

JSW Paints Limited

April 01, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	40.00	CARE A-; Stable	Assigned
Long-term bank facilities	634.00 (Enhanced from 563.50)	CARE A-; Stable	Reaffirmed
Short-term bank facilities	441.25 (Enhanced from 395.25)	CARE A2+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of JSW Paints Limited (JPL) continue to draw significant strength from strong operational and financial linkages with the JSW group, led by Sajjan Jindal, and the group's healthy financial flexibility. The entity is important for the JSW group and has the shared brand name, JSW. Location of the industrial paint unit adjacent to the coated steel plant of JSW Steel Coated Products Limited (JSCPL; rated CARE AA; Stable/CARE A1+), one of the major customers, further underpins the company's strategic importance to the group. Sajjan Jindal Family Trust holds 87.15% equity while JSW Steel Limited (JSL, rated CARE AA; Stable / CARE A1+) holds balance 12.85% equity stake in JPL as on December 31, 2024. Parth Jindal, son of Sajjan Jindal, is JPL's managing director. The promoters have demonstrated financial support in the form of equity infusion in the past, with ₹750 crore infused by JSL over FY22-FY24, which is expected to continue as and when required by JPL, as also evident from sponsor support undertaking provided by promoters to one of the lenders.

However, ratings are constrained by the subdued performance in 9MFY25, after witnessing improvement in FY24 (refers to April 01 to March 31). Despite generating higher revenue compared to 9MFY24, the company incurred operating losses in 9MFY25 because of pricing pressure and increased competition leading to higher overheads (marketing and employee cost). Ratings are further constrained by the increased competitive intensity in the paints industry, with JPL being a new entrant with low market share. Ratings also factor in the moderate debt coverage indicators because of the losses in the initial years of product launch, implementation risk associated with the capex plan and the susceptibility of operating margins to fluctuations in prices of raw materials.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations marked by total operating income (TOI) of over ₹3500 crore with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 7% on a sustained basis.
- Improvement in debt coverage indicators on a sustained basis.

Negative factors

- TOI remaining less than ₹2000 crore with PBILDT margin less than 5%.
- Significantly large-size debt funded capex leading to moderation in total outside liability to total net worth (TOL/TNW) at over 2.50x on a sustained basis.
- Delay in receipt of need based financial support from the group.

Analytical approach: Standalone factoring in strong operational and financial linkages with the JSW group.

Outlook: Stable

The stable outlook reflects the strong financial flexibility available to the company being part of JSW group and constant support from the group, which is expected to continue going forward.

Detailed description of key rating drivers:

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Key strengths

Part of JSW group; having strong operational and financial linkages

JPL is a part of the JSW group, which is led by Sajjan Jindal and is a part of the larger O.P. Jindal group. Parth Jindal, son of Sajjan Jindal, is JPL's managing director. As on December 31, 2024, Sajjan Jindal Family Trust holds 87.15% equity while JSW Steel Limited holds balance 12.85% equity in JPL. The JSW group has a significant presence in diversified business segments, such as steel, energy, real estate, infrastructure, cement, and sports. The group ventured in the high growth paints business by setting up green field industrial and decorative paint plants at Vasind and Vijaynagar, respectively in March 2019. It has extended its strong brand to JPL which has resulted in quickly establishing the JPL product in the market. Sharing the group name underpins the company's strategic importance to the JSW group.

Demonstrated financial support from the group; expected to continue in future

Sajjan Jindal Family Trust infused ₹200 crore equity in FY17 when the company started the project. An aggregate equity of ₹750 crore has been infused by JSW Steel Limited over three years (₹300 crore in FY22; ₹200 crore in FY23 and ₹250 crore in FY24) for funding the capex, debt repayment, losses and working capital needs of JPL. There is sponsor support undertaking from promoters for the debt availed from one of the lenders. As demonstrated in the past, the group is expected to provide need-based support to JPL timely.

Moderate and improving capital structure with consistent equity infusion

Despite being in the initial phase of paints business with recently completed project, the overall gearing ratio remained moderate with continuous equity infusion by the group, to meet the capex, losses and other requirements. The company's overall gearing improved from 1.36x as on March 31, 2023, to 0.83x as on March 31, 2024. However, debt protection metrics remained weak considering losses in the initial years of product launch.

