

December 04, 2015

## CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITY/INSTRUMENT OF ORIENT CEMENT LIMITED

**Ratings**

| Facilities                 | Amount<br>(Rs. crore)                                                                 | Ratings <sup>1</sup>                 | Remarks    |
|----------------------------|---------------------------------------------------------------------------------------|--------------------------------------|------------|
| Long-term Bank Facility    | 1,354.00<br>(enhanced from 1,200.00)                                                  | <b>CARE AA-<br/>(Double A minus)</b> | Reaffirmed |
| <b>Total Bank Facility</b> | <b>1,354.00<br/>(Rupees One Thousand Three Hundred<br/>and Fifty Four crore only)</b> |                                      |            |
| Commercial Paper           | 100.00<br>(Rupees One Hundred crore only)                                             | <b>CARE A1+<br/>(A One Plus)</b>     | Reaffirmed |
|                            | 150.00*<br>(Rupees One Hundred and Fifty crore only)                                  |                                      |            |

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

**Rating Rationale**

The rating 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. The ratings further take into account volatility of the input and finished goods prices, post implementation risk associated with the project and cyclical nature 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 H1FY16, the company earned a PBILDT of Rs.97.80 crore and PAT of Rs.55.91 crore on total income of Rs.708.99 crore.

**Analyst Contact**

Name: Mr. Vineet Chamaria

Tel: 033-4018 1609

Cell: + 91 90517 30850

Email: vineet.chamaria@careratings.com

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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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.

**CONTACT****Head Office Mumbai****Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

**Mr. Amod Khanorkar**

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

**BENGALURU****Mr. Dinesh Sharma**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

**CHANDIGARH****Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,  
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

**HYDERABAD****Mr. Saikat Roy**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

**JAIPUR****Mr. Rakesh Jayaraman**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 - 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

**PUNE****Mr. Rahul Patni**9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

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