

Jindal Stainless Limited (Revised)

October 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5,500.00 (Enhanced from 5,475.32)	CARE AA; Stable	Reaffirmed
Short Term Bank Facilities	11,400.00 (Reduced from 11,424.68)	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 ratings assigned to the bank facilities/instruments of Jindal Stainless Limited (JSL) factors in the continuation of resilient performance as demonstrated by its consistently improving sales volumes and sustained profit before interest, lease rentals, depreciation, and taxation (PBILDT) above ₹20,000 per tonne during the last three fiscals (FY22-FY24; FY refers to the period from April 01 to March 31). The reaffirmation further factors the sustained improvement in the company's financial risk profile with significant deleveraging activity undertaken by the company during the past few years, leading to healthy debt coverage metrics.

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

The collaborative agreement of JSL with New Yaking Pte Limited to acquire 49% stake in Nickel Pig Iron (NPI) smelter facility in Indonesia, reflects the significant promoter experience and the consistent efforts of the management to enable a strong operational integration. The said facility has already commenced its operation in Q2FY25 (originally scheduled to commission in April 2025). The project involved a cost of Rs. 1,200-1,300 crores (US\$ 157 million) approximately. CARE Ratings expects significant synergy from this collaborative facility, with an annual NPI capacity of 2 lakh metric tonne comprising 14% Nickel content.

The company is also setting up a SMS facility in Indonesia via a 49% collaborative joint venture (JSL acquired 100% stake in Sulawesi Nickel Processing Industries Holdings Pte. Limited). This agreement will bring in additional 1.2 million tonnes per annum (mtpa) steel melting capacity for JSL at a cost of just ~₹715 crore. JSL has also acquired 100% stake in Chromeni Steels Private Limited for ₹1,618 crore which supports the company in terms of additional cold rolling facility, bringing in surplus land bank to support any further expansion plans, as well as diversifying its geographical presence in western India market. This increased capacity of its cold-rolling facility will allow JSL to remain in line with the long-term vision of increasing the proportion of cold-rolled products in its product mix. CARE Ratings also take a note of ₹5,700 crore capex (inclusive of expenditure for acquisition of remaining 46% stake for ₹278 crore in Chromeni Steels private Limited) announcement made by the management. Despite of an increase in consolidated debt due to the ongoing capex, the repayments are likely to supported by additional earnings from these acquisitions and expansions, which is expected to result in improving the leverage ratios from FY25 onwards.

However, the ratings are partially offset by the volatile nature of raw material pricing (primarily nickel and chrome), domestic demand for stainless steel being offset by dumping from cheaper Chinese imports (via Vietnam and other ASEAN FTA route), forex fluctuations and the cyclical nature of the SS industry.

Ensuring stringent control over existing capex activity, meeting the dedicated timelines to avoid spill over and cost overrun will continue to remain a key monitorable for CARE Ratings.

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

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

Negative factors

- Significant decline in the group's sales volumes and PBILDT per tonne below ₹15,000 (consolidated) on a sustained basis
- Any unforeseen large debt-funded capex/ acquisition deteriorating the group's overall gearing beyond 1.0x
- Total debt (incl. acceptances)/PBILDT above 3.0x

Analytical approach: Consolidated

CARE Ratings has considered the consolidated approach 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 listed under Annexure 6.

Outlook: Stable

The stable outlook is on the grounds of dominant market position of JSL in the stainless-steel industry, 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 key rating drivers

Key strengths

Optimising operational performance while sustained profitability

The company holds a track record of signifying strong operational performance over the years. The sales volume of the company improved from 1.76 MTPA in FY23 to 2.17 MTPA in FY24, which is about 23% increase. Over the last 4 years, the sales volume grew at a CAGR of ~9.00% [inclusive of inter party sale to Jindal Stainless Hisar Limited until FY22] and CAGR of ~18.00% [exclusive of inter party sale to Jindal Stainless (Hisar) Limited until FY22]. While holding trend of increasing volumes, the company also witnessed significant improvement in its PBILDT per tonne of volume sold. The PBILDT remained above ₹20,000 per tonne over last three years despite witnessing volatile market dynamics and raw material price fluctuations.

