Worldone Private Limited

February 16, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Non-Convertible Debentures	2,500.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned
Total Long-Term Instruments	**2,500.00 (Rs. Two Thousand Five Hundred Crore Only)**		

Details of instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the proposed non-convertible debentures (NCD) of Worldone Private Limited (WPL) factors in the resourceful and reputed promoter group with direct ownership of Naveen Jindal family coupled with sizable market value of investments held by WPL. The rating also derives strength from the structural comforts in NCD with the provision of debt service reserve account (DSRA), presence of corporate guarantee for part of the NCD from one of the group company, the pledge of marketable securities for the proposed transaction along with the cap on loan against security (LAS) at promoter group level. The rating takes cognizance of acquisition of proposed majority state in Jindal Power Limited (JPL, rated CARE A-; Credit Watch with Negative Implications) by WPL. JPL has healthy business risk profile which provides visibility to WPL's income in the form of dividend from JPL going forward.

The rating, is however, constrained by WPL's high reliance on JPL for dividend income which is largely hinged to the sales in the volatile merchant market and operational efficiencies derived from new captive mine. The proposed NCD has scheduled principal repayments from year 2 onwards which the company plans to repay through promoter sources and refinancing. The same exposes the company to refinancing risk. The rating is further constrained by the expected weakening of WPL's capital structure (post consummation of the deal) along with the company's exposure to market risk for its listed equity investments.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Material improvement in free cash flow of JPL and its credit profile.
- Material reduction in dependence on income from JPL along with improvement in leverage and coverage metrics.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Material deterioration in the credit profile of JPL leading to lower-than-envisaged income for WPL.
- Significant unrelated investments, adversely impacting the liquidity position of WPL.
- Non compliance of various sanctioned terms by WPL and the guarantors.

Detailed description of the key rating drivers

Key Rating Strengths

Part of resourceful and reputed promoter group with direct ownership of Naveen Jindal family

WPL is promoted and 99.99% directly owned by Mr. Naveen Jindal and Mrs Shallu Jindal. Mr Naveen Jindal is an industrialist and a former Member of Parliament and Lok Sabha. He currently serves as the Chairman of Jindal Steel and Power Limited (JSPL, rated CARE AA-; Stable / CARE A1+) which is one of the leading players in Indian iron and steel industry. The group has significant expertise in steel manufacturing, power generation and mining of iron ore & coal.

Sizable market value of investments, although low cover vis-à-vis the proposed debt

WPL has investments in the form of equity and preference shares of various group companies. This also includes its holding in JSW Holding Limited and Nalwa Sons Investments Limited (which are listed entities). The total market value of

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

listed shares held by WPL stands at Rs. 204.23 crore as on December 13, 2021; however, these shares are expected to be pledged with the NCD investors for the proposed issue of Rs. 2,500 crore.

Proposed acquisition of majority stake in operating thermal asset
WPL is in process of acquiring a majority stake (96.42%) in JPL from the current promoter i.e JSPL. The acquisition deal is pegged at Rs 7,410 crore which includes cash consideration of Rs 3,015 crore. The deal has already received approval from the shareholders of JSPL and Competition Commission of India (CCI), with approval from lenders of JPL under process. JPL operates thermal power plant with an installed capacity of 3,400 MW. JPL's power plants are situated in proximity to the coal blocks which reduces the input cost of the company which in turn provides high price competitiveness. JPL also has a relatively healthy leverage profile which is expected to augment WPL's income in the form of dividend, going forward. On a standalone basis, JPL generated PBILDT of Rs 1,770 crore and adjusted gross cash accruals of Rs 970 crore during FY21.

Structural comfort for the NCD
The structure of the proposed NCD provides comfort in the form of principal moratorium with first principal repayment in year 2. The company is required to build and maintain DSRA as stipulated by the lender . The NCD has a corporate guarantee for Tranche-1 from one of the promoter group companies that has significant market value of unencumbered investments as on date vis-à-vis the proposed guarantee amount. Further, presence of share pledge covenant on JSPL's shares held by the promoter group along with upper cap on LAS transactions at promoter group level provides comfort in terms of financial flexibility of the promoters to infuse funds into WPL in case of an exigency. Furthermore, WPL and its group company collectively have also pledged investments having market value of more than Rs. 500 crore.

