

May 7, 2010

CARE REAFFIRMS RATING ASSIGNED TO THE BANK FACILITIES OF JSW CEMENT LTD.**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	1600	'CARE BBB' (Triple B)	Reaffirmed
Total Facilities	1600		

Rating Rationale

The rating continues to derive strength from the strong promoter group and professional management, group synergies in terms of logistics, firm tie-up for slag with JSW Steel Ltd, the commissioning of Phase I of the project and capability of JSW Group to execute large projects.

However, the rating is constrained by the large size of the debt-funded project, pending sanctions from bankers on account of change in the scope of the project and the consequent project implementation risk.

The ability of JSWCL to complete the entire project without any cost or time overruns and to achieve envisaged sales and realisations in a situation of substantial capacity addition in the Southern region are key rating sensitivities.

Company Profile

JSWCL was incorporated in March 2006 by JSW group with a view to utilise the slag generated at the integrated steel plant of JSW Steel Limited (JSWCL) by using it for production of cement. The company commissioned the slag grinding unit of 0.59 million tonnes per annum (mtpa) capacity at Vijayanagar in March 2009 (Phase I). The total expenditure for setting up of the project was Rs.135 crore funded by debt amounting to Rs.75 crore and equity contribution by the promoters amounting to Rs.60 crore.

JSWCL has planned to set up a 5-mtpa greenfield cement (PSC) (4.3 mtpa at Nandyal and 0.7 mtpa at Vijayanagar by integrating with the existing grinding unit of Phase I) to be commissioned by December 2011. The capital outlay expected for the Phase II is Rs.1500 crore, financed with the debt to equity ratio at 3:1. The expenditure incurred upto November 30, 2009 on the project (Phase II) is around Rs.215 crore.

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

The company has also plans to set up in Phase III, a Captive Power Plant and Railway Siding at Nandyal and 0.6 mtpa grinding facility at Vijayanagar, which is expected to be completed by March 2014. The capital outlay expected for the Phase III is Rs.450 crore, financed with the debt to equity ratio at 3:1.

During the nine months ended December 31, 2009, JSWCL posted PAT of Rs.16.69 crore on total income of Rs.84.47 crore from Phase I.

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CARE 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.

Disclaimer

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