

December 27, 2024 ^(Revised)

The Ramco Cements Limited: Rating reaffirmed for Rs. 9,461.00 crore; rating reaffirmed and withdrawn for Rs. 195.00-crore NCDs

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture (NCD)	800.0	800.0	[ICRA]AA+ (Stable); reaffirmed
Non-convertible debenture (NCD)	195.0	0.00	[ICRA]AA+ (Stable); reaffirmed and withdrawn
Non-convertible debenture (NCD)	500.0	500.0	[ICRA]AA+ (Stable); reaffirmed
Long-term – Fund-based – Term loan	4531.0	3370.0	[ICRA]AA+ (Stable); reaffirmed
Long-term – Fund-based – Unallocated limits	0.0	611.0	[ICRA]AA+ (Stable); reaffirmed
Long-term – Fund-based – Others	885.0	855.0	[ICRA]AA+ (Stable); reaffirmed
Short-term – Fund-based – Others	1210.0	1840.0	[ICRA]A1+; reaffirmed
Short-term – Proposed fund-based	400.0	0.0	-
Short-term – Non-fund based – Others	235.0	585.0	[ICRA]A1+; reaffirmed
Commercial paper	900.0	900.0	[ICRA]A1+; reaffirmed
Total	9656.0	9461.0	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for The Ramco Cements Limited (TRCL) considers its strong business profile, backed by a healthy market share in South India. The company has strong operational efficiencies arising out of the integrated nature of the plants, access to captive limestone mines, along with the split-grinding unit of 8.4 MTPA to optimise freight costs. It has a captive thermal capacity of 175 MW and green power of 209 MW (includes windmill capacities of 166 MW and WHRS capacity of 43 MW) as on March 31, 2024. The rating reaffirmation factors in the company's plan to divest its non-core assets of around Rs. 1,000 crore in FY2025, which will be primarily utilised to reduce the debt levels. Out of Rs. 1,000 crore, it has monetised around Rs. 450 crore and the balance is expected to be realised in the near term.

TRCL's operating income (OI) witnessed 13% CAGR during FY2019- FY2024, driven by growth in volumes at 10% CAGR. Further, the company's OI improved by 15% YoY to Rs. 9,376.4 crore in FY2024 owing to higher sales growth of 22% YoY. Despite slightly subdued demand in H1 FY2025 on account of the General Elections, heat waves and extended monsoons resulting in a decline in OI by 10% YoY in H1FY2025, ICRA positively factors in the healthy demand prospects in the medium term, led by housing and infrastructure sectors. The ratings take comfort from the exceptional financial flexibility enjoyed by the company with a demonstrated track record of raising/refinancing debt at competitive terms. TRCL has sizeable repayment obligations in FY2025-FY2026, a portion of which is expected to be refinanced. Timely refinancing of the debt, along with realisation of monetisation proceeds remains a key monitorable from the credit perspective.

The OPBDITA/MT for TRCL declined by 14% YoY to Rs. 736/MT in H1 FY2025 (FY2024: Rs. 867/MT) on account of moderation in cement realisations. Consequently, the company's OPM declined to 15.7% in H1 FY2025 against 17.4% in FY2024. The

OPBDITA/MT is projected to remain at around Rs. 750-800/MT in FY2025 and is likely to increase to Rs. 830-880/MT in FY2026 on account of expected improvement in the demand and cement prices across its markets.

TRCL is estimated to incur a capex of around ~Rs. 2,600.0 crore in FY2025-FY2026 (H1 FY2025: ~Rs. 544 crore), which will be funded by a mix of debt and internal accruals. The capex is attributable to expansion in scope of works across a few of its projects and acquisition of land in Bommanahalli, Karnataka, which are likely to generate benefits over the long term. With expected improvement in profitability as well as reduction in leverage through proceeds from divestment, the TD/OPBDITA levels are likely to be below 3.5 times in the medium term.

Although TRCL has been gradually expanding its presence in Orissa and West Bengal over the last few years by setting up grinding units closer to these markets, the proportion of revenues remain skewed towards southern India. The company derives about 75% of its revenues from five southern states, which exposes it to region-specific demand risks. The increasing penetration in eastern markets, and planned foray into newer markets like Maharashtra over the medium term, is likely to aid in diversification.

TRCL remains exposed to demand and pricing dynamics in the cement industry, which are influenced by the cyclical economic trends and capacity addition by the players during such periods. Further, its operating profitability remains susceptible to fluctuations in input prices.

ICRA has withdrawn the rating assigned to the Non-convertible debenture (NCD) of Rs. 195.0 crore of the company, as the same is fully redeemed, and is in accordance with ICRA's policy on withdrawal of ratings.

The Stable outlook on the [ICRA]AA+ rating reflects ICRA's opinion that TRCL's credit profile will be supported by its strong operational profile and the exceptional financial flexibility.

