

Shree Cement Limited

January 22, 2018

The ratings assigned to the bank facilities and instruments of Shree Cement Limited (SCL) remains unaffected post proposed acquisition of majority equity stake of Union Cement Company (UCC) in Ras Al-Kahimah, United Arab Estate (UAE).

SCL, vide its press release dated January 11, 2017 has announced the acquisition (Minimum 92.83% equity stake for an Enterprise Value of USD 305.24 Million excluding cash and cash equivalent subject to closing adjustments) of an operating cement company in UAE named Union Cement Company (UCC). UCC is currently operating cement capacity of 4.0 MTPA and clinker capacity of 3.3 MTPA. UCC's plant which is in operation since 1975, is located in close proximity to the Ras Al-Kahimah's Saqr Port which helps it to serve the export markets of Gulf, Middle East and East Africa. Along with this, UCC also owns 60% stake in Union Cement Norcem Company which is engaged in the marketing of oil well cement. UCC's procurement would increase SCL's cement capacity from existing 29.30 MTPA to 33.3 MTPA.

The above acquisition involves a capital outlay of around Rs.1,900 crore and is expected to be completed over a period of 9 months subject to fulfilment of conditions, including UCC converting itself into a Private Joint Stock company and delisting from Abu Dhabi Stock Exchange and regulatory approvals in UAE. As on December 31,2017, SCL's aggregate investment in liquid investments stood at around Rs.4,000 crore. Moreover, during 9MFY18 (April to December 2017), SCL earned a cash profit of Rs.1,657.41 crore.

As on March 31, 2017, SCL's overall gearing stood at a comfortable level of 0.21x. Given the fact that UCC has no external borrowings, post-acquisition, on a consolidated basis, SCL's capital structure is likely to remain at a comfortable level.

CARE will continue to monitor the progress of the above acquisition and its funding pattern.

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CIN - L67190MH1993PLC071691