

June 28, 2024

## Alsthom Industries Limited: Ratings reaffirmed

### Summary of rating action

| Instrument*                                            | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action                  |
|--------------------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------|
| Long-term - Fund-based –<br>Working capital facilities | 5.0                                  | 5.0                                 | [ICRA]AA+ (Stable); reaffirmed |
| <b>Total</b>                                           | <b>5.0</b>                           | <b>5.0</b>                          |                                |

\*Instrument details are provided in Annexure-I

### Rationale

While assigning the ratings, ICRA has taken a consolidated view of Dalmia Cement (Bharat) Limited (DCBL), Dalmia Bharat Limited (DBL), Rajputana Properties Private Limited and Alsthom Industries Limited, given the common management, strong business and financial linkages and these entities are collectively referred as DBL/ the Group.

The rating reaffirmation factors in DBL's strong position in the markets of eastern (including north-east, 19% capacity share) and southern (8% capacity share) India, which insulates the performance from any downturns in any single geography. Additionally, the planned capacity addition of 2.9 million MTPA and 2.0 million MTPA in the East and South in FY2025 will further strengthen the Group's position in these regions.

The ratings consider its strong financial profile, marked by its healthy scale of operations, comfortable leverage and coverage indicators. DBL's operating income (OI) witnessed a growth of 8.5% to Rs. 14,691 crore in FY2024, primarily supported by an increase in sales volumes. The revenues are likely to grow by ~7-8% in FY2025, driven primarily by volumetric growth, which is supported by ramp-up of new capacities and aided by the continued healthy demand from housing and infrastructure sectors. The company has been able to improve its operating efficiencies by increasing the proportion of blended cement sales, rise in share of green power, among others, which has supported the OPBITDA/MT. The OPBITDA/MT stood at Rs. 916/MT in FY2024, largely similar to FY2023 (Rs. 902/MT) despite the moderation in input costs, due to decline in the overall net sales realisation by 3%. ICRA estimates the OPBITDA/MT for FY2025 to be sustained at Rs. 900 - 925/MT, while the absolute operating profits are expected to rise by 9-11%, supported by volumetric growth. The leverage and debt coverage metrics remained comfortable in FY2024 with total debt/OPBITDA of 1.8 times (1.7 times in FY2023), interest coverage of 6.8 times (9.9 times in FY2023) and DSCR of 3.0 times (1.9 times in FY2023). As on March 31, 2024, the company's total debt (including lease liabilities) stood at Rs. 4,826.0 crore. DBL has capex plans of around Rs. 3,500 crore in FY2025 towards acquisition of lands for future expansions, increase in grinding capacities by 4.9 MT, clinker capacities in North East along with addition of renewable energy. The same is likely to be funded through mix of debt and internal accruals. Despite the likely rise in debt levels for capex funding, ICRA expects the company's total debt/OPBITDA to remain comfortable below 2.2 times and DSCR of above 3.0 times in FY2025.

The ratings are, however, constrained by the subdued return on capital employed. The ROCE is expected to remain modest over the near to medium term as the Group is in continuous capex mode. Ramping up of the additional capacities remains critical for an improvement in the ROCE levels. The rating is also constrained by the cyclical nature of the cement industry and susceptibility of operating profits to fluctuations in input prices.

ICRA notes the delay in acquisition of cement and cement-related assets by DCBL from JaiPrakash Associates Limited (JAL) due to pending completion of conditions precedents. ICRA notes the admission of JAL to Corporate Insolvency Resolution Process (CIRP) pursuant to petition filed by the Financial Creditor under Section-7 of IBC in June 2024. The NCLT proceedings and its impact on the definitive agreements signed between DCBL and JAL for acquisition of grinding, clinker, limestone and power plant assets in central region will be a key monitorable.

The Stable outlook on the rating reflects ICRA's opinion that the Group's strong market position and cost rationalisation efforts will lead to healthy growth in revenues and operating profits and maintain comfortable leverage and healthy liquidity position.

## Key rating drivers and their description

### Credit strengths

**Strong market position in southern and eastern regions** – The Group has strong position in the markets of eastern (including north-east, 19% capacity share) and southern (8% capacity share) India, which insulates the performance from any downturns in any single geography. Additionally, the planned capacity addition of 2.9 million MTPA and 2.0 million MTPA in the East and South in FY2025 will further strengthen the Group's position in these regions.

**Healthy scale of operations, strong long-term growth prospects** – The Group's OI witnessed a growth of 8.5% to Rs. 14,691 crore in FY2024, primarily supported by an increase in sales volumes. The revenues are likely to grow by ~7-8% in FY2025, driven majorly by volumetric growth, which is supported by ramp-up of new capacities and aided by the continued healthy demand from the housing and infrastructure sectors.

