April 21, 2017

Jindal Steel & Power Limited

Summary of Rated Instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Bank Facilities		
Term Loans	14,841.00[1] (reduced from 18,838.75)	[ICRA]D/reaffirmed
Fund Based Working Capital Facilities	3,600.00 (reduced from 4,150.00)	[ICRA]D/reaffirmed
Non Fund Based Facilities	4,800.00[2] (reduced from 6,800.0)	[ICRA]D/reaffirmed
Short-term Loans	2047.00 (reduced from 2,500.00)	[ICRA]D/reaffirmed
Total	25,288.00 (reduced from 33,188.00)	
Market Instruments		
Non Convertible Debentures	1,562.00 (reduced from 3,212.00)	[ICRA]D/reaffirmed
Commercial Paper	1250.00	Rating withdrawn (No CP placed since March 2016)[3]

*Instrument Details are provided in Annexure-1;
[1] including proposed term loans of Rs. 2,000.36 crore;
[2] including proposed non-fund based bank facilities of Rs. 920.20 crore;
[3] [ICRA]D rating withdrawn

Rating action
ICRA has reaffirmed the [ICRA]D (pronounced ICRA D)[1] rating for the Rs. 25,288-crore[2] (reduced from Rs. 33,188 crore) bank facilities and Rs. 1,562-crore (reduced from Rs. 3,212 crore) non-convertible debentures of Jindal Steel & Power Limited (JSPL).

Rating of [ICRA]D for the Rs. 1,250-crore commercial-paper programme of JSPL stands withdrawn, as there is no amount outstanding against the rated instrument. The company has not placed any commercial paper since March 2016.

Detailed rationale
The rating reaffirmation factors in irregularities in debt servicing by the company owing to weakened liquidity position in the past two years, as a result of profitability pressures, sizeable debt repayments and delays in debt-refinancing. In this context, ICRA takes note of the recent conclusion of refinancing for part of company's debt, which has facilitated a reduction in its annual debt repayment obligations, as well as favourable sectoral developments which are supporting an improvement in company's profitability, thereby easing liquidity pressures to an extent. With scheduled commissioning of cost-efficient capacities in Angul unit during FY2018, ICRA expects a further improvement in company's profitability metrics

[1] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.
[2] 100 lakh = 1 crore = 10 million

going forward. Nevertheless, the company's ability to refinance the overseas debt in its Mauritius subsidiary in a timely manner as well as achieve a further sustained improvement in profitability will remain crucial for its credit profile, given the elevated debt levels and sizeable repayment obligations on a consolidated basis.

These apart, JSPL's performance continues to remain exposed to inherent vulnerability of the steel business to volatility in demand and metal prices as well as price and supply risks associated with coal and iron ore sourcing in the absence of commensurate captive mines. Nevertheless, raw material risk is partially mitigated given the access to captive iron ore mine for part of the capacity as well as ramp up of coal production in Mozambique and Australia from H2 FY2017 onwards.

ICRA notes that JSPL has a strong asset base, healthy operational track record in steel and power sectors, favourably-located plants in proximity to various coal and iron ore mines, diversified and value added product portfolio, and sizeable scale of operations. The strengths are expected to be augmented further by the scheduled commissioning of company's new capacities in Angul during FY2018, which will result in a significant increase in its domestic steel-making capacity.

Going forward, regularization of debt servicing, refinancing of Mauritius subsidiary's debt and deleveraging of balance sheet will be the key rating sensitivities. Besides, the company's ability to operate its enhanced capacities at healthy levels, will determine the extent of improvement in its cash accruals and hence its debt servicing ability going forward.

