Jindal Stainless Limited

April 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	5,475.32 (Reduced from 5,810.00)	CARE AA; Stable	Reaffirmed
Short-term bank facilities	11,424.68 (Enhanced from 8,640.00)	CARE A1+	Reaffirmed
Non-convertible debentures	475.00	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of rating assigned to the bank facilities/instruments of Jindal Stainless Limited (JSL) factors in the continuation of resilient operational and profitability performance of the company in different industry/economic cycles, as demonstrated by its consistently improving sales volumes and higher-than-envisaged profit before interest, lease rentals, depreciation, and taxation (PBILDT) per tonne from FY21-FY23. The reaffirmation further factors sustained improvement in the company's financial risk profile with significant deleveraging activity undertaken by the company during the past few years, leading to persistent improvement in its debt coverage metrics.

JSL has recorded steady-state improvement in its sales volumes over the last three fiscals (refers to the period from April 01 to March 31). With the operationalization of the additional capacity at Jajpur, Odisha, JSL has further showcased improvement in sales volumes in 9MFY24 (refers to the period from April 01 to December 31) as well. Going ahead as well, CARE Ratings Limited (CARE Ratings) expects sustenance in revenue and profitability over the medium-term period, driven by steady improvement in sales volumes and maintenance of PBILDT/tonne above ₹20,000 per tonne on consolidated basis.

The rating continues to derive strength from the well-established position of JSL in the stainless steel (SS) manufacturing sector, being the largest SS producer in the domestic market, having a diversified product profile (various series & grades) and presence through various manufacturing facilities across key strategic geographies. JSL's focus towards increasing its share of value-added products, along with its flexibility to shift between the domestic and exports markets, has enabled the company to withstand adverse industry cycles.

The ratings also favourably factor-in the merger of Jindal Stainless (Hisar) Limited (JSHL) into JSL in March 2023, as well as JSL acquiring the balance 74% stake in Jindal United Steel Limited (JUSL) in July 2023, thereby making JUSL a 100% wholly-owned subsidiary and integrate its downstream tolling operations under the same umbrella.

JSL has completed the acquisition of Rathi Super Steel Limited (RSSL) in November 2022 through IBC process and , by which JSL has added 0.16 mtpa of rolling capacity. Until now, JSL was majorly into flat SS products manufacturing; however, with the acquisition of RSSL, it has widened its product profile further in long SS products capable of manufacturing wire rods and re-bars. JSL also a completed an acquisition of Rabirun Vinimay Private Ltd on December 19, 2023.

JSL has also entered into a collaboration agreement with New Yaking Pte. Ltd to acquire 49% stake in a Nickel Pig Iron smelter facility in Indonesia for a total consideration of about USD 157 million which is a move towards strengthening its major raw material security of nickel. CARE Ratings expects significant synergy from this collaboration with New Yaking Pte Ltd for Nickel Pig Iron smelter facility in Indonesia which is expected to be commissioned in FY25 with an annual facility of 2 lakh metric tonne. CARE Ratings expects, with the completion of mergers & acquisitions and expansion of capacities, solvency ratios (overall gearing and net debt/PBILDT) are expected to witness moderation during FY24. However, with the generation of additional cash flows from operating activities, the solvency ratios are expected to improve post FY24 onwards.

The above rating strengths are, however, tempered by susceptibility of the group's sales realisations and profit margins to volatility in raw material prices, foreign exchange fluctuations and the cyclicality inherent in the SS industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Envisaged growth in JSL's sales volumes and PBILDT per tonne above ₹20,000 (consolidated) on a sustained basis.
- Improvement in overall gearing to below 0.50x.
- Total debt (incl. acceptances)/PBILDT below 2.00x on a sustained basis.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Negative factors

- Significant decline in the group's sales volumes and PBILDT per tonne below ₹15,000 on a sustained basis.
- Any unforeseen large debt-funded capex/ acquisition deteriorating the group's overall gearing beyond 1.00x.
- Total debt (incl. acceptances)/PBILDT above 3.0x.

