



## Press Release

### Spinbell Textiles Private Limited

April 1, 2021

Rating				
Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Long-Term Bank Facility-Term Loan (Proposed)	33.75	Provisional IVR A+ (CE) /Stable (Provisional IVR Single A plus [Credit Enhancement] with Stable Outlook) *	Assigned
	<b>Total</b>	<b>33.75</b>		

\* Based on proposed unconditional and irrevocable Corporate Guarantee from Jindal Worldwide Limited

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Spinbell Textiles Private Limited (STPL) derives comfort from its experienced promoters and proposed corporate guarantee from Jindal Worldwide Limited (JWL). This proposed corporate guarantee results in credit enhancement in the rating of the said bank facilities to **Provisional IVR A+(CE)/Stable Outlook (Provisional IVR Single A Plus [Credit Enhancement] with Stable Outlook)** against the unsupported rating of **IVR BB-/Stable (IVR Double B Minus with Stable Outlook)**. Further, the rating also derives strength from its locational advantage and satisfactory credit profile of the Corporate Guarantor. Besides, the company's eligibility for various government incentives would provide additional support to profitability. However, these rating strengths are constrained due to pending financial closure. The rating also considers intense competition and susceptibility of proposed guarantor's profitability to volatility in raw material prices.

#### Key Rating Sensitivities

##### Upward factors

- Timely completion of the project and earning as envisaged
- Continuance of support from the corporate guarantor and the promoters

##### Downward factors

- Cost overrun or delay in completion of projects
- Failure to achieve financial closure



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- Deterioration in the credit profile of the guarantor

### **List of Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### **Experienced promoters**

STPL is part of the Ahmedabad based Jindal group, promoted by Dr. Yamunadutt Agarwal and Mr. Amit Agarwal. Dr. Yamunadutt Agarwal has more than four decades of experience in textile industry. Extensive business experience of the promoters supports the business risk profile of the company to a large extent.

##### **Proposed corporate guarantee from Jindal Worldwide Limited**

JWL has proposed to extend an unconditional and irrevocable corporate guarantee to the proposed banking arrangements of Spinbell Textiles Private Limited aggregating to Rs. 33.75 crore. JWL has a strong financial profile and is engaged in spinning, weaving, dyeing and bleaching of fabrics. Its product profile comprises of denim fabric, yarn dyed shirtings and bottom width, as well as export centric home furnishing items. Going forward, Infomerics believes timely, need based financial support will also be extended by the corporate guarantor, in case of pressure on cash flows.

##### **Satisfactory credit profile of the Corporate Guarantor**

The credit profile of JWL is satisfactory marked by its comfortable leverage ratios and adequate debt protection metrics with healthy cash accruals. The overall gearing of the company improved from 1.25x as on March 31, 2019 to 1.08x as on March 31, 2020 supported by repayment of term loan and accretion to reserves. Further, the debt protection metrics as indicated by interest coverage ratio and Total debt/GCA stood at 2.32x and 5.46 years respectively in FY20. Total indebtedness of the company as reflected by TOL/ATNW stood at 2.04x as on March 31, 2020. The operating income of JWL witnessed a sharp increase to Rs. 2113.62 crore in FY19 from Rs.1643.21 crore in FY18 on the back of capacity enhancement and expansion of distribution network. However, it moderated by ~5% to Rs. 2016.55 crore in FY20 mainly due to slowdown in demand in Q4FY20 amid Covid19 outbreak and ensuing nationwide lockdown. The EBITDA margin of the company improved to 6.89% in FY20 from 6.12% in FY19 supported by better operational efficiency. However, it remains lower than FY18 level (~11%) mainly on account of higher raw material



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cost and compromise in margin to achieve higher sales volume. The PAT margin moved in line with EBITDA margin and improved in FY20. During 9MFY21, the company has achieved a revenue of ~Rs. 1063 crore with a PAT of Rs.26.42 crore.

### **Favourable location**

STPL's proposed plant in Kheda is close to cotton growing belt in Gujarat. Kheda district is well connected by road, rail and air transport system.

### **Eligible under various Government incentive schemes**

STPL would be entitled to benefit from incentive schemes for the textile units from the Central and state governments such as 10% Capital subsidy from central Government, 6% interest subsidy from State Government and power tariff subsidy of Rs. 2/ Unit from state government. These fiscal incentives would support the profitability.

### **Key Weaknesses**

#### **JWL's profitability susceptible to fluctuations in key raw material prices**

The JWL's profitability is vulnerable to sharp fluctuations in raw material prices, which affects sales realisations. Cotton prices have been volatile in recent years, thus any adverse movement in cotton and yarn prices would put pressure on profit margins.

#### **Intense competition**

The spinning and weaving industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits the company's pricing flexibility and bargaining power.

#### **Financial closure yet to be achieved**



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The total project cost for installation of 84 looms for weaving is estimated at Rs. 46.49 crore, to be funded by a term debt from bank of Rs. 33.75 crore and the remaining to be funded by promoter's contribution of Rs. 12.74 crore. The bank debt is yet to be tied-up and financial closure yet to be achieved. Any potential delays in achieving financial closure may lead to delays in commissioning of the project and shall remain a key monitorable.

### **Analytical Approach:**

**Credit Enhancement (CE) rating:** Assessment of the credit profile of JWL, provider of corporate guarantee to STPL.

**Unsupported rating:** Standalone

### **Applicable Criteria**

Rating Methodology for Manufacturing Companies

Rating Methodology for Structure Debt Transaction (Non-Securitisation Transaction)

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity: Adequate**

STPL's liquidity position is expected to remain adequate. The company is expected to earn gross cash accruals in the range of ~Rs.1.10-Rs.4.3 crore which is sufficient against its expected debt repayment obligations during FY22-24.

The liquidity position of JWL (corporate guarantor for STPL) is also expected to remain adequate marked by its sufficient cushion in accruals vis -a-vis its debt repayment obligations. Moreover, its current ratio stood comfortable at 1.39x as on March 31, 2020.

### **About the Company**

Incorporated in December 2020, Spinbell Textiles Private Limited (STPL) is a part of the Ahmedabad based Jindal Group and is formed with the objective to set up weaving unit and undertakes job work for Jindal Worldwide Ltd, flagship company of Jindal Group. It intends to install 84 Tsudakoma make Airjet Looms, 2 Knotting machines and other ancillaries. Total project cost is estimated at ~Rs. 46.49 crore, of which STPL is proposing a Term Loan of Rs.33.75 crore and the remaining amount of Rs. 12.74 crore will be brought by promoters. The tentative COD for the project is January, 2022.



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**Financials:** Since STPL has no operations and is in project stage with operations to start from January 2022 tentatively.

### Financials of the Corporate Guarantor Jindal Worldwide Limited (Standalone)

(Rs. Crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	2113.62	2016.55
EBITDA	129.38	138.92
PAT	26.39	32.03
Total Debt	432.66	404.71
Tangible Net worth	345.61	375.73
EBITDA Margin (%)	6.12	6.89
PAT Margin (%)	1.25	1.58
Overall Gearing Ratio (x)	1.25	1.08

\*As per Infomerics' Standard

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

#### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2019-18	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan (Proposed)	Long Term	33.75	Provisional IVR A+(CE)/Stable	-	-	-

\*Based on proposed unconditional and irrevocable corporate guarantee from Jindal Worldwide Limited

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan (Proposed)	-	-	-	33.75	Provisional IVR A+ (CE)*/Stable

*\*Based on proposed unconditional and irrevocable corporate guarantee from Jindal Worldwide Limited*