

July 13, 2010

CARE ASSIGNS 'CARE BBB-' RATING TO THE BANK FACILITIES OF ANDHRA CEMENTS LTD.**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	322.93	'CARE BBB-' (Triple B Minus)	'Assigned'
Total Facilities	322.93		

Rating Rationale

The rating takes into account ACL's long history of operations, de-registration from the Board for Industrial & Financial Reconstruction (BIFR) and the ongoing modernization-cum-expansion plans which would improve the operational efficiency. The rating is however constrained by moderate financial position characterised by high gearing levels and low profitability, time overrun in the capacity expansion project and pressure of pricing in the southern market due to oversupply. The ability of the company to complete the expansion project without further time overrun and improve realisations remain the key rating sensitivities.

Company Profile

Andhra Cements Limited (ACL), was incorporated in December 1936 in the name of Andhra Cement Company Limited. The present promoters of the company, Duncan Goenka Group have been managing the company since 1994. The company was declared sick and referred to BIFR in 1991. Subsequent to the implementation of the rehabilitation scheme, ACL reported a positive net worth as on March 31, 2008 and was de-registered from BIFR in January 2010.

ACL manufactures Ordinary Portland Cement (OPC), blended cements and Ground Granulated Blast Furnace Slag (GGBS) at its manufacturing plants. The company is currently expanding its cement capacity from 1.42 MTA to 3.5 MTA, the project being executed at a total cost of Rs.517 crore. The project is expected to be completed in September 2010.

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

With the cement industry experiencing an uptrend in FY07, the performance of ACL improved in FY08 as total operating income increased to Rs.443 crore in the 18 months period from September 2006 to March 2008. Thereafter, the company earned a total operating income of Rs.369 crore in FY09.

The increase in accruals has strengthened the net worth of the company, resulting in a positive net worth as on March 31, 2008. However, given the debt availed for the expansion project, the overall gearing levels remain high at 5.18x as on March 31, 2009.

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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.

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