

December 06, 2021

Piombino Steel Limited: Rating withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Proposed Non Convertible Debenture	2,600.00	2,600.00	[ICRA] AA(CE) (Stable) reaffirmed and withdrawn
Total	2,600.00	2,600.00	

Rating Without Explicit Credit Enhancement	[ICRA]BBB reaffirmed and withdrawn
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*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

The ratings assigned to Piombino Steel Limited (PSL) have been reaffirmed and withdrawn at the request of the company as the same is not being placed. This is in accordance with ICRA's policy on withdrawal of credit rating.

JSW Steel Limited (JSW Steel; rated [ICRA]AA(Stable)/[ICRA]A1+) and JSW Shipping & Logistics Private Limited (JSWSLPL) ('Consortium') are the shareholders of PSL, which is the holding company for acquisition of Bhushan Power & Steel Limited (BPSL). JSW Steel has an 83.3% shareholding in PSL as on October 1, 2021 with JSWSLPL holding the balance 16.7% stake. On November 24, 2021, PSL acquired 100% stake in West Waves Maritime And Allied Services Private Limited (WWMASPL; rated [ICRA]AA(CE) (Stable)), which had raised NCD of Rs. 2,500 crore in March 2021 and extended the same as loan to PSL to part-fund the acquisition of BPSL. PSL proposes to merge WWMASPL with itself going forward, subject to regulatory approvals, which in turn will eliminate the inter-company loan and simplify the group corporate structure for better administration.

Key rating drivers and their description

Credit strengths

83.3% shareholding by JSW Steel (rated [ICRA]AA/Stable/A1+), having a strong credit profile – PSL is a part of the JSW group with JSW Steel holding 83.3% stake in the company and JSWSLPL holding the balance 16.7% stake. PSL is the holding company of BPSL, which has a 2.7-million tonne per annum (mtpa) steel making facility in Jharsuguda, Odisha. With a crude steel production of 15.1 mt in FY2021, JSW Steel remained one of the largest steel producers in India and the largest steel exporter with exports of 4.2 mt during the said year. The company's diverse product portfolio comprising flat and long products, a high share of VASP in the sales mix (52% of total sales in FY2021), its strong distribution network with a significant retail presence, help it achieve a leading market position in western and southern India, where its manufacturing facilities are located.

Put option available for NCD investors – NCD investors of WWMASPL (wholly-owned subsidiary of PSL) have right to exercise a put option on the Consortium, prior to the due date of the bond. There is a defined payment mechanism to ensure timely repayment of the bonds.

Strong product profile of BPSL and operational synergies – BPSL has a 2.7-mtpa integrated steel making facility at Jharsuguda, Odisha, which is in proximity to JSW Steel’s captive iron ore mines and to JSW Ispat Special Products Ltd’s (JISPL, erstwhile Monnet Ispat and Energy Limited) steel plant in Chhattisgarh. Apart from the backward integration facilities such as beneficiation, sintering, coke oven and pelletisation plants, BPSL has downstream facilities in the form of cold rolling mill, galvanising and colour coating lines and pipe and tube mill. BPSL’s product portfolio is skewed in favour of value-added products and has a strong market presence in the eastern India. As a result, ICRA expects the acquisition of BPSL to provide synergy benefits to JSW Steel in the form of a strong foothold in the eastern region, higher margins associated with value-added products and freight cost savings for iron ore procurement.

Credit challenges

Refinancing risk pertaining to the short-term loan – A major portion of the financing for the BPSL acquisition was raised through a short-term loan in BPSL’s books for part-funding the acquisition. This loan would be refinanced before its maturity. As of November 30, 2021, a significant portion (~43%) has already been prepaid. BPSL’s ability to refinance the balance debt would remain a key credit monitorable.

Exposure to cyclicality in the steel sector – Given the significant volatility exhibited by steel prices, BPSL as well as JSW Steel Limited’s profitability and cash flows remain exposed to price risks. Nevertheless, the risks are mitigated partially by JSW Steel’s cost efficiencies and a portfolio of value added products.

Ability to ramp-up operations – Going forward, PSL’s ability to achieve ramp up of BPSL’s operations in a time bound and profitable manner would remain crucial.

Liquidity position (Support provider – JSW Steel Limited): Adequate

JSW Steel’s liquidity is **adequate** given the healthy cash accruals of over Rs. 25,000 crore expected in FY2022 and its large unencumbered cash and cash equivalents of Rs. 15,009 crore as on September 30, 2021. The company has capex commitment of Rs. 18,240 crore and scheduled repayments of Rs. 9,735 crore in FY2022. The company has access to undrawn capex term loans of ~Rs. 2,600 crore as on September 30, 2021. This coupled with unutilised working capital lines (to the extent of the available drawing power) would keep the overall liquidity profile comfortable.

Click [here](#) for JSW Steel’s latest rationale.

Liquidity position (PSL): Adequate

PSL’s liquidity position is likely to remain **adequate** and is augmented by the financial flexibility enjoyed by the company from being a part of the JSW group. Operating profits generated by BPSL during the corporate insolvency resolution period (subject to legal proceedings) and in the current fiscal would support its working capital funding and liquidity position in the near-to-medium term.

Rating sensitivities

Not applicable as the rating is being withdrawn.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for entities in the ferrous metals industry Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support Policy on Withdrawal of Credit Ratings
Parent/Group Support	The assigned rating is based on the strength of the Consortium – which has JSW Steel Limited as a member.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financial risk profile of JSW Steel Limited and that of PSL. As on March 31, 2021, JSW Steel had 53 subsidiaries and 10 associates and joint venture companies that are enlisted in Annexure-2.

