



## RATING RATIONALE

1 June 2021

### Jindal Worldwide Ltd

**Brickwork Ratings reaffirms rating for the issue of Commercial Paper amounting to Rs 50.00 Crs and reaffirms the ratings for the Bank Loan Facilities of Rs.585.66 Crs. of Jindal Worldwide Ltd.**

#### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May, 2020)	Present
<b>Bank Loan Rating</b>					
Fund based	362.96	<b>445.66</b>	Long Term	BWR A+ (Stable)	<b>BWR A+ (Stable) Reaffirmed</b>
Non Fund Based	150.00	<b>140.00</b>	Short Term	BWR A1+	<b>BWR A1+ Reaffirmed</b>
<b>Commercial Paper(CP)</b>	100.00	<b>50.00</b>	Short Term	BWR A1+	<b>BWR A1+ Reaffirmed</b>
<b>Total</b>	<b>612.96</b>	<b>635.66</b>	<b>Rupees Six Hundred and Thirty Five Crores and Sixty 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:Reaffirmed for CP and reaffirmed for Bank Loan Facilities.**

#### **RATING ACTION / OUTLOOK**

The rating of Jindal Worldwide Ltd (JWL or the Company) has been reaffirmed at BWR A+ on account of the strong group presence, improvement in the financial performance of the Company, moderate financial risk profile, and adequate liquidity.

The ratings have also considered the impact of COVID-19, volatility in the price of raw materials, and lean profitability margins.

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 FY21, despite the pandemic situation.

## 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:** Moderate gearing with the total debt/TNW standing at 1.04x in FY20. Average debt protection metrics with the ISCR and DSCR standing at 2.28x and 1.02x respectively in FY20. The same is expected to improve on account of the COVID moratorium availed, resulting in reduction of repayment obligations.

**Improvement in the revenues:** The company projected revenues of ~1200 cr in the wake of the COVID 19 pandemic for FY21, however, they have managed to surpass the same. Despite operating at a capacity of ~ 60-65% throughout FY21, under pandemic conditions, the company till mid March 2021 registered a revenue of ~ Rs 1750.00 Cr on a standalone level which is ~ 85% of the FY20 standalone performance. The company has a continuous flow of orders providing sufficient revenue visibility for the current fiscal year of 2022.

**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 quick cash conversion cycle and the strong relationship with vendors also ensures limited inventory-related risk. A diversified customer base, policy of limiting credit exposure to a single customer, and moderate credit period offered provide a safeguard against counterparty credit risks.

### Credit Risks

**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. With the fashion and lifestyle brands (like Levi's, Lee, Wrangler etc), hoping for the business to return at the pre covid levels at their offline stores, they expect a full recovery by the 1st half of FY22. This is in consideration with the rise in online shopping since the implementation of work from home culture.



## **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 has already received an additional GECL limit of Rs 70.35 cr from the consortium which will augment the working capital. The Company has an unencumbered cash balance of Rs 21.15 Cr in FY20. The company has cash accruals amounting to Rs 72.23 Cr in FY20 on a consolidated basis which are sufficient to repay its long term debt obligations. The long term debt repayment obligations for FY21 have come down to Rs 28.01 Cr on account of the COVID moratorium and the FY22 cash accruals are expected to amplify to ~ Rs 95.00 Cr as the company expects to hit its pre covid level performance for FY22. The average CC utilisation of the company for the last 12 months was ~64%, thus as a result of the same, the company has unutilised CC limits to provide additional liquidity cushion.

## **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 120 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	FY19 Audited	FY20 Audited
Total Operating Income	(in ₹ Cr)	2211.98	2198.95
EBITDA	(in ₹ Cr)	199.29	139.04
PAT	(in ₹ Cr)	30.68	28.48
Tangible Net Worth	(in ₹ Cr)	348.91	375.65
Total debt/ TNW	Times	1.85	1.04
Current ratio	Times	1.22	1.40

**KEY FINANCIAL INDICATORS (STANDALONE)**

Key Financial Indicators	Unit	FY19 Audited	FY20 Audited
Total Operating Income	(in ₹ Cr)	2113.62	2016.55
EBITDA	(in ₹ Cr)	130.39	138.92
PAT	(in ₹ Cr)	26.39	32.03
Tangible Net Worth	(in ₹ Cr)	345.61	375.73
Total debt/ TNW	Times	1.25	1.00
Current ratio	Times	1.31	1.39

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

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

**RATING HISTORY FOR THE PREVIOUS 3 YEARS [including withdrawal/suspended]**

Facilities	Current Rating			Chronology of Rating History for previous three years (Rating Assigned & date, rating withdrawn/ suspended if applicable)								
	May 2021			18 May,2020			3 Sep 2019			27 July 2018		
	Tenure	Amt (₹ Cr)	Rating	Tenure	Amt (₹ Cr)	Rating	Tenure	Amt (Rs Crs)	Rating	Tenure	Amt (Rs Crs)	Rating
Fund Based	Long Term	445.66	<b>BWR A+ (Stable) Reaffirmed</b>	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>
Non Fund Based	Short Term	140.00	<b>BWR A1+ Reaffirmed</b>	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>
Commercial Paper	Short Term	50.00	<b>BWR A1+ Reaffirmed</b>	Short Term	100.00	<b>BWR A1+ Assigned</b>	NA	NA	NA	NA	NA	NA
<b>Total</b>		<b>635.66</b>	<b>Rupees Six Hundred and Thirty Five Crores and Sixty 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.	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Term Loan	17.80	-	17.80
	Covid Loan o/s	4.38	-	4.38
	GECL	12.50	-	12.50
	CC	50.00	-	50.00
	LC/BG	-	15.00	15.00
2.	Term Loan	16.17	-	16.17
	Covid Loan o/s	2.41	-	2.41
	GECL	11.64	-	11.64
	CC	42.00	-	42.00
	LC/BG	-	6.00	6.00
3.	Term Loan	32.11	-	32.11
	Covid Loan o/s	2.33	-	2.33
	GECL	13.70	-	13.70
	CC	35.00	-	35.00
	LC/BG	-	11.00	11.00
4.	CC	5.00	-	5.00
	LC/BG	-	75.00	75.00
5.	Term Loan	19.27	-	19.27
	Covid Loan o/s	2.47	-	2.47
	GECL	10.56	-	10.56
	CC	35.00	-	35.00
	LC/BG	-	15.00	15.00
6.	Term Loan	0.75	-	0.75

	Covid Loan o/s	1.67	-	1.67
	GECL	10.00	-	10.00
	CC	50.00	-	50.00
	LC/BG	-	18.00	18.00
7.	Term Loan	1.31	-	1.31
	Covid Loan o/s	0.50	-	0.50
	CC	30.00	-	30.00
8.	Term Loan	6.25	-	6.25
	GECL	11.15	-	11.15
	CC	17.50	-	17.50
9.	Term Loan	3.39	-	3.39
	GECL	0.80	-	0.80
	Commercial Paper (Proposed)	-	25.00	25.00
	Commercial Paper	-	25.00	25.00
<b>TOTAL</b>				<b>635.66</b>

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