FEBRUARY 18, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES AND INSTRUMENTS OF JK LAKSHMI CEMENT LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	2033.54 (enhanced from 1974.39)	CARE AA [Double A]	Revised from CARE AA- [Double A Minus]
Short term Bank Facilities	350 (enhanced from 250)	CARE A1+ [A One Plus]	Reaffirmed
Total Facilities	**2,383.54**		
Commercial Paper (CP)*	70 (70)	CARE A1+ [A One Plus]	Reaffirmed
Commercial Paper (CP)	50	CARE A1+ [A One Plus]	Assigned
Long-term Non-Convertible Debenture (NCD)	199.79 (249.79)	CARE AA [Double A]	Revised from CARE AA- [Double A Minus]
Long-term Non-Convertible Debenture (NCD)-Proposed	200 (200)	CARE AA [Double A]	Revised from CARE AA- [Double A Minus]
Fixed Deposits	15 (15)	CARE AA (FD) [Double A (Fixed Deposit)]	Revised from CARE AA- (FD) [Double A Minus (Fixed Deposit)]

**carved out of working-capital limits*

Rating Rationale

The revision in the ratings of bank facilities and instruments of JK Lakshmi Cement Limited (JKLC) takes into account the consistent track record of achieving better than industry volume growth, strong operating efficiencies, healthy financial performance in 9MFY15 (refers to the period April 01 to December 31) and improved pricing and demand environment. The rating also factors in commencement of 1.35mtpa incremental capacities during FY14 (refers to the period April 1 to March 31) and Q1FY15 and start of trial runs for Durg project, thereby mitigating the project implementation risks pertaining to a sizeable capacity to a large extent. Going forward, with the commissioning of the under implementation capacity, JKLC would have a diversified presence in the markets of Northern, Western and Eastern India, which have stable demand prospects and expected to result in improved revenue and earnings profile. The ratings continue to derive strength from the experienced promoters, strong brand image and presence, particularly in the Northern and Western India market and comfortable solvency and liquidity profile of the company.

The ratings are, however, constrained by the implementation risks associated with residual ongoing capacity expansions, cyclicality associated with the cement industry and exposure to volatility in input costs.

Going forward, successful commencement of the projects, achievement of capacity utilization levels and profitability as envisaged, any further debt-funded capex and impact on capital structure shall be the key rating sensitivities.

Background

JK Lakshmi Cement Ltd. (JKLC), a part of JK Group (East) was incorporated in 1938 and commenced the cement business in August 1982. JKLC is headed by Mr Bharat Hari Singhania (Chairman & Managing Director) and is in the business of manufacturing Ordinary Portland Cement (OPC), Blended Cement (PPC), Ready Mix Concrete (RMC) and Autoclaved Aerated Concrete (AAC) Blocks. JKLC has a cement capacity of 6.65 million tonne per annum (mtpa) and power capacity of 72 MW as on December 31, 2014 and is one of the leading cement players in the north and western India region.

For FY14, JKLC reported a PAT of Rs.93 crore on a total operating income of Rs.2056 crore as against PAT of Rs.176 crore on a total operating income of Rs.2063 crore during FY13. During 9MFY15 JKLC achieved a total operating income of Rs.1729 crore with PBILDT and PAT of Rs.278 crore and Rs.90 crore respectively.

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

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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