Key rating drivers

Credit weaknesses

- Delays in payment of debt obligations, emanating from the weak liquidity position
- Elevated debt levels; refinancing of part debt has, however, eased pressure on cash flows to some extent
- Exposure to price and supply risks associated with coal and iron ore sourcing in the absence of commensurate captive mines; captive iron ore mine for part of the capacity partially mitigates the risks
- Inherent vulnerability of the steel as well as power business to volatility in demand and prices

Credit strengths

- Cost competitiveness emanating from economies of scale, integrated operations and attractive location of the plants in proximity to various coal and iron ore mines, which will be further supported by the scheduled commissioning of a large blast furnace capacity at Angul in Q1 FY 2018
- Flexibility derived from diversified product portfolio with forward integration into value-added products

Description of key rating drivers:

Incorporated in 1998, JSPL has nearly two decades of established track record in successful commissioning of Greenfield capacities in steel & power segments as well as running its plants at healthy capacity utilization. Company's steel operations are vertically integrated, encompassing the entire value chain from captive iron ore mines for Raigarh plant, iron-ore beneficiation and coal washing to generation of power and production of high value-added products such as heavy and medium plates and rail structurals. The integration in operations helps the company control its costs, thereby resulting in operating efficiencies. Till FY2015, the company also had access to coal from its favourably-located captive mines for its steel as well as power operations, which helped in achieving high operational efficiencies. However these coal blocks were de-allocated, making the company dependent on external sources for coal from April 2015 onwards. Given this and lack of captive iron ore mines for Angul operations, the company's exposure to price and supply risks for its key raw materials increased.

Nevertheless, location of both plants in mineral-rich states as well as ramp up of coal production in group's Mozambique and Australia mines from H2 FY2017 onwards, provides comfort.

Over the last five years, JSPL undertook sizeable capex across segments. The capex included setting up of steel and power plant in Angul (Odisha), pellet plant in Barbil (Odisha), power generation capacity in a subsidiary (Jindal Power Ltd), steel capacity at Oman and coking coal mines in Mozambique and Australia. Sizeable debt-funded capital expenditure and investments undertaken by the company over the years coincided with the cyclical downturn in the steel sector, thereby making optimum utilization of the new capacities challenging. While JSPL's cost-competitiveness coupled with a high level of integration in steel manufacturing operations reduces the susceptibility of its profitability to downturns in the steel industry, the company is not totally protected from the vagaries of the sector and has witnessed volatility in its operating profitability in the recent times owing to tough operating environment for the sector. Resultant pressures on operating cash flows made the company dependent on monetisation of non-core assets as well as refinancing of its debt obligations.

ICRA notes that JSPL has reported healthy sales volumes in Q3 and Q4 FY2017 taking annual volumes for FY2017 to an all-time high for the company. This together with the cost rationalisation efforts undertaken by the company facilitated a 136% YoY growth in consolidated OPBDITA to Rs. 1277 crore in Q3FY2017 from Rs. 542 crore in Q3FY2016. Further in Q4FY2017, JSPL got a part of its long-term borrowings refinanced under 5/25 scheme, whereby the tenure of these loans has been elongated[3]. Although this together with commissioning of incremental capacities at Angul is expected to ease the pressure on company's cash flows, its ability to refinance the overseas debt in Mauritius subsidiary in a timely manner to elongate its maturity profile, continues to remain crucial for its credit profile.

Analytical approach: The consolidated operational and financial profiles have been considered to arrive at the issuer's rating.

Links to applicable Criteria

- Corporate Credit Rating Methodology
- Rating Methodology for Entities in the Ferrous Metals Industry

About the company:

Jindal Steel and Power Limited (JSPL) is one of India's major primary integrated steel producers with a significant presence in power generation and mining. Its manufacturing units are located in Raigarh (Chhattisgarh), Angul (Odisha), Barbil (Odisha), Patratu (Jharkhand), and Oman. While JSPL's integrated operations in India encompass capacities of 5.25 million tonnes per annum (mtpa) of iron making, 9.0 mtpa of pellets, 6.1 mtpa of liquid steel and 6.55 mtpa of finished steel; the operations in Oman include capacities of 1.5 million tonnes per annum (mtpa) of iron making, 2.0 mtpa of liquid steel and 1.4 mtpa of finished steel. The company's products include plates & coils, parallel flange beams & columns, rails, angles & channels, wire rods, TMT rebars, fabricated sections among other finished and semi-finished products.