**Cost reduction initiatives likely to support medium-term profitability** – The company has been able to improve its operating efficiencies, through increasing proportion of blended cement sales, rise in share of green power, among others, which has supported the OPBIDTA/MT. Its OPBIDTA/MT stood at Rs. 916/MT in FY2024, largely similar to FY2023 (Rs. 902/MT) despite the moderation in input costs, due to decline in the overall net sales realisation by 3%. ICRA estimates the OPBIDTA/MT for FY2025 to be sustained at Rs. 900 - 925/MT, while the absolute operating profits are expected to rise by 9-11% supported by volumetric growth.

**Leverage and coverage indicators expected to remain comfortable despite capex plans** – The leverage and debt coverage metrics remained comfortable in FY2024 with total debt/OPBDITA of 1.8 times (1.7 times in FY2023), interest coverage of 6.8 times (9.9 times in FY2023) and DSCR of 3.0 times (1.9 times in FY2023). As on March 31, 2024, the company's total debt (including lease liabilities) stood at Rs. 4,826.0 crore. DBL has capex plans of around Rs. 3,500 crore in FY2025 towards acquisition of lands for future expansions, increase in grinding capacities by 4.9 MT, clinker capacities in North East along with addition of renewable energy. The same is likely to be funded through mix of debt and internal accruals. Despite the likely rise in debt levels for funding the capex, ICRA expects the company's total debt/OPBITDA to remain comfortable below 2.2 times and DSCR of above 3.0 times in FY2025.

### Credit challenges

**Subdued return on capital** – Increase in capital employed on account of multiple restructuring resulting in recognition of intangibles over the years and the resultant amortisation expense led to subdued return on capital employed. The ROCE is expected to remain modest over the near to medium term as the Group is in continuous capex mode. Ramping up of the additional capacities remains critical for an improvement in the ROCE levels.

**Vulnerability of revenues to cyclical in economy; susceptibility of profitability to fluctuations in input prices** – DBL remains exposed to demand and pricing dynamics in the cement industry, which are influenced by the cyclical economic trends and capacity additions by the players during such periods. When the capacity additions exceed the incremental demand, the prices and consequently, the profitability of the players get impacted. Further, DBL's operating profitability remains susceptible to fluctuations in input prices.

### Environmental and social risks

**Environmental considerations** – As a cement producer, DBL has high fuel consumption, which results in greenhouse gas emissions and pollution. Hence, the increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution standards may lead to higher costs for cement producers. DBL has taken several initiatives, such as increasing the usage of renewable energy (solar power and WHRS accounted for 27% of the total power consumption in FY2024 against 21% in FY2023), increasing the use of fly ash, slag (which are waste materials of the power and steel industries), and alternative fuel at its clinker manufacturing units, which help in reducing the carbon footprint and save power costs.

**Social considerations** – The social risks associated with the company are primarily the health and safety of its employees involved in mining of limestone and the production of clinker and cement.

### Liquidity position: Adequate

DBL's liquidity is adequate, backed by the presence of free cash and bank balances of ~Rs. 543 crore and other investments of ~Rs. 3,552 crore (of which IEX is to the tune of Rs. 1,788 crore) as on March 31, 2024. Additionally, the moderate utilisation of working capital lines with an average cushion of Rs. 410 crore at the consolidated level during January 2023-December 2023, further strengthens its liquidity profile. The long-term debt principal repayment obligations worth ~Rs. 185 crore in FY2025 can be comfortably met from its cash flow from operations. DBL has capex plans of around Rs. 3,500 crore in FY2025 proposed to be funded through mix of debt and internal accruals.

### Rating sensitivities

**Positive factors** – Healthy ramp-up and integration of its additional capacities, along with increase in operating profitability leading to a significant improvement in the ROCE levels, on a sustained basis, may trigger a rating upgrade.

**Negative factors** – Inability to ramp-up the scale of operations and/or generate commensurate returns from the additional capacities to be commissioned leading to weakening of debt protection metrics, on a sustained basis, may trigger downward rating revision. Any significant increase in indebtedness to fund the future capex or acquisition leading to total debt to EBITDA of more than 2.25 times, on a consistent basis, may exert pressure on the ratings.

