

May 2, 2016

India Ratings Downgrades Steel Authority of India to 'IND AA'; Outlook Negative.

India Ratings and Research (Ind-Ra) has downgraded Steel Authority of India Limited's (SAIL) Long-Term Issuer Rating to 'IND AA' from 'IND AAA'. The Outlook is Negative.

The downgrade reflects SAIL's credit metrics being lower than Ind-Ra's expectation for 9MFY16. The steep fall in steel prices since January 2015 led to EBITDA losses for the company in 9MFY16 and the consequent worsening of its credit metrics.

Key Rating Drivers

Improvement in Realisations to Remain Moderate: SAIL's net sales realisation (NSR) declined 16.7% yoy to INR33,252/t in 9MFY16 driven by a 29% yoy increase in imports, excess domestic capacity, and moderate consumption growth of 4.7% yoy. Ind-Ra however expects the net realisation to increase by INR3,000/t-INR4,000/t post the introduction of minimum import price (MIP) for steel in India effective from February 2016.

IDBI Trusteeship Services Limited

(Authorized Signatory)