The India Cements Limited

January 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,189.00 (Reduced from 2,788.00)	CARE AAA; Stable	Upgraded from CARE BB+ and removed from Rating Watch with Positive Implications; Stable outlook assigned
Short-term bank facilities	843.00 (Reduced from 893.00)	CARE A1+	Upgraded from CARE A4+ and removed from Rating Watch with Positive Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has removed its 'Rating watch with Positive Implications' and upgraded ratings on the bank loan facilities of The India Cements Limited (ICL) following UltraTech Cement Limited's (UltraTech's) completion of the acquisition of equity shares on December 24, 2024, after unconditional approval received from Competition Commission of India (CCI) for acquisition of equity shares from promoters, members of the promoter group, and the other shareholders (representing 32.72% of the outstanding equity shares) as well as the open offer (constituting 26% of the equity share capital). Consequently, this concludes 'Rating Watch with Positive Implications' which was driven by the concerned transaction.

UltraTech initially acquired a 22.77% stake from Radhakishnan Damani and associates in June 2024. This was followed by a share purchase agreement for the acquisition of an additional 32.72% stake from the promoters in July 2024 and announcement of open offer for further 26% equity share capital. The transaction received approval from the CCI on December 20, 2024, and UltraTech has taken over from erstwhile promoters on December 24, 2024, increasing its stake to 55.49%. The following open offer was closed on January 21, 2025, with oversubscribed position and would further increase UltraTech's shareholding in ICL to 81.49%.

The rating upgrade primarily factors the change in the parentage of ICL, as it is now a subsidiary of UltraTech, and substantial reduction in leverage at ICL level as on December 31, 2024.

The rating upgrade factors in strong operational linkages between ICL and its parent and also reflects the strategic importance of ICL to its parent, UltraTech, in consolidating leadership in the southern market, underscoring the regional dynamics of the cement industry and the economic incentives linked to the limited availability of limestone in the fragmented and competitive South India market, particularly in Tamil Nadu, where UltraTech has a relatively modest presence. Ratings also draw significant management linkages as ICL is now subsidiary of UltraTech. The reconstituted Board of Directors of India Cements Limited (ICL) comprises 11 members, out of which with four directors serving on both ICL and UTC boards, including K. C. Jhanwar, the managing director of UltraTech Cement, ensuring effective oversight and managerial alignment. CARE Ratings believes significant operational synergies may flow into the ICL's operations as it is integrated into being part of UltraTech. The acquisition aligns with UltraTech's broader strategic objectives, reinforcing leadership in the southern region and unlocking opportunities for sustained growth and market expansion. Though there is no significant requirement of incremental funding support from UltraTech as of now, ICL is expected to be supported by its parent if need arises.

Ratings also factor in the significant improvement in the financial risk profile of the company majorly through the recoupment of loans and advances from subsidiaries, associates, and related entities. The company has received ~₹1,300 crore in FY25 leading to significant reduction in its net debt. UltraTech intends to divest the non-core assets/unrelated businesses (housed in its subsidiaries and associates) of ICL, retaining only select few entities that align with its strategic objectives. Receipt of funds through this divestment exercise and expected reduction in cost of debt are expected to keep financial risk profile of ICL healthy. The company's competitive positions continue to remain strong in South India. However, the benefits of operational efficiency derived from the expected changes as it becomes a part of UltraTech may start flowing in gradually and hence, will be monitorable.

However, CARE Ratings notes that despite these strengths, ICL remains exposed to the cyclicality inherent in the cement industry and its presence in Southern India cement market which is characterised with overcapacity. ICL operates at moderate scale of operations with subdued profitability.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Deterioration in credit risk profile of parent, UltraTech.
- Reduction in strategic importance of ICL to UltraTech or lowering of the shareholding of ICL held by UltraTech wherein the controlling stake goes away, affecting its financial flexibility.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach: Consolidated
CARE Ratings takes a consolidated view of ICL and its subsidiaries owing to significant managerial and financial linkages between the ICL and its subsidiaries/associates. The entities being Consolidated are provided in Annexure-6.
Ratings factor in strong operational, management, and financial linkages with the parent entity (UltraTech) owing to ICL being a subsidiary of UltraTech with few common directors on board and both operating in similar line of industry.

