

May 06, 2021

Jindal Steel & Power Limited: Update on Entity

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term fund-based bank facilities	17,200.85	17,200.85	[ICRA]A(Stable)
Long-term non-fund-based bank facilities	2,381.94	2,381.94	[ICRA]A(Stable)
Short-term non-fund-based bank facilities	5,586.86	5,586.86	[ICRA]A1
Total Bank Facilities	25,169.65	25,169.65	
Non-convertible Debentures (NCD)	12.40	12.40	[ICRA]A(Stable)

*Instrument details are provided in Annexure-1

Rationale

On April 27, 2021, Jindal Steel & Power Limited (JSPL) announced its board approval for divestment of its entire 96.42% equity stake in its subsidiary, Jindal Power Limited (JPL), to Worldone Private Limited (a promoter group company and a related party to JSPL) for a consideration of Rs. 3,015 crore. The proposed sale is subject to approvals from shareholders and lenders of the company, lenders of JPL, besides other necessary contractual and regulatory approvals. The long stop date for completion of the proposed sale is 12 months, which may be mutually extended by the parties, failing which the proposed sale shall terminate. As part of the transaction, the capital advances/inter-corporate deposits of Rs. 4,386 crore extended by JPL to JSPL will be converted into interest-bearing unsecured loans with a defined repayment schedule.

For arriving at JSPL's ratings, ICRA considers the consolidated financials of JSPL. As per audited financials for FY2020, JPL accounted for ~11% of JSPL's consolidated operating income, ~16% of its consolidated operating profits and ~20% of the group's external borrowings.

The ratings for JSPL remain unchanged at the earlier ratings of [ICRA]A(Stable)/[ICRA]A1, as the proposed deal is not expected to materially impact the credit profile of the company.

The consummation of the deal is expected to result in a cash inflow of Rs. 3,015 crore for JSPL, with the proceeds likely to be used towards paring debt and augmenting steel capacities in Angul (Odisha), in line with its aim to strengthen focus on its core steel operations. While the detailed plan for the said capital expenditure is yet to be charted out, the capex outgo is likely to be phased out and partially debt funded. In addition, while the stake sale will facilitate reduction in consolidated external debt by about Rs. 6,500 crore (JPL's estimated external borrowings as on March 31, 2021), decline in consolidated debt outstanding for JSPL is expected to be lower at around Rs. 2,000 crore, owing to an amount of Rs. 4,386 crore (interest-bearing) it owes to JPL. In a nutshell, reduction in JSPL's consolidated debt, from JPL's divestment and scheduled amortisation of its term borrowings, is expected to be partially offset by the incremental borrowings for its proposed capital expenditure programme. ICRA, however, expects the company's capital structure and debt coverage metrics after the divestment to remain healthy and commensurate with the rating category.

Any materially higher-than-envisaged debt-funded capex and/or investment that affects the company's capitalisation and coverage metrics would continue to be a rating sensitivity. ICRA will continue to monitor developments in these respects and assess their impact on the company's credit profile.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Ferrous Metals Industry
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA considers the consolidated financials of JSPL. As on March 31, 2020, the company had nine subsidiaries, 80 stepdown subsidiaries, two associates and three joint ventures, which are all enlisted in Annexure-2. These included JSIS Oman and JPL (and their subsidiaries). In light of recent developments for divestment of stake in JSIS Oman and JPL, ICRA has relied on consolidated projected estimates for JSPL, excluding these entities.

About the company

JSPL is one of India's leading primary steel producers with a significant presence in power generation and mining. Its domestic manufacturing units are situated in Raigarh (Chhattisgarh), Angul (Odisha), Barbil (Odisha) and Patratu (Jharkhand). JSPL's integrated operations in India encompass production capacities of 8.45 mtpa of iron, 9.0 mtpa of pellets, 8.6 mtpa of liquid steel and 6.55 mtpa of finished steel. JSPL's product range includes TMT bars, plates, coils, parallel flange beams and columns, rails, angles and channels, wire rods, and fabricated sections, among other finished and semi-finished products. While about 63% of JSPL's domestic iron manufacturing capacity (~5.33 mtpa) is through the blast furnace route, the balance (~3.12 mtpa) is achieved through direct-reduced iron (DRI).

JSPL also has a captive thermal power generation capacity of about 1,634 MW at its Raigarh and Angul plants. Besides, Jindal Power Ltd. (JPL), a 96.43% subsidiary of JSPL, which is an independent power producer, has an installed thermal power capacity of 3,400 MW. As per a recent announcement, JSPL's board has approved divestment of its entire equity stake in JPL, subject to receipt of requisite approvals.

In addition to steel-manufacturing capacities, 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.

