JSW Ispat Special Products Limited

(formerly known as Monnet Ispat & Energy Limited)

Corporate Office: JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai-400051
CIN: L02710CT1990PLC009826 **GST:** 27AAACM0501D2Z9
Phone: +91 22 4286 1000 **E-mail:** isc_jispl@aionjsw.in **Website:** www.aionjsw.in

E-mail/ Online Upload Copy

11th March, 2021

DGM-Deptt. of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai-400001

Listing Department
National Stock Exchange of India Limited
'Exchange Plaza', Bandra Kurla Complex,
Mumbai-400051

Listing Department
Calcutta Stock Exchange limited
"7, Lyons Range,
Kolkata-700001,

BSE Scrip Code: 513446 / NSE Scrip Code: JSWISPL

Sub: Intimation under regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("Listing Regulations 2015") regarding revision in Credit Rating of the Company for its borrowings;

Dear Sir,

This is to inform you that as per the communication received on 11 March 2021 from CARE Ratings Limited, the credit rating of the below borrowings of the Company has been revised;

Facilities	Amount (Rs. Crore)	Rating	Rating Action
Long Term Bank Facilities	3,000.00	**CARE A-; Stable (Single A Minus; Outlook: Stable)**	**Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable)**
Long Term/ Short Term Bank Facilities	500.00	**CARE A-; Stable/ CARE A2+ (Single A Minus; Outlook: Stable/A Two Plus)**	**Revised from CARE BBB+; Stable/ CARE A2 (Triple B Plus; Outlook: Stable/ A Two)**
Total	**3,500.00 (Rupees Three Thousand Five Hundred Crore Only)**		

A copy of the formal rating rationale issued by CARE Ratings Limited, is enclosed herewith.

This is for your information and further dissemination to shareholders of the Company.

For **JSW Ispat Special Products Limited**
(Formerly known as Monnet Ispat and Energy Limited)

(Ajay Kadhao)
Company Secretary &
Compliance Officer

Encl: As above

Raigarh Works: Village & P.O.: Naharpali, Tehsil Kharsia, Raigarh-496 661 (Chhattisgarh)
Phone: +91 7762 275 502/ 03/04; +91 7762 251 000/100, **Fax:** +91 7762 275 505, **E-mail:** raigarh@aionjsw.in
Regd. Office & Works: Monnet Marg, Mandir Hasaud, Raipur- 492 101 (Chhattisgarh)
Phone: +91 771 2471 334 to 339, **Fax:** +91 771 2471 250, **E-mail:** jswispatraipur@aionjsw.in

CARE Ratings
Professional Risk Opinion

No. CARE/HO/RL/2020-21/4504
Mr. J. Nagarajan
Chief Financial Officer
JSW Ispat Special Products Limited
JSW Center, Bandra Kurla Complex,
Bandra (East), Mumbai,
Maharashtra 400051

March 09, 2021

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY20 (Audited) and 9MFY21 (Audited), and the possible impact of the same on the credit profile of your company our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	3,000.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable)
Long Term / Short Term Bank Facilities	500.00	CARE A-; Stable / CARE A2+ (Single A Minus; Outlook: Stable / A Two Plus)	Revised from CARE BBB+; Stable / CARE A2 (Triple B Plus; Outlook: Stable / A Two)
Total Facilities	3,500.00 (Rs. Three Thousand Five Hundred Crore Only)		

Refer **Annexure 1** for details of rated facilities.

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our

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

CARE Ratings Ltd.

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clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by March 10, 2021, we will proceed on the basis that you have no any comments to offer.

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

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9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Narendra Chaudhari
Analyst
narendra.chaudhari@careratings.com

Hitesh Avachat
Senior Manager
hitesh.avachat@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	Induslnd Bank Ltd.	2,600.00
	Total	**2,600.00**

1.B. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	Induslnd Bank Ltd.	400.00
	Total	**400.00**

Total Long Term Facilities : Rs.3,000.00 crore

2. Long Term / Short Term Facilities

2.A. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	Induslnd Bank Ltd.	500.00
	Total	**500.00**

Total Long Term / Short Term Facilities : Rs.500.00 crore

Total Facilities (1.A+1.B+2.A) : Rs.3,500.00 crore

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Annexure 2
JSW Ispat Special Products Limited (JISPL)
(Formerly known as Monnet Ispat and Energy Limited)

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	3,000.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable)
Long Term / Short Term Bank Facilities	500.00	CARE A-; Stable / CARE A2+ (Single A Minus; Outlook: Stable/ A Two Plus)	Revised from CARE BBB+; Stable / CARE A2 (Triple B Plus; Outlook: Stable / A Two)
Total Bank Facilities	**3,500.00 (Rs. Three Thousand Five Hundred Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of JSW Ispat Special Products Limited (JISPL) takes into account, nearing completion of revamping activity at its manufacturing facility at Raigarh along with improved synergies on logistics resulting from raw material (iron ore) sourcing from JSW Steel Limited (JSWSL; rated AA-; Stable/A1+). The revision in rating also reflects CARE's expectation of a steady improvement in the operating and profitability performance of JISPL arising out of its enhanced capabilities to manufacture various semi and special steel products, which in turn will aid higher sales volumes of special steel products and better realisations.