Outlook: Stable
The stable outlook for bank facilities of ICL reflects CARE Ratings' belief that ICL shall continue to benefit from the strong linkages with the parent entity UltraTech while improving its business profile, particularly operational efficiency, over the medium-to-long term.

Detailed description of key rating drivers:

Key strengths

Strategic importance to parent, UltraTech, unlocking operational synergies in medium term
UltraTech is the largest selling cement company in India supported by its 165.15 MTPA in India as on December 31, 2024 (excluding the capacities to be transferred from Kesoram Cement Limited). The company has 5.4 MTPA cement capacity overseas. ICL became a subsidiary of UltraTech on December 24, 2024, after ULTRATECH increased its stake to 55.49%. Post this, of the 11 members of the reconstituted Board of Directors of ICL, four are common directors between UltraTech and ICL boards, including K. C. Jhanwar, the managing director of UltraTech, ensuring effective oversight and managerial alignment. The acquisition positions UltraTech as a dominant player in the southern Indian cement market, increasing its regional market share from 14% to 21% in terms of capacity. ICL, with an installed cement capacity of 14.45 million tonnes per annum (MTPA), including 12.95 MTPA in South India, contributes 33% of UltraTech's southern capacity.
UltraTech's current capacity includes key acquired assets in the past such as Jaiprakash Associates Limited – 21.2 MTPA, cement business of Century Textiles and Industries Ltd (Century) – 14.6 MTPA and Binani Cement Limited (merged with UltraTech) - 6.25 MTPA. Hence, there is track record of efficient integration of acquired cement units.
CARE Ratings observes, considering ICL's significant importance, it is expected that UltaTech will support both operationally and financially going forward, wherever required.

Significant improvement in the capital structure alongside reduction in exposure to group entities
As on March 31, 2024, the company's standalone gross debt (excluding LC acceptances and dealer deposits) stood at ₹2,623 crore which reduced to ₹1,522 crore by December 31, 2024.
The significant reduction in ICL's debt is primarily attributed to the recoupment of loans and advances from group entities, the sale of the Parlie grinding unit, reduction in capital advances, and disposal of land and buildings, collectively generating an inflow of ~₹2,300 crore.
The company's exposure to group entities, in the form of investments and loans and advances on a standalone basis, decreased from ₹1,545 crore as on March 31, 2024, to ₹463 crore by December 31, 2024. This reduction was mainly due to the settlement of a ₹765.19 crore outstanding short-term loan to Sri Saradha Logistics Private Limited, and the monetisation of investments in subsidiaries and associates.
Moving forward, the company's debt coverage metrics is expected to strengthen significantly, supported by expectation of lower cost of its debt going forward and operational improvements leading to better profitability. Currently, CARE Ratings is expecting net debt (including Security Deposits and LC acceptances) to profit before interest, lease rentals, depreciation, and taxation (PBILDT) coming below 3.5x in FY26 and strengthening further thereafter. However, headwinds in assimilating UltraTech's operational expertise into ICL plants may lead to lower-than-expected improvement in debt coverage metrics in ICL over the medium term. Additionally, the strong financial risk profile of the parent entity provides substantial cushion in case of any requirement.

Established position in south India and strong brand presence
ICL is among the largest cement producers in South India, with a strong presence across all five states in the region. The company has a total installed capacity of 14.45 million tonnes per annum (MTPA), of which 12.95 MTPA is concentrated in the southern region, while the remaining capacity includes its production facility in Rajasthan. The plants are in proximity to principal markets, providing easy access to Andhra Pradesh, Telangana, Tamil Nadu and Kerala markets with an average radius of ~400 kilometre. The production facilities are also close to major ports in South India, which provide it easy access to international markets for import of coal.
The company sells its products under established brands, namely, 'Sankar', 'Coromandel', and 'Raasi' in the southern markets which are currently expected to continue. In FY24, ICL sold 9.42 million tonnes against 9.76 million tonnes in FY23 (8.84 million tonnes cement in FY22), operating at capacity utilisation level of 61% in FY24 (PY: 63%). The share of sales from the southern region increased from 62% in FY23 to 67% in FY24, however, overall sales volume reduced by 3% considering industry-wide sluggishness in the cement demand, particularly in South India.
CARE Ratings opines, looking ahead, UltraTech's acquisition of a majority stake in ICL is anticipated to enhance ICL's market position in its key regions considering UltraTech's effective marketing strategies.

