Press Release

Jindal Worldwide Limited

July 05, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	386.45	IVR AA-/Stable (IVR Double A Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	159.00	IVR A1+ (IVR A One Plus)	Assigned	Simple
Proposed Commercial Paper	50.00	IVR A1+ (IVR A One Plus)	Assigned	Simple
Total	**595.45 (Rupees Five hundred ninety-five crore and forty-five lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities and proposed commercial paper of Jindal Worldwide Limited (JWL) derive strength from experienced promoters in textile industry along with competent management, established market position, backward integration supporting operational profile and satisfactory financial risk profile. The ratings strengths are, however, constrained by working capital intensive nature of operations, susceptibility of profitability to raw material price volatility, cyclicality in denim industry and competitive textile industry and diversification of JWL into new sectors.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in revenues and increase in profitability, improving debt protection metrics and liquidity profile.
- Sustained improvement in working capital cycle improving cash flows and liquidity of the company.

Downward Factors

- Sustained deterioration in revenues and decrease in profitability, deteriorating debt protection metrics and liquidity profile.
- Stretch in working capital cycle thereby impacting cash flows and liquidity profile of the company.
- Any large debt funded capex resulting in deterioration of overall gearing ratio to beyond 1.5x and interest coverage below 3.5x.
- Increase in corporate guarantees to group companies beyond Rs. 510.00 crores.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced promoters in textile industry along with competent management

JWL, the flagship company of the Ahmedabad-based Group, is currently led by Dr. Yamunadutt Agarwal, having a total experience of around four decades in the textile industry and Mr. Amit Agarwal having a total experience of 15 years in the textile industry. The promoters are supported by a management team consisting of experienced professionals.

Established market position

JWL is one of the leading denim manufacturers in the country with an annual installed capacity of ~140 million metre per annum. The company has facilities spread across the value chain over four manufacturing units in Ahmedabad, Gujarat, which include processes like spinning, weaving, processing, and finishing. It also manufactures cotton-based bottom-weight fabrics and printed shirting. The company has a well-established dealer network and benefits from the promoters' established presence and long-standing relationships with various partners across the value chain.

Backward integration supports operational profile

JWL has set up various group companies who do exclusive job work for JWL. This backward integration increases the weaving capacity available to JWL and takes care of a majority of its yarn requirements and thus helps achieve operational efficiencies. The capital expenditure undertaken in these companies by JWL is further eligible for incentives under different Government schemes for interest subsidy on term loan, capital subsidy on plant and machinery, and power subsidy which further support the company's overall returns. This can be seen in improved operating margins of 11.51% in FY23 as against 8.45% in FY22.

Satisfactory financial risk profile

The financial risk profile of the company remained satisfactory marked by its healthy net worth base and moderate capital structure with satisfactory debt protection metrices. The company has a net worth base of Rs. 644.90 crore as on March 31,2023. The overall gearing ratio stood at 1.30x as on March 31, 2023. However, the company has also guaranteed debt of Rs. 327.70 crores of group companies, which further moderates the capital structure. Total indebtedness of the company marked by TOL/ATNW remained satisfactory at 1.59x as on March 31, 2023. The debt protection metrices remained comfortable with interest coverage ratio at 4.60x in FY23. Further, total debt to EBITDA at 3.51 times as on March 31, 2023, and total debt to GCA at 5.66 years as on March 31, 2023, was moderate.

B. Key Rating Weaknesses

Working capital intensive nature of operations

JWL's operations are working capital intensive as the raw material availability is seasonal. The company has large working capital requirements which are reflected in an elongated conversion cycle of 112 days in FY23 (FY22: 85 days). The collection period has increased in FY23 to 85 days as JWL had to give higher credit period to its customers due to sluggish market conditions. Further**,** the average fund based working capital utilization remained moderate at ~76% for last 13 months ended May 2023.

