



Rating Rationale

JSW Projects Limited

04 Nov 2019

Brickwork Ratings revises the rating for the NCD issue of Rs. 650.00 Crs of JSW Projects Limited.

Particulars

| Instrument* | Tenor | Previous Amount (₹ Crores) | Present Amount (₹ Crores) | Previous Rating** (July-2019) | Present Rating |
|------------------------|-----------|-------------------------------|------------------------------|---|-------------------------------------|
| NCDs (₹ 650 Crores) | Long Term | Series A - 200 | Series A - 200 | BWR AA- (SO) (Outlook:Stable) | BWR AA- (CE) (Outlook: Negative) |
| | | Series B -200 | Series B -200 | | |
| | | Series C -250 | Series C -250 | | |
| Total | | 650.00 | 650.00 | (INR Six Hundred and Fifty Crores Only) | |

*Details at Annexure I, Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** SO changed to CE via press release dated 14-Sep-2019

Rating Action:

BWR has revised the rating of NCD issue of Rs. 650.00 Crs at BWR AA- (CE) with revision in outlook to negative from stable.

Rationale:

The rating with CE subscript continues to factor, the strength of promoters JSW Group, the underlying securities (listed shares of JSW Steel Ltd and JSW Energy Ltd providing minimum cover of 0.75x each, pledged by the promoter group companies, with combined coverage of 2x i.e. twice the outstanding principal and accrued interest amount of the NCDs), financial strength of the underlying companies and structural protection in the form of Top-up trigger based on security cover.



The rating also factors in the credit profile of JSW Projects Limited (JPL); integrated operation of JPL with the Vijayanagar unit of JSW Steel Limited, resulting in stability of revenue, fair profitability margins and moderate cash flow visibility to meet its debt servicing obligations.

The rating is however constrained by the fact that, NCDs are collateralized by pledged shares of JSW Steel Ltd. and JSW Energy Ltd., adverse downward share price movements of these companies have rating sensitivities. The cash-flow management of JSW Projects Limited for redemption including interest and principal is key rating sensitivity.

The negative outlook factor in the moderation in the financial performance of JSW Steel Ltd (underlying company) in Q1FY20 and Q2FY20, elevated debt levels and overall slowdown in the steel sector. The revision in outlook also factors the potential acquisition of thermal power assets of GMR Kamalanga Energy Limited and Ind-Barath Energy (Utkal) Limited by JSW Energy Ltd (underlying company) as these acquisitions are likely to be largely debt funded and might increase the debt significantly in JSW Energy Ltd.

The outlook may be revised to stable in case of improvement in the steel industry scenario and/or improvement in the credit profile of JSW Steel Ltd ensuring higher cash flows & better profitability and clarity on the exact implications of potential acquisitions on the financial risk profile of JSW Energy Ltd.

BWR has essentially relied upon the terms of the issues, security coverage, underlying securities, financial results of JSW Projects Ltd up to FY19, JSW Steel Ltd. up to Q2FY20 & JSW Energy Ltd. up to Q1FY20, publicly available information and other information/clarification provided by the management.

Rating Sensitivities:

The ratings are sensitive to the performance of the JSW Steel Ltd and JSW Energy Ltd (the underlying companies) whose equity shares have been pledged, price of the pledged stock, the quantum of the pledge of promoter held shares, maintenance of enough shares as cushion for timely Top-up and compliance to the terms of the issue.



Analytical Approach:

For arriving at the rating, BWR has applied its rating methodology as detailed in the rating criteria detailed below (hyperlinks provided at the end of this rationale).

About the NCDs Issue:

The Rs. 650 Cr of NCDs were issued on 20th Mar’17 in three tranches of amounts Rs. 200, Rs. 200 and Rs. 250 with redemption dates on 4th Jun’20, 5th Oct 20 and 4th Feb’21 respectively. The pledgers of the listed shares of JSW Steel Ltd and JSW Energy Ltd are promoter group companies, JSW Investment Pvt. Ltd, Sahyog Holdings Pvt. Ltd, JSW Holdings Ltd, JSW Techno Projects Management Ltd and Indusglobe Multiventures Pvt. Ltd. There are provisions for top-up/top-down cover to counter the price fluctuation of the pledged shares.