Integrated nature of operations with presence of captive power plants (CPP)

ICL benefits from access to captive power sources, including a 26-MW gas-based power plant owned by an associate company, a 7.7-MW waste heat recovery system at one of its cement plants. The company further supplements its energy requirements with an installed windmill capacity of 18.65 MW. The company operates two captive power plants (CPPs) of 50 MW each, at Shankarnagar, Tamil Nadu, and Vishnupuram, Andhra Pradesh. These CPPs ensure a consistent and uninterrupted power supply while reducing the overall power costs. However, CPPs accounted only 6% of ICL's power requirements in H1FY25, FY24, and FY23, compared to 36% in FY22, 60% in FY21, and 66% in FY20. This shift occurred as the cost of in-house power generation exceeded the cost of procuring power from the grid in these periods.
To enhance operational efficiency, ICL engaged the Boston Consulting Group (BCG) and other technical consultants to identify optimisation opportunities. These efforts resulted in a reduction in power consumption from 92 KWH/t in FY23 to 83 KWH/t in FY24, marking progress in improving energy efficiency.
ICL has also secured mining rights for low-GCV coal in Indonesia through its subsidiary, Coromandel Minerals Pte Ltd, Singapore (CMPL). This, combined with coal imports from the United States, constitutes ~80% of the fuel supply for the rotary kiln operations.
On the raw material front, ICL possesses ample limestone reserves, supported by mining licenses valid until 2030–2050. Additionally, the company has established long-term contracts for the supply of fly ash and other raw materials from sustainable sources nearby, ensuring a steady and reliable supply chain.

Key weaknesses

Cyclicality of the cement industry
The cement industry is highly cyclical and depends largely on the country's economic growth. There is a high degree of correlation between the GDP growth and growth in cement consumption. Cement, being a cyclical industry, goes through phases of ups and downs, and accordingly impacts unit realisations.

Presence in Southern India cement market which is characterised with overcapacity
Southern India cement market is characterised by overcapacity considering significant limestone reserves and installed cement capacities in Southern India against demand. The company has partial presence there leading to moderate capacity utilisation and limited ability for passing incremental pricing.

Moderate scale of operations with subdued profitability
In FY24, ICL's total revenue from operations stood at ₹5,112 crore against ₹5,608 crore in FY23, a degrowth of 9% considering decrease in sales volume (from 9.76 MT to 9.42 MT) and moderation in net sales realisation by 4% (from ₹5,308/MT to ₹5,079/MT). The PBILDT margin, though weak, improved y-o-y to 2.03% in FY24 from -1.87%. In H1FY25, total operating income (TOI) stood at ₹2,233 crore, marking a degrowth of 16% over H1FY24. This downturn is consistent with trends across the industry, attributed to factors such as general elections, erratic rainfall, and a slowdown in infrastructural activities.
CARE Ratings notes, ICL has historically struggled to expand its market share, partly due to the performance challenges associated with its vintage plants. To address this, the company is gradually refurbishing these plants to reduce costs and improve operational efficiency.

Liquidity: Adequate

The company's liquidity position has improved as at the end of December 31, 2024, marked by a cash and cash equivalents of ₹627 crore against ₹84 crore as on March 31, 2024 (PY: ₹64 crore) considering fund infusions into the company, sale of asset during the year, successful divestment from part of the non-core asset and realisation of loans advanced to the group companies and related parties.
The balance scheduled debt repayment of ICL for FY25 is ₹80 crore for Q4FY25 against which cash accruals are expected to remain low and will be met by cash balances. The average fund-based utilisation for the past 12 months trailing November 2024 is 59%.
The scheduled debt repayments of FY26 and FY27 amounting to ₹412 crore and ₹348 crore, respectively. The company is expected to generate sufficient accruals by F27 onwards, while for FY26 debt servicing is expected to be met partially through accruals, monetisation of non-core assets, or through the parent's (UltraTech) support whose liquidity profile remains robust.