### Analytical approach

| Analytical Approach             | Comments                                                                                                                                                                                                                                                                                                            |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">Rating Methodology - Cement</a>                                                                                                                                                                                                                  |
| Parent/Group support            | Not Applicable                                                                                                                                                                                                                                                                                                      |
| Consolidation/Standalone        | For arriving at the ratings, ICRA has consolidated the financials of the various Group entities (as mentioned in Annexure-II), given the close business, financial and managerial linkages among them; the ratings are therefore based on the consolidated financials of the parent company, Dalmia Bharat Limited. |

### About the company

AIL operates a grinding unit with a capacity of 0.5 million MTPA in Assam. The Dalmia Bharat Group owns 100% stake in AIL. The company, in essence, operates as an extension of DBL in the north-eastern region with complete integration of operations with the parent entity.

### About the parent company - DBL

The Dalmia Bharat Group produces various grades of cement. The cement division generated 97% of the total revenues in FY2024 (98% in FY2023), with the remaining revenues majorly contributed by management services. With a total installed capacity of 44.6 million MTPA, the Dalmia Bharat Group has strong market presence in East and South India.

## Key financial indicators (audited)

| DBL Consolidated                                     | FY2023   | FY2024   |
|------------------------------------------------------|----------|----------|
| Operating income                                     | 13,540.0 | 14,691.0 |
| PAT                                                  | 525.0    | 853.0    |
| OPBDIT/OI                                            | 17.1%    | 17.9%    |
| PAT/OI                                               | 3.9%     | 5.8%     |
| Total outside liabilities/Tangible net worth (times) | 0.6      | 0.7      |
| Total debt/OPBDIT (times)                            | 1.7      | 1.8      |
| Interest coverage (times)                            | 9.9      | 6.8      |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| Instrument                                | Type      | Current rating (FY2025)  |                                                        |                         |                         | Chronology of rating history for the past 3 years |                    |                         |
|-------------------------------------------|-----------|--------------------------|--------------------------------------------------------|-------------------------|-------------------------|---------------------------------------------------|--------------------|-------------------------|
|                                           |           | Amount rated (Rs. crore) | Amount outstanding as on December 31, 2023 (Rs. crore) | Date & rating in FY2025 | Date & rating in FY2024 | Date & rating in FY2023                           |                    | Date & Rating in FY2022 |
|                                           |           |                          |                                                        |                         |                         | Mar 15, 2023                                      | Sep 13, 2022       |                         |
| 1 Fund-based - Working capital facilities | Long term | 5.0                      | 0.7                                                    | [ICRA]AA+ (Stable)      | -                       | [ICRA]AA+ (Stable)                                | [ICRA]AA+ (Stable) | [ICRA]AA+ (Stable)      |

## Complexity level of the rated instruments

| Instrument                                          | Complexity Indicator |
|-----------------------------------------------------|----------------------|
| Long-term – Fund-based - Working capital facilities | Simple               |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

## Annexure I: Instrument details

| ISIN | Instrument Name                         | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|-----------------------------------------|------------------|-------------|----------|--------------------------|----------------------------|
| NA   | Fund-based – Working capital facilities | NA               | NA          | NA       | 5.0                      | [ICRA]AA+(Stable)          |

Source: Company

## Annexure II: List of entities considered for consolidated analysis

| Company Name                                                                          | DBL Ownership             | Consolidation Approach |
|---------------------------------------------------------------------------------------|---------------------------|------------------------|
| Dalmia Cement (Bharat) Limited (subsidiary of DBL)                                    | 100.00%                   | Full Consolidation     |
| Dalmia Power Limited (subsidiary of DBL)                                              | 100.00%                   | Full Consolidation     |
| DPVL Ventures LLP (subsidiary of Dalmia Power Limited)                                | 100.00%                   | Full Consolidation     |
| D.I. Properties Limited                                                               | 100.00%                   | Full Consolidation     |
| Shri Rangam Properties Limited                                                        | 100.00%                   | Full Consolidation     |
| Dalmia Minerals & Properties Limited                                                  | 100.00%                   | Full Consolidation     |
| Sri Shanamugha Mines & Minerals Limited                                               | 100.00%                   | Full Consolidation     |
| Sri Subramanya Mines & Minerals Limited                                               | 100.00%                   | Full Consolidation     |
| Ishita Properties Limited                                                             | 100.00%                   | Full Consolidation     |
| Hemshila Properties Limited                                                           | 100.00%                   | Full Consolidation     |
| Geetee Estates Limited                                                                | 100.00%                   | Full Consolidation     |
| Sri Swaminatha Mines & Minerals Limited                                               | 100.00%                   | Full Consolidation     |
| Sri Trivikrama Mines & Properties Limited                                             | 100.00%                   | Full Consolidation     |
| Sri Madhusudana Mines & Properties Limited                                            | 100.00%                   | Full Consolidation     |
| Golden Hills Resort Private Limited                                                   | 100.00%                   | Full Consolidation     |
| Rajputana Properties Private Limited                                                  | 100.00%                   | Full Consolidation     |
| Sutnga Mines Private Limited                                                          | 100.00%                   | Full Consolidation     |
| Cosmos Cements Limited                                                                | 100.00%                   | Full Consolidation     |
| Dalmia Cement North-East Limited (formerly known as Calcom Cement India Limited)      | 95.28%                    | Full Consolidation     |
| RCL Cements Limited                                                                   | 100.00%                   | Full Consolidation     |
| SCL Cements Limited                                                                   | 100.00%                   | Full Consolidation     |
| Vinay Cement Limited                                                                  | 97.21%                    | Full Consolidation     |
| Bangaru Kamakshi Amman Agro Farms Private Limited                                     | 100.00%                   | Full Consolidation     |
| Jayevijay Agro Farms Private Limited                                                  | 100.00%                   | Full Consolidation     |
| Alsthom Industries Limited                                                            | 100.00%<br>(rated entity) | Full Consolidation     |
| Chandrasekara Agro Farms Private Limited                                              | 100.00%                   | Full Consolidation     |
| Hopco Industries Limited                                                              | 100.00%                   | Full Consolidation     |
| Ascension Mercantile Private Limited                                                  | 100.00%                   | Full Consolidation     |
| Ascension Multiventures Private Limited                                               | 100.00%                   | Full Consolidation     |
| Radhikapur (West) Coal Mining Private Limited (JV of Dalmia Cement (Bharat) Limited)) | 14.70%                    | Equity Method          |
| Dalmia Bharat Green Vision Limited                                                    | 100.00%                   | Full Consolidation     |
| Khappa Coal Company Private Limited (JV of Dalmia Cement (Bharat) Limited))           | 36.73%                    | Equity Method          |

