

## Jindal Steel & Power Limited

Instrument	Amount rated In Rs. Crore	Rating Action
<b>Debt Instruments</b>		
Non-Convertible Debentures	3212.00	[ICRA]BBB+; revised from [ICRA]A; outlook: negative
Commercial Paper	1250.00	[ICRA]A3+; revised from [ICRA]A2+
<b>Bank Lines</b>		
Term Loans	18838.75	[ICRA]BBB+; revised from [ICRA]A; outlook: negative
Fund Based Limits	4150.00	
Non-fund Based Limits	6800.00	
Short Term Loans	2500.00	[ICRA]A3+; revised from [ICRA]A2+
Unallocated	899.25	[ICRA]BBB+/[ICRA]A3+; revised from [ICRA]A/[ICRA]A2+; outlook: negative

ICRA has revised the long term rating for Rs. 3,212 crore<sup>\*</sup> 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) to [ICRA]BBB+ (pronounced ICRA triple B). 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]A2+ (pronounced ICRA A two plus) to [ICRA]A3+ (pronounced ICRA A three plus). The ratings for Rs. 899.25 crore of unallocated limits of JSPL have also been revised from [ICRA]A / [ICRA]A2+ to [ICRA]BBB+ / [ICRA]A3+. The outlook on the long term rating of JSPL is 'negative'.

The revision of JSPL's ratings takes into account delay in its realization of its asset monetization plans and Bolivia settlement, and continued weak steel prices leading to modest operating profitability and cash flows from operations. This coupled with high debt has weakened JSPL's liquidity making it highly dependent on refinancing. 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 of its 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. This apart, 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.

---

\* 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 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.

**January 2016**

*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, 2016, 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](http://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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto:jayantac@icraindia.com)

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