OCTOBER 26, 2015

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	1,896.74 (reduced from 2,033.54)	CARE AA [Double A]	Reaffirmed
Short-term Bank Facilities	350.00	CARE A1+ [A One Plus]	Reaffirmed
Total facilities	**2,246.74 (2,383.40) (Rupees Two Thousand Two Hundred forty six crore and seventy four lakhs only)**		
Commercial Paper (CP)*	70.00	CARE A1+ [A One Plus]	Reaffirmed
Commercial Paper (CP)*	50.00	CARE A1+ [A One Plus]	Assigned
Commercial Paper (CP)	150.00	CARE A1+ [A One Plus]	Reaffirmed
Long-term Non-Convertible Debenture (NCD)	149.79 (reduced from 199.79)	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

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 presence, particularly in the northern and western Indian market, moderate solvency profile and comfortable liquidity position of the company. The ratings also derive comfort from the successful commissioning of the company's greenfield project at Durg, Chattisgarh with 1.7 mtpa capacity in March 2015 giving the company access to relatively remunerative Eastern markets and a geographically diversified presence, consistent track record of the company in achieving better than industry volume growth and its strong operating efficiencies. The ratings also take note of weak operating performance in Q1FY16 primarily on account of decline in sales realizations across the Northern India markets due to subdued demand; however, with infrastructure growth and government spending showing signs of improvement, the demand is expected to improve over the medium term in the Northern markets in which JKLC operates.

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 commissioning of the residual 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.

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

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 8.35 million tonne per annum (mtpa) and power capacity of 74 MW as on March 31, 2015 and is one of the leading cement players in the north and western India region. The cement plants of the company are situated in Rajasthan, Gujarat, Haryana and Chhattisgarh.

During FY15 (refers to the period April 1 to March 31), JKLC reported a PAT of Rs.95.60 crore on a total operating income of Rs.2,314.62 crore as against PAT of Rs.93 crore on a total operating income of Rs.2,056.32 crore during FY14. During Q1FY16, JKLC achieved a total operating income of Rs.590.75 crore with PBILDT and net loss of Rs.50.68 crore and Rs.23.48 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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