

OCTOBER 17, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	2360.58 (enhanced from Rs.1655.58 crore)	CARE BBB+ [Triple B Plus]	Reaffirmed
Short term Bank Facilities	395.00	CARE A3+ [A Three Plus]	Reaffirmed
Total	2755.58 (Rs. Two thousand seven hundred fifty five crore and fifty eight lakh only)		

Rating Rationale

The 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 also 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.

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), 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.

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****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.

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