About the Company:

JSW Projects Limited (JPL) was floated by JSW Group to set up and operate 1.2 MTPA COREX gas based DRI (Direct Reduction of Iron) Plant, one Coke Dry Quenching (CDQ) plant comprising of four units with aggregate capacity of 3.42 MTPA and 76 megawatt captive power plant based on waste heat recovery from CDQ process. JPL operates these facilities on the basis of BOOT (Build Own Operate Transfer) agreement with JSW Steel Limited; Currently Sajjan Jindal Family Trust is the 100% shareholder of the company.

Liquidity Position:

JPL had Current investments of Rs. 340 Crs in FY19 and the current ratio of the company stood at 1.29 times in FY19. JPL credit profile is driven by moderate cushion vis-a-vis debt repayment obligations.

Key Financials of JPL:

| Amounts in Rs. Cr. | FY 18 (Audited) | FY 19 (Audited) |
|--------------------|-----------------|-----------------|
| Revenue | 640.7 | 687.94 |
| PAT | 189.37 | 203.06 |
| Tangible Networkth | 243.29 | 446.57 |
| Total Debt* | 2085.38 | 1897.49 |

*Total Debt excluding loan from related party stood at Rs. 1597.49 Crs



Financial Performance of the Underlying Companies:

JSW Steel Ltd.:

JSW Steel Ltd is among India’s leading integrated steel producers with installed crude steel production capacity at ~18 MTPA. As per FY19 (A) financials, the company’s consolidated total operating income stood at Rs. 84,757 Crs with net profit of Rs. 7524 Crs as against total operating income of Rs. 73,211 Crs with net profit of Rs. 6113 Crs. On a consolidated basis, the overall gearing improved to 1.46x as on March 31, 2019 as compared to 1.51x as on March 31, 2018. JSW Steel Ltd revenue from operations on a consolidated basis declined in Q1FY20 to Rs. 19,812 from Rs. 20,519 Crs in Q1FY19 by ~3.4% on account of weaker economic activity and sluggish demand. JSW Steel has reported consolidated net profit at Rs. 1008.00 Crs for Q1FY20 a decline of 56.90 per cent from Q1FY19 net profit of Rs. 2339 Crs. Revenue from operations during Q2FY20 declined by 18% YoY to Rs. 17572 Crs. Operating Ebitda stood at Rs. 2731 Crs. PAT for the quarter stood at Rs. 2536 Crs after incorporating the financials of subsidiaries (including the impact of tax changes in all subsidiaries) and Joint ventures. The list of the subsidiaries of JSW Steel Limited and Joint ventures is at annexure II.

Key Financials of JSW Steel Limited (Consolidated):

| Amounts in Rs. Cr. | FY 18 (Audited) | FY 19 (Audited) |
|------------------------|-----------------|-----------------|
| Total Operating Income | 73,211.00 | 84,757.00 |
| PAT | 6113.00 | 7524.00 |
| Tangible Networkth | 26,419.00 | 32,956.00 |
| Total Debt | 39,869.00 | 48,126.00 |

JSW Energy Ltd.:

JSWEL is the holding company for the JSW group’s power business having operational capacity of 4.54GW (consolidated) as of March 31, 2019. As per FY19 (A) financials, the company’s consolidated total operating income stood at Rs. 9137.59 Crs with net profit of Rs. 684.49 Crs as against total operating income of Rs. 8048.96 Crs with net profit of Rs. 84.91 Crs. The consolidated overall gearing which was 1.25x as on March 31, 2018 improved to 1.03x as on March 31, 2019. During the Q1FY20, total revenue on a consolidated basis increased by ~1.4% on YOY basis to Rs. 2464 Crs as against Rs. 2428 Crs in Q1FY19. The net profit for Q1FY20 stood at Rs. 244 Crs as against Rs. 229 Crs in Q1FY19. The list of subsidiaries of JSW Energy Limited is at annexure III.



