



## Rating Rationale

31 March 2023

### JSW Projects Ltd.

**Brickwork Ratings reaffirms the rating of BWR AA- (CE)/Stable for the Non-Convertible Debentures (NCDs) amounting to Rs. 230.00 Crs of JSW Projects Ltd.**

### Particulars

Instrument <sup>^</sup>	Tenure	Previous Rated Amount (Rs. Cr) (16-May-2022)	Present Rated Amount (Rs. Cr)	Previous Rating (16-May-2022)	Present Rating*
NCD**	Long Term	35.00	<b>0.00</b>	BWR AA-(CE)/Stable Reaffirmation	<b>BWR AA-(CE)/Stable Reaffirmation</b>
NCD**	Long Term	230.00	<b>230.00</b>		
Total		265.00	<b>230.00</b>	<b>Rupees Two Hundred and Thirty Crores Only.</b>	

\*Please refer to BWR website [www.briccyarnkworkratings.com/](http://www.briccyarnkworkratings.com/) for the definition of the ratings

<sup>^</sup>Complete details of the said NCD instruments are provided in Annexure-I

\*\*Both the NCDs belong to the same series with two different ISINs. The NCD of Rs. 35 Crs has been fully redeemed on March 17, 2023, and hence, the amount of NCD of Rs. 35 Crs. is reduced to Rs. 0.00 Crs.

**Unsupported ratings without factoring in the explicit credit enhancement is BWR A+/Stable**

**The supported rating after factoring in the explicit credit enhancement (CE) by the way of the pledge of shares of JSW Steel Ltd. and JSW Energy Ltd. is BWR AA- (CE)/Stable.**

### RATING ACTION/OUTLOOK

BWR has reaffirmed the rating at BWR AA- (CE)/Stable for the outstanding NCDs amounting to Rs. 230.00 Crs of JSWPL.

The rating with the CE suffix takes into account, inter alia, promoter JSW Group, underlying securities (the listed shares of JSW Steel Ltd (JSWSL) and JSW Energy Ltd (JSWEL) with the shares of JSWSL equivalent to [1.55]x of the financing amount and the shares of JSWEL equivalent to [0.45]x of the financing amount, pledged by the JSW Group companies, with a combined coverage of 2.0 times), the strength of the underlying companies and structural protection in the form of a top-up trigger based on the security cover.

The rating also factors in JSWPL's credit profile and its integrated operation with the Vijayanagar unit of JSW Steel Limited, resulting in revenue stability and fair profitability margins and the job-work nature of operations. However, the rating is constrained by high overall gearing, the cyclical nature of the steel industry and the fact that any adverse share price movement in the underlying securities could impact the rating.

BWR believes JSWPL's business risk profile will be maintained over the medium term. The Stable outlook indicates a low likelihood of a rating change over the medium term.



BWR has essentially relied on the terms of the issues, security coverage, underlying securities, financial results of JSWPL, financial results of JSWSL and JSWEL, publicly available information and other information/clarification provided by the company's management.

## KEY RATING DRIVERS

### Strengths:-

**Presence of JSW group in the Indian steel and related industry:** JSWPL is part of the JSW group promoted by Mr Sajjan Jindal. The JSW group has a significant presence in diversified business segments like steel, energy, minerals and mining, infrastructure & logistics, cement, paints, port and information technology. JSWSL is one of the leading steel producers in India with a steelmaking capacity of 28.5 MTPA in India & USA (including capacities under joint control).

**Integration with JSW Steel Limited's business:** JSWPL's facilities are part of an integrated steelmaking capacity of 12 MTPA at JSWSL's Vijayanagar works (Karnataka). COREX-based DRI (Direct Reduction of Iron) produced by JSWPL is utilized as feed for JSWSL's Steel Melting Shop (SMS3), having a capacity of 1.40 MTPA. The DRI plant is principal to JSWSL's SMS-3 as there is the scarce availability of gas-based DRI in the domestic market and also, the gas-based DRI acts as a substitution for imported steel scrap. The dry-quenched coke produced by JSWPL has replaced the wet-quenched coke previously used in JSWSL's blast furnace.

