Jindal Steel Odisha Limited (Revised)
January 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	15,727.00	CARE AA-; Stable	Reaffirmed
Long term / Short Term Bank Facilities	5,000.00	CARE AA-; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to bank facilities of Jindal Steel Odisha Limited (JSOL) factors in the healthy credit profile of the parent, Jindal Steel & Power Limited (JSPL; CARE AA; Stable/CARE A1+) and progress of the project towards operationalisation; with phase I already being commissioned in March 2024. While arriving at the rating of JSPL, CARE Ratings Limited (CARE Ratings), considered consolidated financials of JSPL and its subsidiaries including JSOL. The rating derives strength from the strong operational, financial and management linkages between the two entities and the articulation of JSPL's management to provide unconditional and continued support to JSOL. This includes a corporate guarantee extended by JSPL for JSOL's project debt for a period of up to two years of satisfactory performance post the commencement of commercial operations date (COD). The ratings also draw comfort by envisaging a significant benefit from co-location of plants within the same complex.

The project showed progress with the operationalisation of the pellet plant-1 in Q2FY24 and the hot-stripped-mill (HSM) plant of 5.5 metric tonne per annum (MTPA) and slab caster-1 in Q4FY24. Majority of the capex is expected to be commissioned by the end of Q1FY26, including significant facilities like the Basic Oxygen Furnace and the Blast Furnace, thereby ensuring an increase in its liquid steel capacity. The full commissioning of JSOL facilities will increase the overall liquid steel capacity from 9.60 MTPA as on March 31, 2024, to 15.60 MTPA by March 31, 2026, tentatively. As articulated by the company's management, the required environmental clearance (EC) / consent to establish (CTE) for its JSOL expansion has been received.

CARE Ratings believes the project being implemented in JSOL has high strategic importance and economic incentive for JSPL as this would add a noticeable increase to its liquid steel and finished steel capacity, as it is already operating at near full capacity. CARE Ratings expects JSOL to benefit considerably from JSPL's strong project execution capability, usage of common infrastructure facilities, and other operational linkages in sourcing of power, and raw materials, etc. The rating also factors in the implementation of the various facilities under the project being taken up in a staggered manner and JSOL's stated strategy to tie-up with well-established technological partners and suppliers for supply of critical equipment.

However, the ratings remain constrained on account of probability of upwards revision in the cost of project due to time overrun. The evaluation for the same is under process and this remains a key monitorable for CARE Ratings. But the strong financial risk profile of the parent entity draws partial comfort for JSOL with regards to providing the need-based support/equity infusion, as and when required. CARE Ratings continues to derive comfort from the strong operating cash flows of JSPL, along with additional comfort derived from the company's liquidity position. Despite undertaking large-sized capex activity, management has retained its stance of maintaining net debt to profit before interest, lease rentals, depreciation and taxation (PBILDT) below 1.50x (exclusive of LC acceptances and guarantees). The same should enable JSPL to maintain a comfortable financial risk profile, notwithstanding the expansion project in the subsidiary, in line with the expansion plans of JSPL.

Moreover, the ratings are also tempered by the risk emanating from it being a project stage entity with partial operations. This exposes the company to post implementation stabilisation risk, considering ramping-up of the capacity at the envisaged levels. In addition, the rating continues to be constrained by the inherent cyclical nature of the steel industry and susceptibility of profit margins to volatile raw material prices and fluctuating steel prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Satisfactory progress, timely completion, and economical ramping-up of operations as envisaged.
- Continued strong linkages with JSPL with improvement in its credit profile.

Negative factors

- Significant time and cost overrun in the project.
- Slower-than-expected ramp-up of capacity, resulting in lower-than-envisaged cash flows from operating activities on a sustained basis.
- Weakening of linkages with JSPL and/or deterioration in the credit profile of JSPL.

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

Analytical approach: Standalone
Standalone; however, synergies derived by being a wholly owned subsidiary of JSPL and also location of plant in the vicinity of existing operational JSPL facility. The rating also considers the operational and financial linkages/synergies between the parent entity and the subsidiary and accordingly, CARE Ratings has applied parent notch up framework to arrive at ratings.

Outlook: Stable
Stable outlook considers the favourable demand scenario in the domestic market. Robust demand outlook coupled with expected/envisaged ramping up of operational capacity utilisation, shall enable the company to progress with a stabilised operational/business risk profile over the medium-to-long-term period.