Environment, social, and governance (ESG) risks

The cement sector has a significant impact on the environment owing to higher emissions, waste generation, and water consumption. This is because of the energy-intensive cement manufacturing process and its high dependence on natural resources, such as limestone and coal as key raw materials. The sector has social impact due to its nature of operations affecting local community and health hazards involved. However, ICL has made efforts on mitigating its environmental and social risks.

Environmental: ICL complies with all the Rules and Regulations, which are continuously monitored at all the critical points by the Pollution Control Boards. It is focussed on reducing the greenhouse gas emissions and ensure water conservation and community development to achieve sustainable environment. The company is upgrading technology to improve energy efficiency, with ongoing cooler and burner upgrades at its Dalavoi (Tamil Nadu) and Banswara (Rajasthan) facilities and plans to install a vertical roller mill (VRM) at its Sankari factory. These measures aim to reduce energy consumption, optimise fly ash usage, and enhance operational sustainability. The company has also committed to the Science Based Targets initiative (SBTi) as part of its efforts to address climate change responsibly.

Social: The company has undertaken activities for the development of the society and villages around its plants. Promoting gender equality and empowering women Self Help Groups (SHG), setting up homes and hostels for Women and Orphans, setting up old age homes, day care centres, and such other facilities for senior citizens and implementing measures for reducing inequalities faced by socially and economically backward groups. ICL has prepared a Safety, Health and Environment policy (SHE), which mentions the objectives, ownership and accountability for the health and safety of its constituents.

Governance: The company's Philosophy on Corporate Governance aims at the attainment of transparency and responsibility in its operations and interactions with all its Stakeholders. The Board has 11 members consisting of six independent directors.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Cement
Consolidation
Notching by factoring linkages with Parent

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Construction materials	Cement & cement products	Cement & cement products

ICL became a subsidiary of UltraTech w.e.f December 24, 2024, following UltraTech's acquisition of a 55.49% majority stake. Originally founded in 1946 by Sankaralinga Iyer and T.S. Narayanswami, ICL has since established itself as a leading cement manufacturer in South India. As on December 31, 2024, the company boasts an installed production capacity of ~14.45 million tonnes per annum (MTPA). This capacity is supported by a network of 10 strategically located cement plants, including two split grinding units, operating across Telangana, Andhra Pradesh, Tamil Nadu, and Rajasthan.
The company primarily manufactures two standard types of cement: Ordinary Portland Cement (OPC) and Portland Pozzolana Cement (PPC). Its products are marketed under well-established and widely recognised brands such as 'Sankar,' 'Coromandel,' and 'Raasi' in the southern markets.

Brief Financials (₹ crore) - Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	5,608	5,112	2,233
PBILDT	-105	104	-13
PAT	-125	-227	-281
Overall gearing (times)	0.76	0.67	0.40
Interest coverage (times)	-0.68	0.47	-0.08

A: Audited UA: Unaudited; Note: these are latest available financial results
Please note overall gearing ratios factor in security deposits and Creditors on LC.

Status of non-cooperation with previous CRA:
Not applicable

Any other information:
Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash credit		-	-	-	700.00	CARE AAA; Stable
Fund-based - LT-Cash credit		-	-	-	50.00	CARE AAA; Stable
Non-fund-based-Short term		-	-	-	10.00	CARE A1+
Non-fund-based-Short term		-	-	-	833.00	CARE A1+
Term loan-Long term		-	-	31/03/2032	1422.00	CARE AAA; Stable
Term loan-Long term		-	-	31/03/2032	17.00	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Term loan-Long term	LT	1422.00	CARE AAA; Stable	1)CARE BB+ (RWP) (06-Aug-24)	1)CARE BB+; Negative (13-Feb-24) 2)CARE BBB-; Negative (12-Sep-23)	1)CARE BBB; Negative (13-Mar-23) 2)CARE A-; Stable (25-Nov-22) 3)CARE A-; Stable (08-Nov-22) 4)CARE A; Negative (06-Jun-22)	1)CARE A; Stable (22-Feb-22) 2)CARE A; Positive (01-Jul-21) 3)CARE A-; Positive (08-Apr-21)