Analytical approach: Consolidated

Earlier, CARE Ratings Limited (CARE Ratings) had considered combined approach of JSL and JSHL due to strong operational and financial linkages between the two entities with continuing cross corporate guarantees for its debt component and ICDs. However, post-merger of JSHL into JSL, CARE Ratings has now revised its approach to consolidated on account of significant operational and financial linkages of JSL with its subsidiaries. The list of entities whose financials have been considered in JSL's consolidated financials is mentioned in Annexure C-5.1.

JSL has raised its stake in Jindal United Steel Limited (JUSL) from earlier 26% to 100% on July 2023, hence going ahead, JUSL now being a wholly owned subsidiary of JSL, will also become a part of the consolidated financials of JSL.

Outlook: Stable

The stable outlook is on the grounds of dominant market position of JSL in stainless steel industry with Jajpur facility with an integrated plant capacity of 2.2 million tonnes per annum, which coupled with favourable demand scenario in the domestic market along with ramping-up of the added capacity shall enable it to sustain healthy business and financial risk profile over the medium to long-term period.

Detailed description of the key rating drivers:

Key strengths

Strong operational and profitability performance

JSL has showcased consistent growth in sales volume in the past few years. The sales volumes of the company have increased from 1.52 million tonnes in FY20 to around 1.76 million tonnes in FY23. In 9MFY24, the company has already crossed 1.60 million tonnes of sales with a domestic sale composition of 86%. The plant has also recorded steady improvement in its capacity utilisation levels surpassing 90% of the rated capacity. The PBILDT/tonne for the company has also improved from around ₹13,700 per tonne in FY20 to around ₹22,000 per tonne, despite significant volatility in commodity as well as raw material prices. The 9MFY24 Revenue from operations have improved by 12.24% from ₹ 25,932 in 9MFY23 while the EBITDA has also improved by 50% in 9MFY24 from 9MFY23. Going ahead as well, CARE Ratings expects the likely continuation of increase in sales volume over the next 2 years along with likely maintenance of PBILDT/tonne above ₹20,000 per tonne on consolidated basis.

Merger of JSHL and acquisition of JUSL

JSL completed several mergers and acquisitions in the last one year, the primary ones being merger of JSHL with JSL and another the acquisition of JUSL by JSL to make it a 100% subsidiary. Both consolidations are of strategic importance and will add efficiency and profitability to the company.

JSHL, a listed company of the Jindal group, operating 0.8 MTPA of SS manufacturing plant at Hisar, Haryana, was merged into JSL with effect from March 2, 2023, following a composite scheme of arrangement approved by NCLT on February 02, 2023. The merger of JSL and JSHL has resulted in the merged entity having a total stainless-steel melting capacity of 1.90 MTPA, which has subsequently become 3.0 MTPA post capacity expansion in JSL's own plant, making it the largest SS manufacturers in the country one of the largest in the world. The merged entity will have more diversified operations, wider presence both domestically as well as globally and higher bargaining power with the suppliers. The merged entity has promoter holding of 58.69% fully diluted while the remaining is held by public. The merger will also bring in more financial flexibility to JSL.

JUSL is an OP Jindal Group company with 74% owned by OPJ Steel Trading Private Limited (OPJSTPL) and 26% with JSL. The company operates an HSM mill in JSL's Jajpur premises and does tolling job work for JSL. It derives more than 80% of its revenue from this. On July 20, 2023, JSL completed acquisition of balance 74% of stake in JUSL from OPJSTPL and made JUSL its 100% subsidiary for sales consideration of ₹958 crore. This acquisition consolidates all the critical facilities of stainless-steel manufacturing under one umbrella and is expected to result in improved synergies between both the companies and a preferred governance structure. JUSL is in the process of expanding its HSM capacity from 1.6 MTPA to 3.2 MTPA in line with the expanded steel melting capacity of 3.00 MTPA of JSL at the cost of around ₹450 crore, and the same is commissioned.

