



Rating Rationale

Jindal Worldwide Limited

27 July 2018

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 589.90 Crores of Jindal Worldwide Limited.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2017)	Present (Upgrade)
Fund Based	330.40	438.90	Long Term	BWR A+ (Pronounced as BWR A Plus) Outlook:Stable	BWR AA- (Pronounced as BWR Double A Minus) Outlook:Stable
Non Fund Based	100.90	151.00	Short Term	BWR A1 (Pronounced as BWR A One)	BWR A1+ (Pronounced as BWR A One Plus)
Total	431.30	589.90	Five Hundred Eighty Nine Crores and Ninety Lakhs only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financials up-to FY18, unaudited financials of Q1 FY 18-19, projected financials, publicly available information and information/clarifications provided by the company's management.

The ratings, *inter alia*, factor the Jindal Worldwide Limited's status as the flagship company of Jindal Group, experience of promoters/management in the textile industry, the company's year-on-year growth in revenue and effective increase in capacity due to work-contracts with units set up in a textile park approved by Government of India. The ratings, however, are constrained by the increasing capacity additions being created by the Denim manufacturing industry in the State of Gujarat, which could affect margins, and JWL Group's continuing capex programs and moderately leveraged balance sheet.

The company's ability to achieved projected revenues and profitability in an increasingly competitive market and manage working capital efficiently would be the key rating sensitivities.



Description of Key Rating Drivers

- **Credit Strengths:**

Experience of promoters/management in the textile industry

Jindal Worldwide Limited (JWL) is promoted and managed by Agrawal family. Dr. Yamunadutt Agrawal is the founder and Chairman of the Board and has more than four decades of experience. Mr. Jitendra Agrawal is the Vice Chairman and Mr. Amit Agrawal the Managing Director; there are two other promoter directors looking after key management functions. Other board members include Mr. Vikram Oza, Director Finance.

Company's year on year growth in revenue: Company has achieved the projected turnover with Y-O-Y growth of 42.49 % in Total Operating income in FY18.

Increase in manufacturing capacity due to setting up a textile park : Jindal Group has been approved to set up a Textile Park by the Ministry of Textiles, Govt. of India. Group has formed an SPV called M/s Amitara Green Hi-Tech Textiles Park Pvt. Ltd for setting up the park. This SPV is providing common facilities like lighting, power distribution, roads, drainage system, ETP facilities and hostel for the workers. This SPV is also constructing building and will be leasing out to units set up there. Out of total 11 companies projected to start its operation in Textile park, 8 has already achieved COD and remainings are projected to achieve COD in FY19. JWL has entered into work-contract with most of these units for Denim manufacturing, and thus, effectively, benefits from the higher capacity.

- **Credit Risks:**

Increasing capacity additions being created by the Denim Industry in the State of Gujarat: Due to various incentives and subsidies being provided by State and Central Govt under the Textile Park scheme, most large business houses including Chiripal, Sintex, etc., are all expanding by putting up new units, thus creating high capacities. It can be expected that there would be severe competition and margin issues in the short to medium term.

JWW Group's capex programs and moderately leveraged balance sheet: Company's gearing ratio (Total Debt:Tangible Networth) has increased from 1.31x to 1.59x. Gearing ratio going about 2x is a key rating sensitivity.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Jindal Worldwide Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The



rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures, or the gearing ratio deteriorates.

About the Company

Jindal Worldwide Limited (JWL), promoted by Dr. Yamunadutt Agrawal, was incorporated in 1986. It is a BSE and NSE listed company and has its manufacturing facilities situated in Ahmedabad.

JWL's product profile comprises 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 100 million meters p.a., 35 million meters p.a. capacity for dyeing and bleaching of fabric and 1 million sets p.a of home furnishing items. The Company also has spinning capacity of 45 tons per day. JWL has captive power plant of 4.5 MW. As earlier indicated, JWL also benefits from the additional weaving capacity created in their Textile Park.

Company Financial Performance

During FY17, JWL's operating income registered a 42.49% increase touching Rs. 1649.85 Crs (Rs. 1157.85 Crs in FY 17), with operating margins of 11.17%. Profit After Tax was at Rs. 58.68 Crs (Rs. 66.58 Crs in FY17). Company's net worth improved to Rs. 325.99 Crs, due to profit retentions. JWL has availed Term Loans and Fund and Non-fund working capital facilities from multiple banks, with Bank of India as the Lead.

Further, as per unaudited Q1FY18 financials, the company's revenue stood at Rs. 512.65 Crs. and they have a decent order book on hand.

Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Operating Revenue	Rs in Crs	1157.85	1649.85
EBITDA	Rs in Crs	134.55	184.34
PAT	Rs in Crs	66.58	58.68
Tangible Net worth	Rs in Crs	283.87	325.99
Total Debt/Tangible Net worth	Times	1.31	1.59
Current Ratio	Times	1.64	1.33

Rating History for the last three years

S. No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	20 Jul 17	25 Sep 16	14 Oct 15
1	Fund Based	Long Term	438.90	BWR AA-(Stable)	BWR A+(Stable)	BWR A (Stable)	BWR A-(Stable)
2	Non Fund Based	Short Term	151.00	BWR A1+	BWR A1	BWR A2+	BWR A2+
Total			589.90	₹ Five Hundred Eighty Nine Crores and Ninety Lakhs Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>M S R Manjunatha</i> <i>Head-Ratings & Administration</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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Note on complexity levels of the rated instrument:



BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

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