Currently, JSPL has iron making capacity of 2.125 MTPA through blast furnace route and 1.32 MTPA through direct-reduced iron (DRI) route at Raigarh, 1.8 MTPA through DRI route at Angul and 1.5 MTPA through gas-based hot-briquetted iron (HBI) route at overseas operations in Oman. JSPL's consolidated iron making capacity is set to increase to about 10mtpa in FY2018 with the proposed commissioning of a large blast furnace in Angul (Odisha).

[3] With cut-off date being November 2015

JSPL also has a captive power capacity of about 1,650 megawatts (MW) at Raigarh and Angul. Besides, Jindal Power Ltd (JPL), a subsidiary of JSPL, has power capacity of 3,400 megawatts (MW). JSPL's international operations include interests in coking coal mining assets in Australia, thermal/coking coal mining assets in Mozambique, and anthracite coal mining assets in South Africa.

As per provisional and unaudited financials for 9MFY2017, the company has reported an operating income of Rs. 14,760 crore, and operating profit of Rs. 3,140 crore on a consolidated basis.

In FY2016, JSPL had reported an operating income of Rs. 18,105 crore, operating profit of Rs. 3,110 crore, and net loss of Rs. 1,999 crore on a consolidated basis, as compared to an operating income of Rs. 19,359 crore, operating profit of Rs. 5,764 crore and net loss of Rs. 1,455 crore in FY2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:
Table: Rating History

<table>
<tr><th rowspan="2">S. No.</th><th rowspan="2">Name of Instrument</th><th colspan="3">Current Rating</th><th colspan="9">Chronology of Rating History for the past 3 years</th></tr>
<tr><th>Type</th><th>Rated amount (Rs. Crore)</th><th>Date & Rating</th><th colspan="7">Date & Rating in FY2016</th><th>Date & Rating in FY2015</th><th>Date & Rating in FY2015</th></tr>
<tr><th></th><th></th><th></th><th></th><th>April 2017</th><th>March 2016</th><th>February 2016</th><th>January 2016</th><th>December 2015</th><th>September 2015</th><th>May 2015</th><th>September 2014</th><th>July 2014</th></tr>
<tr><td>1</td><td>Non Convertible Debentures</td><td>Long Term</td><td>1,562</td><td>[ICRA]D</td><td>[ICRA]D</td><td rowspan="4">[ICRA]BB+ (Negative)</td><td rowspan="4">[ICRA]BBB+ (Negative)</td><td rowspan="4">[ICRA]A (Negative)</td><td rowspan="4">[ICRA]A+ (Negative)</td><td rowspan="4">[ICRA]AA- rating watch with negative implications</td><td rowspan="4">[ICRA]AA- rating watch with negative implications</td><td rowspan="4">[ICRA]AA (Stable)</td></tr>
<tr><td>2</td><td>Fund Based Term loan</td><td>Long Term</td><td>14,841</td><td>[ICRA]D</td><td>[ICRA]D</td></tr>
<tr><td>3</td><td>Fund Based Cash Credit</td><td>Long Term</td><td>3,600</td><td>[ICRA]D</td><td>[ICRA]D</td></tr>
<tr><td>4</td><td>Non Fund Based Facilities</td><td>Long Term</td><td>4,800</td><td>[ICRA]D</td><td>[ICRA]D</td></tr>
<tr><td>5</td><td>Short-term Loans</td><td>Short Term</td><td>2,047</td><td>[ICRA]D</td><td>[ICRA]D</td><td>[ICRA]A4+</td><td>[ICRA]A3+</td><td>[ICRA]A2+</td><td>[ICRA]A1</td><td>[ICRA]A1+ rating watch with negative implications</td><td>[ICRA]A1+ rating watch with negative implications</td><td>[ICRA]A1+</td></tr>
<tr><td>6</td><td>Commercial Paper</td><td>Short Term</td><td>1250</td><td>Withdrawn</td><td>[ICRA]D</td><td>[ICRA]A4+</td><td>[ICRA]A3+</td><td>[ICRA]A2+</td><td>[ICRA]A1</td><td>[ICRA]A1+ rating watch with negative implications</td><td>[ICRA]A1+ rating watch with negative implications</td><td>[ICRA]A1+</td></tr>
</table>

Complexity level of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instruments

