



## Press Release

### Revised Press Release

### Aegios Polyfilms Private Limited

January 13, 2023

#### Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	255.00	Provisional IVR A (CE); Stable (Provisional IVR Single A [Credit Enhancement]* with Stable Outlook)	Assigned	Complex
<b>Total</b>	<b>255.00</b> <b>(Two hundred fifty five Crore)</b>			

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

<b>Unsupported Rating<sup>1</sup></b>	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)
<b>Rating in the absence of the pending steps/documents<sup>2</sup></b>	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)

Note: Unsupported Rating does not factor in the proposed explicit credit enhancement

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Aegios Polyfilms Private Limited (APPL) derives comfort from established promoter group 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 (Provisional IVR Single A [Credit Enhancement] with Stable Outlook) against the unsupported rating of **IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)**. The promoters are incubating a poly films business through APPL. The rating positively factors in low funding risk and satisfactory physical progress of the project. Further, the rating also derives strength from satisfactory credit profile of the proposed Corporate Guarantor, JWL. However, these rating strengths are constrained due to intense competition and susceptibility of corporate guarantor's profitability to volatility in raw material prices. The rating also considers threat

<sup>1</sup> As stipulated vide SEBI circular no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019

<sup>2</sup> As stipulated vide SEBI circular no. SEBI/ HO/ MIRSD/ MIRSD\_CRADT/ P/ CIR/ 2021/ 554 dated April 27, 2021



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from biodegradable substitute and susceptibility of profitability to volatility in price of raw material.

Further, the rating assigned to above-mentioned bank facilities are provisional and will be confirmed once the company submits all the documents/ completes all the steps mentioned below to the satisfaction of Infomerics:

- a) Submission of a copy of JWL's Board Resolution allowing extension of enforceable, unconditional and irrevocable Corporate Guarantee in favour of Aegios Polyfilms Private Limited.
- b) Execution and submission of unconditional and irrevocable Corporate Guarantee deed for the bank facilities as per the latest guidelines issued by RBI.

### **Adequacy of credit enhancement structure**

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee along with addendum (draft copy provided to Infomerics) to be issued by JWL in favour of lenders who will be extending the said facilities. As per draft corporate guarantee along with addendum, it will be legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities and will have a structured payment mechanism defining invocation and payment timelines. The capital structure and debt protection metrics of JWL remain adequate.

### **Transaction Structure**

In event of payment default, the following structure will be applicable:

1. T being scheduled due date of payment
2. The Lender will invoke the corporate guarantee at T+2 days.
3. Payment by the guarantor will be made within (T+7) days.

Infomerics will consider T+7 as its legal final maturity for the purpose of recognition of default.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Timely completion of the project and achievement of revenues and earnings as envisaged
- Continuance of support from the corporate guarantor and the promoters
- Improvement in the credit profile of the corporate guarantor

#### **Downward Factors**

- Cost overrun or delay in completion of projects
- Weakening in the credit profile of the corporate guarantor

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Strong promoter group**

APPL is a part of the Ahmedabad based Jindal group, promoted by Mr. Amit Agarwal and his family members. The promoters have extensive business experience in textile industry and presently incubating a poly films business.

##### **Low funding risk**

Total project cost is proposed to be funded through a mix of promoters' contribution of Rs. 148.74 crore and debt of Rs. 466.7 crore. The promoters have already infused their share of contribution as on date. Further, total debt has already been sanctioned, which further reduces the exposure to funding risk. However, timely completion of project without cost overrun will be a key monitorable.

##### **Satisfactory physical progress**

The COD of the project as per SBI sanction letter is July 2023, however the company is expected to start operations by March 2023. Out of total project cost of Rs.615.43 crore, the company has incurred a total project cost of Rs.337.59 crore as on October 31, 2022, translating into ~55% of the total estimated project cost.

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

JWL has proposed to extend an unconditional and irrevocable corporate guarantee to the proposed banking arrangements of APPL. JWL has a strong financial profile and is engaged



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in spinning, weaving and 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 any pressure on cash flows of APPL.

### **Satisfactory credit profile of the proposed 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 capital structure of the company remained comfortable as on the past three account closing dates supported by its healthy tangible net worth base at Rs.534.39 crore as on March 31, 2022. However, total debt of JWL has increased from Rs.437.93 crore in FY21 to Rs.598.60 crore in FY22 owing to rise in its working capital borrowing. With gradual repayment of term loan, long term debt to equity ratio has improved and stood at 0.30x as on March 31, 2022, against 0.37x as on March 31, 2021. However, the overall gearing ratio has moderated marginally to 1.12x as on March 31, 2022. Despite the rise in its debt level, JWL has maintained its total indebtedness at a satisfactory level as indicated by its TOL/TNW at 1.37x as on March 31, 2022 (1.39x as on March 31, 2021). With improved GCA, Total debt to GCA has also improved and remained moderate at 4.44 years in FY22. Debt protection metrics marked by the interest coverage ratio and Total debt to EBITDA also remained comfortable at 4.66x (2.35x in FY21) and 2.82x (3.84x in FY21) respectively in FY22. In H1FY23, JWL has achieved a revenue of ~Rs.1169 crore. However, the rising debt of the Jindal group is a matter of concern and a key monitorable.

