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JBF Industries Limited

1. Company Brief

JBF Industries Limited (hereinafter JBFIL/ the Company) was incorporated as a Private Limited Company under the name of JBF Synthetics Private Limited on 12.07.1982. It was subsequently converted into a Public Limited Company on 15.11.1985 in the name of JBF Industries Limited.

The Company is one of the key players in Partially Oriented Yarn (POY) industry and one of largest suppliers of Polyester Chips. The Company has its Plant situated at Sarigam near Vapi & Silvassa (U.T.), which has proximity to both raw material suppliers like Reliance Industries Ltd., IOC Ltd. and MCPI Pvt. Ltd. and also to key customers like Deepak Polyester, Yash Enterprises, Flex Films etc. and international players like Silicon Nature to name a few.

The Company during the year 2008-09 expanded capacities of POY from 90,000 TPA to 150,000 TPA (POY Spinning) and Polyester chips from 334,800 TPA to 5,50,800 TPA, thereby increasing Polyester chips production capacity at Sarigam Plant by 216,000 TPA. The commercial production was started in December 2008.

During the year 2009-12, the Company had completed expansion of POY/ Fully Drawn Yarn (FDY) capacity by adding 112,000 TPA capacity at Saily, Silvassa and with this the total POY/ FDY capacity has increased to 2,62,000 TPA resulting into second largest POY/FDY manufacturer in industry. During the year 2010-12, the Company increased the chips capacity by 49,200 TPA by debottlenecking the Sarigam Plant with this total chip capacity now stands at 6,00,000 TPA. JBFIL has a total employee strength of ~4,000. This includes all direct, indirect and the contract employees. The Company is accredited with ISO 9002 Certification for quality management and 14001 & 18001 for environmental management system. JBFIL is also a recognized export house.

2. Capacity Details:

(MTPA)

Products	Pet Chips	POY/FDY	Processed Yarn
Sarigam, Gujarat	6,00,000	-	-
Athola, Silvassa, DN	-	150,000	30,000
Saily, Silvassa, DN	-	112,000	60,000
Total	**6,00,000**	**262,000**	**90,000**

Presently the Company is operating at ~60% capacity due to paucity of working capital assistance.

3. Equity Prices Market Information – BSE

Particular (As on 30.09.2019)	Value
Current market price	Rs.7.26
Face value	Rs. 10/share
Market cap (Rs. in crore)	62.14
52 weeks high / low	Rs. 29.40/ Rs. 6.46

Source: www.bseindia.com

4. External Credit Rating by India Ratings and Research dated 8th May, 2019:

(Rs. In Crore)

Instrument Type	Amount	Rating	Action
Fund-based working capital limits (Long-term)	400	IND D	Affirmed
Non-fund-based working capital limits (Short-term)	1,600	IND D	Affirmed
Term loan (Long-term)	280	IND D	Affirmed
Proposed term loan (Long-term)	20	IND D	Affirmed

5. Shareholding Patters

Shareholding Pattern of JBFIL as on 30th June, 2019

Shareholders Name	No. of Shares	% of Shareholding
Bhagirath C Arya	1,78,45,063	21.80%
Vaidic Resources Private Limited	37,44,357	4.57%
Chinar Arya Mittal	33,89,888	4.14%
Veena B Arya	14,078	0.02%
Promoter and Promoter Group (A)	**2,49,93,386**	**30.53%**
KKR Jupiter Investors Pte Ltd	1,63,74,370	20.00%
Foreign Portfolio Investors	1,22,84,678	15.00%
Life Insurance Corporation of India	21,20,487	2.59%
Mutual Funds	7,900	0.01%
Financial Institutions/ Banks	612	0.00%
Any Other including individuals (specify)	2,60,90,416	31.87%
Public (B)	**5,68,78,463**	**69.47%**
Total (A+B)	**8,18,71,849**	**100.00%**

Source: BSE

Of the promoters holding, 28.48% is pledged.

6. Financials

The financial performance of JBFIL on standalone basis for past financial years is given below.

(Rs. Crore)

Particulars	FY15 (A)	FY16 (A)	FY 17 (A)	FY 18 (A)	FY19 (A)	Q1FY20
Revenue from Ops.	4,127	3,940	4,271	3,574	2,958	718
Other Income	56	86	136	126	19	4
Total Revenues	**4,183**	**4,026**	**4,408**	**3,700**	**2,977**	**722**
EBITDA	**469**	**434**	**390**	**239**	**99**	**18**
Depreciation	97	101	97	95	99	24
Finance Cost	172	237	237	306	252	55
Exceptional Item	-	-	-	-	-698	-
PAT	139	62	36	-123	-758	-60
EBITDA Margin	11.21%	10.77%	8.84%	6.46%	3.33%	2.55%
Cash Accruals	236	162	133	-28	39	-36

Source: Annual Report, Financial Results & Company

(Rs. Crore)

