

June 8, 2010

**CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF CHETTINAD CEMENT CORPORATION LTD.**

CARE has reaffirmed the '**CARE A+**' (**Single A Plus**) rating assigned to the long-term bank facilities of Chettinad Cement Corporation Ltd. (CCCL). This rating is applicable for facilities having tenure of more than one year. Facilities with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such facilities carry low credit risk. Also, CARE has reaffirmed the '**PR1+**' (**PR One Plus**) rating assigned to the short-term bank facilities of CCCL. This rating is applicable for facilities having a tenure upto one year. Facilities with this rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Facilities	Amount (Rs. crore)	Rating
Long-term Fund Based	100.00	' <b>CARE A+</b> '
Short-term Non-fund Based	270.00	' <b>PR1+</b> '
<b>Total</b>	<b>370.00</b>	

**Rating Rationale**

The ratings continue to factor in the established track record of CCCL in the cement business, the company belonging to Chettinad group, satisfactory financial risk profile, strong brand presence in Kerala and Tamil Nadu, backward linkage with captive limestone mines, energy efficient plants with availability of captive power and high capacity utilisation. The ratings also draw comfort from the successful commissioning of the Line-I cement plant of 2mtpa capacity along with two captive power plants of 15MW each. The ratings also take into account CCCL's planned capacity augmentation which is expected to transmute the company into a medium sized player.

However, the ratings are constrained by the risks associated with largely debt funded capacity expansion being undertaken by CCCL and consequent effect on the company's financial risk profile. The ratings also take into account the change in supply dynamics in the Southern market, where CCCL operates, as a result of surplus capacity in the industry and consequential impact on cement prices and margins.

**Company Profile**

CCCL, incorporated in 1962 and belonging to the illustrious 'House of Chettinad', is engaged in the manufacture of cement. The Chettinad group has varied business interests including cement, engineering, logistics, transportation and hospitals.

Total operating income of CCCL grew by 22% in FY09 to Rs.1,143 cr from Rs.935 cr in FY08. The company reported net loss of Rs.4.2cr during FY09 on account of higher depreciation charges (due to change in depreciation policy) and increased interest outgo. Overall gearing stood at 2.88 times as at the end of Mar'09.

For the half year ended September 30, 2009, net sales increased to Rs.726 cr as against Rs.563 cr achieved during H1FY09. CCCL reported a PAT of Rs.80 cr for H1FY10.

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