Detailed description of key rating drivers:

Key strengths

Strong parentage

JSOL, promoted by JSPL, which is a part of the Naveen Jindal group and is currently one among the leading integrated steel producers (ISP) in the country. The company's key business activities include iron ore and coal mining, manufacturing of pellets, sponge iron, hot metal, semi-steel products, finished steel products, and power generation, with its operations spread across Chhattisgarh (Raigarh and Raipur), Odisha (Barbil and Angul), and Jharkhand (Patratu), in India. JSPL has a total installed iron-making capacity of 10.42 MTPA, a liquid steel capacity of 9.60 MTPA, and a finished steel capacity of 6.65 MTPA as on September 30, 2024. The company also has a captive power generation capacity of 2,684 MW (includes 1,050 MW of under construction CPP at Angul, Odisha) at Raigarh and Angul. Besides, it has a presence outside India with major operations in South Africa and Mozambique through its various subsidiaries.
JSPLs reported operational performance remained in moderation to previous year marked by a total operating income (TOI) of ₹49,966 crore (PY: ₹52,680 crore) and a PBILDT of ₹10,136 crore (PY: ₹9,761 crore). Saleable steel quantity for FY24 (consolidated) remained in moderation to FY23. The total saleable steel quantity for FY24 stood at 7.67 million tonne (MT) against 7.68 MT in FY23. CARE Ratings will continue to monitor the company's ability to maintain growth in the sales volume, report the envisaged PBILDT per tonne and generate adequate accruals to support its capex while keeping its consolidated debt level under control.
CARE Ratings expects JSPL to provide continued operational, management and financial support to JSOL including a corporate guarantee up to two years post-COD as per the covenants to be stipulated for the project debt.

High economic incentive and strategic importance of JSOL

JSPL has embarked upon capacity expansion through setting up a newly incorporated wholly-owned subsidiary- JSOL. The capacities being set up in JSOL (6. MTPA liquid steel and 5.5 MTPA finished steel) are equally large compared to the existing total capacity of JSPL (9.6 MTPA liquid steel and 6.50 MTPA finished steel). Both the entities are expected to have significant operational linkages in terms of sourcing of power, raw materials and semi-finished products besides expected synergies in procurement of raw materials and marketing of finished products. Nonetheless, continuity of JSPL's timely support to JSOL in project execution phase and thereafter shall be critical from the credit perspective and hence it will remain a key monitorable.

Staggered implementation of project facilities

The implementation schedule of the project has been developed based on the quantum of work, expected delivery and time required for installation of various plants and equipment, and with the objective of optimising the overall project construction and commissioning time frame. The project is planned to be implemented in a phased manner. Phase -1 of the project is already completed which includes Pellet plant-1 in Angul which was commissioned in the beginning of Q2FY24, a Slab Caster -1 which was commissioned in Q4FY24 and a hot-stripped-mill (HSM) plant of 5.5 MTPA which was commissioned in Q4FY24.

BF/BOF/coke oven, CRM including other auxiliary facilities are expected to be commissioned by Q1FY26 and the additional six MTPA pellet plant-2 in Q4FY26. Due to this staggered implementation, the company has already started to sale its products to the market in the form of pellets and flat steel produced from it five-meter-wide hot strip mill.
The company has incurred a total cost of ~₹19,000 crore till December 31, 2024 (inclusive of Capex LCs) by way of equity infusion from JSPL, and term loan/Capex LC. SBI has underwritten the entire project debt of ₹15,727 crore (withhold portion of ₹5,000 crore as per projection prior to increase in the cost of project) to JSOL and 10 other banks have participated in the project financing as a part of the down selling by SBI. However, the additional cost exposure is currently under evaluation to secure/tie up the necessary funding. CARE Ratings will continue to closely monitor the timely clearances and debt disbursement at envisaged terms.

Tie-up with reputed and established suppliers

JSOL is implementing the project under a multi-contract strategy for different process units/packages. For each component of plant facilities, the company is entering into multiple split contracts with technology partners for design, supply, erection, commissioning and servicing. The company will monitor the construction and interface among various plant facilities through an in-house project management team, leveraging the vast experience of the project management team of JSPL in implementing and operating the integrated steel plants in India. In-house steel structure division will help in supplying all fabricated steel structures required for the project as and when required. JSOL has tied up with reputed technology partners such as SMS Group, Germany for Hot Strip Mill (HSM), Metso Outotec, USA for pellet plant, Daniele, Italy for slab caster, and CISDI Engineering Co., China for the blast furnace. All fabricated steel structures will be procured in-house. JSPL's experienced team will assist in project management.

Key weaknesses

Inherent time overrun and cost overrun

The total project cost was expected to be ~₹23,200 crore, however due to addition in facility, review of design to impart better efficiencies and the time and cost overrun on account of delay by over three to four quarters which is expected to lead to an increase in the project's cost, however the quantum for the same in under evaluation. CARE Rating notes that there can be an upward revision in the cost of the project. The project's debt equity proportion in the base case was expected to be 68:32 (₹15,727 crore debt and remaining through equity from JSPL), however the same may be modified post analysis by an external engineering consultancy firm. The project is being executed in a staggered manner and prominent projects like BOF and BF shall be completed by Q4FY25 while the remaining majority of the project shall be completed in FY26. As the prime facilities of the project is near completion, the company's exposure for time and cost overrun is not expected to escalate further factoring in the current overrun which is under evaluation. As on December 31, 2024, ~₹19,000 has been already deployed in the project. The company has received the required environmental clearance for the JSOL expansion; hence, no time overrun is expected from going forward.