Key rating drivers and their description

Credit strengths

Strong market position in southern region – The Ramco brand is prominent in South India, along with other cement brands such as Ultratech, Dalmia, Chettinad and Coromandel. The company continues to maintain a healthy market share in the southern region.

Strong operational efficiencies – The company has strong operational efficiencies arising out of the integrated nature of the plants, access to captive limestone mines, along with the split-grinding unit of 8.4 MTPA to optimise the freight costs. It has a captive thermal capacity of 175 MW and green power of 209 MW (includes windmill capacities of 166 MW and WHRS capacity of 43 MW) as on March 31, 2024. The company's share of utilisation of green power has been steadily increasing to 36% in H1 FY2025 from 22% in FY2023, which supports the profitability to an extent.

Favourable demand prospects and exceptional financial flexibility – TRCL's OI witnessed 13% CAGR during FY2019-FY2024, driven by growth in volumes at 10% CAGR. Further, the company's OI improved by 15% YoY to Rs. 9,376.4 crore in FY2024 owing to higher sales growth of 22% YoY. While it witnessed slightly subdued demand in H1 FY2025 on account of General Elections, heat waves and extended monsoons resulting in a decline in OI by 10% YoY in H1 FY2025, ICRA positively notes the healthy demand prospects in the medium term, led by housing and infrastructure sectors. ICRA favourably factors in the exceptional financial flexibility enjoyed by the company with a demonstrated track record of raising/refinancing debt at competitive terms.

Credit challenges

Pressure on profitability owing to decline in realisations and debt-funded capex expected to keep leverage at elevated levels – The OPBDITA/MT for TRCL declined by 14% YoY to Rs. 736/MT in H1 FY2025 (FY2024: Rs. 867/MT) on account of moderation in cement realisations. Consequently, the company's OPM declined to 15.7% in H1 FY2025 against 17.4% in FY2024. The OPBDITA/MT is projected to remain at around Rs. 750-800/MT in FY2025 and is likely to increase to Rs. 830-880/MT in FY2026 on account of expected improvement in the demand and cement prices across its markets.

TRCL is estimated to incur a capex of around ~Rs. 2,600.0 crore in FY2025-FY2026 (H1 FY2025: Rs. 544.0 crore), which will be funded by a mix of debt and internal accruals. The capex is attributable to expansion in scope of works across a few of its projects and acquisition of land in Bommanahalli, Karnataka, which are likely to generate benefits over the long term. With expected improvement in profitability as well as reduction in leverage through proceeds from divestment, the TD/OPBDITA levels are likely to be below 3.5 times in the medium term.

Geographical concentration in South India – Although TRCL has been gradually expanding its presence in Orissa and West Bengal over the last few years, by setting up grinding units closer to these markets, the proportion of revenues remain skewed towards southern India. The company derives about 75% of its revenues from five southern states, which exposes it to region-specific demand risks. The increasing penetration in eastern markets, and planned entry into newer markets like Maharashtra over the medium term, is likely to aid in diversification.

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

Liquidity position: Adequate

TRCL's liquidity position is adequate with positive retained cash flows over the last several years. The company had an unencumbered cash balance of Rs. 140.7 crore as on September 30, 2024 and its average working capital utilisation as a percentage of drawing power was 84% for the 12 months that ended in October 2024. Given the increasing scale of operations and consequently higher working capital requirement, its ability to maintain comfortable liquidity cushion in working capital limits (with average utilisation below 75%) remains a key monitorable. The company has incurred a capex of ~Rs. 543.9 crore in H1 FY2025 and is expected to incur an overall capex of ~Rs. 1,187 crore in FY2025, which will be funded by a mix of debt and internal accruals. TRCL has repayment obligations of Rs. 468.0 crore in H2 FY2025 and Rs. 1,025.6 crore in FY2026, which can be serviced through its estimated cash flow from operations.

Environmental and social risks

Environmental considerations – As a cement producer, the fuel consumption of TRCL is high, which results in greenhouse gas emissions and pollution. Hence, increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution standards may lead to higher costs for cement producers. TRCL has taken several initiatives, such as increasing the usage of renewable energy and alternative raw materials 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 the mining of limestone and the production of clinker and cement.

Rating sensitivities

Positive factors – ICRA may upgrade TRCL's long-term rating if there is a significant increase in scale of operations and improvement in operating margins, resulting in an improvement in debt protection metrics and return indicators on a sustained basis.

Negative factors – Pressure on TRCL's ratings could emerge if there is a sharp deterioration in earnings or significant rise in debt levels impacting its debt protection metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Cement Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of TRCL. Please refer Annexure II for the list of entities considered for consolidated analysis.