Improvement in sales volumes from expanded capacities

JSL expanded its capacity at Jajpur plant from 1.1 MTPA to 2.1 MTPA, which was commissioned in March 2023. The new addition of capacity along with the existing Hisar plant, totals to a combined stainless-steel melting capacity of 3.0 MTPA for JSL, which makes the company the largest stainless steel manufacturer in India and among the highest globally. The expanded Jajpur capacity has been already commissioned in March 2023 which will further add to the production capability of the company.

PBLIDT/Tonne is expected to be hovering around ₹20,000 (consolidated) (almost at the current levels) and with the growing demand, sales volumes from the incremental capacity are also likely to directly add to the profitability of the company. To accommodate the increased capacity, tolling capacity at JUSL's plant is also under expansion to match with the 3.0 MTPA production capacity of JSL.

Experienced promoter group with an established industry track record while sustaining a market leading position
Under the guidance of Ratan Jindal and family, the Jindal group with the flagship entity Jindal Stainless Limited (established in 1970), has a long track record of over five decades in the stainless-steel industry. After merger of JSHL into JSL in March 2023, the company's steel melting capacity of 1.10 MTPA increased to 1.90 MTPA. Furthermore, after completion of expansion of JSL's own capacity at Jajpur plant by 1 MTPA, the company's new capacity is now 3.0 MTPA which makes it the largest stainless-steel manufacturer in India and among the top ten stainless steel producers in the world. Post-merger the company accounts for more than 50% of the stainless-steel flat products produced in India. The company enjoys cost competitiveness on account of its integrated nature of operations and presence in value-added products.

Substantial reduction in overall debt resulting in enhancement of the company's financial risk profile.
Total debt (excluding acceptances) has witnessed a steady decline from ₹10,889 crores in FY15 to ₹3,936 crore in FY23 with a term debt of ₹3,150 crores. The total debt including acceptances, amounted to ₹7,860 crore in FY23. The overall gearing has also improved to 0.71x in FY23 owing to decline in debt levels and increased reserves accretion in FY22 and FY23. CARE Ratings also takes a note of the improvement in the gearing levels despite undertaking significant capex activity during the past few years. However, further new debt funded expansion projects would be a key monitorable.

Backward integration of nickel supply through NPI facility in Indonesia
In March 2023, JSL entered into a collaboration agreement with New Yaking Pte Ltd for a 49% stake in their Nickel Pig Iron (NPI) smelter facility in Indonesia for a consideration of US$157 million. JSL will collaborate with the company in constructing and operating the facility. The facility is planned to be commissioned within 2 years with an annual production capacity of up to 200,000 MT of NPI with average 14% Ni Content. Nickel supply and price is constantly subject to market, logistical and geopolitical constraints and affects raw material costs in stainless steel manufacturing. This step ensures seamless supply of nickel, supporting raw material security and maintaining the margin consistency for JSL's operations given high global prices of nickel and India's deficiency for nickel deposits.

Entry into new products through acquisition of Rathi Super Steel and merger of Jindal Lifestyle Mobility Division
JSL has successfully completed the acquisition of Rathi Super Steel Ltd through the National Company Law Tribunal proceedings in November 2022 for a consideration of ₹205 crore. The company is in the business of manufacturing long products such as wire rods and rebars which would further diversify JSLs presence with entry into stainless steel long products segment.

Mobility division of the group company JSL Lifestyle Limited (now Jindal Lifestyle Limited) was demerged and and merged into JSL in March 2023. This division operates the Automotive, Rail and Transport (ART) segment and manufactures products for Indian Railways and Metro Rail, such as retention tanks, grab poles and grab rails, SS Benches, railings, claddings, side walls, trough floors, wire ways, etc. This also adds a new vertical to JSL's product portfolio.