Susceptibility of profitability to raw material price volatility

Like other textile businesses, profitability of JWL is subject to fluctuations in the cost of cotton yarn, the primary raw material. The cotton yarn industry's profitability margins are highly correlated with fluctuations in raw cotton prices. The company does not have any long-term contracts with suppliers with regards to either quantity or price. However, it has established long standing relationship with its suppliers. The cotton yarn industry is fragmented and there is significant competition among the players in the industry due to which their bargaining power is limited. This restricts the players from fully passing on the input cost increases to customers or retaining any benefits of lower input costs. As a result, the profitability margins of the company are susceptible to the volatility in raw cotton prices.

Cyclicality in denim industry and competitive textile industry

The Indian denim fabric industry is cyclical in nature and has witnessed major slowdown at least twice over the past two decades leading to piling up of excess inventory on the back of significant capacity addition by denim fabric manufacturers and consequent pricing pressure on sales realisation. Furthermore, textile is a cyclical industry and closely follows the macroeconomic business cycles. The prices of the raw materials and finished goods are also determined by global demand-supply scenario, hence, any shift in macroeconomic environment globally also impacts the domestic textile industry.

Diversification into new sectors

JWL has forayed into the high growth Electric Vehicle (EV) industry by acquiring Earth Energy in May 2022, an EV startup. The group, through Jindal Mobilitric Pvt. Ltd. is building a new manufacturing facility in Ahmedabad to supplement the existing facility. The group is also foraying through a group company, Aegios Polyfilms Private Limited into Biaxially-oriented Polyethylene Terephthalate (BOPET) films and is setting up a unit at Kathua, Jammu & Kashmir with an installed capacity of ~139 TPD along with PET chips plant having installed capacity of 300 TPD. Further, through Expede-tech Research & Development Private Limited, the group is also diversifying into the chemical segment i.e. manufacturing of acetonitrile with an installed capacity of ~36 TPD. Acetonitrile chemical has a major application in pharmaceutical industry as a key solvent in the manufacturing of insulin and antibiotics.

Going forward, time and cost overruns in execution of these projects, scaling up of operations and profitability will be critical.

Analytical Approach: Consolidated

Applicable Criteria:

Policy of default recognition

Criteria of assigning rating outlook

Rating methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Consolidation of Companies

Liquidity: Adequate

JWL's liquidity profile is adequate supported by healthy cash accruals of Rs.147.90 crores on a consolidated basis in FY23. On a standalone basis, JWL is expected to generate healthy cash accruals in the range of Rs. 146-175crore during FY24-26, which is sufficient to repay its long-term debt obligation falling due in FY24-26. The group on a consolidated basis has available free cash and bank balances of Rs.312.57 crore as on March 31, 2023. Further, the average utilisation of fund based working capital limits stood at ~76% of the sanctioned limits of Rs.250 crore during the 13-month period ending May 2023, which provides some liquidity buffer. There is no further debt funded capex plans for textile business except maintenance capex in FY24. The group has also ventured in the electric vehicle segment in FY23; however, no large capex is expected in this segment over the next one year.

About the company

Founded in 1986 by Dr. Yamunadutt Agrawal, Jindal Worldwide Ltd (JWL) is a diversified and integrated textile fabrics and shirting manufacturer and one of the leading denim fabric manufacturers in India. JWL is the flagship company of Ahmedabad-based Jindal Group. It is a BSE and NSE listed company. JWL’s product profile includes denim fabric, bottom weight fabrics, premium shirting and export centric home textile products. It is a government recognized export house with export presence across 20+ countries. It has an installed capacity for denim manufacturing of 134 million metres p.a., bottom weight fabrics: 35 million metres, premium shirting: 20 million metres, dyed yarn: 1200 metric tonnes and 1 million set for made ups. The facilities are spread over four manufacturing units in Ahmedabad.

