

RATING RATIONALE

12 August 2022

Jindal Worldwide Limited

Brickwork Ratings reaffirms the long term ratings and short term ratings for the Bank Loan Facilities of ₹ 565.66 Crores and reaffirms the short term rating of Commercial Paper amounting of ₹ 50.00 Crores of Jindal Worldwide Limited (JWL or “The Company”) and simultaneously assigns short term rating for proposed Commercial Paper amounting of ₹ 25.00 Crores

Particulars:

Instrument/ Facility**	Amount (₹ Cr)		Tenure	Rating#	
	Previous	Present		Previous (November, 2021)	Present
Bank Loan Rating					
Fund Based	415.66	415.66	Long Term	BWR AA-/Stable [Reaffirmed]	BWR AA-/Stable [Reaffirmed]
Non Fund Based	150.00	150.00	Short Term	BWR A1+ [Reaffirmed]	BWR A1+ [Reaffirmed]
Commercial Paper (CP)	50.00	50.00	Short Term	BWR A1+ [Reaffirmed]	BWR A1+ [Reaffirmed]
Commercial Paper (CP)	NIL	25.00	Short Term	NIL	BWR A1+ (Assigned)
Total	615.66	640.66	INR Six Hundred and Forty Crores and Sixty Six Lakhs Only		

Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I and Commercial Paper in Annexure-II

Ratings: Reaffirmed the long term ratings and short term ratings for bank loan facilities and CP and assigned ratings for proposed CP.

RATING ACTION / OUTLOOK

The rating reaffirmation reflects the strong group presence, healthy financial risk profile and significant improvement in the operational performance of the company during FY2022 over FY2021 supported by strong recovery in demand and production levels post the disruptions caused by the outbreak of COVID-19 pandemic. The rating also considers the diversified customer base and long standing relations with its customers.



The ratings are however constrained on account of the susceptibility of the operating profit margins to the volatility in raw material prices and foreign exchange fluctuation risk. The rating is also constrained due to the presence of the company in a cyclical and competitive denim fabric manufacturing industry.

The Stable outlook on the long-term rating reflects BWR's belief that the Company will benefit from the established presence of the group in the textile industry, long standing relationship with customers, improving demand and healthy capacity utilisation levels, leading to stable business and credit profile.

KEY RATING DRIVERS

Credit Strengths:-

- **Experienced promoters with a long operational track record.**

The Company is an established player in the textile industry with an operational track record of more than three decades. JWL is promoted and managed by the Agrawal family wherein Dr. Yamunadutt Agrawal is the founder and Chairman of the Board and has more than four decades of experience. Mr. Amit Agrawal is the Managing Director; there are two other promoter directors looking after key management functions. Other board members include Mr. Vikram Oza, Director, Finance. The established position in the market has helped the company to maintain long standing relationships with its customers and suppliers.

- **Healthy financial risk profile:**

The Company has a healthy financial profile marked by healthy gearing ratio with debt to equity ratio of 1.12 times and total outside liabilities to tangible networth of 1.32 times as on 31st March 2022. The Company has also reported significant improvement in debt coverage ratios as the Interest Service Coverage ratio (ISCR) improved from 2.36 times in FY2021 to 4.71 times in FY2022 and Debt Service Coverage ratio (DSCR) improved from 1.59 times in FY2021 to 2.07 times in FY2022 on the significant improvement in profitability of the Company. The return on capital employed (ROCE) also improved significantly from 10.36 percent in FY2021 to 18.38 percent in FY2022. Going forward, the company is expected to maintain its healthy financial risk profile in the absence of any major debt funded capital expenditure plan and improvement in net cash accruals.

- **Significant improvement in the operating performance:**

The company has reported significant growth in the operating income as the same stood at Rs.2559.16 crores in FY2022 as against Rs. 1699.62 crores in FY2021; thereby reporting a growth of around 51 percent. This growth is attributed to the significant growth in demand for fabric from domestic as well as overseas markets during FY 2022 as compared to FY2021. The operating profit margin of the company has also improved significantly from 6.85 percent in FY2021 to 8.45 percent in FY2022 mainly on account of improvement in realisation for denim fabric during FY 2022 over FY 2021. During Q1FY23, the Company has reported operating income Rs. 639.26 Crores as compared to Rs 524.46 Crores in Q1 FY22. The profit margins have also visibly increased in Q1FY23. The Company has an



order book of ~ Rs 1500.00 Crs as on 30th June 2022, to be executed by the end of December 2022 thereby ensuring revenue visibility for the company.

- **Diversified customer base and long standing relations with the customers:**

The company has long standing relations of over a decade with the customers which ensures continuous flow of orders. The company derives around 19 percent of its revenue from exports to countries including Bangladesh, Colombia, Chile and other countries. A diversified customer base, the company's policy of limiting credit exposure to a single customer, and moderate credit period offered provide safeguards against counterparty credit risks.

