

Dalmia Bharat Limited

March 16, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long-term/Short-term Bank Facilities	30	CARE AA-; Stable/CARE A1+ (Double A Minus/A One Plus; Outlook: Stable)	Reaffirmed
Long-term Bank Facilities	-	-	Withdrawn*
Total Bank Facilities	30 (Rupees Thirty Crore only)		
Proposed Non-Convertible Debenture issue	300 (Rupees Three Hundred Crore Only)	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Commercial Paper issue	250 (Rupees Two Hundred Fifty Crore Only)	CARE A1+ (A One Plus)	Reaffirmed

Details of instruments/facilities in Annexure-1

* CARE has withdrawn the rating assigned to the Bank facilities (Term Loan of Rs. 75 crore) of Dalmia Bharat Limited with immediate effect, as the company has repaid the aforementioned term loan in full and there is no amount outstanding under the said loan as on date.

Detailed Rationale & Key Rating Drivers

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 factor in improvement in financial performance in FY16 (refers to the period April 1 to March 31) and 9MFY17.

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.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced and resourceful promoters: DBL has a broad-based board, experienced and qualified management team. The Dalmia group has a presence in the cement business since 1939. As on March 31, 2016, with an operational capacity of about 25 MTPA, the group is among top five cement players in India.

Steady revenue flow from management services and branding fee from the group companies: DBL provides corporate finance, treasury, legal, accounting, compliance and other employee-related services to its group companies and charges management service fee towards it. DBL also earns income through brand fee, dividend and interest. There has been a consistent improvement in income from key sources over the last few years.

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

Established track record of operations, one of the leading cement players having a strong brand image: Over the years, the group has expanded significantly (cement capacity increased from 1.2 MTPA in FY06 to 25 MTPA currently) and established itself as a key cement player in Southern India. It has expanded inorganically in the east (Jharkhand, Bihar and West Bengal) and north east region by acquiring OCL India Ltd and Dalmia Cement East Ltd serving eastern markets and Adhunik Cement Ltd and Calcom Cement India Ltd serving north east market. Overall, with a consolidated capacity of 25 MTPA, the company is among India's top five cement manufacturers.

Comfortable financial risk profile: DBL has a comfortable financial risk profile and the company's income from key revenue sources has been increasing consistently. For FY16, DBL reported total operating income of Rs.240.49 crore and PAT of Rs.65.55 crore on a standalone basis. On consolidated basis, DBL reported total operating income of Rs.6471.81 crore and PAT of Rs.265.34 crore. For 9MFY17 (unaudited), DBL reported operating income of Rs. 172.10 crore and PAT of Rs.50.41 crore on a standalone basis and operating income of Rs.5914.87 crore and PAT of Rs.215.90 crore on a consolidated basis. The company had cash and cash equivalents of Rs.2,430.33 crore on a consolidated level as on March 31, 2016.

Key Rating Weaknesses

Relatively high overall gearing at a consolidated level: On account of acquisition of OCL and DCEL and capex undertaken under subsidiaries, the consolidated overall gearing ratio stood high at 2.06x as on March 31, 2016 (without deducting goodwill from networth) though it marginally declined from 2.21x as on March 31, 2015. However, improvement in financial performance, comfortable liquidity position and financial flexibility available with the group, provides comfort. Adjusted for the cash and cash equivalents available with the company, net gearing ratio stood at 1.49x as on March 31, 2016.

Weak financial performance of few of the step-down subsidiaries: ACL and Vinay Cement Ltd (a subsidiary of CCIL) continued to report net loss during FY16, improvement in performance of these subsidiaries/step-down subsidiaries would be crucial.

Cyclical nature of the cement industry: While the cement industry would continue to witness cyclical trends due to inherent nature of the industry, the long-term outlook for the cement sector is stable on account of focus of the government on infrastructure development and housing sectors. However, competitive intensity in select period and markets cannot be ruled out.

Analytical approach:

Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology – Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)
[Policy on Withdrawal of ratings](#)

About the Company

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 (DCBL, rated CARE AA) (92.6% directly and the remaining through Adwetha Cement Holding Ltd) having an installed capacity about 25 MTPA on a consolidated basis.

In March 2016, DBL has initiated two schemes of arrangement and amalgamation involving some of its subsidiaries and step-down subsidiaries. Further, in November 2016, the board of directors of the company have approved a scheme of arrangement and amalgamation amongst OCL India Limited, DBL and DCBL. The entire restructuring process is expected to be completed in FY18.

For FY16, DBL reported total operating income of Rs.240.49 crore and PAT of Rs.65.55 crore on a standalone basis. On consolidated basis, DBL reported total operating income of Rs.6471.81 crore and PAT of Rs.265.34 crore. For 9MFY17 (unaudited), DBL reported operating income of Rs.172.10 crore and PAT of Rs.50.41 crore on standalone basis and operating income of Rs.5914.87 crore and PAT of Rs.215.90 crore on a consolidated basis.

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-LT/ST	-	-	-	15.00	CARE AA-; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC	-	-	-	15.00	CARE AA-; Stable / CARE A1+
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Proposed Debentures-Non Convertible Debentures	-	-	-	300.00	CARE AA-; Stable
Commercial Paper	-	-	7-364 days	250.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based-LT/ST	LT/ST	15.00	CARE AA-; Stable / CARE A1+	1)CARE AA- / CARE A1+ (01-Nov-16) 2)CARE AA- / CARE A1+ (09-Aug-16)	1)CARE AA- / CARE A1+ (23-Feb-16) 2)CARE AA- (21-Apr-15)	-	1)CARE AA- (25-Oct-13)
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	15.00	CARE AA-; Stable / CARE A1+	1)CARE AA- / CARE A1+ (01-Nov-16) 2)CARE AA- / CARE A1+ (09-Aug-16)	1)CARE AA- / CARE A1+ (23-Feb-16) 2)CARE AA- / CARE A1+ (21-Apr-15)	-	1)CARE AA- / CARE A1+ (25-Oct-13)
3.	Proposed Debentures-Non Convertible Debentures	LT	300.00	CARE AA-; Stable	1)CARE AA- (01-Nov-16)	1)CARE AA- (23-Feb-16)	-	-
4.	Commercial Paper	ST	250.00	CARE A1+	1)CARE A1+ (01-Nov-16)	1)CARE A1+ (23-Feb-16)	-	-
5.	Fund-based - LT-Term Loan	LT	-	-	1)CARE AA- (01-Nov-16) 2)CARE AA- (09-Aug-16)	-	-	-

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