



Jindal Steel & Power Limited

Instrument	Amount rated	Rating Action
	In Rs. Crore	
Debt Instruments		
Non-Convertible Debentures	3212.00	[ICRA]A+; revised from [ICRA]AA-@; outlook: negative
Commercial Paper	1250.00	[ICRA]A1; revised from [ICRA]A1+@
Bank Lines		
Term Loans	18838.75	[ICRA]A+; revised from [ICRA]AA-@; outlook: negative
Fund Based Limits	4150.00	
Non-fund Based Limits	6800.00	
Short Term Loans	2500.00	[ICRA]A1; revised from [ICRA]A1+@
Unallocated	899.25	[ICRA]A+/[ICRA]A1; revised from [ICRA]AA-@/[ICRA]A1+@; outlook: negative

@ - the earlier ratings were on watch with negative implications

ICRA has revised the long term rating for Rs. 3,212 crore* NCD programmes, Rs. 18,838.75 crore term loans, Rs. 4,150.00 crore fund based limits and Rs. 6,800.00 crore non-fund based limits of Jindal Steel & Power Limited (JSPL) from [ICRA]AA- (pronounced ICRA double A minus) to [ICRA]A+ (pronounced ICRA A plus). ICRA has also revised short term rating for Rs. 1,250 crore Commercial Paper/Short Term Debt programme, and Rs. 2,500 crore short term loans of JSPL from [ICRA]A1+ (pronounced ICRA A one plus) to [ICRA]A1 (pronounced ICRA A one). The ratings for Rs. 899.25 crore of unallocated limits of JSPL have also been revised to [ICRA]A+/[ICRA]A1 from [ICRA]AA-/[ICRA]A1+. The ratings have been removed from 'rating watch with negative implications' and a 'negative outlook' is assigned to the long term rating of JSPL.

The revision of ratings takes into account deterioration in JSPL's credit metrics led by lower sales realizations in steel business and consequently weaker operating profitability and cash flow from operations at a time when its debt is at an elevated level. With the continuing challenging environment for the steel sector, cash flow from operations for JSPL are expected to remain subdued in the medium term which would result in higher dependence on debt refinancing or raising funds through alternate route like sale of non-core assets and divestment of stake in some subsidiaries. While the company is actively looking at divestment of stake in some subsidiaries/assets, and has already carried out or is in advanced stage of completing few small to medium size divestments, larger divestments would take some time to materialize. In the absence of sizeable divestments, the gross debt for JSPL at consolidated level, which stood at Rs. 45,312 crore as of June 30, 2015, is likely to remain at similar levels thereby putting pressure on its credit profile. The company is also looking to refinance part of its debt with longer maturity debt which could ease cash flow pressure in medium term. JSPL's ratings continue to be constrained by uncertainties associated with coal sourcing arrangements, weak domestic demand and competition from imports.

The ratings of JSPL are, however, supported by its strong asset base, operational track record in steel and power sectors, captive iron ore mine, vantage location of plant in terms of proximity to various coal and iron ore mines, diversified and value added product portfolio, sizeable scale of operations, and its experienced and professional management which has a sharp focus on achieving cost leadership by sweating assets and by improving operating efficiencies.

ICRA has also assigned a negative outlook on the long term rating of JSPL taking into account the challenging environment for the company including weak steel realizations, lack of stable raw-material sourcing arrangement, and regulatory risks. The company's ability to tie-up long term raw-material (iron ore and coal), deleverage its balance sheet through divestments/stake sales, and refinance existing debt with longer maturity debt are the key rating sensitivities.

* 100 lakh = 1 crore = 10 million



Company Profile

Jindal Steel & Power Limited was promoted as Orbit Steel Private Limited (OSPL) in 1979 by Mr. O.P. Jindal. OSPL became a public limited company in 1998 with its name changed to Jindal Steel and Power Limited (JSPL) in June 1998. The company's operations were insignificant till early 1998 when after a restructuring exercise in Jindal Strips Limited (JSL), JSL's Raigarh and Raipur units (both in the state of Chhattisgarh) were hived off and merged with JSPL. The restructuring exercise was approved by the Haryana High Court with effect from April 2, 1998. Prior to the restructuring, JSL was engaged in manufacturing stainless steel and sponge iron and cold rolling mild steel. These operations were managed respectively, by Mr. Ratan Jindal, Mr. Naveen Jindal and Mr. Sajjan Jindal, the three sons of Mr. O.P. Jindal. As part of the restructuring, the stainless steel division was retained in JSL, the sponge iron division was transferred to JSPL, and the cold rolling division sold off to Jindal Iron and Steel Company Limited (JISCO), a Jindal Group company. The restructuring was undertaken to realign the Jindal Group's businesses along different product lines, thereby increasing management focus on them and consolidating their positions in their respective markets.

Over the past one decade, JSPL has significantly expanded its steel and power operations. The Company continues to have manufacturing/fabrication units, at Raigarh and Raipur. The Raigarh unit produces sponge iron, mild steel, beams, plates, rail structural, medium & light sections and power while the Raipur plant is engaged in machining and engineering jobs. The company has recently commissioned a 1.5 MTPA Steel Plant, 1.8 MTPA DRI plant and 810 MW in Angul (Orissa).

Recent Results

In first quarter of the current financial year Q1-FY16, JSPL on consolidated level reported a net loss of Rs. 355.5 crore on total income from operations of Rs. 4,426 crore in comparison to net profits of Rs. 401.6 crore and total income from operations of Rs. 4,687 crore in Q1-FY15.

August 2015

For further details please contact:

Analyst Contacts:

Mr. Rohit Inamdar (Tel. No. +91-124-4545847)
rohit.inamdar@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur (Tel. No. +91-124-4545310)
vivek@icraindia.com

© Copyright, 2015, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**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: **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: **9821086490**Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
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: **9845022459**Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**Mobile: **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: **989986490**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: **989986490**Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500