



## RATING RATIONALE

18 May 2020

### Jindal Worldwide Ltd

Brickwork Ratings assigns rating for the issue of Commercial Paper amounting to Rs 100.00 Crs and revises the ratings for the Bank Loan Facilities of Rs.560.19 Crs. of Jindal Worldwide Ltd.

#### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Sep, 2019)	Present
<b>Bank Loan Rating</b>					
Fund based	410.19	362.96	Long Term	<b>BWR AA- (Stable)</b>	<b>BWR A+ (Stable) Downgraded</b>
Non Fund Based	150.00	150.00	Short Term	<b>BWR A1+</b>	<b>BWR A1+ Reaffirmed</b>
<b>Commercial Paper(CP)</b>	-	100.00	Short Term	-	<b>BWR A1+</b>
<b>Total</b>	<b>560.19</b>	<b>612.96</b>	<b>Rupees Six Hundred and Twelve Crores and Ninety Six Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

**Ratings:Assigned for CP and downgraded/reaffirmed for Bank Loan Facilities.**

#### RATING ACTION / OUTLOOK

The rating of Jindal Worldwide Ltd (JWL or the Company) has been downgraded to BWR A+ on account of the bleak outlook for the textile sector, non-achievement of projected revenues for FY20 and a likely dip in profit margins. The downward revision also factors in the economic scenario on account of the Covid-19 pandemic, which leads Brickwork Ratings (BWR) to believe that the Company may, like all others, have a very difficult H1FY21.

The ratings have also considered the experience of the promoters, healthy financial risk profile and adequate liquidity, and the financial flexibility of the Company.



BWR believes the Jindal Worldwide Ltd business risk profile will be maintained over the medium term, and the Stable outlook is maintained to reflect the likely improved performance in FY20, which would support a possibly harsh first half of FY21.

## KEY RATING DRIVERS

### Credit Strengths:

**Extensive experience of the promoters:** JWL is promoted and managed by the Agrawal family. 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.

**Healthy financial risk profile:** The Company's revenue showed consistent growth until FY19, with the total operating income at Rs 2212 Cr in FY19. The tangible net worth of the Company was at Rs 348.91 Cr on a consolidated basis. The gearing, at 1.85, as well as debt protection metrics were adequate, with the ISCR and DSCR at 2.70x and 1.59x, respectively in FY19. The term loan outstanding amount of the Company also reduced to ~Rs 112.00 Cr. The net cash accruals to total debt ratio stood at 0.19x on a consolidated level in FY19.

### Credit Risks

**Non-achievement of projected revenues and steep decline in share price of the Company:** The Covid-19 pandemic has resulted in an unparalleled global disruption, with drastic containment measures being implemented worldwide. The COVID-19-induced lockdown impacted the Company's revenues. The Company's profitability dipped in FY19 on account of the spike in raw material prices and inability to pass high production costs on to consumers due to weak seasonal demand. BWR expected the profit margins to dip further on account of the pandemic situation. The Company's share price also declined sharply, reflecting the current economic scenario.

**Volatility in raw material prices:** The Company's margins remain exposed to fluctuations in the prices of the raw material, cotton. Cotton prices could go up if the export market picks up, thus putting pressure on margins. The variation in input costs cannot always be passed on immediately, but with a lag.

**Impact of COVID-19 on the textile sector:** The textiles industry in India is export-centric and labour-intensive. It is being hit on both these aspects by the coronavirus outbreak and consequent lockdowns. Downstream demand for Indian textiles is taking a hit, with buyers from the US, as well as European Union cancelling orders. Payments for orders already dispatched are also going to get stuck, which in turn will accentuate working-capital problems faced by textile manufacturers. Large-scale migration of labour from cities and towns to their native places is also impacting apparels and ready-made garments consumption and manufacturing units, which in turn, will impact upstream textile segments. The Company has availed the RBI-declared moratorium as a measure of conserving capital. The proposal to raise CP for Rs. 100 Crs is also a step in the direction of accessing funds at competitive prices.



## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the consolidated performance of Jindal Worldwide Ltd. 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 had an unencumbered cash balance of Rs 19.08 Cr in FY19, and the same stands at Rs 22.97 Cr as per the half yearly unaudited figures for FY20. The same stands at Rs 14.82 Cr in the half yearly unaudited consolidated balance sheet of FY20. The current ratio of the Company stands at 1.22x in the consolidated financials. The average CC utilisation of the Company stands at 88.58% for the last 12 months.

## COMPANY PROFILE

Jindal Worldwide Limited (JWL) is a 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. JWL'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 160 million meters 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 (CONSOLIDATED)

Key Financial Indicators	Unit	FY18 Audited	FY19 Audited
Total Operating Income	(in ₹ Cr)	1649.85	2211.98
EBITDA	(in ₹ Cr)	184.34	199.29
PAT	(in ₹ Cr)	58.69	30.68
Tangible Net Worth	(in ₹ Cr)	325.99	348.91
Total debt/ TNW	Times	1.73	1.85
Current ratio	Times	1.33	1.22

**KEY COVENANTS OF THE FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA**

**RATING HISTORY**

Facilities	Current Rating			Rating History								
	2020			Sep 2019			July 2018			July 2017		
	Tenure	Amt (₹ Cr)	Rating	Tenure	Amt (Rs Crs)	Rating	Tenure	Amt (Rs Crs)	Rating	Tenure	Amt (Rs Crs)	Rating
Fund Based	Long Term	362.96	<b>BWR A+ (Stable) Downgraded</b>	Long Term	410.19	<b>BWR AA- (Stable) Reaffirmed</b>	Long Term	438.90	<b>BWR AA- (Stable) Upgraded</b>	Long Term	330.40	<b>BWR A+ (Stable) Upgraded</b>
Non Fund Based	Short Term	150.00	<b>BWR A1+ Reaffirmed</b>	Short Term	150.00	<b>BWR A1+ Reaffirmed</b>	Short Term	151.00	<b>BWR A1+ Upgraded</b>	Short Term	100.90	<b>BWR A1 Upgraded</b>
Commercial Paper	Short Term	100.00	<b>BWR A1+ Assigned</b>	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>		<b>612.96</b>	<b>Rupees Six Hundred and Twelve Crores and Ninety Six Lakhs Only</b>									

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)
- [Consolidation of Companies](#)

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**ANNEXURE I - Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	State Bank Of India	Term Loan	21.80	-	21.80
		CC	35.00	-	35.00
		LC/BG	-	11.00	11.00
	Bank Of India	Term Loan	38.57	-	38.57
		CC	50.00	-	62.00
		LC/BG	-	15.00	15.00
	Indian Overseas Bank	Term Loan	1.06	-	1.06

		CC	50.00	-	50.00
		LC/BG	-	18.00	18.00
	Standard Chartered Bank	LC/BG	-	12.00	12.00
	IndusInd Bank	Term Loan	0.00	-	0.00
		CC	5.00	-	5.00
		LC/BG	-	73.00	73.00
	Union Bank Of India	Term Loan	0.00	-	0.00
		CC	35.00	-	35.00
		LC/BG	-	15.00	15.00
	Oriental Bank Of Commerce	Term Loan	4.26	-	4.26
		CC	20.00	-	20.00
		LC/BG		6.00	6.00
	Saraswat Bank	Term Loan	2.16	-	2.16
		CC	30.00	-	30.00
	PNB	Term Loan	15.36	-	15.36
		CC	10.00	-	10.00
	Corporation Bank	Term Loan	18.75	-	18.75
	Bank Of Maharashtra	Term Loan	6.92	-	6.92
		CC	3.00	-	3.00



	Allahabad Bank	Term Loan	4.08	-	4.08
		Commercial Paper (Proposed)	-	100.00	100.00
<b>TOTAL</b>					<b>612.96</b>

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