**Job work nature of operations:** JSWPL has entered into job work agreements for both CDQ and DRI operations with JSWSL. The company receives fixed conversion charges of Rs. 225 per tonne for the conversion of each tonne of hot coke and Rs. 7500 per tonne for each tonne of DRI delivered. As per the contract, JSWSL has assured to provide a guaranteed hot coke quantity which in turn ensures the operation of the CDQ plants at optimum levels. Also, as per the contract, JSWSL will ensure that it will utilize the capacity of the DRI plant at the optimum level. The service nature of operations of CDQ and DRI plants (wherein JSWPL is not required to carry inventory) as well as proximity to JSWSL's plant leads to fair operating profit margins.

### Weaknesses:-

**High overall gearing:** During the past couple of years (after the amalgamation of JSWPL's holding companies into JPL) accretion of profits to net worth and repayment of debt has resulted in improvement in the capital structure of the company, however, overall gearing of JPL remained at 1.50x as on March 31, 2022 (improved from 2.64x as on March 31, 2021).

**Cyclical nature of the steel industry:** Prospects of the steel industry are strongly co-related to economic cycles. Demand for steel is sensitive to trends in particular industries, viz. automotive, construction, infrastructure and consumer durables, which are the key consumers of steel products.

## CREDIT ENHANCEMENT

Credit Enhancement (CE) is based on the Pledged shares of JSW Steel Ltd. and JSW Energy Ltd. with a combined coverage of twice the outstanding principal and accrued interest amount. It complies with Annexure A of the SEBI Guidelines dated Sept 28, 2022.



### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

BWR has factored in the company's standalone business and financial risk profile to arrive at the rating, also considering the structural features of the NCD, as detailed above. Reference may be made to the Rating Criteria hyperlinked below.

Analytical Approach for CE: BWR has considered Credit Enhancement based on the pledge of shares of JSW Steel Ltd. and JSW Energy Ltd.

### **RATING SENSITIVITIES**

The ratings are sensitive to the performance of the issuer; performance of JSWSL and JSWEL, whose equity shares have been pledged; price of the pledged stock; quantum of the pledge of promoter-held shares; maintenance of enough shares as a cushion for timely top-up and compliance to the terms of the issue.

**LIQUIDITY POSITION (Adequate):** The Liquidity of the company is adequate as the total O/s amount for the rated NCD issue as of March 28, 2023, stood at ~Rs. 282 Crs (includes accrued premium/interest) vis-à-vis cover maintained of ~Rs. 987 Crs, resulting into security cover of 3.50 times as against required cover of 2.0 times. Unencumbered cash & cash equivalent stood at Rs. 12.80 Crs as of 28 Feb 2023.

### **ABOUT THE COMPANY**

JSWPL is a part of the USD 14 billion JSW Group, which has diversified interests in the core economic sector, including steel, energy, minerals, infrastructure, cement, sports, ports, logistics, information technology and paints. The company has set up and runs certain plants, namely, a 1.2 MTPA COREX gas-based Direct Reduction of Iron (DRI) plant, one Coke Dry Quenching (CDQ) plant comprising four units with an aggregate capacity of 3.42 MTPA and a 76 MW captive power plant based on waste heat recovery from the CDQ process. JSWPL operates these facilities on the basis of a Build Own Operate Transfer agreement with JSWSL. Sajjan Jindal Family Trust held a 100% stake in JSWPL as of 31 March 2022. The company also operates a DRI plant of 0.12 MTPA capacity and a Captive Power Plant of 8 MW capacity in Sultanpur, Karnataka. The company had acquired a 0.3 MTPA Pellet plant near Hospet, Karnataka, which is now operational. The company had also acquired a 58.47% stake in BMM Ispat Limited (BMM) for a total consideration of Rs. 500 Crs. BMM mainly has facilities for pellet production (capacity 2.40 MTPA), DRI (capacity 0.66 MTPA), a beneficiation plant (capacity 2.60 MTPA), an induction furnace (capacity 0.15 MTPA), a rolling mill (capacity 0.09 MTPA), a power plant (capacity 235 MW), a steel melting shop (capacity 1.1. MTPA) and a merchant bar mill (capacity 0.85 MTPA). After its acquisition by the company, BMM made a turnaround and is now a profitable company.