About the company

The Ramco Cements Limited (TRCL) is a reputed cement manufacturer in India and markets its products under the Ramco brand. TRCL has an aggregate installed integrated cement capacity of 14.7 million tonnes per annum, across five facilities in Tamil Nadu and Andhra Pradesh. It has an additional grinding capacity of 8.44 million tonnes in South/East India as on March 31, 2024. About 75% of the company's revenues are derived from the four southern states. TRCL has captive thermal and windmill capacities of 175 MW and 126 MW, respectively. The company also has two modest-scale subsidiaries, Ramco Windfarms Limited (with a 40 MW windmill capacity) and Ramco Industrial and Technology Services Limited (which is into transport services, manpower services and IT). It is one of the flagship companies of the larger Ramco Group founded in 1938 by the Late P.A.C Ramasamy Raja and is, at present, managed by his grandson, Mr. P R Venketrama Raja. The Ramco Group has interests in textiles, fibre cement sheets and information technology and is represented by key companies such as Ramco Industries Limited (rated [ICRA]AA- /Stable/[ICRA]A1+), Ramco Systems Limited (rated [ICRA]BBB+/Stable/[ICRA]A2) and Rajapalayam Mills Limited.

Key financial indicators (audited)

TRCL	FY2023	FY2024	H1 FY2025*
Operating income	8,157.3	9,376.4	4,137.7
PAT	342.0	393.5	60.1
OPBDIT/OI	15.1%	17.4%	15.7%
PAT/OI	4.2%	4.2%	1.5%
Total outside liabilities/Tangible net worth (times)	1.1	1.3	1.3
Total debt/OPBDIT (times)	3.7	3.0	4.0
Interest coverage (times)	5.1	3.9	2.8

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 *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Dec 27, 2024	Date	Rating	Date	Rating	Date	Rating
Non-convertible debenture (NCD)	Long-Term	800.00	[ICRA]AA+ (Stable)	Dec 29, 2023	[ICRA]AA+ (Stable)	Mar 13, 2023	[ICRA]AA+ (Stable)	Feb 25, 2022	[ICRA]AA+ (Stable)
				Dec 08, 2023	[ICRA]AA+ (Stable)	Sep 30, 2022	[ICRA]AA+ (Stable)	Oct 06, 2021	[ICRA]AA+ (Stable)
				Jun 16, 2023	[ICRA]AA+ (Stable)	-	-	-	-
Non-convertible debenture (NCD)	Long-Term	-	[ICRA]AA+ (Stable); Withdrawn	Dec 29, 2023	[ICRA]AA+ (Stable)	Mar 13, 2023	[ICRA]AA+ (Stable)	Feb 25, 2022	[ICRA]AA+ (Stable)
				Dec 08, 2023	[ICRA]AA+ (Stable)	Sep 30, 2022	[ICRA]AA+ (Stable)	Oct 06, 2021	[ICRA]AA+ (Stable)
				Jun 16, 2023	[ICRA]AA+ (Stable)	-	-	-	-
Non-convertible debenture (NCD)	Long-Term	500.0	[ICRA]AA+ (Stable)	Dec 29, 2023	[ICRA]AA+ (Stable)	-	-	-	-
Term loan	Long-Term	3370.0	[ICRA]AA+ (Stable)	Dec 29, 2023	[ICRA]AA+ (Stable)	Mar 13, 2023	[ICRA]AA+ (Stable)	Feb 25, 2022	[ICRA]AA+ (Stable)
				Dec 08, 2023	[ICRA]AA+ (Stable)	Sep 30, 2022	[ICRA]AA+ (Stable)	Oct 06, 2021	[ICRA]AA+ (Stable)
				Jun 16, 2023	[ICRA]AA+ (Stable)	-	-	-	-
Unallocated limits	Long-Term	611.0	[ICRA]AA+ (Stable)	Dec 29, 2023	-	Mar 13, 2023	[ICRA]AA+ (Stable)	-	-
				Dec 08, 2023	-	Sep 30, 2022	[ICRA]AA+ (Stable)	-	-
				Jun 16, 2023	[ICRA]AA+ (Stable)	-	-	-	-
Fund-based – Others	Long-Term	855.00	[ICRA]AA+ (Stable)	Dec 29, 2023	[ICRA]AA+ (Stable)	Mar 13, 2023	[ICRA]AA+ (Stable)	Feb 25, 2022	[ICRA]AA+ (Stable)