The interest coverage ratio continued to remain vulnerable in 9MFY25 because of operating losses. Earlier, it had improved to 1.13x in FY24 with operating profits recorded for the first time in FY24, however, with operating losses in 9MFY25, it deteriorated again.

Industry demand prospects

The Indian paints industry is expected to grow at ~8-10% with a somewhat lower operating margin of ~14% in FY26 compared to the average of ~18% in the last five years. This is reinforced by urbanisation and increasing affluence, rising disposable income, shortening of the re-painting cycle, demand recovery from semi-urban and rural areas, affordable housing projects, spending on large scale infrastructure projects and demand from automobiles sector. Decorative paints constitute about three-fourth of the overall Indian market. Real estate sector contributes ~70% of the total demand for paints; where sector is expected to perform well in the near-to-medium term.

Liquidity: Adequate

JPL currently has an adequate liquidity profile. The company received ₹250 crore equity infusion in FY24 for capex funding and repayments. It had total cash and liquid investments amounting to ₹18.25 crore as on December 31, 2024. CARE Ratings also derives comfort from JPL being a part of JSW group, having strong financial flexibility, which will enable it to arrange for financing to service shortfalls in accruals for servicing debt obligations. The average utilisation of its fund-based working capital limits stood at ~66% for the trailing 12 months ended December 2024, providing liquidity buffer.

Key weaknesses

New entrant in Indian paints industry

JPL is a new entrant in the domestic paints industry with the backing of the JSW group. It has two manufacturing facilities in Vasind and Vijaynagar and sells industrial paints and decorative paints. Despite being a new entrant, it registered revenue of ~₹2,098 crore in FY24 (₹1,596 crore in FY23) which is expected to increase in current year. The paints industry has high entry barriers in brand building and distribution network. However, JPL could grow its presence considering the credibility of JSW brand which helped in building relationship with suppliers and customers and major sale of industrial paints to group entity JSCPL. Scaling up of the production and increasing its brand presence in decorative paints segment as envisaged, shall remain a key monitorable.

Moderation in financial performance in 9MFY25 after improving in FY24

The company started its operations in FY20 and its TOI has been increasing since then with sales in industrial and decorative paints segments improving each year. TOI in FY24 grew by 31.45% year-over-year (y-o-y) to ₹2,098 crore, majorly driven by substantial volume growth for decorative paints and increase in overall realisations. The company had incurred losses in the initial phase considering intense competition requiring aggressive spending on marketing and increasing distribution reach.

Being a new player in the paint business, the company earned operating profit in FY24 of ₹65 crore. The ad spends for JPL remained in the range of 11%-12% of TOI, which is higher than the amount spent by established players. In 9MFY25, JPL achieved TOI of ₹1,577 crore compared to TOI of ₹1,534 crore in 9MFY24. However, it incurred operating losses of ₹33 crore in 9MFY25, with decrease in gross margin in decorative and industrial paints segments, because of pricing pressure and increased competition. Going forward, the company's ability to turnaround the performance amidst increasing competition shall remain a key monitorable.

Increased competitive intensity

The entry of new players has sparked a surge in capital expenditure and heightened competition within the sector. Players are expanding their capacities, growing their dealer network, ramping up sales teams and accelerating ad spending in a bid to counter competition and secure market shares. Amid these developments, CARE Ratings expects a shift in cost structures, with ad and sales promotion spending of players likely to increase in the medium term. The industry has planned a massive capex entailing capacity addition of ~70% over the next three to four years. This is expected to increase the overall capacity in the industry, increasing the competitive intensity and restricting the margins in the near-to-medium term.

Susceptibility of operating margins to raw material price fluctuations

The cost of raw materials consumed constituted ~66% of JPL's total cost of sales in FY24 (FY23: 69%). A significant proportion of the raw materials, such as mineral turpentine oil and phthalic anhydride, are derivatives of crude oil. Other major raw materials include titanium dioxide for pigments, which is mainly imported and prices of which are driven by global demand and supply factors. Intense competition from the organised and unorganised players also limit pricing. In the industrial segment, the susceptibility of the profit margins to commodity price volatility is relatively higher, where the finished goods pricing is through unilateral agreements and involves negotiations. Hence, the company's profitability is susceptible to the raw material price fluctuation risk. Having already increased once in Q1FY25, major paint players in India are not looking at further price hikes in the near term and focussing on other areas to protect their margins.