Furthermore, the ratings continue to derive strengths from the resourceful and experienced promoter- JSWSL, having established presence in the Indian steel industry, access to JSWSL's supplier and marketing network as well as JSWSL's track record in turning around distressed acquired assets and executing brownfield projects along with cost management expertise.

The rating strengths are tempered by susceptibility of profitability margins to volatility in input costs, presence of the company in inherently cyclical steel industry, working capital intensive

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operations and moderate capital structure. However, JISPL has considerable financial flexibility owing to strong parentage.

Rating Sensitivities

Positive Factors

- Successful ramp-up of operations of integrated steel plant, registering operating margin of at least 12.5%
- Improvement in gearing below 1.30x on a sustained basis
- Improvement in TDGCA (Total Debt to Gross Cash Accruals) ratio to less than 3 times

Negative Factors

- Decline in sales volumes below 1.5 mtpa (pellets, steel intermediates & finished steel)
- Deterioration in overall gearing beyond 2.0x on a sustained basis on account of any significant increase in working capital requirement or unforeseen increase in debt requirement for ongoing capex

Detailed description of the key rating drivers

Key Rating Strengths

Support from experienced and resourceful promoters

On July 24, 2018, JSWSL and AION Investments Private II Ltd (AION) through its special purpose vehicle company i.e. Milloret Steel Limited (MSL) acquired JISPL through the Corporate Insolvency Resolution Process (CIRP) under Insolvency & Bankruptcy Code 2016 (IBC).

AION Investment Private II Limited is a wholly owned subsidiary of AION Capital Partners Limited (AION), which is a private equity fund incorporated in Mauritius. AION is a strategic partnership between Apollo Global Management LLC ("Apollo"), which is one of world's largest alternative asset managers and ICICI Venture Funds Management Company. Apollo is amongst the largest investors in the metals & mining sector globally and specializes in making investments in stressed and distressed assets, buyouts, leveraged buyouts, growth capital, mezzanine, recapitalizations, special situations, special credit opportunities and non-performing loans.

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The JSW group, headed by Mr. Sajjan Jindal, has significant presence in the diversified business segments like steel, energy, infrastructure, cement and sports. JSWSL, with its steelmaking capacity of 18 mtpa, has considerable presence in the steel industry in India. Further, over the past years, JSWSL has ramped up its capacities in a timely and cost-effective manner to become the leading steelmaker in the private sector in India. Globally, it owns a plate and pipe mill and steel making facility in USA, and downstream steel making facility in Italy.

The company has shown successful strong track record in implementing greenfield and brownfield project execution as well as turning around distressed assets such as Ispat Industries Ltd., Welspun Max Steel Ltd., Southern Iron & Steel Co. Ltd. and Vallabh Tinplate Private Limited. JSWSL has also provided a letter of awareness to the lenders of JISPL. Under the control of the consortium of AION and JSW Steel, JISPL is likely to have better market standing with the potential to transact business on better terms as compared to its erstwhile business terms.

Raw material sourcing arrangements aided by access to JSWSL's supplier network

JSWSL was declared as the "Preferred Bidder" for four operational mines auctioned in Odisha in Jan-Feb 2020. The estimated iron ore reserves of the above mines are around 1,131 million tonnes. JSWSL has started the mining operations and JISPL has started receiving raw material from these mines. JISPL sources its iron ore requirement predominantly from JSWSL's mines and balance from third party mines in Odisha. Since bulk of its iron ore requirement is expected from JSWSL's mines, JISPL has been able to negotiate better contract with logistics providers for transportation of iron ore.

JISPL sources coal requirement for its DRI plant from imports and for captive power plant from the auction by Coal India. Further, JISPL has also entered into coal to coke conversion contract apart from sourcing coke from imports/domestic markets.

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Marketing synergies from JISPL's presence in Eastern India

JISPL has modified its manufacturing facilities at Raigarh to produce special steel products. However, JISPL can also sell intermediate products like pellet, DRI and pig iron depending upon the market prices of these products and for this, JSWSL's marketing network provides strong support to JISPL. JSWSL's manufacturing facilities are located in the Southern and Western parts of the country. JISPL's strategic presence in the Eastern part of the country enables the JSW Steel Group to tap the markets in Central, Northern and Eastern parts of India.

