



Press Release

OPJ Trading Private Limited (OTPL)

May 27, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Non-Convertible Debentures	100.00	IVR A- (CE)* /Stable Outlook [IVR Single A Minus (Credit Enhancement) with Stable Outlook]
	Total	100.00	

*Credit Enhancement based on the security provided by way of pledge of fully paid up equity shares of Jindal Steel & Power Limited (JSPL) and JSW Holdings Ltd (JSWHL)/Jindal Saw Limited (JSL) held by Promoter Group. The stipulated asset cover for this instrument is 2.5x of JSPL shares pledged for series A, B & C and 0.25x of series A and 0.5x for series B & C of JSWHL/JSL during the entire tenor of the NCDs.

Unsupported Rating has been assessed as IVR BBB- (Credit Watch with developing implications) which is based on the standalone performance of OTPL. The unsupported rating has been kept on credit watch with developing implications to monitor the movement in debt protection parameters.

Details of Facilities are in Annexure 1

Rating Rationale

The ratings derive comfort from the credit enhancement provided in the form of pledge of fully paid up equity shares of Jindal Steel & Power Limited (JSPL) and JSW Holdings Ltd (JSWHL)/Jindal Saw Limited (JSL) held by Promoter Group, defined transaction structure & payment mechanism, good credit quality of JSPL, JSWHL and JSL and resourceful promoter. The rating also takes into consideration the inherent volatility in the stock market.



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Key Rating Sensitivities

Upward Factor

- Sustained improvement in the revenue and profitability along with the continuation in the company's ability to provide the stipulated security cover throughout the tenure.

Downward Factor

- Any deterioration in the topline and the overall performance of OTPL from current level.
- Considerable decline in the share price of the pledged shares.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Credit Enhancement in the form of pledge of shares held by the promoter group in JSPL, JSWHL/JSL.

The NCDs are secured by way of pledge of fully paid up equity shares of JSPL and JSWHL/JSL held by Promoter Group. The stipulated asset cover for this instrument is 2.5x of JSPL shares pledged for series A,B&C and in addition, 0.25x of series A and 0.5x for series B&C of JSWHL/JSL during the entire tenor of the NCDs. The company has also provided an additional security in the form of mortgaged property (Land) in favour of this facility.

Defined transaction structure and payment mechanism

In accordance with the terms of the NCDs, OTPL is required to deposit the interest and redemption amount and all other amounts due under the issuance in an Escrow account. This account shall be operated by the debenture trustee. The instrument has a defined top-up mechanism such that the Required Security Cover is maintained.

Good credit quality of JSPL, JSWHL and JSL.

JSPL, incorporated in 1979, is one of the India's leading company engaged in steel manufacturing, power generation, mining and infrastructure sectors. The company has manufacturing units situated in Raigarh (Chhattisgarh), Angul (Odisha), Barbil (Odisha), Patratu (Jharkhand) and Oman. Besides India, the company also has overseas business interests in countries like Oman, South Africa and Australia through its subsidiaries. JSPL reported an operating income of Rs.39372.14 crore with EBITDA margin of ~21.35% for FY19.



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It had a TNW of Rs.28386.33 crore as on March 31, 2019. The market capitalization of JSPL stood at around Rs.9930 crore as on May 13, 2020.

JSWHL is the holding company for JSW group viz. JSW Steel, JSW Energy etc promoted by Mr. Sajjan Jindal. The company does not have any significant operations and derives its revenues mainly way of interest/dividends on its investments. Moreover, the company does not have any external borrowings.

JSL, managed by Mr. Prithviraj Jindal, engaged in manufacturing SAW Pipes (Submerged Arc Welded Pipes) and spiral pipes for energy transportation sector, carbon, alloy and seamless pipes and tubes for industrial applications and Ductile Iron (DI) pipes and fittings for water and wastewater transportation. JSL reported an operating income of Rs.12117 crore with EBITDA margin of ~12.17% for FY19. It had a TNW of Rs.5501.65 crore as on March 31, 2019. The market capitalization of JSL stood at around Rs.1712 crore as on May 13, 2020.

Experienced promoter

Mr. Naveen Jindal is the key promoter. He is the Chairman of Jindal Steel and Power Limited (JSPL). He also serves as the President of Flag Foundation of India (FFI) and Chancellor of OP Jindal Global University.

Key Rating Weaknesses

Volatility in the stock market

Indian capital market, by its nature, is volatile arising out of many developments taking place in the social and economic front both at the national and international levels. Despite a particular equity scrip continuing to remain fundamentally strong, the market price of such scrip may get adversely impacted due to the market behaviour. As the collateral cover for debt servicing, in the instant case, is in the form of equity investment in a listed company, the same is exposed to the risk of market volatility. However, the stipulated security cover provides margin against the volatility.

Analytical Approach: Standalone



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Applicable Criteria:

Rating Methodology for Structure Debt Transaction (Non-securitization transaction)

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial sector)

Liquidity: Adequate

The company has adequate liquidity marked by the current ratio 2.45x as on 31 March 2020(Provisional) and adequate cash and cash equivalents to the tune of Rs. 724.44 Crs in FY20(Provisional).

About the Company

Incorporated in 2014, OPJ Trading Private Limited (OTPL) is a promoter investment company of Mr. Naveen Jindal, Chairman of Jindal Steel and Power Limited (JSPL) and his family. The board of directors of OTPL are Mr. Sarat Kishore Panda and Mr. Kapil Mantri. Both are nominees of the group.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	81.77	123.00	172.65
EBITDA	81.27	122.09	171.72
PAT	-23.62	-6.30	7.43
Total Debt	870.00	1024.09	1160.31
Tangible Networth	5.82	-0.48	6.95
Ratios			
EBITDA Margin (%)	99.39	99.26	99.46
PAT Margin (%)	negative	negative	4.30
Overall Gearing Ratio (x)	149.44	NM	166.92

NM: Not meaningful

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	NCDs	Long Term	100.00	IVR A- (CE) Stable Outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
NCDs	--	--	Up to Feb 2023	100.00	IVR A- (CE) /Stable Outlook