**Key Financial Indicators - ISSUER ( JSW Projects Ltd.)**

Particulars	FY21 (A)	FY22 (A)	9MFY23
	Standalone	Standalone	Standalone
Total Operating Income (Rs. Crs)	506.23	498.64	305.98
EBITDA (Rs. Crs)	326.95	294.49	147.49
PAT (Rs. Crs)	158.58	179.49	97.78
Tangible Networth (Rs. Crs)	630.33	809.91	-
Gearing (Total Debt/TNW) Ratio (times)	2.64	1.50	-

**FINANCIAL PERFORMANCE OF THE UNDERLYING COMPANIES:**

**JSW Steel Ltd.**

JSW Steel Limited (JSWSL) is part of the JSW group headed by Mr Sajjan Jindal. The JSW group has a presence across various sectors, such as steel, energy, ports, cement, etc. JSWSL is one of the leading steel producers in India with a steelmaking capacity of 28.5 MTPA in India & USA (including capacities under joint control). Promoter and Promoter Group hold 44.82% stake in JSWSL and the remaining is being held by the public/others. The company is led Mr Sajjan Jindal who is the Chairman and Managing Director of company. The key financial indicators are as under:

**Key Financial Indicators - JSW Steel Ltd.**

Particulars	FY21 (A)	FY22 (A)	9MFY23
	Consolidated	Consolidated	UnAudited
Total Operating Income (Rs. Crs)	79839.00	146371.00	118998.00
EBITDA (Rs. Crs)	20020.00	39580.00	10608.00
PAT (Rs. Crs)	7873.00	20938.00	398.00
Tangible Networth (Rs. Crs)	44027.00	66353.00	-
Gearing (Total Debt/TNW) Ratio (times)	1.44	1.05	-

**JSW Energy Ltd.**

Incorporated in 1994, JSW Energy Limited (JSWEL) is part of the JSW group headed by Mr Sajjan Jindal. JSWEL is the holding company for the JSW group’s power business having an operational capacity of ~4.8 GW (consolidated). Promoter and Promoter Group hold 74.66% stake in JSWEL as of Dec 2022 and the remaining is being held by the public/others. The company is led by Mr Sajjan Jindal, who is the Chairman and Managing Director of company. The key financial indicators are as under:

**Key Financial Indicators - JSW Energy Ltd.**

Particulars	FY21 (A)	FY22 (A)	9MFY23
	Consolidated	Consolidated	UnAudited
Total Operating Income (Rs. Crs)	6922.20	8167.15	8061.33
EBITDA (Rs. Crs)	2911.68	3571.63	2936.52
PAT (Rs. Crs)	822.68	1743.48	1198.09
Tangible Networth (Rs. Crs)	13036.84	16005.64	-
Gearing (Total Debt/TNW) Ratio (times)	0.64	0.56	-



**Key Covenants of the instrument/facility rated:**

Name of the Instrument	Issue Date	Issue Size (Rs. Cr)	Outstanding Amount (Rs. Cr)	Coupon Rate	Maturity Date	ISIN Particulars	Rating Assigned/Outlook
NCD**	25-03-2021	35.00	0.00	Zero Coupon	24-03-2023	INE035M07028	BWR AA- (CE)/ Stable Reaffirmation
NCD**	25-03-2021	230.00	230.00	Zero Coupon	25-03-2024	INE035M07036	

The accrued premium or yield is at 10.6% payable on redemption

\*\*Both the NCDs belong to the same series with two different ISINs. The NCD of Rs. 35 Crs has been fully redeemed on March 17, 2023, and hence, the amount of NCD of Rs. 35 Crs. is reduced to Rs. 0.00 Crs.

The company had raised the structured NCD of Rs. 300.00 Crs, with the maturity on 08 April 2022 (Fully Redeemed), 24 March 2023(Fully Redeemed) and 25 March 2024. There is zero coupon payment, and the applicable redemption premium will be payable on the maturity date. The NCDs are secured by way of the pledge of the equity shares of JSWSL providing a 1.55x cover and JSWEL providing a 0.45x cover, with a combined coverage of twice the outstanding principal and accrued interest amount. There is a provision for a top-up if the share collateral cover falls below 1.80x within two business days of such an event; the security provider shall create a pledge over the such number of shares, such that the share collateral cover is equivalent to the required collateral cover. On or prior to the repayment reserve start date (7 days prior to the scheduled redemption date for each respective series of debentures) the issuer shall deposit a sum equivalent to the repayment amount for the respective series of debentures into the company account to be applied towards the redemption of the debentures.

