

December 21, 2022

Dalmia Cement (Bharat) Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term, Fund-based - Working Capital Facilities	132.54	132.54	[ICRA]AA+ (Stable)
Short-term, Non-fund based Working Capital Facilities	147.32	147.32	[ICRA]A1+
Total	279.86	279.86	

*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) and its subsidiaries, given the common management, strong business and financial linkages, collectively referred as DBL/the Group.

Material Event :-

DCBL intimated the stock exchanges on December 12, 2022 that the company has entered into a binding framework agreement to acquire total cement capacity of 9.4 million MTPA of Jaypee Group (Jaiprakash Associates Limited (JAL) and its associate) including clinker capacity of 6.7 million MTPA and thermal power plants of 280 MW capacity, for an aggregate enterprise value of Rs. 5,666 crore.

Impact of the Material Event :-

ICRA notes that the proposed acquisition of Jaypee Group's cement assets by DCBL is a part of its strategic vision to become a pan India player, by expanding its capacity to 75 million MTPA by FY2027 and 110-130 million MTPA by FY2031, using organic and inorganic modes. While the commencement of operations of Murli (2.9 million MTPA cement capacity) plant in FY2022 has helped DBL increase its presence in the western region, the acquisition of Jaypee Group's cement assets of 9.4 million MTPA in the central market will enable the Group to diversify further and expand its footprint in the Central region. Currently, the due diligence process is underway, and is subject to requisite approvals from lenders/JV partner of JAL and approval of the Competition Commission of India. Post completion of the due diligence process, the definitive agreement is likely to be signed. More clarity on the transaction with respect to the proposed funding pattern, expected timelines etc. and its impact on DCBL's business and financial profile is likely to emerge post signing of the definitive agreements. ICRA is given to understand that the earlier capex outlay is likely to undergo a downward revision which will also be finalised after completion of the due diligence process and signing of the definitive agreements. ICRA has taken note of the above event and will continue to closely monitor the developments in this regard to assess its impact on credit profile of the company.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, the Liquidity position and Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Cement Industry
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-2), given the close business, financial and managerial linkages among them; the rating is therefore based on the consolidated financials of the parent company of the Group, Dalmia Bharat Limited.

About the company - DCBL

Incorporated in 1996, Dalmia Cement (Bharat) Limited (erstwhile Avnija Properties Limited), is a cement player and operates 14 plants across 10 states with an installed capacity of 37.0 million MTPA as of June 30, 2022. The Group's cement capacities are geographically diversified (47% in the East, 34% in the South and 11% in the North East and 8% in the West). It has captive power generation ability of 413 MW (212 MW TPP, 77.3 MW WHRS and 87.8 MW Solar capacity) as on June 2022.

About the parent company - DBL

Cement is the core business of the Dalmia Bharat Group, which produces various grades of cement. The cement division generated 98% of the total revenues in FY2022 (94% in FY2021), with the remaining accounted for revenue from Management services. With a total installed capacity of 37.0 million MTPA, the Dalmia Bharat Group has a strong market presence in each of its markets - East, North-East, South India. Further, the commencement of operations of Murli (2.9 million MTPA cement capacity) plant in FY2022 has helped DBL consolidate its footprints in western region. Through unified branding and marketing across various units, expanded through organic and inorganic routes, the footprint of the Dalmia brand has increased significantly. The DBL Group also has presence in the refractory business since 1954 through Orissa Cement Limited (OCL), commissioning its first refractory plant. In FY2022, Dalmia-OCL, the refractory business of the Dalmia Bharat Group, has merged all its domestic businesses into a single consolidated entity as Dalmia Bharat Refractories Ltd. (DBRL).

Key financial indicators (audited)

DBL Consolidated	FY2021	FY2022	H1 FY2023
Operating income	10,110	11,286	6,273
PAT	1,184	1,168	238
OPBDIT/OI	27.4%	21.7%	15.4%
PAT/OI	11.7%	10.3%	3.8%
Total outside liabilities/Tangible net worth (times)	0.70	0.55	0.56
Total debt/OPBDIT (times)	1.40	1.31	1.75
Interest coverage (times)	9.16	12.11	9.55