Liquidity – Adequate
Being the holding company, the operating income shall not be sufficient to cater to the interest and principal obligations of the proposed NCD, and the same will be done through expected inflow of dividend and refinancing. Also free cash and bank balance of WPL is modest of Rs 0.06 crore as on September 30, 2021. However, being part of Naveen Jindal group, WPL's proposed majority ownership of JPL and its sizable investment in listed companies of the group provide higher financial flexibility to WPL to take care of its refinancing requirement.

Key Rating Weaknesses
Reliance on dividend from JPL for income
Post the consummation of the equity purchase deal, majority of the total operating income of WPL is expected to be received from JPL in the form of dividend on preference shares, which is susceptible to the overall performance of JPL. The dividend paying ability of JPL is largely hinged to the sales in the volatile merchant market and operational efficiencies derived from new captive mine. Hence going forward, WPL's revenue generation would be highly dependent on the performance of JPL.

High repayment obligation in FY25 leading to significant reliance on refinancing
The proposed NCD is expected to have a scheduled repayment from year 2 onwards. The company plans to repay the same by way of refinancing in the medium term. The same exposes the company to a high degree of refinancing risk.

Leveraged capital structure and moderate debt coverage metrics
The capital structure of WPL is expected to get leveraged post the consummation of JPL's equity purchase deal. The company plans to partly fund the acquisition by raising a listed NCD of Rs 2,500 crore, while the remaining is expected to be funded by the promoters. The same shall result in increase in total debt levels, which consequently will deteriorate the capital structure of the company.

Exposure to market risk
WPL's credit risk profile remains susceptible to market risks because the rating partially derives strength from the market value of its investment, which has displayed volatility over the last one year. Therefore, the market value of these

investments, will, to a large extent, depend on prevailing market sentiments and the share price of these investments. Any increase in systemic risks, leading to a sharp decline in the share price, and thus will be a key rating monitorable.

Analytical approach: Standalone

Applicable Criteria
Policy on default recognition
Financial Ratios – Non financial Sector
Investment Holding Companies
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Infrastructure Sector Ratings
Power Generation Projects
Thermal Power

About the Company
Worldone Private Limited is one of the holding company of Naveen Jindal Group. The company was incorporated on August 24, 1999. The company was originally incorporated as Jindal Coal Private Limited, which later got renamed w.e.f. June 23, 2014 to Worldone Trading Private Limited and thereafter renamed w.e.f. February 22, 2021 to the current Worldone Private Limited. The company has investments in the form of equity and non-convertible preference shares in various group companies (both listed and non-listed). The company is planning to acquire 96.42% equity stake in Jindal Power Limited (currently held by Jindal Steel and Power Limited).

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	0.07	0.00	NA
PBILDT	0.06	-0.01	NA
PAT	0.06	-0.01	NA
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	554.46	-108.52	NA

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: NA
Any other information: NA
Rating History for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3
Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non-Convertible Debentures	Not placed	-	-	-	2500.00	CARE BBB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Debentures-Non Convertible Debentures	LT	2500.00	CARE BBB; Stable				

Annexure-3: Detailed explanation of covenants of the rated instrument –

Name of the Instrument	Detailed explanation
A. Financial covenants	
Target level covenants (JPL)	
1. Total Outside Liabilities (TOL) to Tangible Net-Worth (TNW)	Shall not exceed 3.0x
2. Minimum Debt Service Coverage Ratio (DSCR)	1.25x
3. Minimum current ratio	1.25x
B. Non-financial covenants	
1. Shareholding Covenant	• Promoter GoC to maintain 100% shareholding and management control in Issuer directly & indirectly • Promoter GoC to maintain a minimum 26% shareholding and management control in JSPL throughout the tenure.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non-Convertible Debentures	Simple

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

Annexure 5: Bank Lender Details for this Company – Not Applicable

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