Credit Risks:-

- **Exposure to volatility in raw material prices and foreign exchange fluctuation risk:**

The major raw material required for the production of denim fabric is cotton yarn and the price of the same is volatile in nature due to various factors. The raw material cost constitutes around 73 percent of the total revenue and hence any adverse movement in the raw material prices can adversely impact the profitability margins against limited ability of the company to pass on the increase to customers on an immediate basis. Further, the company also derives around 19 percent of its revenue from exports. Hence, the profitability of the company is also susceptible to volatility in foreign exchange rate. However, the company has undertaken adequate hedging in the form of forward cover to protect its profitability against any adverse movement in foreign exchange rate.

- **Presence in cyclical and competitive denim fabric segment:**

The domestic denim industry is cyclical in nature marked by excess inventory on the back of significant capacity addition by denim fabric manufacturers and the pricing pressure on sales realisation. The high competition in the industry and the pricing pressure adversely impacts the profitability of the players.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the consolidated performance of Jindal Worldwide Limited. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the Company's ability to improve the scale of operations, improve and maintain profitability, along with the debt servicing capability and liquidity, will be key rating sensitivities.

Positive: The rating may be upgraded if the Company is able to achieve significant growth in revenue and profitability backed by a favourable industry scenario and optimum utilisation of capacities.

Negative: The rating may be downgraded if lower-than-expected revenues affect profitability margins, coverage ratios, liquidity and gearing ratios adversely.



LIQUIDITY POSITION: Adequate

The company has reported significant improvement in net cash accruals from Rs. 76.68 crores in FY2021 to Rs. 138.09 crores in FY2022 against debt repayment obligation of Rs. 43.86 crores in FY2022. Also, the company reported cash and cash equivalents of Rs. 33.39 crores as on 31st March 2022 on consolidated basis. The current ratio is comfortable at 1.73 times as on 31st March 2022.

The average Cash Credit (CC) utilisation of the company was ~64 percent for the last 12 months ended as on 31st May 2022. The company does not have any major debt funded capital expenditure plan over the near to medium term. The annual debt repayments are estimated to be around Rs. 53 crores per year. The company has already reported net cash accruals of Rs. 49.26 for Q1FY23 crores; hence annual debt repayment obligations are expected to be met more than sufficiently through internal accruals.

The company had cash accruals amounting to Rs 138.09 Crs. in FY22 on a consolidated basis and Rs. 140.12 Crs. on a standalone basis, which are sufficient to repay its long-term repayment obligations. Further, the proposed commercial paper of Rs. 25.00 crores will also add to the liquidity and the same is expected to be repaid through the unutilised cash credit limits and internal accruals.

COMPANY PROFILE

Jindal Worldwide Limited is the flagship company of Ahmedabad-based Jindal Group; it is promoted by Dr. Yamunadutt Agrawal, and it was incorporated in 1986. It is a BSE- and NSE-listed company. JWJ's product profile consists of denim fabric, yarn dyed shirting and bottom width, as well as export-centric home furnishing items.

JWL has an installed capacity for denim manufacturing of 120 million metres p.a., bottom weight fabrics: 25 million metres, premium shirting: 25 million metres, dyed yarn: 1200 metric tonnes and Bedsheets: 10000 pieces/day. The Company also has a spinning capacity of 45 tonnes per day. JWL has a captive power plant of 4.5 MW. As earlier indicated, JWL also benefits from the additional weaving capacity created in their Textile Park.

KEY FINANCIAL INDICATORS (in ₹ Cr) [CONSOLIDATED]

Key Parameters	Units	FY2022	FY2021
Result Type		Audited	Audited
Operating Revenue	Rs. Crs	2559.16	1699.62
EBITDA	Rs. Crs	216.31	116.34
PAT	Rs. Crs	109.74	44.20
Tangible Net worth (TNW)	Rs. Crs	535.10	419.86
Total Debt/TNW	Times	1.12	1.06
Current Ratio	Times	1.73	1.64

KEY FINANCIAL INDICATORS (in ₹ Cr)[STANDALONE]

Key Parameters	Units	FY2022	FY2021
Result Type		Audited	Audited
Operating Revenue	Rs. Crs	2584.05	1709.70
EBITDA	Rs. Crs	212.35	152.35
PAT	Rs. Crs	108.53	44.10
Tangible Net worth (TNW)	Rs. Crs	534.40	419.82
Total Debt/TNW	Times	1.12	1.04
Current Ratio	Times	1.72	1.70

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The terms of sanction include standard covenants normally stipulated for such facilities.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Not Applicable

ANY OTHER INFORMATION: Not Applicable

RATING HISTORY FOR THE PREVIOUS THREE YEARS [INCLUDING WITHDRAWAL AND SUSPENDED]

