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July 22, 2010

**CARE ASSIGNS A 'CARE BB+' & 'PR4+' RATING TO THE BANK FACILITIES OF JINDAL COTEX LTD.**

**Ratings Assigned**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	108.7	<b>'CARE BB+' (Double B Plus)</b>	Assigned
Short-term Bank Facilities	18.0	<b>PR4+ (PR Four Plus)</b>	Assigned
<b>Total Facilities</b>	<b>126.7</b>		

**Rating Rationale**

The ratings are constrained by elevated financial risk due to large debt-funded diversification projects undertaken in JCL and its two wholly-owned subsidiaries; wherein JCL has exposure as equity and guarantee for debt. The ratings of JCL also take into consideration the working capital intensive operations, price volatility in raw material and highly competitive nature of the industry. However, the constraints are partially offset by experienced promoters & management, established relationship with dealers and achievement of financial closure for the diversification projects of JCL as well as its subsidiaries.

Going forward, the ability of JCL to successfully execute the expansion project within the estimated cost and time would be the key rating sensitivity.

**Company Profile**

Incorporated in 1998, JCL is promoted by Mr. Sandeep Jindal, Mr. Yash Paul Jindal, Mr. Rajinder Jindal and Mr. Ramesh Jindal. It is engaged in manufacturing of synthetic yarns viz. acrylic yarn (AY), blended yarn (BY), polyester yarn (PY) & cotton yarn (CY) and also trading of knitted cloth and acrylic tops. JCL has manufacturing facilities at Ludhiana (Punjab) with installed capacity of 23,472 spindles for AY and PY and 25,200 spindles for CY. JCL also has a wind mill power plant of 1.25MW in Jaisalmer (Rajasthan).

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

During FY08, JCL commenced three diversification projects viz. Cotton yarn (by JCL), medical textile products (by wholly-owned subsidiary Jindal Medicot Limited) and specialty textile product (by wholly-owned subsidiary Jindal Specialty Textiles Limited), manufacturing facilities. The total cost of all the three projects is estimated to be Rs.333.6 cr to be financed at debt-equity mix of 1.95:1, funded through debt of Rs.220.5 cr (financial closure achieved) and equity of Rs.113.1 cr. The equity of Rs.94.5 cr has been raised through initial public offer (IPO) in September 2009 and remaining equity funding would be from internal accruals of JCL. JCL registered a total operating income of Rs.146 cr and PAT of Rs.7 cr for FY10.

**Analyst Contact**

Name: Jyotsna Gadgil

Tel: 011-23716199

Mobile: 9811552926

Email: jyotsna.gadgil@careratings.com

***CARE classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.***

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

**Mr. Ankur Sachdeva**

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4<sup>th</sup> Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,  
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

**Website: www.careratings.com**

**OFFICES**

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Praladnagar Corporate Road, Satellite, <b>Ahmedabad - 380 015.</b> Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, <b>Bangalore - 560 025.</b> Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, <b>Chennai 600 002</b> Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar <b>Hyderabad - 500 029</b> Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3<sup>rd</sup> Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani <b>Kolkata - 700 071.</b> Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, <b>New Delhi - 110 001.</b> Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>