Key Financials of JSW Energy Limited (Consolidated):

| Amounts in Rs. Cr. | FY 18 (Audited) | FY 19 (Audited) |
|------------------------|-----------------|-----------------|
| Total Operating Income | 8048.96 | 9137.59 |
| PAT | 84.91 | 684.49 |
| Tangible Networkth | 9525.35 | 10275.63 |
| Total Debt | 11883.26 | 10554.88 |

Rating History for the last three years (including withdrawn/suspended ratings)

| Sl. No. | Instrument/Facility | Current Rating (Year 2019) | | | Rating History | | | | | | |
|--------------|---------------------|-----------------------------|--|---------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|------|--|
| | | Type (Long Term/Short Term) | Amount (Rs Crs) | Rating | Sep-2019 | July 2019 | Dec 2018 | May 2018 | March 2018 | 2017 | |
| 2 | NCD (Rs. 650 Crs) | Long Term | 650.00 | BWR AA-(CE) (Outlook:Negative) | BWR AA-(CE) (Outlook:Stable) | BWR AA-(SO) (Outlook:Stable) | BWR AA-(SO) (Outlook:Stable) | BWR AA-(SO) (Outlook:Stable) | BWR A(SO) (Outlook:Stable) | - | |
| Total | | | ₹ 650.00 Crores (INR Six Hundred and Fifty Crores Only) | | | | | | | | |

NA: Not Available

Status of non-cooperation with previous CRA (if applicable): Reason and comments: Not Applicable

Any other information: NIL



Annexure I:

| Instrument | Issue Date | Previous Amount (₹ Crores) | Present Amount (₹ Crores) | Coupon | Maturity Date | ISIN Particulars |
|----------------------------|-------------------|-----------------------------------|----------------------------------|---------------|----------------------|-------------------------|
| NCDs (₹ 650 Crores) | 20-Mar-17 | Series A - 200 | Series A - 200 | Zero | 04-Jun-2020 | INE936W08032 |
| | 20-Mar-17 | Series B -200 | Series B -200 | Zero | 05-Oct-2020 | INE936W08040 |
| | 20-Mar-17 | Series C -250 | Series C -250 | Zero | 04-Feb-2021 | INE936W08057 |

Annexure II:

JSW Steel Ltd consolidated financial statements as of 31-3-2019 include the financial performance of the following subsidiaries and joint ventures as:

Subsidiaries:

1. JSW Steel (Netherlands) B.V.
2. JSW Steel Italy S.r.l.
3. JSW Steel (UK) Limited
4. Periana Holdings, LLC
5. JSW Steel (USA), Inc.
6. Purest Energy, LLC
7. Meadow Creek Minerals, LLC
8. Hutchinson Minerals, LLC
9. RC Minerals, LLC
10. Keenan Minerals, LLC
11. Peace Leasing, LLC
12. Prime Coal, LLC
13. Planck Holdings, LLC
14. Rolling S Augering, LLC
15. Periana Handling, LLC
16. Lower Hutchinson Minerals, LLC
17. Caretta Minerals, LLC
18. JSW Panama Holdings Corporation
19. Inversiones Eroush Limitada
20. Santa Fe Mining S.A.
21. Santa Fe Puerto S.A.
22. JSW Natural Resources Limited
23. JSW Natural Resources Mozambique Limitada
24. JSW ADMS Carvão Limitada
25. JSW Steel Processing Centres Limited
26. JSW Bengal Steel Limited
27. JSW Natural Resources India Limited
28. JSW Energy (Bengal) Limited
29. JSW Natural Resources Bengal Limited
30. JSW Jharkhand Steel Limited
31. JSW Steel Coated Products Limited
32. Amba River Coke Limited
33. Nippon Ispat Singapore (PTE) Limited
34. Erebus Limited
35. Arima Holdings Limited
36. Lakeland Securities Limited
37. Peddar Realty Private Limited
38. JSW Steel (Salav) Limited
39. JSW Industrial Gases Private Limited
40. JSW Utkal Steel Limited
41. Hasaud Steel Limited
- 42.