About the company

Piombino Steel Limited (PSL) is a part of JSW group with JSW Steel Limited holding 83.3% stake in the company. PSL is the holding company for acquisition of BPSL, which has a 2.7-million tonne per annum (mtpa) steel making facility in Jharsuguda, Odisha.

Key financial indicators (audited)

Key financial indicators are not applicable as PSL is a project stage company.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2022)			Chronology of Rating History for the past 3 years			
					Date & Rating in			Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019
					Dec 6, 2021	Oct 4, 2021	August 27, 2021	Feb 23, 2021	Dec 18, 2020	Mar 11, 2020	-
1	Proposed NCD	Long Term	2,600.00	-	[ICRA]AA(CE) (Stable) Withdrawn	[ICRA]AA(CE) (Stable)	Provisional [ICRA]AA(CE) (Stable)	Provisional [ICRA]AA-(CE) (Stable)	Provisional [ICRA]AA-(CE) (Stable)	Provisional [ICRA]AA-(CE) (Negative)	-
2	Proposed NCD	Long Term	-	-	-	Provisional [ICRA]AA(CE) (Stable) Withdrawn	Provisional [ICRA]AA(CE) (Stable)	Provisional [ICRA]AA-(CE) (Stable)	Provisional [ICRA]AA-(CE) (Stable)	Provisional [ICRA]AA-(CE) (Negative)	-

Amount in Rs. crore

Complexity level of the rated instrument

Instrument	Complexity Indicator
Proposed NCDs	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Proposed NCD	-	-	-	2,600.00	[ICRA]AA(CE) (Stable) Withdrawn

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	JSW Steel Ownership	Consolidation Approach
JSW Steel (UK) Limited	100%	Full Consolidation
JSW Natural Resources Limited	100%	Full Consolidation
JSW Natural Resources Mozambique Limitada	100%	Full Consolidation
JSW ADMS Carvão Limitada	100%	Full Consolidation
JSW Steel (Netherlands) B.V.	100%	Full Consolidation
Periama Holdings, LLC	100%	Full Consolidation
JSW Steel (USA), Inc.	100%	Full Consolidation
Purest Energy, LLC	100%	Full Consolidation
Planck Holdings, LLC	100%	Full Consolidation
Prime Coal, LLC	100%	Full Consolidation
Rolling S Augering, LLC	100%	Full Consolidation
Caretta Minerals, LLC	100%	Full Consolidation
Periama Handling, LLC	100%	Full Consolidation
Lower Hutchinson Minerals, LLC	100%	Full Consolidation
Meadow Creek Minerals, LLC	100%	Full Consolidation
Keenan Minerals, LLC	100%	Full Consolidation
Hutchinson Minerals, LLC	100%	Full Consolidation
RC Minerals, LLC	100%	Full Consolidation
Peace Leasing, LLC	100%	Full Consolidation
JSW Panama Holdings Corporation	100%	Full Consolidation
Inversiones Eurosh Limitada	100%	Full Consolidation
Santa Fe Mining S.A.	70%	Full Consolidation
Santa Fe Puerto S.A.	70%	Full Consolidation
JSW Jharkhand Steel Limited	100%	Full Consolidation
JSW Bengal Steel Limited	98.69%	Full Consolidation
JSW Natural Resources India Limited	98.69%	Full Consolidation
JSW Energy (Bengal) Limited	98.69%	Full Consolidation
JSW Natural Resources Bengal Limited	98.69%	Full Consolidation
JSW Steel Coated Products Limited	100%	Full Consolidation
Amba River Coke Limited	100%	Full Consolidation
Peddar Realty Private Limited	100%	Full Consolidation
Arima Holdings Limited	100%	Full Consolidation
Lakeland Securities Limited	100%	Full Consolidation
Erebus Limited	100%	Full Consolidation
Nippon Ispat Singapore (PTE) Ltd	100%	Full Consolidation
Acero Junction Holdings, Inc	100%	Full Consolidation
JSW Steel USA Ohio, Inc	100%	Full Consolidation
JSW Industrial Gases Private Limited	100%	Full Consolidation
JSW Steel Italy S.r.l.	100%	Full Consolidation

Company Name	JSW Steel Ownership	Consolidation Approach
JSW Steel Italy Piombino S.p.A	100%	Full Consolidation
Piombino Logistics S.p.A – A JSW Enterprise	100%	Full Consolidation
GSI Lucchini S.p.A	69.27%	Full Consolidation
JSW Utkal Steel Limited	100%	Full Consolidation
Hasaud Steel Limited	100%	Full Consolidation
JSW Retail Limited	100%	Full Consolidation
JSW Vallabh Tinplate Private Limited	100%	Full Consolidation
Piombino Steel Limited	83.28%*	Full Consolidation
Makler Private Limited	100%	Full Consolidation
JSW Vijayanagar Metalics Limited	100%	Full Consolidation
Vardhman Industries Limited	100%	Full Consolidation
Creixent Special Steel Limited	48%	Equity method
Monnet Ispat & Energy Limited	23.1%	Equity method
Vijayanagar Minerals Private Limited	40%	Equity method
Rohne Coal Company Private Limited	49%	Equity method
JSW Severfield Structures Limited	50%	Equity method
JSW Structural Metal Decking Limited	33.33%	Equity method
Gourangdih Coal Limited	50%	Equity method
JSW MI Steel Services Centre Private Limited	50%	Equity method

*As on October 1, 2021

ANALYST CONTACTS

Jayanta Roy

+91 33 2287 6617

jayanta@icraindia.com

Priyesh Ruparelia

+91 22 6169 3328

priyesh.ruparelia@icraindia.com

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sakshi Suneja

+91 22 6114 3438

sakshi.suneja@icraindia.com

Anshuman Bharati

+91 22 6169 3351

anshuman.bharati@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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