2	Non-fund-based-Short term	ST	833.00	CARE A1+	1)CARE A4+ (RWP) (06-Aug-24)	1)CARE A4+ (13-Feb-24) 2)CARE A3 (12-Sep-23)	1)CARE A3 (13-Mar-23) 2)CARE A2+ (25-Nov-22) 3)CARE A2+ (08-Nov-22) 4)CARE A1 (06-Jun-22)	1)CARE A1 (22-Feb-22) 2)CARE A1 (01-Jul-21) 3)CARE A2+ (08-Apr-21)
3	Fund-based - LT-Cash credit	LT	700.00	CARE AAA; Stable	1)CARE BB+ (RWP) (06-Aug-24)	1)CARE BB+; Negative (13-Feb-24) 2)CARE BBB-; Negative (12-Sep-23)	1)CARE BBB; Negative (13-Mar-23) 2)CARE A-; Stable (25-Nov-22) 3)CARE A-; Stable (08-Nov-22) 4)CARE A; Negative (06-Jun-22)	1)CARE A; Stable (22-Feb-22) 2)CARE A; Positive (01-Jul-21) 3)CARE A-; Positive (08-Apr-21)
4	Fund-based - LT-Cash credit	LT	50.00	CARE AAA; Stable	1)CARE BB+ (RWP) (06-Aug-24)	1)CARE BB+; Negative (13-Feb-24) 2)CARE BBB-; Negative (12-Sep-23)	1)CARE BBB; Negative (13-Mar-23) 2)CARE A-; Stable (25-Nov-22) 3)CARE A-; Stable (08-Nov-22)	1)CARE A; Stable (22-Feb-22) 2)CARE A; Positive (01-Jul-21) 3)CARE A-; Positive (08-Apr-21)

							4)CARE A; Negative (06-Jun-22)	
5	Non-fund-based-Short term	ST	10.00	CARE A1+	1)CARE A4+ (RWP) (06-Aug-24)	1)CARE A4+ (13-Feb-24) 2)CARE A3 (12-Sep-23)	1)CARE A3 (13-Mar-23) 2)CARE A2+ (25-Nov-22) 3)CARE A2+ (08-Nov-22) 4)CARE A1 (06-Jun-22)	1)CARE A1 (22-Feb-22) 2)CARE A1 (01-Jul-21) 3)CARE A2+ (08-Apr-21)
6	Debentures-Non-convertible debentures	LT	-	-	-	-	-	1)Withdrawn (08-Apr-21)
7	Term loan-Long term	LT	17.00	CARE AAA; Stable	1)CARE BB+ (RWP) (06-Aug-24)	1)CARE BB+; Negative (13-Feb-24) 2)CARE BBB-; Negative (12-Sep-23)	1)CARE BBB; Negative (13-Mar-23) 2)CARE A-; Stable (25-Nov-22) 3)CARE A-; Stable (08-Nov-22) 4)CARE A; Negative (06-Jun-22)	1)CARE A; Stable (22-Feb-22) 2)CARE A; Positive (01-Jul-21) 3)CARE A-; Positive (08-Apr-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Non-fund-based-Short term	Simple
3	Term loan-Long term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Coromandel Electric Company Limited	Full	Strong operational, strategic, and financial linkages.
2.	Coromandel Travels Limited	Full	
3.	PT. Coromandel Minerals Resources, Indonesia	Full	
4.	Coromandel Minerals PTE Limited, Singapore	Full	
5.	India Cements Infrastructures Limited	Full	
6.	ICL Financial Services Limited	Full	
7.	ICL International Limited	Full	
8.	ICL Securities Limited	Full	
9.	PT Adcoal Energindo, Indonesia	Full	
10.	Raasi Minerals Pte. Ltd, Singapore	Full	
11.	Industrial Chemicals and Monomers Limited	Full	
12.	Coromandel Sugars Limited	Proportionate	
13.	India Cements Capital Limited (Till 27-07-2024)	Proportionate	
14.	Raasi Cement Limited	Proportionate	
15.	Unique Receivable Management Pvt. Limited (Till 27-07-2024)	Proportionate	
16.	PT Mitra Setia Tanah Bumbu, Indonesia	Proportionate	

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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