

JANUARY 30, 2015

CARE ASSIGNS 'CARE A1+' RATING TO SHORT TERM INSTRUMENT CP OF ORIENT CEMENT LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Short Term Instrument (Commercial Paper)*	150.00	'CARE A1+' (A One Plus)	Assigned
Total Facilities	150.00		

*carved out of the sanctioned working capital limits of the company.

Rating Rationale

The rating draws support from experienced promoter and management team, established group with a successful and long presence in cement industry, strong financial risk profile marked by satisfactory profitability & cash accruals and operational efficiency due to backward integration and improving industry outlook. The rating also takes into account the project implementation risk and cyclical nature of the cement industry.

Ability of the company to achieve sustained capacity utilization, improve profitability and timely execution of the proposed project without time and cost over-run are key rating sensitivities.

Background

Orient Cement Limited (OCL) belonging to G.P. - C.K Birla group, was incorporated to acquire the cement division of Orient Paper & Industries Ltd (OPIL). Pursuant to the approval of Honorable Orissa High Court, to the scheme of arrangement on Feb.23, 2013, the cement undertaking of Orient Paper & Industries Ltd (OPIL) was transferred to OCL on a going concern basis w.e.f. Apr.01, 2012. Presently, OCL has a Clinker capacity of 3.5 Million Tonnes p.a. (MTPA) and Cement capacity of 3 Mtpa located in Devapur, Andhra Pradesh and grinding unit of 2 MTPA located at Jalgaon, Maharashtra.

Currently, OCL is setting up a large size debt funded project 3 mtpa cement plant & 50 MW power plant at Gulbarga, Karnataka at an estimated cost of Rs. 1,715 crore being funded in debt equity mix of 2.33:1. The expected date for commencement of the project is first quarter of FY16.

During FY14 the company earned a PBILDT of Rs.219.6 crore and PAT of Rs.101.0 crore on total operating income of Rs.1479.1 crore.

As per unaudited results, during 9MFY15, OCL earned a PBILDT of Rs.206.8 crore and PAT of Rs.109.3 crore on total income of Rs.1155.8 crore.

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

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

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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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