

SEPTEMBER 22, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF JSW CEMENT LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	1655.58	CARE BBB+ [Triple B Plus]	Revised from CARE BBB [Triple B]
Short term Bank Facilities	395.00	CARE A3+ [A Three Plus]	Revised from CARE A3 [A Three]
Total	2050.58 (Rs. Two thousand fifty crore and fifty eight lakh only)		

Rating Rationale

The revision in rating assigned to the bank facilities of JSWCL is supported by up-tick in the operational performance during FY16, largely supported by improvement in demand and marketing initiatives which led to better realisations, leading to improvement in operating margins.

The ratings are supported by prominent promoters (JSW group) and experienced management besides the group synergies accruing to JSWCL for procurement of raw materials (slag) as well as marketing of end-product, location advantage of the plants as well as increase in scale of operations along with effort towards geographical diversification in revenue profile. The ratings also take into account need based financial assistance by promoters.

The ratings are, however, constrained by leveraged capital structure, exposure to volatility in prices of coal, limited track record of profitable operations and moderate debt servicing indicators. The ratings factors in higher dependence on debt for future expansions alongwith project execution risks associated with it and inherent cyclicity of the cement industry. JSWCL's ability to expand the capacities and reap benefits from the same, deleverage its capital structure and to further improve its operational performance remain the key rating sensitivities.

Background

JSWCL was established with a view to utilize the slag generated from the integrated steel plant at Vijayanagar works of JSW Steel Ltd (JSWCL, rated CARE AA-/A1+) for production of cement.

JSWCL has facilities to produce 0.60 million tonne per annum (mtpa) of Ground Granulated Blast Furnace Slag (GGBS)/Portland Slag Cement (PSC) adjacent to JSWCL's plant at Vijayanagar (Karnataka). Further, in June 2012, JSWCL commissioned Greenfield cement plant comprising of clinkerization, grinding and blending facilities at Nandyal (Andhra Pradesh). The facility has capacities to produce 2.20 mtpa of clinker and 4.80 mtpa of GGBS/PSC/Ordinary Portland Cement (OPC). In addition, JSWCL has acquired a slag grinding unit in December 2012 with a capacity of 0.1 mtpa of GGBS to utilize slag generated by JSWCL's Dolvi steel complex (Maharashtra). Slag-based cement has certain advantages, such as increased strength, less corrosion, heat and water-resistance and longevity, which JSWCL aims to capitalise on.

During FY16 (refers to the period April 1 to March 31), on a total income of Rs.1289.52 crore, the company posted PBILDT of Rs.306.70 crore and PAT of Rs.89.25 crore. While, during Q1FY17 (refers to the period April 1, 2016 to June 30, 2016), on a total income of Rs.335.10 crore, the company posted PBILDT of Rs.76.37 crore and PAT of Rs.21.20 crore.

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

Analyst Contact

Name: Mr Puneet Bhatia

Tel: 022-6754 3453

Email: puneet.bhatia@careratings.com

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT**Head Office Mumbai****Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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