IPO Snapshot

February 21, 2011

Issue Snapshot:

Issue period February 23– February 25 2011

Price Band: Rs. 60– Rs. 72

Issue Size: Rs. 25.26 - 30.32 crs

Issue Size: 42,11,160 equity shares

QIB	Upto	21,05,580 eq sh
Retail	atleast	14,73,906 eq sh
Non Institutional	atleast	6,31,674 eq sh

Face Value: Rs 10

Book value: Rs 24.57 (September 30, 2010)

Bid size: 90 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs	7.01 crs
Post issue Equity:	Rs.	11.23 crs

Listing: BSE

Lead Manager: Indbank Merchant Banking Services Ltd.

Registrar to issue: Bigshare Services Pvt Ltd

Current Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoters & Promoters Group	99.99	62.49
Public (incl Employees & others)	0.01	37.51
Total	**100.0**	**100.0**

CARE IPO grading: 2/5 indicating below average fundamentals

Highlights of the issue:

Fineotex Chemicals Ltd is an ISO 9001:2000 certified Company engaged in manufacturing of Specialty Chemicals and Enzymes for various industries. It was incorporated as a Private Limited Company in the year 2004 and was subsequently converted to a public limited Company in 2007. It manufactures and trade in Specialty Chemicals and Enzymes for Textile & Garment Industry, Construction Industry, Leather Industry, Water Treatment Industry, Paint Industry Agrochemicals, Adhesives and others. It currently has its manufacturing facilities situated at Mahape in Navi Mumbai. Currently, it is operating from the following two units:

1. Unit I A - 699, TTC Industrial Area, Mahape, Navi Mumbai - 400 701, District Thane.
2. Unit II A – 700, TTC Industrial Area, Mahape, Navi Mumbai – 400 701, District Thane.

Further it propose to set up the following new unit

1. Unit III Khopoli

The main activity of all this units is to manufacture Specialty Chemicals for all industries mentioned above. Its major customers include Pidilite Industries Limited, Croda Chemicals India (P) Limited (formerly ICI India Limited), Rashtriya Chemicals & Fertilizers Limited, The Bombay Dyeing & Mfg. Co. Limited., Raymond Group, and others. Our other reputed clients include Grasim Industries Limited, Clariant Chemicals India Limited, JCT Limited etc. Through merchant Exporters we have a reach in many countries in the world.

Objects of Issue:

The objects of the Issue are:

- Setting up of Manufacturing facility for production of specialty chemicals
- Setting up of Sales Office in Mumbai
- Working Capital Requirements
- Meeting Public Issue Expenses
- General Corporate Purpose

Means of Finance

The entire fund requirement will be met from the proceeds of the Net issue.

Cost of Project: Rs. Crs

S. No.	Particulars	Total Amount
1	**Setting up of new manufacturing facility**	
	- Land and Land Development	1.24
	- Building (Civil Works)	1.89
	- Plant & Machinery	3.38
	- Furniture & Fixtures	0.08
	- Miscellaneous Fixed Assets	0.12
	- Preliminary & Preoperative Expenses	0.05
	- Provision for contingencies	0.68
2	**Sales Office at Mumbai**	
	- Sales Office	15.00
	- Furniture & Fixtures	0.30
3	**Working Capital Requirements**	8.00
4	**Public Issue Expenses**	*
5	**General Corporate Purposes**	*
	Total	*

(Source: RHP)

Please read important disclosures on the last page

For FY10, it reported net sales of Rs.20.75 cr and PAT of Rs.3.61 cr. The company reported net sales of Rs 13.39 cr for the Half year ended September 30, 2010, and PAT of Rs 2.14 cr

FCL's strengths:

- Manufacture over 100 Products of Specialty Chemicals.
- Caters to customers from Varied Industries.
- Manufacturing Plants are ISO 9001:2000 certified from JAS-ANZ.
- Offer robust Technical Assistance to its customers.
- Offer Customized products
- Have in- house Research & Development
- Well supported by experienced Management and Key Management Personnel.
- Enjoy proximity to sources of Raw Material

FCL's strategy:

- Innovation and Product Development.
- Competitive Pricing.
- Indirect Exports.
- Supplying to MNCs and Corporates.
- Strategic Location of Current and Future manufacturing Facility.

Risks & Concerns:

- Some of FCL's Promoter Group companies are in the similar line of business and this could cause a conflict of interest. Such conflict of interest could also lead to its business and revenues being affected.

- FCL has not acquired land for its proposed project till now. On identification and acquisition of the land for the proposed project, FCL will require the approvals. Delay or non-receipt of regulatory approvals may delay the production.

- Inability to identify a suitable office space at the right time and at the estimated price may affect FCL's sales, operations and profitability

- FCL's customers generally do not enter into long-term contracts. It cannot be assured that these customers will continue to purchase its products from it or that they will not scale down their orders. This could impact its financial performance.

- Business of FCL is dependent on its key customers and the loss of any significant customer could adversely affect its financial results.

- FCL's new Project is dependent on performance of external agencies

- Any future acquisitions of businesses/ facilities, technologies and products may expose FCL to new risks and it may fail to realize the benefits of such acquisitions thereby adversely impacting its profitability.

- FCL in the past has entered into related party transactions with its Promoters and Promoter Group Entities and may continue to do so in the future. It cannot be assured that such transactions, individually or in the aggregate, will not have an adverse effect on its financial condition and results of operations.

- FCL's inability to efficiently handle the challenges may affect its business prospects, results of operations and financial condition

- FCL face competition in India and internationally. It cannot be assured that it will continue to compete successfully in future which may affect its business prospects

Extract from grading rationale by CARE:

The grading is constrained by FCL's small size of operations, unorganized and highly competitive industry in which the company is operating, decline in total operating income, high collection periods, low entry barriers and customer concentration risk faced by the company.

The grading however derives, strength from experience of the promoters in the specialty chemicals sector, debt and litigation free status of the company, improved profitability margins, long track record of operations and favorable industry scenario for specialty chemicals.

RETAIL RESEARCH Fax: (022) 30753435 Corporate Office
HDFC Securities Limited, I Think Techno Campus, Bulding –B, "Alpha", Office Floor 8, Near Kanjurmarg Station Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Fax: (022) 30753435 Website: www.hdfcsec.com

Disclaimer: This document has been prepared by HDFC Securities Limited and is meant for sole use by the recipient and not for circulation. This document is not to be reported or copied or made available to others. It should not be considered to be taken as an offer to sell or a solicitation to buy any security. The information contained herein is from sources believed reliable. We do not represent that it is accurate or complete and it should not be relied upon as such. We may have from time to time positions or options on, and buy and sell securities referred to herein. We may from time to time solicit from, or perform investment banking, or other services for, any company mentioned in this document. This report is intended for Retail Clients only and not for any other category of clients, including, but not limited to, Institutional Clients

Disclaimer: HDFC Bank (a shareholder in HDFC Securities Ltd) is associated with this issue in the capacity of Refund Bankers to the issue and will earn fees for its services. This report is prepared in the normal course, solely upon information generally available to the public. No representation is made that it is accurate or complete. Notwithstanding that HDFC Bank is acting for Fineotex Chemicals Ltd. this report is not issued with the authority Fineotex Chemicals Ltd. Readers of this report are advised to take an informed decision on the issue after independent verification and analysis.