Susceptibility of profit margins to raw material price volatility

Post COD, the company will partially be dependent on third-party suppliers for both the key raw materials, including iron ore and coking coal. The coking coal requirement will largely be met through imports, whereas iron ore will be procured from mines in Odisha including captive mines of JSPL. These raw materials have shown a volatile trend in prices over the years. The volatility in prices of raw materials is bound to impact the profitability of steel players including JSOL. Additionally, the company has secured itself for its sinter requirements for the blast furnace which will be met by JSPL.

Cyclical nature of steel industry

The steel industry is sensitive to business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Furthermore, steel product producers are essentially price takers in the market, which directly exposes their cash flows and profitability to the volatility in the price of steel and the major fuel source, including coking coal and iron ore. However, greater process integration, access to raw material inputs and a higher share of value-added products serve to de-risk steelmakers from the inherent cyclicality.

Liquidity: Adequate

JSOL's liquidity is expected to remain adequate, supported by consistent equity commitments and fund infusions from JSPL, along with anticipated debt drawdowns during the project execution phase. As on December 31, 2024, JSPL has infused ~₹6,997 crore of equity investment into JSOL. Being a wholly owned subsidiary of JSPL, the company will continue to benefit from considerable financial flexibility and improved access to the debt market. Upon the completion of the project, JSOL is projected to generate healthy cash accruals which can be utilised towards the repayment of its debt obligation. As on September 30, 2024, JSOL had a cash and liquid investment balance of ~₹300 crore.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & mining	Ferrous metals	Iron & steel

JSPL (rated 'CARE AA; Stable/ CARE A1+') has initiated capacity expansion capex in Angul. As per the project plan, the total liquid steel manufacturing capacity of the company will expand by 6.0 MTPA to 15.6 MTPA by FY26. Furthermore, the pellet capacity will be increased from existing 9 MTPA (JSPL) and a 6 MTPA (JSOL) pellet plant which was recently commissioned in October 2023 to 21MTPA by commissioning a pellet plant of another 6 MTPA. Out of the total cost of the project (inclusive of all expansion project coming under JSOL) ~₹19,000 crores has been already expensed till December 31, 2024. The debt-equity proportion of the project is expected to be 68:32. The project is being undertaken in a separately incorporated subsidiary of JSPL (Jindal Steel Odisha Limited-JSOL). JSOL is a wholly owned subsidiary of JSPL. JSOL is contemplating the installation of an integrated steel plant (ISP) at Angul, Odisha. The company has received the environmental clearance and consent to establish for the entire project. JSPL already has the land at Angul plant, Odisha, which has now been transferred/subleased to JSOL.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1.46	1,431	5,732
PBILDT	-3.89	37	298
PAT	-3.66	-37	6
Overall gearing (times)	0.11	0.77	-
Interest coverage (times)	0.00	0.91	2.27

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
Fund-based - LT-Term Loan		-	-	March 31, 2039	15727.00	CARE AA-; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	3000.00	CARE AA-; Stable / CARE A1+
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	500.00	CARE AA-; Stable / CARE A1+

Non-fund-based-LT/ST		-	-	-	1500.00	CARE AA-; Stable / 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	Fund-based - LT-Term Loan	LT	15727.00	CARE AA-; Stable	1)CARE AA-; Stable (10-Oct-24) 2)CARE AA-; Stable (02-Apr-24)	1)CARE AA-; Stable (02-Nov-23)	1)CARE A+; Stable (10-Jan-23)	1)CARE A+; Stable (31-Dec-21)
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	3000.00	CARE AA-; Stable / CARE A1+	1)CARE AA-; Stable / CARE A1+ (10-Oct-24) 2)CARE AA-; Stable / CARE A1+ (02-Apr-24)	-	-	-
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	500.00	CARE AA-; Stable / CARE A1+	1)CARE AA-; Stable / CARE A1+ (10-Oct-24) 2)CARE AA-; Stable / CARE A1+ (02-Apr-24)	-	-	-
4	Non-fund-based-LT/ST	LT/ST	1500.00	CARE AA-; Stable / CARE A1+	1)CARE AA-; Stable / CARE A1+ (10-Oct-24)	-	-	-

					2)CARE AA-; Stable / CARE A1+ (02-Apr-24)			

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	Fund-based - LT-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

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

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.

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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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