Jindal Stainless Limited

May 11, 2017

Ratings

S.No.	Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
(i)	Long-term Bank Facilities (Term Loans)	3,224 (reduced from 7,446)	**CARE D (Single D)**	Reaffirmed
(ii)	Long-term Bank Facilities (Working Capital Limits)	920 (reduced from 1,690)	**CARE D (Single D)**	Reaffirmed
(iii)	Long-term Bank Facilities (Subordinate Debt)	38 (reduced from 500)	**CARE D (Single D)**	Reaffirmed
(iv)	Short-term Bank Facilities	3,190 (reduced from 6,245)	**CARE D (Single D)**	Reaffirmed
(v)	Long-term Bank Facilities (ECB)	1,050 (reduced from 1,303)	**CARE C; Stable (Single C; Outlook: Stable)**	Reaffirmed
	Total Facilities	**8,422 (Rupees Eight Thousand Four Hundred and Twenty Two crore only)**		
(vi)	Non-Convertible Debentures	219.00 (reduced from 229.00)	**CARE D (Single D)**	Revised from CARE C (Single C)

Details of instruments/facilities in Annexure-1

Detailed Rationale and key rating drivers

The reaffirmation of the ratings of bank facilities ([i] to [iv]) and revision in the rating of NCD (NCD; [vi] above) of Jindal Stainless Ltd. (JSL) factors in the instances of delays in servicing of debt obligations by the company.

The reaffirmation of the rating for bank facility ([v]) continues to take into account JSL's leveraged capital structure, stretched liquidity conditions and weak debt coverage indicators.

The ratings, however, continue to take into account the dominant market position of JSL in the domestic stainless steel industry and the company's continuous focus towards production of value added products. The ratings take cognizance of implementation of JSL's Asset Monetization Plan (AMP). JSL has transferred the identified business undertakings through a composite scheme of arrangement to three new entities namely Jindal Stainless Hisar Limited (JSHL), Jindal United Steel Limited (JUSL) and Jindal Coke Limited (JCL).

Going forward, the company's ability to service its debt obligations in a timely manner, deleverage its capital structure post implementation of AMP and improve profitability to ensure long term stability shall remain the key rating sensitivities.

Detailed description of the key rating drivers

Instances of delays in debt servicing

The subdued financial performance and stretched liquidity position of the company resulted in instances of delays in servicing of its debt obligations.

Leveraged capital structure and weak debt coverage indicators

JSL's capital structure remained leveraged primarily due to large debt owing to projects implemented by the company coupled with its high working capital borrowings. High debt levels coupled with low cash accruals resulted in stretched liquidity position of the company which lead to delays in debt servicing.

Implementation of Asset Monetization Plan (AMP)

JSL has implemented an Asset Monetization Plan (AMP) which entailed transfer of identified business undertakings through a composite scheme of arrangement. The objective of the said scheme was to unlock shareholder value in JSL, reduction of debt along with improvement in debt serviceability, increase in profitability and to ensure its long term stability. JSL has transferred the identified business undertakings through a composite scheme of arrangement to three new entities namely Jindal Stainless Hisar Limited (JSHL), Jindal United Steel Limited (JUSL) and Jindal Coke Limited (JCL).

Long track record with strong market position in the domestic stainless steel industry

JSL was formed during 2002, pursuant to demerger of the Jindal Strips Ltd. JSL is the flagship company of Rattan Jindal group having its manufacturing facilities located at Duburi (Orissa). JSL is one of India's largest domestic S.S. producer with a steel melting capacity of 0.80 MTPA.

Improving operational performance

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

The company has reported improved operational performance during FY16 (refers to the period April 1 to March 31) with utilization of steel melting facility to 75.48% from 56.06% during FY15. The same further improved to 90.62% during 9MFY17. The improvement in operational performance and hence profitability was largely attributable to various reasons including usage of coke oven gas instead of propane, commissioning of railway siding and arrangement with Tata for chrome ore. This coupled with improvement in industry scenario resulted in improvement in operational performance and profitability.

Analytical approach: Standalone

Applicable criteria:
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Criteria on assigning Outlook to Credit Ratings
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial Sector

About the Company

JSL was originally incorporated in 1970 as Jindal Strips Ltd and promoted by the Late Mr O P Jindal. During 2002, Jindal Stainless Ltd was formed after a demerger of the Jindal Strips Ltd and is currently headed by Late Mr O P Jindal's son, Mr Ratan Jindal. JSL is the largest domestic stainless steel (S.S.) producer with steel melting capacity of 0.8 Million Tonnes Per Annum (MTPA) at Jajpur (Orissa). It has captive thermal power plant, captive ferro chrome facilities, stainless steel melting, hot rolling and cold rolling facilities.

JSL has implemented an Asset Monetization Plan (AMP) which entailed transfer of identified business undertakings through a composite scheme of arrangement.

During 9MFY17 the company reported a PBILDT of Rs.794 crore and a net loss of Rs.103 crore on a total operating income of Rs.6,010 crore against a PBILDT of Rs.377 crore and a net loss of Rs.388 crore respectively on a total operating income of Rs.4,668 crore during 9MFY16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: *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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Mar 2022	3224.00	CARE D
Non-fund-based-Short Term	-	-	-	3190.00	CARE D
Fund-based - LT-Cash Credit	-	-	-	920.00	CARE D
Fund-based - LT-External Commercial Borrowings	-	-	Nov 2020	1050.00	CARE C; Stable
Debt-Subordinate Debt	-	-	Mar 2022	38.00	CARE D
Debentures-Non Convertible Debentures	-	-	Mar 2022	219.00	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Debentures-Non Convertible Debentures	LT	219.00	CARE D	-	1)CARE C (20-Apr-16)	1)CARE C (21-Apr-15)	1)CARE C (04-Jun-14)
2.	Fund-based - LT-Term Loan	LT	3224.00	CARE D	-	1)CARE D (20-Apr-16)	1)CARE D (21-Apr-15)	1)CARE D (04-Jun-14)
3.	Non-fund-based-Short Term	ST	3190.00	CARE D	-	1)CARE D (20-Apr-16)	1)CARE D (21-Apr-15)	1)CARE D (04-Jun-14)
4.	Debt-Subordinate Debt	LT	38.00	CARE D	-	1)CARE D (20-Apr-16)	1)CARE D (21-Apr-15)	1)CARE D (04-Jun-14)
5.	Fund-based - LT-Cash Credit	LT	920.00	CARE D	-	1)CARE D (20-Apr-16)	1)CARE D (21-Apr-15)	1)CARE D (04-Jun-14)
6.	Fund-based - LT-External Commercial Borrowings	LT	1050.00	CARE C; Stable	-	1)CARE C (20-Apr-16)	1)CARE C (21-Apr-15)	1)CARE C (04-Jun-14)

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