Key financial indicators (audited) – Consolidated[^]

	FY2019	FY2020	9M FY2021*
Operating Income (Rs. crore)	39,222.4	36,896.3	27,108.0
PAT (Rs. crore)	(2,411.5)	(399.7)	3,626.4
OPBDIT/OI (%)	21.2%	21.1%	33.8%
PAT/OI (%)	2.2%	5.9%	13.4%
Total Outside Liabilities/Tangible Net Worth (times)	2.1	2.2	NA
Total Debt/OPBDIT (times)	4.8	4.7	2.1
Interest Coverage (times)	1.9	1.9	3.7

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

[^] Reported financials. Include Jindal Power Limited & its subsidiaries. Refer Annexure 2 for details.

Source: JSPL's financial statements, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years						
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating May 6, 2021 Apr 15, 2021	Date & Rating in FY2021				Date & Rating in FY2020		Date & Rating in FY2019
					Dec 22, 2020	Sep 21, 2020	Jul 9, 2020	Apr 17, 2020	Feb 14, 2020	Jul 29, 2019	
1 Term Loans	LT	15,600.85	15,600.85	[ICRA]A (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB-@	[ICRA]BBB-@	[ICRA]BBB- (Positive)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
2 Cash credit	LT	1,600.00	--	[ICRA]A (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB-@	[ICRA]BBB-@	[ICRA]BBB- (Positive)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
3 Non-fund-based	LT	2,381.94	--	[ICRA]A (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB-@	[ICRA]BBB-@	[ICRA]BBB- (Positive)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
4 Non-fund-based	ST	5,586.86	--	[ICRA]A1	[ICRA]A2	[ICRA]A3	[ICRA]A3@	[ICRA]A3@	[ICRA]A3	[ICRA]A3	[ICRA]A3
5 Fund-based	ST	--	--	--	--	[ICRA]A3	[ICRA]A3@	[ICRA]A3@	[ICRA]A3	[ICRA]A3	[ICRA]A3
6 Unallocated	LT/ST	--	--	[ICRA]A (Stable)/[ICRA]A1	[ICRA]BBB+ (Stable)/[ICRA]A2	[ICRA]BBB- (Stable)/[ICRA]A3	[ICRA]BBB-@/[ICRA]A3@	[ICRA]BBB-@/[ICRA]A3@	[ICRA]BBB- (Positive)/[ICRA]A3	[ICRA]BBB- (Stable)/[ICRA]A3	--
7 NCDs	LT	340.00	--	[ICRA]A (Stable); withdrawn	[ICRA]BBB+ (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB-@	[ICRA]BBB-@	[ICRA]BBB- (Positive)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
8 NCDs	LT	24.80	12.40	[ICRA]A (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB-@	[ICRA]BBB-@	[ICRA]BBB- (Positive)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)

@: Placed on rating watch with negative implications

Source: ICRA

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term fund-based bank facilities	Simple
Long-term non-fund-based bank facilities	Very Simple
Short-term non-fund-based bank facilities	Very Simple
Non-convertible Debentures (NCD)	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 analysing 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	Cash Credit	Feb 2019	-	-	1,600.00	[ICRA]A(Stable)
NA	Long-term non-fund- based bank facilities	Feb 2019	-	-	2,381.94	[ICRA]A(Stable)
NA	Short-term non-fund- based bank facilities	Feb 2019	-	-	5,586.86	[ICRA]A1
NA	Term Loans	FY2009	-	FY2036	15,600.85	[ICRA]A(Stable)
INE749A07276	NCD	Dec 29, 2009	9.8%	Dec 29, 2021	12.40	[ICRA]A(Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership (As on March 31, 2020)	Consolidation Approach
Jindal Power Limited	96%*	Full Consolidation*
Jindal Steel Bolivia SA	51%	Full Consolidation
Jindal Steel & Power (Mauritius) Limited	100%	Full Consolidation
Skyhigh Overseas Limited	100%	Full Consolidation
Everbest Steel and Mining Holdings Limited	100%	Full Consolidation
Jindal Angul Power Limited	100%	Full Consolidation
JB Fabinfra Limited	100%	Full Consolidation
Trishakti Real Estate Infrastructure and Developers Limited	95%	Full Consolidation
Raigarh Pathalgaon Expressway Ltd	100%	Full Consolidation
Attunli Hydro Electric Power Company Limited	74%*	Full Consolidation*
Etalín Hydro Electric Power Company Limited	74%*	Full Consolidation*
Jindal Hydro Power Limited	100%*	Full Consolidation*
Jindal Power Distribution Limited	99%*	Full Consolidation*
Ambitious Power Trading company Limited	79%*	Full Consolidation*
Jindal Power Transmission Limited	99%*	Full Consolidation*
Jindal Power Ventures (Mauritius) Limited	100%*	Full Consolidation*
Kamala Hydro Electric Power Co. Limited	74%*	Full Consolidation*
Kineta Power Limited	75%*	Full Consolidation*
Uttam Infralogix Limited	100%*	Full Consolidation*
Jindal Realty Limited	100%*	Full Consolidation*
Jagran Developers Private Limited	100%*	Full Consolidation*
Gas to Liquids International S.A	88%	Full Consolidation
Jindal Power Senegal SAU	100%*	Full Consolidation*
Panther Transfreight Limited	51%*	Full Consolidation*
All Tech Building System Limited	100%	Full Consolidation
Blue Castle Ventures Limited	100%	Full Consolidation
Brake Trading (Pty) Limited	85%	Full Consolidation
Enduring Overseas Inc	0%	Full Consolidation
Fire Flash Investments (Pty) Limited	65%	Full Consolidation
Harmony Overseas Limited	100%	Full Consolidation
Jin Africa Limited	0%	Full Consolidation
Jindal (BVI) Limited	100%	Full Consolidation
Jindal Africa Investments (Pty) Limited	100%	Full Consolidation
Jindal Africa Consulting (Pty) Limited	100%	Full Consolidation
Jindal Shadeed Iron & Steel L.L.C	99.99%**	Full Consolidation**
Jindal Africa SA	100%	Full Consolidation
Jindal Botswana (Pty) Limited	100%	Full Consolidation
Jindal Investimentos LDA	100%	Full Consolidation
Jindal Investment Holding Limited.	100%	Full Consolidation

