FEBRUARY 23, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES AND ASSIGNS 'CARE AA-/CARE A1+' RATINGS TO THE INSTRUMENTS OF DALMIA BHARAT LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term/Short-term Bank Facilities – Fund-based	15	CARE AA-/CARE A1+ [Double A Minus/A One Plus]	Reaffirmed, reclassified from long-term to long-term/short-term
Long-term/Short-term Bank Facilities – Non-fund-based	15	CARE AA-/CARE A1+ [Double A Minus/A One Plus]	Reaffirmed
Total Facilities	**30 (Rupees Thirty crore only)**		
Proposed Non-Convertible Debenture issue	**300 (Rupees Three Hundred crore only)**	CARE AA- [Double A Minus]	Assigned
Proposed Commercial Paper issue	**150 (Rupees One Hundred Fifty crore only)**	CARE A1+ [A One Plus]	Assigned

Rating Rationale

The ratings assigned to the bank facilities and instruments of Dalmia Bharat Limited (DBL) derive comfort from the resourceful and experienced promoters, strong brand image and established presence of the group in the cement business, steady revenue flow from brand and management fee, healthy market capitalization and a comfortable financial risk profile. The ratings also factors in improvement in consolidated financial performance in 9MFY16.

The ratings are, however, constrained by relatively high debt level at the consolidated level, weak financial performance of few of the key step-down subsidiaries and cyclical nature of cement industry.

Performance of the group companies, from which the company derives majority of its revenue and any further debt-funded capex or investments by the company and its subsidiaries, shall be the rating sensitivities.

Background

DBL (CIN No L40109TN2006PLC058818), incorporated as Sri Kesava Mines & Minerals Limited (SKMML) on February 10, 2006, is the flagship company of the Dalmia group and is publicly listed.

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

DBL, on standalone basis, derives operating income through management services to group companies, brand fee, interest and dividend. The company was also engaged in the business of alumina-based refractory but has discontinued the operations from April 01, 2014.

DBL is the holding company of the cement assets of the Dalmia group and currently holds 85% stake in Dalmia Cement (Bharat) Limited (DCBL, rated 'CARE AA-') having an installed capacity of 11.5 million metric ton per annum (MTPA) on a standalone basis and about 24 MTPA on a consolidated basis. DBL also holds 100% stake in Dalmia Power Limited (DPL). Recently, DBL has entered into a definitive agreement with Kohlberg Kravis Roberts & Co. (KKR, a private equity investor) to purchase its 15% stake in DCBL and on completion of the transaction, DCBL will become wholly-owned subsidiary of DBL.

During FY15 (refers to the period April 1 to March 31), DBL reported a total operating income of Rs.188.91 crore and PAT of Rs.25.10 crore on standalone basis. On a consolidated basis, DBL reported a total operating income of Rs.3,591.07 crore and net loss of Rs.14.56 crore. For 9MFY16 (unaudited), DBL reported operating income of Rs.146.44 crore and PAT of Rs.33.91 crore on a standalone basis and operating income of Rs.4,524.69 crore and PAT of Rs.104.9 crore on a consolidated basis.

Analyst Contact
Name: Mr Jatin Babbar
Tel: 011-45333246
Cell: 9999568722
Email: jatin.babbar@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Rakesh Jayaraman
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 76655 96136
Tel: +91-141-402 0213 / 14
E-mail: rakesh.jayaraman@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

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