Yield: The accrued premium or yield is at 10.6% p.a. payable on redemption

Required Aggregate Coverage: Required aggregate coverage is 2x. Of which Shares of JSW Steel Ltd. equivalent to 1.55x of the financing amount and JSW Energy Ltd. equivalent to 0.45x of the financing amount. Credit Rating Certificate at each expiry.

Top Up Trigger Event: If, on any Calculation Date after the Initial Cover Date (a “Reference Calculation Date”), a Top Up Trigger Event occurs, the Company shall ensure that the Aggregate Collateral Cover is restored to at least the Required Aggregate Collateral Cover by 5 p.m. on the second Business Day falling after that Reference Calculation Date calculated using the Share Price of the relevant Shares as at that Reference Calculation Date. The Company shall restore the Collateral Cover to at least the Required Collateral Cover by pledging additional JSW Steel Ltd. Shares/JSW Energy Ltd. Shares in favour of the Debenture Trustee by 5 p.m. on the second Business Day after the relevant Reference Calculation Date

Top Down Trigger Event: On the occurrence of a Top Down Trigger Event, the Company may by notice in writing request the Debenture Trustee to release any JSW Steel Ltd. Collateral Shares and/or any JSW Energy Ltd. Collateral Shares. Upon receipt of such request from the Company together with the relevant calculations, the Debenture Trustee shall, within 3 Business



Days of request and subject to the Release Conditions being met, release such number of JSWEL Collateral Shares and/or JSWSL Collateral Shares.

**Status of non-cooperation with previous CRA (if applicable)- N.A.**

**Any other information: Nil**

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

Instrument	Type	Current BWR Rating(2023)		Rating History		
		Amount (Rs. Crs)	Rating (31 March 2023)	2022	2021	2020
NCD (Rs. 35.00 Crs)	Long Term	-	-	Rating Withdrawn On Full redemption (16 May 2022)  BWR AA-(CE)/Stable (09 March 2022)	BWR AA-(CE)/ Negative (10 March 2021)  BWR AA-(CE)/ Stable (03 September 2021)	-
NCD (Rs. 230 Crs)**	Long Term	230.00	BWR AA- (CE)/Stable Reaffirmation			
NCD (Rs. 35 Crs.)**	Long Term	0.00 (Fully Redeemed)	-	BWR AA-(CE)/Stable Reaffirmed (16 May 2022)  BWR AA-(CE)/ Stable Reaffirmed (09 March 2022)	BWR AA-(CE)/ Negative (10 March 2021)  BWR AA-(CE)/ Stable (03 September 2021)	-
NCD (Series A: Rs. 200 Crs)	Long Term	-	-	-	-	Rating Withdrawn On Full redemption (04 Nov 2020)
NCD (Series B Rs. 200 Crs)	Long Term	-	-	-	-	Rating Withdrawn On Full redemption (04 Nov 2020)



NCD (Series C Rs. 250 Crs)	Long Term	-	-	-	Rating Withdrawn on Full redemption (10 March 2021)	BWR AA-(CE)/ Negative (04 Nov 2020)
Total		Rs. 230.00	Rupees Two Hundred and Thirty Crores Only			

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**Complexity Levels of the Instruments:** Non-Convertible Debenture: Complex  
[www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Credit Enhancement](#)
- [Manufacturing Companies](#)
- [Infrastructure Sector](#)

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**JSW Projects Ltd.**

**Annexure I - Instrument Details**

Name of the Instrument	Issue Date	Issue Size (Rs. Cr)	Coupon Rate	Maturity Date	ISIN Particulars	Rating Assigned/Outlook
NCD**	25-03-2021	35.00	Zero-Coupon	24-03-2023	INE035M07028	BWR AA- (CE)/ Stable (Reaffirmation)
NCD**	25-03-2021	230.00	Zero-Coupon	25-03-2024	INE035M07036	

The accrued premium or yield is at 10.6% payable on redemption

\*\*Both the NCDs belong to the same series with two different ISINs. The NCD of Rs. 35 Crs has been fully redeemed on March 17, 2023, and hence, the amount of NCD of Rs. 35 Crs. is reduced to Rs. 0.00 Crs



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