

MAY 16, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO INSTRUMENT OF ORIENT CEMENT LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Commercial Paper	100.00	CARE A1+ (A One Plus)	Reaffirmed
	(Rupees One Hundred crore only)		
	150.00* (Rupees One Hundred and Fifty crore only)		

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

Rating Rationale

The rating assigned to the short term instrument of Orient Cement Ltd continues to draw support from experienced promoter and management team, established group with a successful and long presence in cement industry, operational efficiency due to backward integration, satisfactory capacity utilization, healthy financial risk profile marked by strong profitability & cash accruals. The ratings also take into account commissioning of 3.0 mtpa Gulbarga project thereby reducing the risk associated with the implementation of the project and moderation in profitability in M9FY16 (refers to the period April 01, 2015 to December 31, 2015). The ratings further take into account volatility of the input and finished goods prices, post implementation risk associated with the project and cyclicity of the cement industry.

The ability of the company to achieve sustained capacity utilization of the existing units, optimum utilization of the new unit and thereby deriving return from the same and improvement in the profitability are key rating sensitivities.

Background

Incorporated in July, 2011, Orient Cement Limited (OCL) is a part of G.P. - C.K. Birla group promoted by late Shri B.M.Birla. The company 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.

The cement division of OPIL i.e. Orient Cement Limited was setup in 1979 and in 1982 the division's first project, at Devapur, Adilabad, Andhra Pradesh began production and presently has an installed capacity of 3 million tonnes per annum (mtpa). The company in 1997 added a grinding unit at Nashirabad, Jalgaon, Maharashtra which currently has an installed capacity of 2 mtpa. The company sells cement under the brand name of 'Birla A1'.

The company has expanded its cement capacity by 3 million tonnes in Gulbarga, Karnataka and has commenced the commercial production from September 26, 2015.

During FY15 the company earned a PBILDT of Rs.310.32 crore and PAT of Rs.194.78 crore on total income of Rs.1,598.12 crore.

As per unaudited results, during 9MFY16, the company earned a PBILDT of Rs.121.67 crore and PAT of Rs.42.83 crore on total income of Rs.1,064.44 crore.

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

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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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