17th July, 2021

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Sub.: Press Release

Dear Sir,

We are enclosing herewith copy of Press Release being issued by the Company today.

Kindly host the same on your website.

Thanking You.

Yours Faithfully,

For **Jindal Stainless Limited**

Navneet Raghuvanshi
Company Secretary

Encl: As above

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India Ratings and Research upgrades Jindal Stainless Limited's long-term credit rating to 'IND A+'

New Delhi, July 17, 2021: India Ratings and Research (Ind-Ra) has upgraded Jindal Stainless Limited's (JSL) long-term credit rating to 'IND A+' which is three levels up from their earlier rating of 'IND BBB+'. The short-term credit rating of the company has also been upgraded to 'IND A1+'.The key reasons for the upgrade include accelerated deleveraging, supported by the prepayments of debt, which was originally scheduled to be repaid over FY22-FY23, in FY21 along with a strong operating performance. The rating also factors in the benefit of proposed amalgamation, coupled with strong group linkages considering the same line of business along with strong operational, strategic, and financial linkages.

Earlier in May this year, CRISIL Ratings had assigned **'CRISIL A+/Stable'** rating to the long-term credit facilities of JSL. Short-term credit facilities of JSL were rated '**CRISIL A1'**.

Commenting on this development, **Managing Director, JSL, Mr Abhyuday Jindal** said, ***"The latest credit rating upgrade has taken into consideration the positive implications of the ongoing merger process of JSHL into JSL. Ind-Ra has acknowledged benefits of the upcoming post-merger group, including financial flexibility and balance sheet strengthening and long-term prospects."***

Ind-Ra expects JSL's business and financial profile to largely sustain post the merger, supported by the industry-leading scale of operations and similar financial metrics, further augmented by the benefits of scale and greater financial flexibility.

The Ind-Ra has also upgraded the credit rating long-term and short-term facilities of Jindal Stainless (Hisar) Limited (JSHL) to 'IND A+' and 'IND A1+' respectively.

Excerpts from the Ind-Ra report:

"Successful Execution of Management Strategy for Debt Reduction: The management demonstrated substantial balance sheet deleveraging over FY21 in line with their guidance, through accelerated long-term debt repayments using the strong free cash flows generated. The group and JSL reduced its external debt significantly by INR32.9 billion and INR17.1 billion, respectively, over FY19-FY21 (FY21: INR14.1 billion and INR9.5 billion, respectively), mainly by

prepaying long-term debt obligations. Ind-Ra expects the group's and JSL's debt to decline further in FY22, supported by strong free cash generation…Moreover, group's net adjusted leverage (net adjusted debt, including LC acceptances /operating EBITDA) improved significantly to about 2.5x in FY21 (FY20: 3.7x; FY19: 3.7x) and is likely to improve to around 2x, on a sustained basis, overthe medium term. The group's gross interest coverage (operating EBITDA/gross interest expenses) improved to 4.0x in FY21 (FY20: 2.5x, FY19: 2.4x), and should surpass 5x, on a sustained basis, over the medium term

"Strong Operating Performance, Pinned on Market Dynamics and Business Strengths: A strong market uptick from 2QFY21 along with JSL's business agility caused the EBITDA to rise to INR14.3 billion in FY21 (FY20: INR11.3 billion), higher than Ind-Ra's expectation of about INR12 billion. JSL's EBITDA/t increased to high levels of INR 17,300/t in FsY21 (FY19-FY20: around INR13, 000/t), against the agency's earlier expectations of INR14, 600/t, due to the strong uptick in gross margins from 2QFY21 and cost rationalisation. Ind-Ra believes the same might gradually moderate over FY22-FY23 but would remain healthy at INR14, 000-INR15, 000 per tonne...resulting from the strong domestic demand momentum, and the agency's improved margin expectations for the Indian stainless steel sector.

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Benefits of Amalgamation: The proposed merger of JSHL into JSL would result in the creation of a large stainless steel entity that would have a capacity of 1.9 million Metric tonnes per annum (mtpa) and would have a leading market share domestically and would rank amongst the top 10 companies globally. Post the merger, the combined legal entity would have a more diversified end customer base, and might also have higher bargaining power with raw material suppliers, given the scale of operations, the increased share of specialty products and a more balanced ratio of domestic-to-export sales. Furthermore, the entity would have operational RAC diversification, as JSL's Jajpur plant would benefit from efficient raw material procurement and export markets due to its proximity to the eastern India coast, while JSHL's Hisar plant would benefit from its proximity to domestic consumption hubs.

Read the full report at here

MD’s Twitter handle:
https://twitter.com/abhyudayjindal

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