

ArcelorMittal India Private Limited

February 27, 2018

Summary of rated instruments

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	Not applicable	[ICRA]AA(Positive); Assigned

Rating action

ICRA has assigned a long-term issuer rating of [ICRA]AA (pronounced ICRA double A) to ArcelorMittal India Private Limited¹ (AMIPL or the company). The outlook on the long-term rating is 'Positive'.

Rationale

The assigned rating primarily reflects AMIPL's status as an entity wholly owned by ArcelorMittal Group, the strong credit profile of its ultimate holding company, [ArcelorMittal SA](#) (AMSA, rated at [ICRA]AA(Positive)) and AMSA's stated intent to ensure timely servicing of all obligations in respect of any future debt contracted by AMIPL. While AMIPL does not have any operations in India at present, the company has recently submitted its proposal for acquisition of a large stressed asset in the steel sector under the Insolvency & Bankruptcy Code (IBC) framework. ICRA notes that the entity has been incorporated to spearhead the group's foray in India and its entire capital as on March 31, 2017 has been funded by way of equity infusion by its parent company.

The rating is, however, constrained by the cyclicity inherent in the steel industry, which is likely to make AMIPL's cash flows volatile. Also, in the event of a successful acquisition of the large stressed asset, AMIPL's ability to quickly ramp up operations profitably would be crucial, notwithstanding the group's demonstrated track record of turning around operations of weaker entities globally.

Outlook: Positive

The Positive outlook mirrors AMSA's long-term rating outlook and also reflects ICRA's expectations that AMIPL would receive full support from its parent for its future debt servicing requirements. The outlook may be revised to Stable or Negative in case of a similar change in ICRA's rating outlook on AMIPL's ultimate parent company AMSA or any change in the extent of support extended by AMSA to AMIPL.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

Status as a step-down subsidiary of ArcelorMittal SA, having a strong credit profile – The company is a wholly owned subsidiary of a holding company namely Oakey Holding BV (Netherlands), for which the ultimate parent is ArcelorMittal SA (AMSA, rated [ICRA]AA(Positive)). AMSA is the world's largest steel producer and its credit profile has strengthened substantially over the last two years with significant de-leveraging and improvement in debt coverage indicators. AMSA's strong liquidity profile supported by sizeable unencumbered cash and undrawn committed lines of credit provides additional comfort towards meeting any of AMIPL's future debt service requirements.

Support from the ultimate parent to ensure AMIPL's future debt-service requirements - The rating primarily reflects the stated intent of AMSA to ensure timely servicing of any future debt contracted by AMIPL.

Strategy of maintaining a conservative capital structure for the Indian operations – Although AMIPL does not have any operations at present, its investments in fixed assets have been funded entirely by way of equity from its parent company and remains debt-free as on date.

Credit challenges

Cyclicality inherent in the steel industry - Given the significant volatility exhibited by steel prices, AMIPL's profitability and cash flows remain exposed to price risks.

Ability to quickly ramp up operations profitably of the stressed asset – AMIPL intends to acquire an India-based large stressed asset in the steel sector. In the event of a successful acquisition, AMIPL's ability to achieve ramp up of operations in a time bound and profitable manner would remain crucial. However, the group's demonstrated track record of turning around weaker entities globally provides some comfort.

Analytical approach: For arriving at the ratings, ICRA has derived comfort from the strength of the rating of AMIPL's ultimate parent company, AMSA, and also applied its rating methodologies as indicated below.

Links to applicable criteria:

[Rating Methodology for Entities in Ferrous Metals Industry](#)
[Corporate Credit Rating Methodology](#)

About the company:

AMIPL was incorporated in April 2006 to carry out the business of prospecting and mining of iron ore and manufacture of iron, steel and other alloys. While the company's plans of setting up a steel plant in Odisha and Karnataka did not fructify, the company is awaiting the Karnataka State Government's approval to set up a solar power plant of about 600 MW in phases. In Jharkhand, the company was allotted an iron ore mining lease but the timeline for signing the mining lease with the State Government lapsed in January 2017 in the absence of forest clearance, for which the matter is currently sub-judice. The company has also filed a resolution plan for a large stressed asset in the steel sector in February 2018 as a part of its inorganic growth strategy.

At present, the company does not have any operations and has acquired a land of 2659 acres in the Bellary district of Karnataka.

Parent company profile (AMSA)

AMSA, including its subsidiaries, is the world's leading steel company, with presence in 60 countries. AMSA has steel-making operations in 19 countries in four continents, including 51 integrated and mini steel-making facilities, with a total installed capacity of ~ 113 million tonne per annum. ArcelorMittal is the successor to Mittal Steel, a business originally set up in 1976 by Mr. Lakshmi N Mittal, current Chief Executive Officer and Chairman of the Board of Directors. ArcelorMittal was created through the merger of Arcelor and Mittal Steel in 2006 and is a holding company with no business operations of its own. All of AMSA's significant operating subsidiaries are indirectly owned through intermediate holding companies. AMSA reports its business in five reportable segments - NAFTA, Brazil, Europe, ACIS² and Mining.

In CY2017, on a consolidated basis, the company reported a net profit of \$4.6 billion (Rs. 27,205 crore) on an operating income of \$68.7 billion (Rs. 447,144 crore), as compared to a net profit of \$ 1.7 billion (Rs. 8,256 crore) on an operating income of \$56.8 billion (Rs. 381,498 crore) in the previous year³.

Key financial indicators of AMIPL

	FY2016	FY2017
Operating Income (Rs. crore)	-	-
PAT (Rs. crore)	-8.8	-17.0
OPBDIT/ OI (%)	-	-
RoCE (%)	-3.1%	-6.3%
Total Debt/ TNW (times)	-	-
Total Debt/ OPBDIT (times)	-	-
Interest coverage (times)	-13.0	-24.6
NWC/ OI (%)	-	-

Source: Company financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

² Africa and CIS

³ P&L items have been converted at INR 65.107 per USD for CY2017 and INR 67.176 per USD for CY2016

Rating history for last three years:

Current Rating (FY2018)					Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating February 2018	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
Issuer Rating	Long Term	Not applicable	Not applicable	[ICRA]AA (Positive)	-	-	-

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: Instrument Details

Not applicable

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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.

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