Key weaknesses

Exposure to raw material price volatility and forex fluctuation risks
The primary raw materials for the company include SS scrap, nickel and ferrochrome ore, prices of which remain volatile considering these are commodity products. Nickel prices have continued to remain volatile, and any adverse movement in the raw material prices may adversely impact the margins of the group due to the time lag between procurement and passing on the same to the customers. Although the prices of Nickel have started to ease after Q3FY24, which might further benefit JSL in terms of profitability given no significant adverse movements in Nickel and Ferro chrome the prices are observed. Through the collaboration with New Yaking Pte Ltd for a 49% JV in their Nickel Pig Iron (NPI) smelter facility in Indonesia that will provide 14% Ni content output, JSL is trying to minimise its dependency to minimise risk of the price volatility of nickel given its high scarcity domestically. CARE Ratings notes that as a net importer, the group remains exposed to the foreign exchange risk, which is partly mitigated by hedging on both, imports and exports; and the group is exposed to the extent of its unhedged exposure. SS scrap prices are determined by global demand-supply dynamics, and discounts on nickel negotiated between scrap suppliers and SS mills in different geographies.

Cyclicality inherent in the SS industry
The SS industry moves closely with business cycles, including growth in economy and seasonal changes in demand-supply situations in the end-user segments. Apart from the domestic market, the demand-supply situations in global markets, especially in large commodity-producing and consuming countries, such as China, has a significant bearing on the seaborne trade of stainless steel and volumes and margins of global industry players. Susceptibility to competition from imports and smaller domestic players especially in the 200-grade series has led to a decline in capacity utilisation in the segment. However, for manufacturers like JSL, the pervasive presence across the value chain and a higher share of value-added products provides better protection against cyclicality and related fluctuations in prices of commoditised stainless-steel products.

Liquidity: Strong
The liquidity position of the company (including JUSL) remains strong supported by healthy cash accruals. The envisaged cash accruals for FY24 and FY25, respectively, are more than adequate to cover its scheduled repayment obligation of nearly ₹376 crores and ₹859 crore, respectively. The company had cash and cash equivalents of ₹521 crore as on March 31, 2023. The average working capital utilisation (fund-based) of JSL stood moderate at 30% for the 12 months ending March 2024 while 62% for the fund-based facilities ending March 2024. The group has planned a capex of nearly ₹3,200 crore during FY24 for various acquisitions and JUSL expansion, large portion of which has already been incurred. (acquisitions mostly through internal acquisitions and capacity expansion through debt).

Environment, social, and governance (ESG) risks

Particulars	Risk factors
Environmental	1. Committed to net zero carbon emissions by 2050. Electric Arc Furnace based low carbon emission manufacturing process as compared to Blast Furnace route. 2. Incremental power obtained through renewable resources. 3. Majority recycled material utilised, including steel scrap and water.
Social	1. Implemented safety measures to achieve "accident-free steel". 2.Learning and development programs like "Parivartan" and "Arohan" initiated.
Governance	1. Well defined policies in place to ensure transparent operations. 2.Best practices of the industry incorporated. 3. More than 4.5 lakhs beneficiaries through the company's intensive CSR programs.

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Iron & Steel

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

JSL is a part of the Ratan Jindal Group and is the leading integrated SS producers in the country with steel melting capacity of 3.00 MTPA, as on June 30, 2023. The manufacturing facilities are located at Jajpur (Odisha) and Hisar (Haryana). The company also has a captive thermal power plant, captive ferrochrome facilities, captive chromite mine, stainless steel melting, rolling mill and downstream value-added facilities. It manufactures stainless steel slabs and hot-rolled/cold-rolled coils and sheets and is also engaged in the production of specialty SS, which are high value-added products, including precision strips and defence products.

Jindal Stainless Limited (Consolidated):

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9M FY24 (UA)
Total operating income	32,993.37	35,767.78	2,9222.00
PBILDT	5,090.48	3,586.09	3,783.00

PAT	3,109.39	2,083.83	2,193.00
Overall gearing (times)	0.82	0.71	NA
Interest coverage (times)	14.81	11.05	9.43

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE220G07119 INE220G08034	24/02/2022 28/09/2022	7.73 8.62	24/05/2025 28/09/2026	475.00	CARE AA; Stable
Fund-based - LT-Term Loan		-	-	30/09/2032	4275.32	CARE AA; Stable
Fund-based - LT-Working Capital Limits		-	-	-	1200.00	CARE AA; Stable
Non-fund-based - ST-BG/LC		-	-	-	11424.68	CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (24-Jun-21)	1)CARE BBB+ (CW with Developing Implications)