Source: Annual report of DBL, ICRA research

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. No	Instrument	Current Rating (FY2023)						Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding	Date & Rating in			Date & Rating in 2022	Date & Rating in 2021	Date & Rating in 2020		
					Dec 21, 2022	Sep 13, 2022	Jun 23, 2022	Jun 25, 2021	Dec 14, 2020	Mar 31, 2020	Mar 09, 2020	Feb 07, 2020
1	Fund-based- Working Capital Facilities	Long - term	132.54	NA	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Non-fund Based- Working Capital Facilities	Short term	147.32	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3	Term Loan	Long - term	-	NA	-	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
4	Fund-based- Working Capital Facilities	Long - term	-	NA	-	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
5	Non-fund Based- Working Capital Facilities	Short term	-	NA	-	[ICRA]A1+; withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

6	Non-Convertible Debentures	Long term	-	-	-	-	[ICRA]AA+ (Stable); Withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
7	Commercial Paper	Short term	-	NA	-	-	-	-	[ICRA]A1+; withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
8	Non-Convertible Debentures (NCD)	Long term	-	NA	-	-	-	[ICRA] AA+ (Stable); Withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
9	Fund-based Unallocated Term Loan	Long term	-	NA	-	-	-	[ICRA]AA+ (Stable); Withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
10	Fund-based Term Loan	Long term	-	NA	-	-	-	[ICRA]AA+ (Stable); Withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
11	Long-term, Fund based- Working Capital Facilities	Long term	-	NA	-	-	-	[ICRA]AA+ (Stable); Withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
12	Short-term, Non-fund based- Working Capital Facilities	Short term	-	NA	-	-	-	[ICRA]A1+; Withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term, Fund based- Working Capital Facilities	Simple
Short-term, Non-fund Based- Working Capital Facilities	Very 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	132.54	[ICRA]AA+ (Stable)
NA	Non-fund based-Working Capital Facilities	NA	NA	NA	147.32	[ICRA]A1+

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% (rated entity)	Full Consolidation
Dalmia Power Limited	100.00%	Full Consolidation
DPVL Ventures LLP (DPVL) (formerly known as TVS Shriram Growth Fund 1B LLP) (w.e.f April 14, 2020)	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
Dalmia Bharat Refractories Limited ('DBRL') (Associate of Dalmia Cement (Bharat) Limited)	42.36%	Full Consolidation
Golden Hills Resort Private Limited	100.00%	Full Consolidation
Rajputana Properties Private Limited	100.00%	Full Consolidation
Sutnga Mines Private Limited (subsidiary of Dalmia Minerals & Properties Limited)	100.00%	Full Consolidation
Cosmos Cements Limited (subsidiary of Dalmia Minerals & Properties Limited)	100.00%	Full Consolidation
Calcom Cement India Limited	76.00%	Full Consolidation
RCL Cements Limited (subsidiary of Vinay Cements Limited)	100.00%	Full Consolidation
RCL Cements Limited (subsidiary of Vinay Cements Limited)	100.00%	Full Consolidation
Vinay Cements Limited (subsidiary of Calcom Cement India 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
OCL China Limited (a subsidiary of DBRL)	N.A	Full Consolidation
OCL Global Limited (a subsidiary of DBRL)	N.A	Full Consolidation
Alstom Industries Limited	100.00%	Full Consolidation
Chandrasekara Agro Farms Private Limited	100.00%	Equity Method
Dalmia DSP Limited	100.00%	Equity Method
Hopco Industries Limited	100.00%	

Company Name	DBL Ownership	Consolidation Approach
Murli Industries Limited (w.e.f. September 10, 2020)	100.00%	Full Consolidation
Dalmia OCL Limited (a subsidiary of DBRL)	N.A	Full Consolidation
Ascension Mercantile Private Limited (w.e.f. March 23, 2021)	100.00%	Full Consolidation
Ascension Multiventures Private Limited (w.e.f. March 23, 2021)	100.00%	Full Consolidation
Radhikapur (West) Coal Mining Private Limited	14.70%	
Sri Swaminatha Mines & Minerals Limited	100.00%	
Dalmia Bharat Green Vision Limited (w.e.f. May 22, 2021)	100.00%	
Dalmia Seven Refractories Limited (a subsidiary of DBRL)	N.A	
Dalmia GSB Refractories GmbH (a subsidiary of DBRL)	N.A	
Khappa Coal Company Private Limited (JV of Dalmia Cement (Bharat) Limited	36.73%	Equity Method

Source: Annual report of DBL, N.A-Not available

Note: ICRA has taken a consolidated view of the parent (DBL), its subsidiaries, step subsidiaries, joint venture while assigning the rating including DCBL.

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