MAY 15, 2015

CARE REAFFIRMS RATING TO THE COMMERCIAL PAPER ISSUE OF JK LAKSHMI CEMENT LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Commercial Paper (CP)	150 (enhanced from 50)	CARE A1+ (A One Plus)	Reaffirmed
Total	150		

Rating Rationale

The rating assigned to the commercial paper issue of JK Lakshmi Cement Limited (JKLC) derives strength from the experienced promoters and strong brand image of JKLC, particularly in the Northern and Western India market, strong operating efficiencies, healthy financial performance in 9MFY15 (refers to the period April 1 to December 31) and comfortable solvency and liquidity profile of the company. The rating also factors in commencement of 3.05 mtpa incremental capacities during FY14 (refers to the period April 1 to March 31) and FY15 including 1.7 mtpa pertaining to Durg project that commenced operations in March 2015. 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 rating is, 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 Limited (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 8.35 million tonne per annum (mtpa) and power capacity of 72 MW as on March 31, 2015 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**

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

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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