

August 10, 2010

**CARE REVISES THE RATING ASSIGNED TO BANK FACILITIES OF  
COROMANDEL SUGARS LTD**

**Ratings**

<b>Facilities</b>	<b>Amount (Rs. cr)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long -term Bank Facilities	63.33	<b>'CARE AA- (SO)' [Double A Minus (Structured Obligation)]</b>	Revised from <b>'CARE A+ (SO)'</b> [Single A Plus (Structured Obligation)]
<b>Total Facilities</b>	<b>63.33</b>		

**Rating Rationale**

The above bank facilities of Coromandel Sugars Limited (CSL) are backed by an unconditional and irrevocable corporate guarantee from India Cements Limited (ICL, Rated 'CARE AA-' and 'PR1+'). The rating revision is based on the ratings assigned to the bank facilities/instruments of ICL.

ICL's ratings are influenced by its 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 of ICL 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 ICL 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.

**Company Profile**

CSL promoted by India Cements group is engaged in manufacture of sugar, molasses and power through co-generation. Through its wholly owned subsidiaries, ICL holds 49.9% equity shares of CSL. By the end of March 2010, CSL had cane crushing capacity of 3,500 TCD and a co-generation plant with the power generating capacity of 12 MW. During FY09, CSL earned PAT of Rs.0.08 cr on total income of Rs.114 cr. During FY10 (Prov), CSL earned a PAT of Rs.14 cr on a total income of Rs.147 cr.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other publications of CARE

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## About Guarantor

ICL is the largest producer of cement in South India and is the fifth largest cement manufacturer in the country with a total installed cement manufacturing capacity of about 14.1 mtpa (million tonnes per annum). ICL's principal market comprises the South Indian states of TN, AP, Karnataka, Kerala and Maharashtra with TN being its largest selling market. For the year ended March 31, 2010, ICL posted a PAT of Rs.354 crore on a total operating income of Rs.3,687 crore.

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*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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