### **Key Rating Weaknesses**

#### **Intense competition**

The global BOPET market remains fragmented with the presence of several players at regional level. The leaders in the manufacturing are expanding their production capacity to create a strong hold in the industry. The presence of several organised and unorganised players in the BOPET made the market highly competitive.

#### **Threat from biodegradable substitute**

Several companies are launching biodegradable recyclable films for packing which is expected to hamper the growth of BOPET.



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### **Susceptibility of profitability to volatility in price of raw material**

The BOPET is manufactured from PET Resin which is in turn manufactured from feedstock called polyethylene terephthalate in granulate form with added polymers (MEG) which contain special additives depending on the film type. The raw material prices vary with fluctuation in the oil prices.

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

JWL's profitability is also 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.

### **Analytical Approach:**

**Credit Enhancement (CE) rating:** Assessment of the credit profile of Jindal Worldwide Limited, provider of corporate guarantee to the bank facilities of APPL.

**Unsupported rating:** Standalone

### **Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Structure Debt Transaction \(Non-Securitisation Transaction\)](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Policy on Provisional Ratings](#)

### **Liquidity – Adequate**

APPL's liquidity position is expected to remain adequate in the near-term backed by support from JWL. To meet any cashflow mismatches during the project stabilisation phase, Infomerics expects JWL to provide need-based funding support to APPL.

The liquidity position of JWL (corporate guarantor for APPL) is also expected to remain adequate marked by its sufficient cushion in accruals vis -a-vis its debt repayment obligations. Moreover, its cash and bank balance stood healthy at ~Rs.131 crore as on September 30, 2022.

### **Validity of the Provisional Rating:**

The provisional rating shall be converted into a final rating after receipt of the duly executed transaction documents/ completion of the steps mentioned above within 90 days from the





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date of issuance of the instrument/ bank facilities. An extension of 90 more days may be granted on a case-to-case basis in line with Infomerics' Policy on Provisional Ratings.

### **Risks associated with provisional nature of credit rating:**

When a rating is assigned to debt instruments pending execution of certain crucial documents/ steps to be taken, the rating is a 'Provisional' rating and is indicated as such by prefixing 'Provisional' before the rating symbol. Once the steps/actions are completed/ the required documentation is executed to the satisfaction of Infomerics, the provisional rating is converted into final rating by Infomerics. In absence of receipt of documents/ completion of steps or where such documents deviate significantly from that considered by Infomerics earlier, the provisional rating will be reviewed in line with the Policy on Provisional Ratings.

### **About the Company**

Aegios Polyfilms Private Limited (APPL), incorporated on August 6, 2020, is a part of Ahmedabad based Jindal Group. Jindal Worldwide Ltd is the flagship company of the group. APPL is setting up Biaxially-oriented Polyethylene Terephthalate (BOPET) Film Line unit at Kathua, Jammu & Kashmir with an installed capacity of ~139 TPD along with PET Chips plant having installed capacity of 300 TPD. The total cost of project is estimated at Rs.615.43 crore to be funded at debt equity ratio of 3.14:1. The company has incurred a total project cost of Rs.337.59 crore as on October 31, 2022, translating into ~55% of the total estimated project cost. The total cost incurred in the project has been funded by ECB loan of Rs.185.50 crore, interest on fixed deposits of Rs. 0.20 crore and the remaining by promoter's contribution of Rs. 151.90 crore which is in the form of equity of Rs. 0.41 crore and unsecured loan of Rs. 151.49 crore. The commercial production is expected to start from March 2023.

### **About the Corporate Guarantor (Jindal Worldwide Limited)**

Incorporated in 1986, Jindal Worldwide Limited (JWL) is the flagship company of the Ahmedabad-based Jindal Group. JWL is engaged in weaving, manufacturing and finishing of textiles. The Company is also engaged in the business of manufacturing and dealing in Denim and other textile activities.

### **Financials (Standalone):**

	(Rs. Crore)	
For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited



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For the year ended* / As On	31-03-2021	31-03-2022
Total Operating Income	0.00	0.00
EBITDA	0.00	-0.15
PAT	-0.01	-0.08
Total Debt	40.42	209.92
Adjusted Tangible Net worth	20.21	42.74
EBITDA Margin (%)	NM^	NM^
PAT Margin (%)	NM^	NM^
Adjusted Overall Gearing Ratio (x)	1.00	3.92

\*As per Infomerics' Standard ^ Not meaningful

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

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	1709.70	2584.05
EBITDA	114.00	212.35
PAT	44.10	108.53
Total Debt	437.93	598.60
Tangible Net worth	419.82	534.39
EBITDA Margin (%)	6.67	8.22
PAT Margin (%)	2.54	4.19
Overall Gearing Ratio (x)	1.04	1.12

\*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 Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term loans	Long Term	255.00	Provisional IVR A (CE)* /Stable	-	-	-



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

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### **About Infomerics:**

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### **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	-	-	Not availed	255.00	Provisional IVR A (CE)* /Stable





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

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:** <https://www.infomerics.com/admin/prfiles/Len-Aegios-jan23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:**

List of covenants:

- Corporate Guarantee of Jindal Worldwide Ltd
- Unsecured loans to be subordinated to term debt
- DSRA equivalent to 3 months interest and instalment prior to start of repayment

**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).

Link to earlier press release [click here](#).