

Dalmia Refractories Limited

November 25, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities- Fund Based	40	CARE A- (Single A Minus; Under Credit Watch with Developing Implications)	Placed on credit watch with developing implications
Long-term Bank Facilities- Non-Fund Based (stand by limit)	93	CARE A- (Single A Minus; Under Credit Watch with Developing Implications)	Placed on credit watch with developing implications
Long-term/Short-term Bank Facilities – Non-Fund Based	40	CARE A-/ CARE A2+ (Single A Minus/ A Two Plus; Under Credit Watch with Developing Implications)	Placed on credit watch with developing implications
Total	173 (Rupees One Hundred and Seventy Three crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings of Dalmia Refractories Limited (DRL) have been placed on credit watch with developing implications on account of approval of the Board of Directors for the Scheme of Amalgamation and Arrangement amongst DRL, GSB Refractories India Private Limited (GSB India), Sri Dhandauphanani Mines And Minerals Limited (SDMM) and Ascension Comercio Private Limited (ACPL). CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Detailed Description of the Key Rating Drivers

The company vide its letter dated November 14, 2019 to the MSE stock exchange announced that the Board of Directors, after recommendation of the Audit Committee, has approved the Scheme of Amalgamation and Arrangement amongst DRL, GSB India, SDMM and ACPL. Further, the letter also intimated of the approval of the Schemes of Arrangement by Board members of DRL and Dalmia Cement (Bharat) Limited (DCBL) through which their respective refractory businesses will be consolidated under a single operating entity, which is proposed to be renamed as Dalmia OCL Limited (DOL). DOL in turn would be held by a holding company, which is proposed to be renamed as Dalmia Bharat Refractories Limited (DBRL).

However, CARE is awaiting more clarity with regard to aforesaid issue and may take a view on the rating of DRL once further clarity emerges on the same.

Analytical approach

Standalone along with factoring standby letter of credit (SBLC) extended to its subsidiaries.

However, going forward, considering the strong operational and management linkages of DRL with its subsidiaries, the approach is likely to be changed to consolidated.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial Ratios - Non-Financial Sector](#)

[CARE's Methodology for factoring linkages in ratings](#)

About the Company

DRL, formerly Shri Nataraj Ceramic and Chemical Industries Ltd, belongs to Dalmia Group which has presence in various industries including cement, sugar, power and refractory. The name of the company was changed to Dalmia Refractories Limited on March 28, 2014, to reflect the group and the brand 'Dalmia Refractories' under which the company's products

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

are marketed.

DRL produces high alumina refractory bricks and castables which are supplied to cement, steel, coke oven and glass industries. Presently, the company has 2 manufacturing units located at Dalmiapuram (Tamil Nadu) and Khambalia (Gujarat), with an aggregate installed capacity of 94,800 metric tonnes per annum (MTPA) for refractory and 24,000 MTPA for calcined bauxite. The company used to previously undertake job work for Dalmia Bharat Ltd (DBL) which has been discontinued w.e.f. April 1, 2014 and the refractories produced are directly marketed to the user industries by DRL.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	179.09	198.56
PBILDT	0.93	12.92
PAT	-3.17	7.04
Overall gearing (incl. acceptances) (times)	0.12	0.15
Adjusted Overall Gearing* (times)	-	0.61
Interest coverage (times)	0.50	7.90

A: Audited

*The adjusted overall gearing has been computed by incorporating the SBLC extended by DRL to DRGG of Rs. 87.91 cr outstanding as on March 31, 2019

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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-Cash Credit	-	-	-	40.00	CARE A- (Under Credit watch with Developing Implications)
Non-fund-based - LT/ ST-BG/LC	-	-	-	40.00	CARE A- / CARE A2+ (Under Credit watch with Developing Implications)
Fund-based - LT-Stand by Limits	-	-	-	93.00	CARE A- (Under Credit watch with Developing Implications)

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	40.00	CARE A- (Under Credit watch with Developing Implications)	1)CARE A-; Stable (27-Sep-19) 2)CARE A-; Stable (03-Apr-19)	1)CARE A-; Stable (03-Apr-18)	-	1)CARE A-; Stable (02-Mar-17) 2)CARE A- (03-May-16)
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	40.00	CARE A- / CARE A2+ (Under Credit watch with Developing Implications)	1)CARE A-; Stable / CARE A2+ (27-Sep-19) 2)CARE A-; Stable / CARE A2+ (03-Apr-19)	1)CARE A-; Stable / CARE A2+ (03-Apr-18)	-	1)CARE A-; Stable / CARE A2+ (02-Mar-17) 2)CARE A- / CARE A2+ (03-May-16)
3.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (02-Mar-17) 2)CARE A- (03-May-16)
4.	Non-fund-based - LT/ ST-Loan Equivalent Risk	LT/ST	-	-	-	1)Withdrawn (03-Apr-18)	-	1)CARE A-; Stable / CARE A2+ (02-Mar-17) 2)CARE A- / CARE A2+ (03-May-16)
5.	Fund-based - LT-Stand by Limits	LT	93.00	CARE A- (Under Credit watch with Developing Implications)	1)CARE A-; Stable (27-Sep-19)	-	-	-

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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