Moderate debt coverage indicators because of past losses

Because of initial stage of operations, the company incurred losses in the past. This has led to moderate debt coverage indicators. In FY24, the company was able to partly turnaround the operations and hence, the coverage indicators improved. However, in 9MFY25, with net losses and no additional equity infusion, the net worth decreased, leading to moderation in debt coverage indicators. CARE Ratings expects the company to improve its performance and improve its debt coverage ratios, going forward.

Risk associated with the planned capex

The company has planned capital expenditure of ~₹503 crore up to FY27. Of this, ₹80 crore is for routine capex, ₹158 crore is for expansion of existing capacities at Vasind and Vijaynagar plants and at the newly acquired plant in Khopoli. The company is planning capacity expansion of 20,000 KLPA at Vasind plant by FY26, while it has completed expansion of 50,000 KLPA at Vijaynagar plant in October 2024. The rest capex is for setting up greenfield plant in Madhya Pradesh (MP). The above-said capex is expected to be funded through a mix of debt, equity infusion and internal accruals.

The company has plans to set up a green-field plant with an installed capacity of 30,000 KLPA for industrial paints and 1,00,000 KLPA for decorative paints at MP at a total project cost of ~₹544 crore, of which ₹94 crore was spent on land acquisition in FY24. The majority capex at MP is however expected post FY26 and planned to be largely funded by equity.

The company remains exposed to the pre and post implementation risks associated with these capex plans. Apart from these planned capex, JPL is also one of the contenders to acquire the Indian paints business of Akzo Noble which if fructify would be a sizeable acquisition. Clarity to this acquisition is expected in Q1FY26 where its funding plan would be critical.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Factoring linkages Parent sub JV group](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Paints

JPL, incorporated in February 2016, is a part of the JSW Group (Sajjan Jindal faction of OP Jindal group). The company manufactures industrial and decorative paints, and has two manufacturing facilities at Vasind, Maharashtra and Vijayanagar, Karnataka. While the Vasind plant has an installed capacity of 60,000 kilo litres per annum (KLPA) and caters the industrial paints segment, the Vijayanagar plant manufactures decorative paints and has an installed capacity of 1,60,000 KLPA.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	9MFY25 (UA)
Total operating income	1,595.55	2,098.40	1,577.23
PBILDT	-29.35	65.41	-32.84
PAT	-85.68	-35.13	-82.56
Overall gearing (times)	1.36	0.83	1.09
Interest coverage (times)	NM	1.13	NM

A: Audited UA: Unaudited; NM: Not Meaningful; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	340.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	September 2030	294.00	CARE A-; Stable
Fund-based - LT-Working capital Term Loan		-	-	December 2027	40.00	CARE A-; Stable
Fund-based - ST-Working Capital Demand loan		-	-	-	350.00	CARE A2+
Non-fund-based - ST-Forward Contract		-	-	-	1.25	CARE A2+
Non-fund-based - ST-Letter of credit		-	-	-	85.00	CARE A2+
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	5.00	CARE A2+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	294.00	CARE A- ; Stable	-	1)CARE A- ; Stable (15-Jan-24)	-	-
2	Fund-based - LT-Cash Credit	LT	340.00	CARE A- ; Stable	-	1)CARE A- ; Stable (15-Jan-24)	-	-
3	Non-fund-based - ST-Letter of credit	ST	85.00	CARE A2+	-	1)CARE A2+ (15-Jan-24)	-	-
4	Non-fund-based - ST-Loan Equivalent Risk	ST	5.00	CARE A2+	-	1)CARE A2+ (15-Jan-24)	-	-
5	Non-fund-based - ST-Forward Contract	ST	1.25	CARE A2+	-	1)CARE A2+ (15-Jan-24)	-	-
6	Fund-based - ST-Working Capital Demand loan	ST	350.00	CARE A2+	-	1)CARE A2+ (15-Jan-24)	-	-
7	Fund-based - LT-Working capital Term Loan	LT	40.00	CARE A- ; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working capital Term Loan	Simple
4	Fund-based - ST-Working Capital Demand loan	Simple
5	Non-fund-based - ST-Forward Contract	Simple
6	Non-fund-based - ST-Letter of credit	Simple
7	Non-fund-based - ST-Loan Equivalent Risk	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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