Press Release

July 1, 2011

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

Facilities/ Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term bank facilities	328.16	CARE BB+ [Double B Plus]	Revised from CARE BBB- [Triple B Minus]
Short-term bank facilities	25.00	CARE A4+ [A Four Plus]	Revised from CARE A3 [A Three]
Total bank facilities	**353.16**		

Rating Rationale

The ratings revision takes in account long delays in the stabilization of the pellet plant. This along with declining operating efficiency of the sponge iron division, rising inventory levels for the raw material and higher repayment obligations in the medium term have led to deterioration in the debt protection matrices, liquidity indicators and financial flexibility, albeit promoters have demonstrated their capability to raise funds through inter corporate deposits and equity infusion.
The ratings continue to derive comfort from JCL's experienced promoters and its established operations in sponge iron and textile business with captive power plant. The ratings are, however, continue to be constrained by significant cost overrun in the project, 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.

Generation of the envisaged returns from the recently added facilities along with stabilization of the pellet plant without further delay, improvement in the liquidity indicators, managing working capital and ability to pass on the fluctuation in the raw material prices are key rating sensitivities.

Company background:

Promoted by Shri Raghu Nath Mittal, JCL is a closely held public limited company with operations in the steel and textile segment. Contribution of steel and textile segment was 66% and 28% respectively in total operating income of Rs. 285.68 crore during FY11 based on provisional results.
JCL completed the project of Waste Heat Recovery Boiler (WHRB) based power plant of 15 MW according to schedule i.e. Apr.10. Although the pellet plant was commissioned in the month of September, 2010 with delay of six months, there was a major break down during October 2010. The pellet plant is yet to stabilize taking the overall delay to 15 months as of June 2011 from the original schedule of its commencement. The company had originally envisaged a total project cost of Rs. 230.88 crore for both power and pellet plant. However JCL has already spent Rs. 49.65 crore till June 6, 2011 as cost overrun for the project pending stabilization of pellet plant. The repayment of the loan raised for the project has commenced from October 2010 putting pressure on liquidity of the JCL.

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

Based on the provisional figures for the year ended March 31 2011, JCL reported total operating income of Rs.285.68 crore (P.Y. Rs.245.11 crore) and PAT of Rs.14.54 crore (P.Y.Rs.9.59 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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