OCTOBER 19, 2016

CARE REAFFIRMS 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	1,842.90 (reduced from 1,896.74)	**CARE AA [Double A]**	Reaffirmed
Short-term Bank Facilities	450.00 (enhanced from 350.00)	**CARE A1+ [A One Plus]**	Reaffirmed
Total Facilities	**2292.90 (Rupees Two Thousand Two Hundred Ninety Two Crore and Ninety Lakh only)**		
Commercial Paper (CP)*	120.00	**CARE A1+ [A One Plus]**	Reaffirmed
Commercial Paper (CP)	200.00 (enhanced from 150.00)	**CARE A1+ [A One Plus]**	Reaffirmed
Long-term Non-Convertible Debenture (NCD)	129.79 (reduced from 149.79)	**CARE AA [Double A]**	Reaffirmed
Long-term Non-Convertible Debenture (NCD) - Proposed	200.00	**CARE AA [Double A]**	Reaffirmed
Fixed deposits	15.00	**CARE AA (FD) [Double A (Fixed Deposits)]**	Reaffirmed

** Carved out of working-capital limits*

Rating Rationale

The ratings assigned to the bank facilities and instruments of JK Lakshmi Cement Limited (JKLC) continue to derive strength from the experienced promoters, strong brand image and diversified presence of the company in the northern, western and eastern Indian market, comfortable liquidity position, strong operating efficiencies of the company in terms of raw material and power consumption parameters, and its consistent track record in achieving better volume growth than industry. The ratings are however tempered by relatively moderate solvency profile, pending residual capex, volatile input costs and cyclicality associated with cement industry.

The ratings also take note of subdued operating performance in FY16 (refers to the period April 1 to March 31) primarily on account of lower than envisaged realizations in Eastern markets, leading to weak profitability and coverage indicators. However, during Q4FY16 and Q1FY17, the company's profitability levels and coverage indicators have improved with around 100% capacity utilization level achieved from the Durg plant leading to a strong market base coupled with higher realizations and relatively better demand growth in the Northern markets during FY17 till August 2016.

Going forward, the ability of the company to sustain growth in overall volume, achieve envisaged sales realization especially in wake of increased capacity addition in Eastern markets, improvement in profitability in light of volatile input costs, timely setting up of Waste Heat Recovery Plant (WHRP) and additional grinding unit at the Durg plant to utilize surplus clinker efficiently, timely completion of cement project under its subsidiary, Udaipur Cement Works Limited (UCWL) and any higher than anticipated capex shall be the key rating sensitivities.

Background

JK Lakshmi Cement Ltd. (JKLC, CIN No.: L74999RJ1938PLC019511), 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 8.65 million tonne per annum (mtpa) and power capacity of 74 MW as on March 31, 2016 and is one of the leading cement players in the north and western India region. The company is also expanding its presence in the Eastern market, which is served through its 1.7 mtpa Durg, Chhattisgarh cement plant. The Northern and Western markets are catered through its integrated cement and grinding units located in Rajasthan, Gujarat, and Haryana.

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

During FY16 (refers to the period April 1 to March 31), JKLC reported a PAT of Rs.6.28 crore on a total operating income of Rs.2,620.69 crore as against PAT of Rs.95.60 crore on a total operating income of Rs.2,314.92 crore during FY15. During Q1FY17, JKLC achieved a total operating income of Rs.777.23 crore with a net profit of 28.72 crore as against operating income of Rs.590.75 crore with a net loss of Rs.24.07 crore in Q1FY16.

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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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