Dominant market position in domestic as well as international market

JSL is the largest domestic manufacturer of stainless steel and also one of the dominant player in the international market. Its prominent product type includes stainless steel in 200, 300 and 400 grade and duplex stainless-steel products. The prominent products range includes stainless steel slabs, blooms, coils, plates, sheets, precision strips, wire rods, rebars, blade steel, and coin blanks. Also, the company is the world's largest producer of chrome manganese steel. According to the management, the total domestic consumptions of ~4.39 MTPA for stainless steel in FY24, JSL alone accounted for almost 50% of the demand during the year. JSL operates 16 stainless steel manufacturing and processing facilities across India, Spain, and Indonesia. Their extensive network spans 15 countries globally. In India, they have established ten sales offices and six service centres to better serve their customers. The primary manufacturing facilities in India are located in Jajpur, Odisha, and Hisar, Haryana.

Favourable demand outlook for stainless steel industry

The consumption demand for stainless steel in the domestic market itself has increased from 3.5 million tonnes in FY20 to 3.9 million tonnes in FY23 and ~4.39 million tonnes in FY24, which is further expected to grow at a CAGR of around 8-10% over the next three years. As per global average, the stainless-steel consumption stands at about 6kg, which is as low as 2.8kg in India. Thereby leaving a high untapped potential for players like JSL to expand and create a product awareness further. Significant growth is observed in sectors such as automotive and railways, with initiatives such as the Vande Bharat programme and the PM Gati Shakti project boosting demand. Emerging sectors like ethanol blending, renewable energy, and process industries also contribute to rising demand.

The management of JSL is consistently estimating the demand for stainless steel and simultaneously taking up its expansion plans for the same. The recent ongoing expansion in Indonesia will bring in additional 1.2 MTPA of melting capacity for the company, resultant the new consolidated capacity for JSL will be above 4.2 MTPA which is expected to ensure seamless supply for the rising demand for next few years. Additionally, the company is also expanding its downstream facilities (organically and inorganically) and is further diversifying into more products stream by way of acquiring entities like Rathi Super Steel aimed towards expand its infrastructure offerings in the medium term by manufacturing items like wire rods and rebars which would further diversify JSLs presence with entry into stainless steel long products segment. Acquisitions like Chromeni Steels Private Limited, also bring strategic advantage to the company. This acquisition will also provide an option to JSL for any further expansion (if required).

The industry faces challenges from heavily subsidised imports from China and Indonesia, necessitating government intervention. The Indian stainless-steel industry is well-equipped to meet domestic demand, and facilitate substitution of most of the imported

Backward integration of nickel supply through NPI facility in Indonesia

In March 2023, JSL entered into a collaboration agreement with New Yaking Pte Limited 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. This facility is commissioned in Q2FY25. 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 volatility in global prices of nickel and India's deficiency for nickel deposits.

The company is also setting up an SMS facility in Indonesia at a cost of ~₹700 crore. The facility is planned to be commissioned by FY27 with an annual melting capacity of 1.2 million tonne per annum.

Healthy debt profile of the company

JSL holds a healthy debt profile with a total debt amounting to ₹ 6,053 crore (exclusive of LC acceptances amounting to ₹3,443 and lease liabilities amounting to ₹104 crores), against a tangible net worth of ₹13,177 crore. As of result of which on March 31, 2024, the gearing stood at 0.72x only. The company envisage a long-term plan of ensuring Net Debt to PBILDT of below 1.5x, which stands at 1.74x inclusive of LC acceptances and 1.01x exclusive of LC acceptances. Going forward, CARE Ratings expects the gearing to improve significantly, given no additional debt funded capex are announced by the company. The increase in Term loan in FY24, was on account of back-to-back acquisitions made by the company. However, the profitability from these entities along with support of JSLs operation, will suffice repayment of the additional debt burden.

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.

Through the collaboration with New Yaking Pte Limited 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.

Cyclical remains inherent in the stainless steel 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 cyclical and related fluctuations in prices of commoditised stainless-steel products. The Indian stainless steel industry faces pressure from increased Chinese imports via ASEAN, despite new BIS grades and proposed higher customs duties offering some relief.