									(08-Jan-21) 2)CARE BBB; Stable (28-Aug-20)
2	Fund-based - LT-Term Loan	LT	-	-	-	-		1)CARE A (CW with Developing Implications) (01-Jul-21) 2)Withdrawn (01-Jul-21)	1)CARE BBB+ (CW with Developing Implications) (08-Jan-21) 2)CARE BBB; Stable (28-Aug-20)
3	Non-fund-based - ST-BG/LC	ST	-	-	-	-		1)Withdrawn (01-Jul-21) 2)CARE A1 (CW with Developing Implications) (01-Jul-21)	1)CARE A2 (CW with Developing Implications) (08-Jan-21) 2)CARE A3+ (28-Aug-20)
4	Fund-based - LT-Cash Credit	LT	-	-	-	-		1)CARE A (CW with Developing Implications) (01-Jul-21) 2)Withdrawn (01-Jul-21)	1)CARE BBB+ (CW with Developing Implications) (08-Jan-21) 2)CARE BBB; Stable (28-Aug-20)
5	Fund-based - LT-External Commercial Borrowings	LT	-	-	-	-		1)Withdrawn (24-Jun-21)	1)CARE BBB+ (CW with Developing Implications) (08-Jan-21) 2)CARE BBB; Stable (28-Aug-20)
6	Fund-based - LT-Term Loan	LT	-	-	-	-		1)Withdrawn (24-Jun-21)	-
7	Fund-based - LT-Term Loan	LT	4275.32	CARE AA; Stable	1)CARE AA; Stable (06-Oct-23)	1)CARE AA-; Stable (10-Oct-22)		1)CARE AA-; Stable (25-Mar-22)	-
8	Fund-based - LT-Working Capital Limits	LT	1200.00	CARE AA; Stable	1)CARE AA; Stable (06-Oct-23)	1)CARE AA-; Stable (10-Oct-22)		1)CARE AA-; Stable (25-Mar-22)	-

9	Non-fund-based - ST-BG/LC	ST	11424.68	CARE A1+	1)CARE A1+ (06-Oct-23)	1)CARE A1+ (10-Oct-22)	1)CARE A1+ (25-Mar-22)	-
10	Debentures-Non Convertible Debentures	LT	475.00	CARE AA; Stable	1)CARE AA; Stable (06-Oct-23)	1)CARE AA-; Stable (10-Oct-22)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Limits	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	PT. Jindal Stainless Indonesia	Full	Strong operational and financial linkages between the entities
2	Jindal Stainless FZE	Full	
3	JSL Group Holding Pte. Limited	Full	
4	Iberjindal, S.L.	Full	
5	Jindal Stainless Park Limited	Full	
6	Rathi Super Steel Limited (Added from 16 November 2022)	Full	
7	Jindal Stainless Steelway Limited	Full	
8	Jindal Lifestyle Limited	Full	
9	JSL Logistic Limited	Full	
10	Green Delhi BQS Limited	Full	
11	Jindal Strategic Systems Limited	Full	
12	Sungai Lestrari Investment Pte Ltd (From 17 April 2023)	Full	
13	Jindal United Steel Limited	Full (from 20 July 2023)	
14	Jindal Coke Limited	Proportionate	
15	PT Cosan Metal Industry	Proportionate	

		(From 17 April 2023)	
16	Rabirun Vinimay Private Ltd	Full (December 19, 2023)	
17	Renew Green (MHS One) Pvt. Ltd.	Proportionate (September 29, 2023)	

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Ranjan Sharma Senior Director **CARE Ratings Limited** Phone: +91-22-6754-3453 E-mail: ranjan.sharma@careedge.in Pulkit Agarwal Director **CARE Ratings Limited** Phone: +91-22-6754-3505 E-mail: pulkit.agarwal@careedge.in Hitesh Avachat Associate Director **CARE Ratings Limited** Phone: +91-22-6754-3510 E-mail: hitesh.avachat@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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