised Full Jacquard (Computerized Pattern Maker) Machines. Sumatex is the only manufacturer in India to manufacture Computerised full jacquard machines.

The Electronic or Computerized Jacquards, manufactured by Sumatex is used for name writing on the fabric selvedges (the edge piece of woven material) and for weaving patterns on the fabric. The Electronic Jacquard is attached to the weaving machine to weave names & styles, patterns, designs, motifs etc. on the fabric and selvedges which makes the fabric more attractive. The Electronic Jacquard is also used for narrow fabric weaving and making labels, ribbons, designer narrow fabrics etc.

The company has two manufacturing facilities in the RIICO Industrial area of Bhilwara.

The Issue:

Sumatex is raising public equity to part finance its expansion project to manufacture Computerised Jacquard Machines for Design on all types of fabric except Sutings. These are called as Full Jacquards. The company is in the process of constructing 3 assembly lines with a capacity to manufacture one machine per day on each assembly line.

The issue proceeds will also fund the development of different proprietary software required for various models of the machines. Different models of computerized pattern maker machines shall require developments of different software and hardware. The software shall become integral part of machine and the machines will work only with the help of this software.

The other objects for the issue are to meet the Margin Money for Working Capital and the Public Issue Expenses.

To meet the funding requirements, Sumatex plans to raise approximately Rs. 38.25 Crores (before Contingencies and Issue Expenses) by issue of 7000000 equity shares having FV of Rs.10/- at a premium to be decided later and internal accrual if required. The promoters are not participating in the public issue and there holding will be diluted to 50% post issue.

The Promoter Mr. Sudeep Malu, aged 48 years has about 25 years of experience in the textile Industry. Mr Malu started his career with BSL Group in 1983 and after two years he started his own consultancy for the upcoming weaving units in Bhilwara and surrounding areas. Thereafter he started providing Project Consultancy, erection and plant commissioning service and technical training.

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Disclaimer

Brickwork IPO Grading is neither an audit of the issuer by Brickwork nor a credit rating. IPO grading is a present assessment and research result of the analysis of fundamental 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 the relevant sources by Brickwork. A Brickwork IPO Grading is not a recommendation to buy/sell or hold the graded instruments. 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. BRICKWORK is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of BRICKWORK IPO Grading.