Press Release

April 20, 2011

CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF JANKI CORP LTD

Ratings Assigned

Facilities/ Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term bank facilities	236.16	CARE BBB- [Triple B Minus]	Reaffirmed
Short-term bank facilities	25.00	PR3 [PR Three]	Reaffirmed
Long-term/short-term bank facilities	92.00	CARE BBB-/PR3 [Triple B Minus/PR Three]	Reaffirmed
Total bank facilities	**353.16**		

Rating Rationale

The ratings continue to derive comfort from JCL's experienced promoters and its established operations in sponge iron and textile business with a moderate financial risk profile. The ratings also take into account the commissioning of captive power plant for its steel division. The ratings are, however, continue to be constrained by lack of integration in steel division coupled with competition from large integrated players and presence of company in steel and textile segment, which are cyclical in nature. The ratings are also constrained by the pending stabilization of the pellet plant after delay in its commissioning, significant cost overrun in the said project and increase in repayment obligations from FY12.
Stabilization of the pellet plant in a time bound manner and maintaining profitability are key rating sensitivities.

Company background:

Promoted by Shri Raghu Nath Mittal, JCL is a closely-held public limited company. It commenced its operations with fabrics processing facility in Bhilwara in 1993. JCL entered in steel business during 2005 by setting up a sponge iron manufacturing unit in Bellary. Contribution of steel and textile segment was 64% and 36% respectively in total operating income during FY10.

JCL completed the project of Waste Heat Recovery Boiler (WHRB) based power plant of 15 MW in Apr.10. Pellet plant having capacity of 600000 t.p.a. has been commissioned with delay of six months in September 2010 and been facing stabilization issues thereafter. Delay in the project execution and stabilization has resulted into cost overrun of about 20% in the original project cost of Rs.230.88 crore including cost of power plant.

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

During FY10, JCL reported total operating income of Rs.245.11 crore (P.Y. Rs.255.51 crore) and PAT of Rs.9.59 crore (P.Y.Rs.10.28 crore). For the six months ended September 2010, JCL reported total operating income of Rs.136.58 crore (P.Y.: Rs.104.30 crore) and PAT of Rs. 8.46 crore (P.Y. Rs. 5.72 crore).

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings 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.

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