

December 17, 2013

CARE REAFFRIMS THE RATINGS ASSIGNED TO VARIOUS DEBT FACILITIES/INSTRUMENTS OF JINDAL SAW LTD

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	2,134.62 (enhanced from 1,634.62)	CARE AA- [Double A Minus]	Reaffirmed
Short-term Bank Facilities	3,650	CARE A1+ [A One Plus]	Reaffirmed
Total Bank Facilities	5,784.62		
Proposed Non-Convertible Debentures-IV	500 (enhanced from 250)	CARE AA- [Double A Minus]	Reaffirmed

Rating Rationale

The ratings continue to take into account Jindal SAW Ltd's (JSL) dominant position in the steel pipes industry in India, the company's moderate order book position and its diversified product portfolio. The ratings also consider JSL's moderate leverage profile as well as liquidity position and the benefits expected to be received from the captive iron ore mine at Bhilwara, Rajasthan. The ratings also take cognizance of the moderation in JSL's profitability margins owing to the competitive industry scenario. The rating strengths are however partially off-set by JSL's working capital intensive nature of operations, the company's significant exposure towards its subsidiaries and the risks associated with the various projects under execution.

Going forward, JSL's ability to improve its profitability and maintain a moderate leverage profile would be the key rating sensitivities. Furthermore, the impact of the company's commitments towards subsidiaries on its credit profile would also remain crucial going forward.

Background

JSL, part of the OP Jindal group, was incorporated in 1984 as SAW Pipes Ltd. The company got its present name in February 2005. The major products of JSL include Longitudinal Submerged Arc Welded (LSAW) pipes, Helical SAW (HSAW) pipes, Ductile Iron (DI) pipes, seamless pipes, pig iron, pellets etc. The company has five manufacturing facilities at Kosi Kalan (UP), Mundra (Gujarat), Nashik (Maharashtra), Bellary (Karnataka) and Bhilwara (Rajasthan). JSL has an installed capacity of 1.1 Million Tonnes Per Annum (MTPA), 0.74 MTPA, 0.22 MTPA and 0.4 MTPA respectively for manufacturing of LSAW pipes, HSAW pipes, seamless pipes and DI pipes as on March 31, 2013. Furthermore, the company has also started partial commercial operations of its 1.2 MTPA pellet plant at Bhilwara from June 2013. It also has a waste heat recovery-based captive power generation installed capacity of 30 MW in Mundra. Furthermore, JSL also has a 7.5 MW wind mill in Gujarat.

On a total operating income of Rs.5,655 crore, JSL reported PBILDT and PAT of Rs.646 crore and Rs.193 crore, respectively, during FY13 (refers to the period April 1 to March 31). Furthermore, during H1FY14 (provisional), the company's PBILDT and PAT stood at Rs.291 crore and Rs.38 crore respectively on a total operating income of Rs.2,436 crore which included pellet sales of Rs.122cr.

Please refer to our website www.careratings.com for the detailed rating rationale of JSL.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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