OCTOBER 19, 2016

CARE PLACES THE RATINGS ASSIGNED TO THE BANK FACILITIES AND CP OF ORIENT CEMENT LTD ON CREDIT WATCH

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	1,354	**CARE AA- (Double A Minus) (Credit Watch)**	**Rating placed on "Credit Watch"**
Total Bank Facilities	**1,354 (Rupees One Thousand Three Hundred Fifty Four crore only)**		
Commercial Paper	100 (Rupees One Hundred crore only)	**CARE A1+ (A One Plus) (Credit Watch)**	**Rating placed on "Credit Watch"**
	150* (Rupees One Hundred Fifty crore only)		

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

Rating Rationale

The above ratings have been placed on 'credit watch' in view of signing of binding offer letter by Orient Cement Ltd (OCL) for acquisition of 74% stake in Bhilai Jaypee Cement Ltd from Jaiprakash Associates Ltd and Nigrie cement unit from Jaiprakash Power Ventures Ltd. CARE is in the process of evaluating the impact of the event on the credit quality of the company and would take a view on the rating once the exact implication of the said event can be ascertained.

Background

Incorporated in July 2011, OCL is a part of G.P. - C.K. Birla group promoted by late Mr 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, the cement undertaking of OPIL was transferred to OCL on a going concern basis w.e.f. April 01, 2012. The cement division of OPIL, ie, Orient Cement Limited was setup in 1979 and in 1982 the division`s first cement plant at Devapur, Adilabad, Andhra Pradesh began production. The company's cement plants having aggregate installed capacity of 8 million tonnes per annum (mtpa) are located at Telangana, Karnataka and Maharashtra. The company sells cement under the brand name of '*Birla A1*'.

On October 06, 2016, OCL has signed binding offer letter for acquisition of 74% stake in Bhilai Jaypee Cement Ltd (BJCL, rated 'CARE D') from Jaiprakash Associates Ltd (JAL, rated 'CARE D') for an enterprise value (EV) of Rs.1450 crore and Nigrie cement unit of Jaiprakash Power Ventures Ltd (JPVL, rated 'CARE D') for an EV of Rs.500 crore. BJCL has cement manufacturing capacity of 2.2 mtpa consisting of a clinkerisation unit in Satna, Madhya Pradesh, and a grinding unit in Bhilai, Chhattisgarh. Nigrie cement unit in Singrauli area, Madhya Pradesh, housed within JPVL, has a cement grinding capacity of 2.0 mtpa. The acquisition is subject to satisfactory negotiation and execution of definitive agreements, requisite approvals from SAIL (in case of BJCL, as it holds balance 26% stake), the Competition Commission of India and other relevant regulatory and third party approvals. The acquisition is expected to be funded through a mix of debt and

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

new equity issue, however, the exact funding pattern is yet to be decided. The company expects to complete the transaction in the first half of 2017.

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

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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