

Udaipur Cement Works Limited

October 11, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	100.00	CARE AA- (CE); Stable** (Double A Minus [Credit Enhancement]; Outlook: Stable)	Final Rating*
Total Facilities	100.00 (Rs. Hundred crore only)		

Details of instruments/facilities in Annexure-1

***Final rating has been assigned on account of receipt of the executed copy of corporate guarantee from JK Lakshmi Cement Limited**

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

Unsupported Rating²	CARE BBB-; Stable / CARE A3(Triple B Minus; Outlook: Stable/ CARE A Three)
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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 by JK Lakshmi Cement Limited (JKLC, rated 'CARE '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.

The unsupported standalone ratings assigned to the bank facilities of Udaipur Cement Works Ltd factors in strong promoter group i.e. JK Lakshmi Cement Limited, improvement in financial performance of the company in Q1FY20, adequate liquidity position and no major capex plans for future. The ratings are however constrained by relatively moderate solvency profile, volatile input costs and cyclical nature associated with cement industry.

Liquidity Analysis of corporate guarantee provider, JKLC: Adequate

The liquidity position of the company continues to be comfortable with free cash balance (including liquid investments) of around Rs.380 crore as on June 30, 2019. Average utilization of fund-based working capital limits (including Commercial Paper) was comfortable at 67.90% for 12 months ended June 2019. The company has principal repayments of about Rs.296 crore in FY20 on consolidated basis.

Liquidity Analysis of UCWL: Adequate

The liquidity position of the company is adequate with cash and cash equivalents of about Rs. 11 crore on June 30, 2019 (Rs. 0.19 crore as on March 31, 2019). Average utilization of fund-based working capital limits was comfortable at 26.11% for 12 months ended June 2019. The company has refinanced a part of its debt (Rs. 295 crore) out of the total debt of Rs. 525 crore. As a result, the principal repayments due for FY20 post refinancing are Rs. 2.03 crore.

Analytical Approach: The analysis factors in credit enhancement in the form of unconditional and irrevocable corporate guarantee 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](#)

[Criteria for Short Term Instruments](#)

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

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

² As stipulated vide SEBI circular no SEBI/HO/MIRSD/DOS3/CIR/P/2019/70 dated June 13, 2019

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 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-Term Loan	-	-	Sep-2029	100.00	CARE AA- (CE); Stable
Un Supported Rating-Un Supported Rating (LT/ST)	-	-	-	0.00	CARE BBB-; Stable / CARE A3

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- (CE); Stable (12-Sep-19)	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- (CE); Stable / CARE A1+ (CE) (12-Sep-19)	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 Loan	LT	220.00	CARE AA- (CE); Stable	1)CARE AA- (CE); Stable (12-Sep-19)	1)CARE AA- (SO); Stable (08-Oct-18)	-	-
4.	Fund-based - LT-Term Loan	LT	100.00	CARE AA- (CE); Stable	1)Provisional CARE AA- (CE); Stable (12-Sep-19)	-	-	-

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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