Company Name	Ownership (As on March 31, 2020)	Consolidation Approach
Jindal KZN Processing (Pty) Limited	85%	Full Consolidation
Jindal Madagascar SARL	100%	Full Consolidation
Jindal Mining & Exploration Limited	100%	Full Consolidation
Jindal Mining Namibia (Pty) Limited	100%	Full Consolidation
Jindal Steel & Minerals Zimbabwe Limited	100%	Full Consolidation
Jindal Steel & Power (Australia) Pty Limited	100%	Full Consolidation
Jindal Tanzania Limited	100%	Full Consolidation
Jindal Zambia Limited	0%	Full Consolidation
JSPL Mozambique Minerals LDA	98%	Full Consolidation
Landmark Mineral Resources (Pty) Limited	60%	Full Consolidation
Osho Madagascar SARL	100%	Full Consolidation
PT Jindal Overseas	99%	Full Consolidation
Sungu Sungu Pty limited	74%	Full Consolidation
Trans Asia Mining Pty. Limited	100%	Full Consolidation
Vision Overseas limited	100%	Full Consolidation
Wollongong Coal Limited	60%	Full Consolidation
Jindal Steel DMCC	100%	Full Consolidation
Jindal Mauritania SARL	100%	Full Consolidation
Jindal Africa Liberia Limited	0%	Full Consolidation
Belde Empreendimentos Mineiros LDA	100%	Full Consolidation
Eastern Solid Fuels (Pty) Limited	100%	Full Consolidation
PT BHI Mining Indonesia	99%	Full Consolidation
PT Sumber Surya Gemilang	99%	Full Consolidation
PT Maruwai Bara Abadi, a subsidiary of PT.	75%	Full Consolidation
Jindal Mining SA (Pty) Limited	74%	Full Consolidation
Bon-Terra Mining (Pty) Limited	100%	Full Consolidation
Jindal (Barbados) Holding Corp	100%	Full Consolidation
Jindal Energy (Bahamas) Limited	100%	Full Consolidation
Jindal Energy (Botswana) Pty Limited,	100%	Full Consolidation
Jindal Energy (SA) Pty Limited,	100%	Full Consolidation
Jindal Transafrica (Barbados) Corp	100%	Full Consolidation
Jindal Resources (Botswana) Pty Limited	100%	Full Consolidation
Trans Africa Rail (Pty) Limited	100%	Full Consolidation
Sad-Elec (Pty) Limited	100%	Full Consolidation
Jindal (Barbados) Mining Corp	100%	Full Consolidation
Jindal (Barbados) Energy Corp	100%	Full Consolidation
Meepong Resources (Mauritius) (Pty) Limited	100%	Full Consolidation
Meepong Resources (Pty) Limited	100%	Full Consolidation
Meepong Energy (Mauritius) (Pty) Limited	100%	Full Consolidation
Meepong Energy (Pty) Limited	100%	Full Consolidation
Meepong Service (Pty) Limited	100%	Full Consolidation
Meepong Water (Pty) Limited	100%	Full Consolidation
Peerboom Coal (Pty) Limited	70%	Full Consolidation
Shadeed Iron & Steel Company Limited	100%**	Full Consolidation**
Southbulli Holding Pty Limited	100%	Full Consolidation
Oceanic Coal Resources	100%	Full Consolidation
Wongawilli Coal Pty Limited	100%	Full Consolidation
Koleko Resources (Pty) Limited	60%	Full Consolidation
Legend Iron Limited	100%**	Full Consolidation**
Cameroon Mining Action (CAMINA) SA	90%**	Full Consolidation**
Enviro Waste Gas Services Pty Ltd.	100%	Full Consolidation
Jindal Synfuels Limited	70%	Full Consolidation
Urtan North Mining Private Limited	67%	Full Consolidation
Jubilant Overseas Ltd	100%	Full Consolidation

