January 22, 2014

CARE ASSIGNS 'CARE BBB' AND 'CARE A3+' RATING TO THE BANK FACILITIES OF JINDAL WORLDWIDE LIMITED

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	319.74	CARE BBB (Triple B)	Assigned
Short-term Bank Facilities	100.00	CARE A3+ (A Three Plus)	Assigned
Long-term / Short-term Bank Facilities	29.65	CARE BBB (Triple B) / CARE A3+ (A Three Plus)	Assigned
Total Facilities	**449.39**		

Rating Rationale

The ratings assigned to the bank facilities of Jindal Worldwide Ltd (JWL) take into account the vast experience of its promoters in the textile industry and established track record of JWL in denim manufacturing along with the diversified revenue stream. The ratings further derive strength from the consistent growth in its scale of operations, relatively stable profitability and moderate debt coverage indicators.

The ratings, however, are constrained by the ongoing large debt-funded capex, inherent cyclicality associated with the denim industry and exposure to fluctuations in cotton and cotton yarn prices along with volatile foreign exchange rates.

Timely completion and stabilization of its backward integration and expansion projects without any major cost overrun and its ability to manage volatility associated with the raw material prices are the key rating sensitivities.

Background

JWL, promoted by Dr Yamunadutt Agrawal, was incorporated in 1986. Until 2005, JWL was engaged in the production of home textile such as bed sheets, quilts cover & curtains, suiting and shirting fabrics and bottom weights. In 2005, JWL ventured into denim manufacturing and also expanded its capacity in home textile products. Currently, the company manufactures denim fabrics and undertakes manufacturing, dyeing and printing of products in home textiles and suiting and shirting fabrics. As on September 30, 2013, JWL had an installed capacity of 50 million meters per annum (MMPA) for denim fabric and 35 MMPA for fabric processing and 1 million sets per annum for its Made-Ups at its manufacturing facility located at Gopalpur, Ahmedabad.

As per the audited results for FY13 (refers to the period April 1 to March 31), JWL reported a total operating income of Rs.609 crore (FY12: Rs.506 crore) and PAT of Rs.14 crore (FY12: Rs.15 crore). Furthermore, as per the provisional results for H1FY14, JWL reported a total operating income of Rs.384 crore and PAT of Rs.12 crore.

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[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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