Shift towards special steel products

JISPL has carried out modification works to manufacture special steel products and augment its pellet plant capacity to 2.5 MTPA from 2 MTPA. Accordingly, the capex plan including start-up expenses is at Rs. 500 crores. Out of this, capacity expansion of pellet plant and majority of capex for special steel products has been completed and balance Phase 1 capex is expected to be completed in H1FY22. Special steel products cater to end user industry such as Automobile industry, General Engineering sectors, Defense and Aerospace etc. and addition of these products will help JISPL to shield its profitability margins from the fluctuations of steel prices.

Completion of majority of capex and restarting operations

Ramping up of the operations of JISPL was delayed on account of partial shutdown of its plant for 8 months in FY20 to modify the manufacturing facilities to produce special steel products and about one month of shut down in view of the lockdown as a result of Covid-19 outbreak in Q1FY21. However, operations revived in Q3FY21 as JISPL started steel operations from Nov-20 resulting in JISPL turning PBILDT positive in 9MFY21. JISPL reported PBILDT of Rs 188.04 crore and net loss of Rs 186.95 crore during 9MFY21. Going forward, operations are expected to improve on the back of improved capacity utilization and improved profitability margins due to higher contribution of special products.

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Key Rating Weaknesses

Moderate capital structure

At the time of acquisition, in Aug-18, initial lenders were repaid using the funds from new term loan of Rs 1,900 crore. Further the capex for modifying manufacturing facilities for production of special steel products was funded via additional term loan. These term loans along with working capital borrowings has resulted in moderate capital structure for JISPL with overall gearing of 1.71x as on March 31, 2020.

Cyclicality of the steel industry

Prospects of steel industry are strongly co-related to economic cycles. Demand for steel is sensitive to trends of particular industries, viz. automotive, construction, infrastructure and consumer durables, which are the key consumers of steel products. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates, etc. in the economies in which they sell their products. When downturns occur in these economies or sectors, steel industry may witness decline in demand.

Liquidity: Adequate

Liquidity is marked as adequate with moderate cash and bank balance (unencumbered) of Rs. 132 crores as on December 31, 2020 and term loan repayments starting only from Q3FY22. Moreover, average utilization levels for fund-based bank lines remained at 80% for the past 12 months ending Dec-20. Liquidity of the company is also aided by the support extended by JSWSL in terms of short term loan to support its working capital requirement which can be availed, if required. JISPL enjoys considerable financial flexibility owing to strong parentage.

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Analytical approach: Standalone.

CARE has adopted a standalone approach. However, management, financial and operational linkages with JSWSL (holding effectively 23.10% in JISPL and sharing common brand name) have also been considered.

Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
Short Term Instruments
CARE's Policy on Default Recognition
Liquidity Analysis of Non-Financial Sector Entities
Financial ratios – Non-Financial Sector
Rating Methodology: Notching by factoring linkages in Ratings
Rating Methodology - Manufacturing Companies
Rating Methodology – Steel sector

About the Company

JISPL, is engaged in manufacturing and sale of pellets steel intermediaries and special steel products e.g., sponge Iron, billets, ferro alloys and & long (rebars) steel products. On July 24, 2018, JSWSL and AION, through its special purpose vehicle company i.e. Milloret Steel Limited (MSL) successfully acquired JISPL through the Corporate Insolvency Resolution Process (CIRP) under Insolvency & Bankruptcy Code 2016 (IBC). MSL was then amalgamated with JISPL.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	1,904.99	2,663.45
PBILDT	29.23	-18.53
PAT	-3461.11	-488.16
Overall gearing (times)	1.05	1.71
Interest coverage (times)	0.07	NM

A: Audited; Financials have been reclassified as per CARE standards; NM:Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

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Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

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	-	-	August 2030	2600.00	CARE A-; Stable
Fund-based - LT-Cash Credit	-	-	-	400.00	CARE A-; Stable
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	500.00	CARE A-; Stable / CARE A2+

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	2600.00	CARE A-; Stable	-	1)CARE BBB+; Stable (24-Mar-20) 2)CARE A-; Stable (02-Apr-19)	1)CARE A-; Stable (03-Dec-18)	-
2.	Fund-based - LT-Cash Credit	LT	400.00	CARE A-; Stable	-	1)CARE BBB+; Stable (24-Mar-20) 2)CARE A-; Stable (02-Apr-19)	1)CARE A-; Stable (03-Dec-18)	-
3.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	500.00	CARE A-; Stable	-	1)CARE BBB+; Stable / CARE A2	1)CARE A-; Stable / CARE A2+	-

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				/ CARE A2+		(24-Mar-20) 2)CARE A-; Stable / CARE A2+ (02-Apr-19)	(03-Dec-18)	

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

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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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.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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