Liquidity: Strong

The liquidity position of the company remains strong supported by healthy cash accruals of ₹3,661 crore as on March 31, 2024, against a debt repayment obligation of ₹674 crore in FY25. The liquidity profile is further supported by strong envisaged cash accruals for FY25 and FY26, which will be more than adequate to cover its oncoming scheduled repayment obligations. The company had cash and cash equivalents of ₹1,304 crore as on March 31, 2024. The average working capital utilisation (fund-based) of JSL stood moderate at 26% for the 12 months ending June 2024 while 49% for the non-fund-based facilities ending June 2024 leaving sufficient cushion with the entity for short term exigencies and mismatches. The management projected a capex guidance of nearly ₹5700 crore coming up in next three years out of which ₹2,200 crore have been already incurred until June 30, 2024.

Environment, social, and governance (ESG) risks

	Risk factors
Environmental	<ol style="list-style-type: none"> 1. Air & GHG Emission reduction by focussing on renewable energy, implementing emission management systems and committed to net zero carbon emissions by 2050. 2. Majority recycled material utilised, including steel scrap and water
Social	<ol style="list-style-type: none"> 1. Implemented safety measures to achieve "accident free steel". 2. Learning and development programs like "Parivartan" and "Arohan" initiated
Governance	<ol style="list-style-type: none"> 1. Well defined policies in place to ensure transparent operations. 2. Best practices of the industry incorporated.

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[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

Macroeconomic 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, 2024. 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.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1 FY25 (UA)
Total operating income	35,768	38,756	9,430
PBILDT	3,586	4,704	1,212
PAT	2084	2693	646
Overall gearing (times)	0.71	0.72	-
Interest coverage (times)	11.05	8.49	8.46

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Debentures-Non Convertible Debentures	INE220G07127	28-Sep-2022	8.62	28-Sep-2026	99.00	CARE AA; Stable
Debentures-Non Convertible Debentures	-	Proposed	-	-	1.00	CARE AA; Stable
Debentures-Non Convertible Debentures	INE220G07119	24-Feb-2022	7.73	24-May-2025	375.00	CARE AA; Stable
Fund-based - LT-Term Loan		-	-	30/09/2032	4250.00	CARE AA; Stable
Fund-based - LT-Working Capital Limits		-	-	-	1250.00	CARE AA; Stable
Non-fund-based - ST-BG/LC		-	-	-	11400.00	CARE A1+

Annexure-2: Rating history for 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 2024-2025	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
1	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (24-Jun-21)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)CARE A (CW with Developing Implications) (01-Jul-21) 2)Withdrawn (01-Jul-21)
3	Non-fund-based - ST-BG/LC	ST	-	-	-	-	-	1)Withdrawn (01-Jul-21) 2)CARE A1 (CW with Developing Implications) (01-Jul-21)

4	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (01-Jul-21) 2)CARE A (CW with Developing Implications) (01-Jul-21)
5	Fund-based - LT-External Commercial Borrowings	LT	-	-	-	-	-	1)Withdrawn (24-Jun-21)
6	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (24-Jun-21)
7	Fund-based - LT-Term Loan	LT	4250.00	CARE AA; Stable	1)CARE AA; Stable (05-Apr-24)	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	1250.00	CARE AA; Stable	1)CARE AA; Stable (05-Apr-24)	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	11400.00	CARE A1+	1)CARE A1+ (05-Apr-24)	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 (05-Apr-24)	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 rated instruments/facilities: Not applicable

Annexure-4: Complexity level of 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 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	JSL Super Steel Limited (formerly known as Rathi Super Steel Limited) (Added from 16 November 2022)	Full	
7	Jindal Stainless Steelway Limited	Full	
8	Jindal Lifestyle Limited	Full	
9	JSL Logistics Limited	Full	
10	Green Delhi BQS Limited	Full	
11	Jindal Quanta 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact 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: saiikat.roy@careedge.in	Analytical Contacts 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: +91-22-675 43510 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.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**