Company Name	Ownership (As on March 31, 2020)	Consolidation Approach
Shresht Mining and Metals Pvt Ltd	50%	Equity method-
Goedehoop Coal (Pty) Limited	50%	Equity method
Thuthukani Coal (Pty) Limited	49%	Equity method
Jindal Steel & Power (BC) Limited	100%	Full Consolidation

* On April 27, 2021, JSPL announced on stock exchanges that its Board has approved divestment of its entire equity stake in JPL, subject to receipt of requisite approvals.

** Indicate stake in Jindal Shaded Iron and Steel LLC and its subsidiaries as on March 31, 2020. In June 2020, JSPL had accepted a binding offer from Templar Investments Limited (a Mauritius-based, promoter group entity) to divest its entire stake in JSIS Oman. Subsequently, on September 2, 2020, the company announced the sale of ~48.99% of JSPLML's stake in JSIS Oman to Vulcan Steel, a subsidiary of Templar Investments Ltd., in the first tranche. On April 16, 2021, the company announced the sale of balance ~51% stake held by JSPML in JSIS Oman, to Vulcan Steel, in the second and final tranche. With this, JSIS Oman and its subsidiaries cease to be subsidiaries of JSPL.

Note: ICRA has relied on consolidated financial estimates, after factoring in the above-mentioned divestment transactions.

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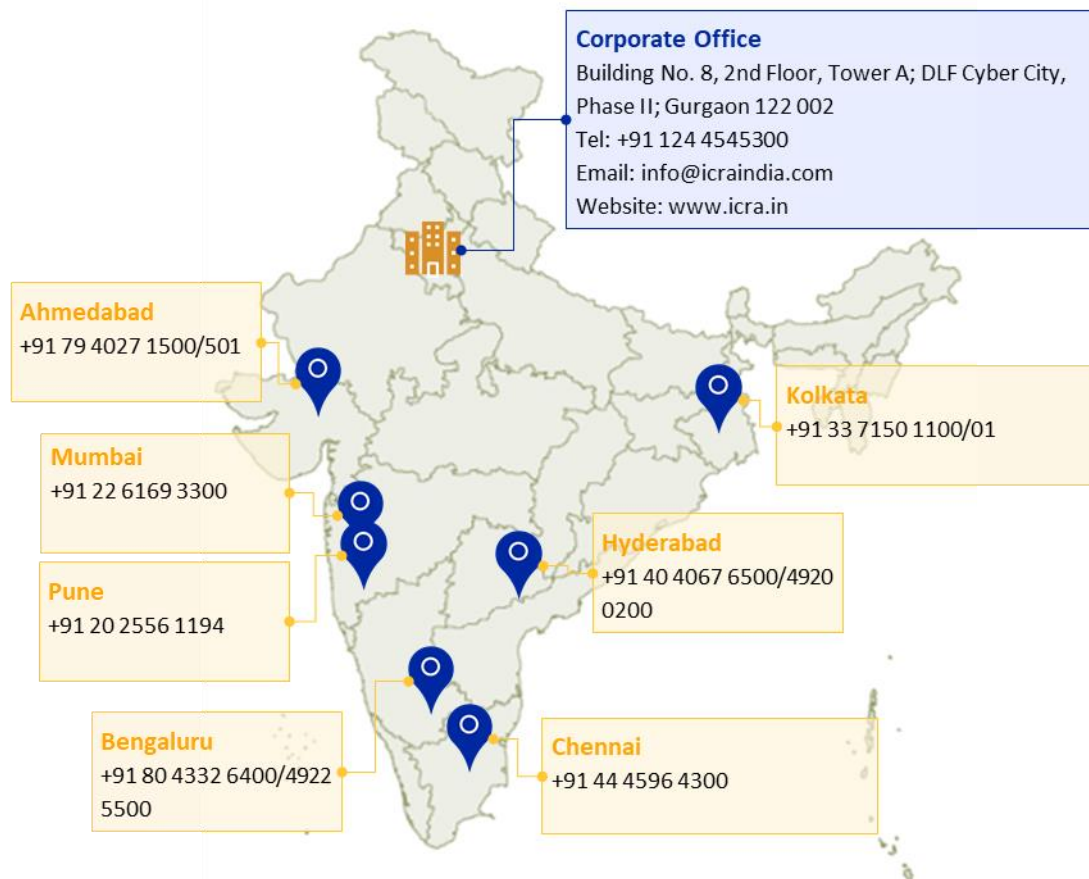


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