Milloret Steel Limited (till 27 August 2018) 43. Creixent Special Steels Limited (till 27 August 2018) 44. Dolvi Minerals & Metals Private Limited 45. Dolvi Coke Projects Limited 46. JSW Realty & Infrastructure Private Limited 47. JSW Retail Limited (w.e.f 20 September 2018) 48. Acero Junction Holdings, Inc. (w.e.f 13 June 2018) 49. JSW Steel USA Ohio, Inc. (Previously known as Acero Junction Inc.) (w.e.f 13 June 2018) 50. Aferpi S.p.A (w.e.f 24 July 2018) 51. Piombino Logistics S.p.A (w.e.f 24 July 2018) 52. GSI Lucchini S.p.A (w.e.f 24 July 2018)

Joint Ventures:

53. Vijayanagar Minerals Private Limited 54. Rohne Coal Company Private Limited 55. Geosteel LLC 56. JSW Severfield Structures Limited 57. JSW Structural Metal Decking Limited 58. Gourangdih Coal Limited 59. JSW MI Steel Service Center Private Limited 60. JSW Vallabh Tinplate Private Limited 61. Acciaitalia S.p.A. (till 17 April 2018) 62. Creixent Special Steel Limited (w.e.f 28 August 2018) 63. Milloret Steel Limited (w.e.f 28 August 2018 till 31 August 2018) 64. Monnet Ispat & Energy Limited (w.e.f 31 August 2018)

Annexure III:

The list of the subsidiaries and Joint ventures of JSW Energy Limited is as:

Subsidiaries:

1 JSW Power Trading Company Limited (formerly known as JSW Green Energy Limited) 2 JSW Energy (Barmer) Limited (Formerly known as Raj WestPower Limited) 3 Jaigad PowerTransco Limited 4 JSW Energy (Raigarh) Limited 5 JSW Energy (Kutehr) Limited 6 JSW Energy Natural Resources (BVI) Limited (upto 4th April, 2017) 7 JSW Hydro Energy Limited (Formerly known as Himachal Baspa Power Company Limited) 8 JSW Energy Minerals Mauritius Limited (upto 18th June, 2018) 9 JSW Energy Natural Resources Mauritius Limited 10 JSW Energy Natural Resources South Africa (Pty) Limited 11 South African Coal Mining Holdings Limited 12 Royal Bafokeng Capital (Pty) Limited 13 Ilanga Coal Mines Proprietary Limited (upto 18th July, 2017) 14 Jigmining Operations No.1 Proprietary Limited 15 Jigmining Operations No.3 Proprietary Limited (upto 25th August, 2017) 16 Mainsail Trading 55 (Pty) Limited 17 SACM (Breyten) Proprietary Limited 18 SACM (Newcastle) Proprietary Limited (upto 18th September, 2017) 19 South African Coal Mining Equipment Company Proprietary Limited (upto 10th September, 2018) 20 Umlabu Colliery Proprietary Limited 21 Voorslag Coal Handling Proprietary Limited (upto 12th July, 2017) 22 Yomhlaba Coal Proprietary Limited 23 South African Coal Mining Operations Proprietary Limited 24 JSW Energy Natural Resources UK Limited (upto 29th August, 2017) 25 Minerals & Energy Swaziland Proprietary Limited



(upto 30th November, 2018) 26 JSW Solar Limited (w.e.f. 1st January, 2018) 27 JSW Electric Vehicles Private Limited (w.e.f. 5th March, 2018)

Joint Ventures:

1 Barmer Lignite Mining Company Limited (Joint Venture) 2 Toshiba JSW Power Systems Private Limited (Associate)

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Credit Enhancement](#)

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