

Jindal Steel & Power Limited

Instrument	Amount rated	Rating Action
	In Rs. Crore	March 2016
Debt Instruments		
Non-Convertible Debentures	3212.00	[ICRA]D; revised from [ICRA]BB+
Commercial Paper	1250.00	[ICRA]D; revised from [ICRA]A4+
Bank Lines		
Term Loans	18838.75	[ICRA]D; revised from [ICRA]BB+
Fund Based Limits	4150.00	
Non-fund Based Limits	6800.00	
Short Term Loans	2500.00	[ICRA]D; revised from [ICRA]A4+
Unallocated	899.25	[ICRA]D/[ICRA]D; revised from [ICRA]BB+/[ICRA]A4+

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]BB+ (pronounced ICRA double B plus) to [ICRA]D (pronounced ICRA D). 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]A4+ (pronounced ICRA A four plus) to [ICRA]D (pronounced ICRA D). The ratings for Rs. 899.25 crore of unallocated limits of JSPL have also been revised from [ICRA]BB+ / [ICRA]A4+ to [ICRA]D / [ICRA]D.

The revision of ratings takes into account delays in debt servicing by the company in the recent past on account of its stretched liquidity position following delays in materialization of asset monetization and refinancing plans, and continuing weak cash flows from operations. The operational cash flows of the company had deteriorated sharply in the last quarter which coupled with high debt servicing obligations made it highly dependent on debt refinancing and monetization of some assets. With the challenging environment for steel sector, refinancing has become difficult whereas asset monetization has also witnessed slow progress.

JSPL's ratings continue to be constrained by uncertainties associated with coal sourcing arrangements, modest steel demand, regulatory risks, and cyclical nature of steel industry.

These factors apart, JSPL has a strong asset base, healthy 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, and sizeable scale of operations.

Going forward, regularization of debt servicing obligations, deleveraging of balance sheet through asset monetization and debt refinancing will be 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 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

* 100 lakh = 1 crore = 10 million



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 nine months of the current financial year 9m-FY16, JSPL on consolidated level reported a net loss of Rs. 1,530.7 crore on total income from operations of Rs. 13,538 crore in comparison to net loss of Rs. 758.8 crore and total income from operations of Rs. 15,026 crore in 9m-FY15.

March 2016

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