



Jindal Steel & Power Limited

Instrument	Amount rated In Rs. Crore	Rating Action
Debt Instruments		
Non-Convertible Debentures	3212.00	[ICRA]A; revised from [ICRA]A+; outlook: negative
Commercial Paper	1250.00	[ICRA]A2+; revised from [ICRA]A1
Bank Lines		
Term Loans	18838.75	[ICRA]A; revised from [ICRA]A+; outlook: negative
Fund Based Limits	4150.00	
Non-fund Based Limits	6800.00	
Short Term Loans	2500.00	[ICRA]A2+; revised from [ICRA]A1
Unallocated	899.25	[ICRA]A/[ICRA]A2+; revised from [ICRA]A+/[ICRA]A1; outlook: negative

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]A+ (pronounced ICRA A plus) to [ICRA]A (pronounced ICRA A). 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) to [ICRA]A2+ (pronounced ICRA A two plus). The ratings for Rs. 899.25 crore of unallocated limits of JSPL have also been revised to [ICRA]A / [ICRA]A2+ from [ICRA]A+ / [ICRA]A1. The outlook on the long term rating of JSPL is 'negative'.

The revision of JSPL's ratings takes into account continued pressure on its steel business with decline in realizations and competition from imports in the domestic market leading to lower operating profitability and cash flows from operations. This coupled with high debt has resulted in deterioration of credit metrics with interest coverage ratio (operating profits / interest and finance expenses) for JSPL on standalone basis falling below 1x during H1FY16. While the company has taken steps to deleverage through fund raising initiatives like sale of some non-core assets, and is looking for divestment of stake in some subsidiaries, timely materialization of these remains to be seen. Similarly, company's proposal for refinancing part of its debt to elongate its maturity profile is under consideration and timely completion of the same remains a key sensitivity. JSPL's ratings continue to be constrained by uncertainties associated with coal sourcing arrangements, high competition from imports, and regulatory risks.

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.

The negative outlook on the long term rating of JSPL takes into account the challenging environment including weak steel realizations, lack of stable raw-material sourcing arrangement, and on-going litigations. 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.

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

^{*} 100 lakh = 1 crore = 10 million



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 half of the current financial year H1-FY16, JSPL on consolidated level reported a net loss of Rs. 1,050 crore on total income from operations of Rs. 9,134 crore in comparison to net profit of Rs. 801.7 crore and total income from operations of Rs. 9,830 crore in H1-FY15.

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