Balance Sheet (Rs. Crore)	FY15 (A)	FY16 (A)	FY 17 (A)	FY 18 (A)	FY 19 (A)
Shareholders' Funds	1,040	1,559	1,592	1,467	704
Long Term Loans (TL)	817	588	609	406	-
Current maturities of TL	195	268	233	320	693
Total long-term loans	*1,013*	*856*	*842*	*727*	*693*
Short term loans	*721*	*900*	*809*	*1,586*	*1,623*
Total borrowings	**1,733**	**1,756**	**1,651**	**2,313**	**2,316**
Other non-current liabilities	317	321	335	280	32
Trade payables	309	480	1,056	376	403
Other current liabilities	129	152	81	156	304
Total Liabilities	**3,528**	**4,269**	**4,715**	**4,591**	**3,759**
Fixed assets & CWIP	1,623	1,549	1,532	1,467	1,366
Other non-current assets	586	543	593	625	627
Inventories	335	363	450	326	305
Trade receivables	581	905	894	852	319
Other current assets	402	909	1,246	1,319	1,142
Total Assets	**3,528**	**4,269**	**4,715**	**4,591**	**3,759**

Source: Annual Report, Financial Results & Company

7. **Banking Arrangement**

JBFIL has a loan exposure from a consortium of 17 lenders and the outstanding principal as on 7th June 2019 is about Rs.2,515 crore excluding the unpaid interest.

8. **Security for Term Loan and Working Capital proposed (in case of restructuring by new investors and subject to mutual agreement with lenders).**

Sl. No.	Facility	Charge
1.	**Security for TL**	1. 1st Ranking Paripassu charge on all Fixed assets (Land, Building, Plant and Machinery etc.) of the company both present and future. 2. 2nd Ranking Paripassu charge on Current Assets of the company both present and future.
2.	**Security for WC (FB + NFB)**	1. 1st Ranking Paripassu charge on Current Assets of the Company both present and future. **2.** 2nd Ranking Paripassu charge on all Fixed assets (Land, Building, Plant and Machinery etc.) of the company both present and future.
3.	**Pledge of Shares**	~26% shares (2,15,29,664) of Promoters are currently pledged to Edelweiss Commercial Finance Ltd. for various loans for JBF Group.

Other commercials like interest rate, tenor, corporate guarantee, pledge of shares etc. may be discussed with lenders if a restructuring of the facilities is proposed.

9. Key Reason for Stress:

I) Overall challenges faced by the Company

(a) The Company has made investment in step down subsidiary i.e. JBF Petrochemicals Ltd. to set up Greenfield project of 1.25 MTPA PTA Plant in Mangalore. The investment was conceptualized as a backward integration; however, the commercial operations are considerably delayed and same is yet to be operational. This has led to cost overruns, and overall liquidity constraint in JBFIL.

(b) There has been a steep fall in crude oil prices since FY17, which led to fall in raw material (PTA & MEG) prices. However, the fall in prices of finished products was steeper due to slow down of the demand and built up of excess capacity in the industry. This has led to a reduction in margins. Raw Material Costs constitute a very high percentage of total products cost. Thus, any fluctuation in raw material prices have very high bearing on profit margins. Company has faced losses as a result of reduction in inventory valuation.

(c) Industry was facing challenges of fabric imports from China (mostly under invoiced) which equates to approx. 50,000 tons per month of polyester fabric. The demand for Polyester Yarn reduces in domestic market. It also affected the profitability of weavers, and correspondingly, the profitability in the Polyester chain suffered. This anomaly was partly corrected as Govt. of India increased custom duty on Fabric Import.

(d) The Company is facing stretch on domestic receivables due to depressed market scenario which further deteriorated due to Demonetization and GST impact.

(e) The Company in past incurred losses in derivative and foreign exchange due to steep appreciation in Rupee against USD.

(f) In the recent past, Company is not generating sufficient EBITDA to meet its debt obligation mainly due to lower capacity utilization and non-availability of working capital.

10. Steps taken by the Company:

The Company had expressed its inability to clear the overdues of member Banks to maintain the accounts in standard category due to stretched cash flows and working capital constraints/mismatch. This has resulted in substantial repayment irregularities in overdues and interest with various Banks and along with continuing devolvement of LCs. After various deliberations, between Lenders and the Company's Management, the Lenders in the Joint Lending Forum (JLF) decided to consider debt resolution of the Company under the aegis of "Scheme for Sustainable Structuring of Stressed Assets (S4A)" as per RBI Guidelines.

Proposal under S4A scheme was circulated to JLF Members and the same got approved in JLF meeting in December 2017 for onward submission to Overseeing Committee (OC). The proposal was submitted to OC in late December, 2017 for the approval. Certain observations were raised by OC members and were being addressed. The next OC meeting was proposed to be scheduled on 22nd February, 2018.

Meanwhile, RBI repealed all the guidelines related to S4A vide notification dated 12th February, 2018. With the revised guidelines effective from 12th February 2018; the Company had reworked on the resolution plan in form of restructuring. However, the proposal was not implemented due to adverse rating by Credit Rating Agencies.

Company also tried and proposed to sell the PTA plant to one of the investors in 2017-18, buy out of JBFIL loans via an ARC in late 2018; however, the deal did not materialize because of differences in pricing expectations. As none of the options by the Company fructified, Lenders took initiatives under the revised RBI guidelines dated 7th June, 2019 to resolve the issue through Change in Management and/or Settlement of Debt.

11. <u>Opportunities for investors:</u>

(a) Well maintained Plant and Machineries which permits the machineries to be used at their optimum capacity without any interruption or hindrance which ultimately plays a prominent role in overall production.
(b) Company has a strong marketing and distribution network in the domestic and export markets as well as locational advantage.
(c) The existing lenders are expected to continue their support to new investors in form of necessary working capital financing; subject to internal credit appraisals.