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating
NCD 1	Oct 2009	9.8%	Apr 2020	100.00	[ICRA]D
NCD 2	Oct 2009	9.8%	Apr 2020	150.00	
NCD 3	Nov 2009	9.8%	May 2020	150.00	
NCD 4	Dec 2009	9.8%	Jun 2020	150.00	
NCD 5	Jan 2009	9.8%	Jul 2020	150.00	
NCD 6	Feb 2009	9.8%	Aug 2020	150.00	
NCD 7	Mar 2009	9.8%	Sep 2020	150.00	
NCD 8	Dec 2009	9.8%	Dec 2021	62.00	
NCD 9	Aug 2009	9.8%	Feb 2020	100.00	
NCD 10	Sep 2009	9.8%	Mar 2020	80.00	
NCD 11	Oct 2009	9.8%	Apr 2020	80.00	
NCD 12	Nov 2009	9.8%	May 2020	80.00	
NCD 13	Dec 2009	9.8%	Jun 2020	80.00	
NCD 14	Jan 2010	9.8%	Jul 2020	80.00	
Term Loan 1	-	-	FY2036	59.68	
Term Loan 2	-	-	FY2036	133.71	
Term Loan 3	-	-	FY2036	127.02	
Term Loan 4	-	-	FY2020	43.79	
Term Loan 5	-	-	FY2036	484.07	
Term Loan 6	-	-	FY2036	1033.07	
Term Loan 7	-	-	FY2036	426.00	
Term Loan 8	-	-	FY2036	213.46	
Term Loan 9	-	-	FY2036	202.79	
Term Loan 10	-	-	FY2036	213.40	
Term Loan 11	-	-	FY2036	127.20	
Term Loan 12	-	-	FY2036	103.87	
Term Loan 13	-	-	FY2036	331.64	
Term Loan 14	-	-	FY2036	66.40	
Term Loan 15	-	-	FY2036	128.17	
Term Loan 16	-	-	FY2036	132.70	
Term Loan 17	-	-	FY2036	132.67	
Term Loan 18	-	-	FY2036	166.03	
Term Loan 19	-	-	FY2036	407.13	
Term Loan 20	-	-	FY2036	323.74	
Term Loan 21	-	-	FY2036	202.32	
Term Loan 22	-	-	FY2036	404.71	
Term Loan 23	-	-	FY2036	242.81	
Term Loan 24	-	-	FY2036	242.80	
Term Loan 25	-	-	FY2036	242.77	
Term Loan 26	-	-	FY2036	242.76	
Term Loan 27	-	-	FY2036	242.81	
Term Loan 28	-	-	FY2036	121.36	

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating
Term Loan 29	-	-	FY2036	80.93	
Term Loan 30	-	-	FY2036	80.91	
Term Loan 31	-	-	FY2017	15.37	
Term Loan 32	-	-	FY2024	950.00	
Term Loan 33	-	-	FY2019	415.00	
Term Loan 34	-	-	FY2024	1,477.46	
Term Loan 35	-	-	FY2022	240.63	
Term Loan 36	-	-	FY2022	288.74	
Term Loan 37	-	-	FY2022	96.25	
Term Loan 38	-	-	FY2022	192.49	
Term Loan 39	-	-	FY2022	144.37	
Term Loan 40	-	-	FY2025	500.00	
Term Loan 41	-	-	FY2025	459.63	
Term Loan 42	-	-	FY2025	599.98	
Term Loan 43	-	-	FY2025	500.00	
Cash Credit Facilities	-	-	-	3,600	
Non Fund Based facilities	-	-	-	3,879.80	
Short-term loans	-	-	-	2,047.00	

Source: JSPL

Name and contact details of Rating Analyst(s):

Jayanta Roy
+91 33 7150 1100
jayanta@icraindia.com

Nidhi Marwaha
+91 124 4545 337
nidhim@icraindia.com

Deep Inder Singh
+91 124 4545 830
deep.singh@icraindia.com

Name and contact details of Relationship Contact:

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

About ICRA Limited:
ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.
Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.
For more information, visit **www.icra.in**

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20- 25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	