

February 15, 2008

CARE ASSIGNS 'IPO GRADE 1' TO FIRST WINNER INDUSTRIES LTD.

CARE has assigned 'CARE IPO Grade 1' to the proposed IPO (initial public offer) of First Winner Industries Ltd (FWIL). CARE IPO Grade 1 indicates poor fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the relative fundamentals of that issuer.

FWIL proposes an IPO size of Rs 55 crore. The price band has not yet been decided.

The grading is constrained by small size of operations, limited experience in manufacturing, no presence in branded apparel segment, recently introduced corporate governance practices, relatively high amount of corporate guarantees given on behalf of subsidiaries and project implementation risks associated with setting up of proposed weaving and garmenting unit. The grading also considers the past track record of the promoters in trading of textile products and experienced functional management.

FWIL was incorporated on Jan.22, 2003 as 'First Winner Trading Private Limited' by Mr. Vijay Dargar and Mr. Sanjay Gupta. On Jan.24, 2003 the original promoters resigned and their shares were purchased by Mr. Rinku Patodia, Mr. Sachin Jadhav, Ms. Hetal Jadhav and friends. Later in September 2003, Mr. Sachin Jadhav resigned. The name of the company was changed to 'First Winner Industries Private Limited' and further to 'First Winner Industries Limited' in August 2006. The senior management presently comprises the executive directors - Mr. Rinku Patodia and Mrs. Anita Patodia, who handle the day-to-day affairs along with various functional heads.

The company initially started with trading of textile fabrics. On Mar.19 2007, FWIL commenced with a manufacturing facility and is presently executing job work for fabric and garment manufacturers. The company's future success depends on its ability to successfully shift to manufacturing from its trading background. The company is present in the lower end of the value chain, with relatively small size of operations and without any brand of its own, which may lead to difficulties in competing with players having relatively large capacities and presence in branded segment.

Due to continued increase in customer base and increased trading activities FWIL's total income registered a CAGR of 45%, over the last three years. Interest till Mar.19, 2007 was capitalized and depreciation was charged only after that, hence interest cost and depreciation reported marginal rise in FY07. FWIL made preferential allotment of 10.35 lakh shares in October 2006 at a premium of Rs 90 per share. Net worth thus improved substantially in FY07. Overall gearing of the company was at 1.36x as on Mar. 31, 2007.

FWIL has issued corporate guarantees worth Rs 32.98 crore to bankers on behalf of its subsidiaries for debts contracted by these subsidiaries. The amount of these guarantees exceeds the net worth of the company which was Rs 19.09 crore as on Mar.31, 2007. Further, the amount of these corporate guarantees was not disclosed in the financial statements of the company for the years ended Mar. 31, 2006 and 2007.

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