Financials (Consolidated):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	2559.16	2070.01
EBITDA	216.31	238.30
PAT	109.74	115.71
Total Debt	598.60	837.38
Tangible Net worth	516.56	625.43
Ratios		
EBITDA Margin (%)	8.45	11.51
PAT Margin (%)	4.28	5.59
Overall Gearing Ratio (x)	1.16	1.34

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	136.45	IVR AA-/Stable	-	-	-
2.	Cash Credit	Long Term	250.00	IVR AA-/Stable	-	-	-
3.	Letter of Credit	Short Term	150.00	IVR A1+	-	-	-
4.	Credit Exposure Limit	Short Term	9.00	IVR A1+	-	-	-
5.	Proposed Commercial Paper	Short Term	50.00	IVR A1+	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Neha Khan Tel: (022) 62396023 Email: neha.khan@infomerics.com	Name: Amod Khanorkar Tel: (022) 62396023 Email: amod.khanorkar@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit 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
Long term fund based facility – Term Loan I	-	-	December, 2025	2.77	IVR AA-/Stable
Long term fund based facility – Term Loan II	-	-	December, 2025	3.24	IVR AA-/Stable
Long term fund based facility – GECL II	-	-	March, 2027	8.92	IVR AA-/Stable
Long term fund based facility - GECL II Extension	-	-	April, 2028	6.25	IVR AA-/Stable
Long term fund based facility – Term Loan	-	-	2023-24	1.70	IVR AA-/Stable
Long term fund based facility – GECL	-	-	2025-26	8.21	IVR AA-/Stable
Long term fund based facility – Term Loan	-	-	2023-24	0.77	IVR AA-/Stable
Long Term fund based facility – GECL 2.0	-	-	2026-27	0.70	IVR AA-/Stable
Long term fund based facility – GECL 2.0	-	-	March, 2028	6.88	IVR AA-/Stable
Long term fund based facility – GECL 2.0 Extension	-	-	March, 2029	5.00	IVR AA-/Stable
Long term fund based facility – Term Loan I	-	-	2027-28	3.24	IVR AA-/Stable
Long term fund based facility – Term Loan	-	-	2026-27	12.67	IVR AA-/Stable
Long term fund based facility – GECL 2.0			2026-27	7.87	IVR AA-/Stable
Long term fund based facility – GECL 2.0 Extension			2027-28	5.28	IVR AA-/Stable
Long term fund based facility – Term Loan			2024-25	6.66	IVR AA-/Stable

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long term fund based facility – GECL			2025-26	7.76	IVR AA-/Stable
Long term fund based facility – GECL Extension			2027-28	6.19	IVR AA-/Stable
Long term fund based facility – GECL 2.0			2026-27	11.89	IVR AA-/Stable
Long term fund based facility – GECL 2.0 Extension			2027-28	6.85	IVR AA-/Stable
Long term fund based facility – Term Loan 1			2023-24	1.49	IVR AA-/Stable
Long term fund based facility – Term Loan 2			2023-24	1.74	IVR AA-/Stable
Long term fund based facility – Term Loan 3			2023-24	1.49	IVR AA-/Stable
Long term fund based facility – Term Loan 4			2023-24	1.26	IVR AA-/Stable
Long term fund based facility – Term Loan 5			2023-24	0.71	IVR AA-/Stable
Long term fund based facility – Term Loan 6			2023-24	0.57	IVR AA-/Stable
Long term fund based facility – Term Loan 7			2023-24	0.20	IVR AA-/Stable
Long term fund based facility – Term Loan 8			2023-24	2.07	IVR AA-/Stable
Long term fund based facility – Term Loan 9			2023-24	1.29	IVR AA-/Stable
Long term fund based facility – Term Loan			March, 2025	12.78	IVR AA-/Stable
Long term fund based facility – Cash Credit			-	250.00	IVR AA-/Stable

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Short Term Non fund based facility- Letter of Credit			-	150.00	IVR A1+
Short Term Non fund based facility- CEL*			-	9.00	IVR A1+
Short Term Instrument – Proposed Commercial Paper			-	50.00	IVR A1+

CEL – Credit Exposure Limit

Annexure 2: List of companies considered for consolidated analysis:

Sr.No.	Name of company	Extent of consolidation (%)
1.	Jindal Worldwide Limited	100
2.	Planet Spinning Mills Private Limited	100
3.	Goodcore Spintex Private Limited	100
4.	Jindal Mobilitric Private Limited	100
5.	Kashyap Tele-Medicines Limited	100

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-jindal-jul23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.