Instrument s/ Facilities	Current Rating			Rating History								
	August 2022			2021			2020			2019		
	Tenure	Amount (₹ Crs.)	Rating	Date	Amount (₹ Crs.)	Rating	Date	Amount (₹ Crs.)	Rating	Date	Amount (₹ Crs.)	Rating
Fund Based	Long Term	415.66	BWR AA-/Stable (Reaffirmed)	17 November 2021	415.66	BWR AA-/Stable (Upgraded)	18 May 2020	362.96	BWR A+/Stable (Downgraded)	03 September 2019	410.19	BWR AA-/Stable (Reaffirmed)
			-	01 June 2021	445.66	BWR A+/Stable (Reaffirmed)	-	-	-	-	-	-
Non Fund Based	Short Term	150.00	BWR A1+ (Reaffirmed)	17 November 2021	150.00	BWR A1+ (Reaffirmed)	18 May 2020	150.00	BWR A1+ (Reaffirmed)	03 September 2019	150.00	BWR A1+ (Reaffirmed)
			-	01 June 2021	140.00	BWR A1+ (Reaffirmed)	-	-	-	-	-	-
Commercial Paper	Short Term	50.00	BWR A1+ (Reaffirmed)	17 November 2021	25.00	BWR A1+ (Reaffirmed)	-	-	-	-	-	-
			-	01 June 2021	25.00	BWR A1+ (Reaffirmed)	-	-	-	-	-	-



Commercial Paper (Proposed)	Short Term	25.00	BWR A1+ (Assigned)	17 November 2021	25.00	BWR A1+ (Reaffirmed)	18 May 2020	100.00	BWR A1+ (Assigned)	-	-	-
				01 June 2021	25.00	BWR A1+ (Reaffirmed)	-	-	-	-	-	
Total		640.66	Rupees Six Hundred and Thirty Five Crores and Sixty Six Lakhs Only									

COMPLEXITY LEVELS OF THE INSTRUMENTS

Bank Loan: Simple

Commercial Paper: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Rating Criteria for Manufacturing Companies](#)
- [Consolidation of Companies](#)
- [Commercial Paper](#)
- [Short Term Debt](#)

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ANNEXURE I

Jindal Worldwide Limited

Details of Facilities rated by BWR

Sl. No.	Name of the lender	Type of Facilities	Long Term (Rs in Crs)	Short Term (Rs in Crs)	Total (Rs in Crs)
1.	Bank Of India	Term Loan	16.18	-	16.18
		Covid Loan	2.83	-	2.83
		GECL	12.50	-	12.50
		Cash Credit	50.00	-	50.00
		Letter of Credit/ Bank Guarantee	-	15.00	15.00
2.	Punjab National Bank	Term Loan	14.40	-	14.40
		Covid Loan	3.03	-	3.03
		GECL	11.64	-	11.64
		Cash Credit	42.00	-	42.00
		Letter of Credit/ Bank Guarantee	-	6.00	6.00
3.	State Bank of India	Term Loan	27.57	-	27.57
		Covid Loan	1.37	-	1.37
		GECL	13.71	-	13.71
		Cash Credit	35.00	-	35.00
		Letter of Credit/ Bank Guarantee	-	31.00	31.00
4.	IndusInd Bank	Cash Credit	5.00	-	5.00
		Letter of Credit/ Bank Guarantee	-	60.00	60.00
5.	Union Bank Of India	Term Loan	17.83	-	17.83
		Covid Loan	1.69	-	1.69
		GECL	10.56	-	10.56
		Cash Credit	35.00	-	35.00
		Letter of Credit / Bank Guarantee	-	20.00	20.00
6.	Indian Overseas Bank	Term Loan	0.53	-	0.53
		GECL	10.00	-	10.00
		Cash Credit	50.00	-	50.00
		Letter of Credit / Bank Guarantee	-	18.00	18.00
7.	Saraswat Bank	Term Loan	1.09	-	1.09
		Covid Loan	-	-	-
		Cash Credit	30.00	-	30.00

8.	Bank of Maharashtra	Term Loan	5.26	-	5.26
		GECL	11.97		11.97
		Cash Credit	3.00	-	3.00
9.	Indian Bank	Term Loan	2.70	-	2.70
		GECL	0.80	-	0.80
TOTAL (Rs in Crs)					565.66

Total Rupees Five Hundred and Sixty Five Crores and Sixty Six Lakhs only.

ANNEXURE II - Details of Instruments rated by BWR

Sl. No.	Type of Facilities	Long Term (Rs in Crs)	Short Term (Rs in Crs)	Total (Rs in Crs)
1	Commercial Paper (Proposed)	-	25.00	25.00
2	Commercial Paper	-	50.00	50.00
Total				75.00

Total Rupees Seventy Five Crores only

ANNEXURE III - Details of Consolidated Entities

Sl. No.	Name of the entity	Relation
1	Planet Spinning Mills Private Limited	Wholly Owned Subsidiary
2	Goodcore Spintex Private Limited	Wholly Owned Subsidiary
3	Jindal Mobilitric Private Limited	Subsidiary
4	Kashyap Tele-Medicines Limited	Associate



For print and digital media

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