

Udaipur Cement Works Limited

September 12, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities – Term Loan	220.00	CARE AA- (CE); Stable* (Double A Minus [Credit Enhancement]; Outlook: Stable)	Reaffirmed
Long-term Bank Facilities – Term Loan	100.00	Provisional CARE AA- (CE); Stable** (Provisional Double A Minus [Credit Enhancement]; Outlook: Stable)	Assigned
Long-term Bank Facilities – Cash Credit	30.00	CARE AA- (CE); Stable* (Double A Minus [Credit Enhancement]; Outlook: Stable)	Reaffirmed
Long-term/Short-term Bank Facilities – LC/BG	20.00	CARE AA- (CE); Stable/CARE A1+ (CE)* (Double A Minus [Credit Enhancement]; Outlook: Stable/A One Plus [Credit Enhancement])	Reaffirmed
Total facilities	370.00 (Rs. Three Hundred and Seventy crore only)		

Details of instruments/facilities in Annexure-1

*Backed by unconditional and irrevocable corporate guarantee from JK Lakshmi Cement Limited (JKLC, rated 'CARE AA-; Stable/CARE A1+').

**Proposed to be backed by unconditional and irrevocable corporate guarantee from JK Lakshmi Cement Limited (JKLC, rated 'CARE AA-; Stable/CARE A1+'). The rating is Provisional and shall be confirmed once the relevant executed documents are submitted to the satisfaction of CARE.

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Udaipur Cement Works Limited (UCWL) is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided/to be provided by JK Lakshmi Cement Limited (JKLC, rated 'CARE AA-; Stable/CARE A1+').

Detailed description of the key rating drivers of corporate guarantee provider (JKLC, rated 'CARE AA-; Stable/CARE A1+') is available on our website www.careratings.com.

Liquidity Analysis: The liquidity analysis of corporate guarantee provider, JKLC, is available on our website www.careratings.com.

Analytical Approach: The analysis factors in credit enhancement in the form of unconditional and irrevocable corporate guarantee provided/to be provided by JKLC.

Applicable Criteria

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios – Non-Financial Sector](#)

[Rating Methodology – Manufacturing Companies](#)

[Rating Methodology - Cement Industry](#)

[Rating Methodology – Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

About the Company

UCWL (CIN: L26943RJ1993PLC007267), is a subsidiary of JKLC. During FY14, UCWL become a subsidiary (associate company in the previous year) of JKLC with increase in the equity shareholding, as per the terms of the BIFR sanctioned rehabilitation scheme of UCWL. As a part of the rehabilitation scheme of UCWL, the entire Revival & Rehabilitation and expansion project (1.60 MTPA) is at a cost Rs.815 crore. The project is funded through debt of Rs.525 crore, promoter contribution of Rs.215 crore and balance through internal accruals. The project cost had been revised from Rs.700 crore earlier on account of additional civil structure, pollution equipment, power supply

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

equipment, water pipeline, safety equipment, installation of new motors and higher interest cost due to shift in COD and additional Rs.50 crore debt.

UCWL came out of the purview of BIFR in January 2016. UCWL has set up 1.60 MTPA cement capacity in Udaipur, which commenced commercial operations from March 2017 (grinding unit of 0.65 MTPA was commissioned earlier). Hansdeep Industries & Trading Company Limited (HITCL, rated 'CARE AA- (CE); Stable'), a wholly-owned subsidiary of JKLC, has raised Rs.525 crore through NCD issue, backed by unconditional and irrevocable guarantee from JKLC, which has been used for onward lending to UCWL.

Brief Financials – UCWL (Standalone) (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	387.41	579.70
PBILDT	21.56	40.34
PAT	-43.35	-40.73
Overall gearing (times)	5.76	5.17
Interest coverage (times)	0.32	0.59

A: Audited

Brief Financials - JKLC (Consolidated) (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	3,756.22	4,319.21
PBILDT	434.18	456.51
PAT	43.36	40.62
Overall gearing (times)	1.86	1.53
Interest coverage (times)	1.65	1.79

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	30.00	CARE AA- (CE); Stable
Non-fund-based - LT/ST-BG/LC	-	-	-	20.00	CARE AA- (CE); Stable / CARE A1+ (CE)
Fund-based - LT-Term Loan	-	-	Sep-2028	220.00	CARE AA- (CE); Stable
Fund-based - LT-Term Loan	-	-	Sep-2029	100.00	Provisional CARE AA- (CE); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	30.00	CARE AA- (CE); Stable	-	1)CARE AA- (SO); Stable (08-Oct-18)	1)CARE AA (SO); Stable (21-Dec-17)	-
2.	Non-fund-based - LT/ST-BG/LC	LT/ST	20.00	CARE AA- (CE); Stable / CARE A1+ (CE)	-	1)CARE AA- (SO); Stable / CARE A1+ (SO) (08-Oct-18)	1)CARE AA (SO); Stable / CARE A1+ (SO) (21-Dec-17)	-
3.	Fund-based - LT-Term	LT	220.00	CARE AA-	-	1)CARE AA-	-	-

	Loan			(CE); Stable		(SO); Stable (08-Oct-18)		
4.	Fund-based - LT-Term Loan	LT	100.00	Provisional CARE AA- (CE); Stable	-	-	-	-

Note on complexity levels of the rated instrument: 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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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