

August 4, 2010

CARE ASSIGNS 'CARE AA-' / 'PR1+' RATINGS TO THE BANK FACILITIES, PROPOSED NCDs AND PROPOSED CP ISSUE OF THE INDIA CEMENTS LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1157.73	'CARE AA-' (Double A Minus)	Assigned
Short-term Bank Facilities	350.00	'PR1+' (PR One Plus)	Assigned
Total Facilities	1507.73		
Proposed NCD Series I @	300.00	'CARE AA-' (Double A Minus)	Assigned
Proposed NCD Series II @	300.00	'CARE AA-' (Double A Minus)	Assigned
Proposed CP #	200.00	'PR1+' (PR One Plus)	Assigned

@ shall carry an interest rate of about 9.5% p.a and would be repaid at the end of third, fourth and fifth year from the date of issue.

carved out of the working capital limits of the company.

Rating Rationale

The ratings factor in the company's leadership position in the southern cement market, established presence in all four states of the region, successful foray into Maharashtra market and strong brand image. The ratings also reflect ICL's healthy financials attributable to strong cash accruals during the last few years and high financial flexibility. The ratings also take comfort from the fact that company's major expansion plan is almost fully executed. The ratings also factor in relatively subdued financial performance during the last two years characterised by fall in margins, considerable group exposure, considerable dependence on grid power (notwithstanding access to low cost power sources and fact that company is currently involved in setting up two captive power plants) and commodity nature of the business with financial performance being highly vulnerable to cement prices.

Impact of considerable repayment obligations (including FCCB liability) and funding requirement for capex programme in the coming years on the cash flow and the ability of the company to expand its market presence and still earn reasonable margins in the current industry scenario characterised by surplus capacity in South India will be key rating sensitivities.

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

Background

ICL is the largest producer of cement in South India and is the 5th largest cement manufacturer in the country with a total installed cement manufacturing capacity of about 14.1 mtpa (million tonnes per annum). For the year ended Mar.31, 2010, ICL produced 10.49 mn tonnes of cement (9.11 mn tonnes in FY'09) and reported a PAT of Rs.354cr on a total income of Rs.3687cr.

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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