

NOVEMBER 1, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES AND INSTRUMENTS OF DALMIA BHARAT LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	75	CARE AA- (Double A Minus)	Reaffirmed
Long-term/Short-term Bank Facilities	30	CARE AA-/CARE A1+ (Double A Minus/A One Plus)	Reaffirmed
Total bank facilities	105 (Rupees One Hundred Five Crore only)		
Proposed Non-Convertible Debenture issue	300 (Rupees Three Hundred Crore Only)	CARE AA- (Double A Minus)	Reaffirmed
Commercial Paper issue	250 (Enhanced from 150) (Rupees Two Hundred Fifty Crore Only)	CARE A1+ (A One Plus)	Reaffirmed

Rating Rationale

The ratings assigned to the bank facilities and instruments of Dalmia Bharat Limited (DBL) continue to 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 financial performance in FY16 (refers to the period April 1 to March 31) and Q1FY17.

The ratings are, however, constrained by relatively high debt level at the consolidated level, weak financial performance of few of the step-down subsidiaries and cyclical nature of the 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 impacting the financial risk profile, 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. 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 holds 100% stake in Dalmia Cement (Bharat) Limited (rated CARE AA) (92.6% directly and remaining through Adwetha Cement Holding Ltd) having an installed capacity about 25 MTPA on a consolidated basis.

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

In March 2016, DBL has initiated two schemes of arrangement and amalgamation involving some of its subsidiaries and step-down subsidiaries.

For FY16, DBL reported total operating income of Rs.240.49 crore and PAT of Rs.65.55 crore on standalone basis. On a consolidated basis, DBL reported total operating income of Rs.6471.81 crore and PAT of Rs.265.34 crore. For Q1FY17 (unaudited), DBL reported operating income of Rs.54.23 crore and PAT of Rs.19.75 crore on a standalone basis and operating income of Rs.1777.47 crore and PAT of Rs.118.91 crore on a consolidated basis.

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****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.

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