Source: Company data, ICRA Research

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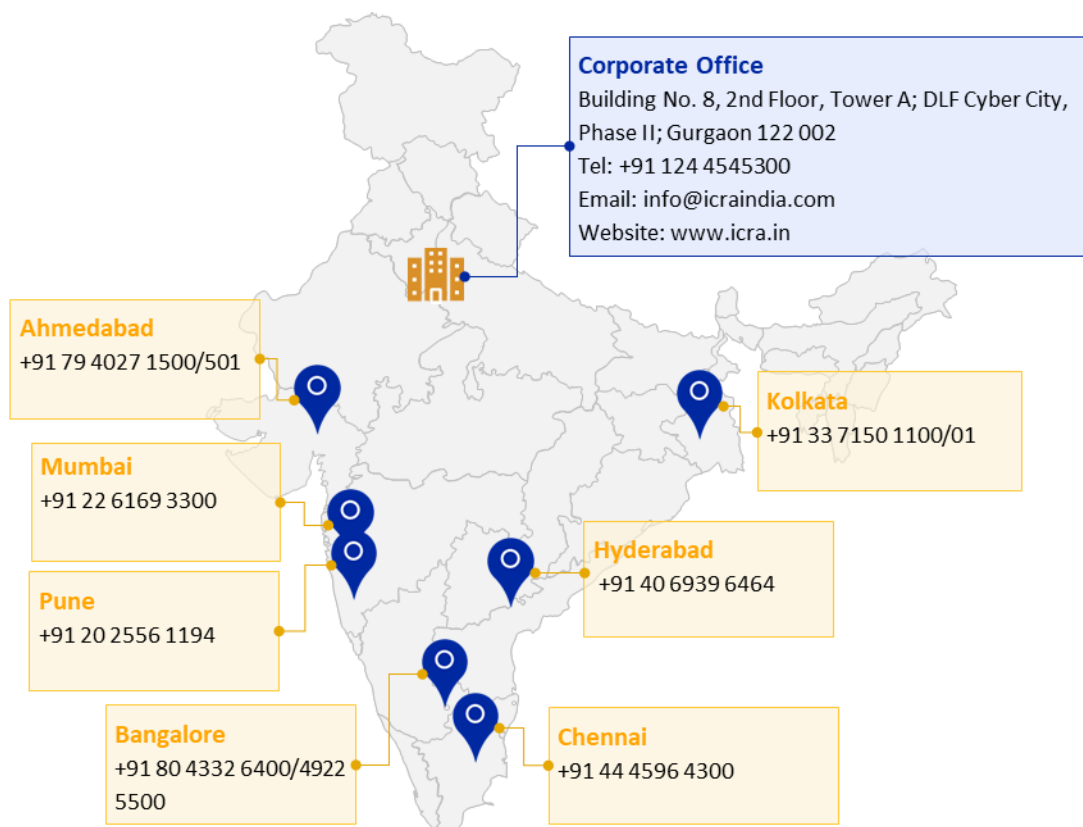


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