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Dec 27, 2024	Date	Rating	Date	Rating	Date	Rating
				Dec 08, 2023	[ICRA]AA+ (Stable)	Sep 30, 2022	[ICRA]AA+ (Stable)	Oct 06, 2021	[ICRA]AA+ (Stable)
				Jun 16, 2023	[ICRA]AA+ (Stable)	-	-	-	-
Fund-based – Others	Short-Term	1840.00	[ICRA]A1+	Dec 29, 2023	[ICRA]A1+	Mar 13, 2023	[ICRA]A1+	Feb 25, 2022	[ICRA]A1+
				Dec 08, 2023	[ICRA]A1+	Sep 30, 2022	[ICRA]A1+	Oct 06, 2021	[ICRA]A1+
				Jun 16, 2023	[ICRA]A1+	-	-	-	-
Proposed fund-based	Short-Term	0.0	-	Dec 29, 2023	[ICRA]A1+	-	-	-	-
				Dec 08, 2023	[ICRA]A1+	-	-	-	-
Non-fund based – Others	Short-Term	585.00	[ICRA]A1+	Dec 29, 2023	[ICRA]A1+	Mar 13, 2023	[ICRA]A1+	Feb 25, 2022	[ICRA]A1+
				Dec 08, 2023	[ICRA]A1+	Sep 30, 2022	[ICRA]A1+	Oct 06, 2021	[ICRA]A1+
				Jun 16, 2023	[ICRA]A1+	-	-	-	-
Commercial paper	Short-Term	900.00	[ICRA]A1+	Dec 29, 2023	[ICRA]A1+	Mar 13, 2023	[ICRA]A1+	Feb 25, 2022	[ICRA]A1+
				Dec 08, 2023	[ICRA]A1+	Sep 30, 2022	[ICRA]A1+	Oct 06, 2021	[ICRA]A1+
				Jun 16, 2023	[ICRA]A1+	-	-	-	-
Non-convertible debenture (NCD)	Long-Term	-	-	Dec 29, 2023	[ICRA]AA+ (Stable); Withdrawn	Mar 13, 2023	[ICRA]AA+ (Stable)	Feb 25, 2022	[ICRA]AA+ (Stable)
				Dec 08, 2023	[ICRA]AA+ (Stable)	Sep 30, 2022	[ICRA]AA+ (Stable)	Oct 06, 2021	[ICRA]AA+ (Stable)
				Jun 16, 2023	[ICRA]AA+ (Stable)	-	-	-	-
Non-convertible debenture (NCD)	Long-Term	-	-	Dec 29, 2023	-	Mar 13, 2023	[ICRA]AA+ (Stable)	-	-
				Dec 08, 2023	-	-	-	-	-
				Jun 16, 2023	[ICRA]AA+ (Stable); Withdrawn	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture (NCD)	Very Simple
Non-convertible debenture (NCD)	Very Simple
Non-convertible debenture (NCD)	Very Simple
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Unallocated limits	Not Applicable
Long-term – Fund-based – Others	Simple
Short-term – Fund-based – Others	Simple
Short-term - Proposed fund-based	Simple
Short-term – Non-fund based – Others	Very Simple
Commercial paper	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	Long-term – Fund-based – Term loan	FY2018	8.1%	FY2028	3370.0	[ICRA]AA+ (Stable)
NA	Long-term – Fund-based – Unallocated limits	-	-	-	611.0	[ICRA]AA+ (Stable)
NA	Long-term – Fund-based – Others	-	-	-	855.00	[ICRA]AA+ (Stable)
NA	Short-term – Fund-based – Others	-	-	-	1840.00	[ICRA]A1+
NA	Short-term – Non-fund based – Others	-	-	-	585.00	[ICRA]A1+
Yet to be placed	Commercial paper	-	-	-	900.00	[ICRA]A1+
INE331A07265	Non-convertible debenture (NCD)	24-03-2022	6.90%	24-12-2026	150.00	[ICRA]AA+ (Stable)
INE331A07273	Non-convertible debenture (NCD)	24-03-2022	6.90%	24-03-2027	150.00	[ICRA]AA+ (Stable)
INE331A07281	Non-convertible debenture (NCD)	29-03-2023	7.90%	29-09-2027	150.00	[ICRA]AA+ (Stable)
INE331A07299	Non-convertible debenture (NCD)	29-03-2023	7.90%	29-03-2028	200.00	[ICRA]AA+ (Stable)
INE331A07307	Non-convertible debenture (NCD)	29-03-2023	7.90%	29-03-2027	150.00	[ICRA]AA+ (Stable)
INE331A07315	Non-convertible debenture (NCD)	12-03-2024	7.80%	12-09-2028	150.00	[ICRA]AA+ (Stable)
INE331A07323	Non-convertible debenture (NCD)	12-03-2024	7.80%	12-12-2028	150.00	[ICRA]AA+ (Stable)
INE331A07331	Non-convertible debenture (NCD)	12-03-2024	7.80%	12-03-2029	200.00	[ICRA]AA+ (Stable)
INE331A07240	Non-convertible debenture (NCD)	11-11-2020	5.50%	20-05-2024	195.00	[ICRA]AA+ (Stable); Withdrawn

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Ramco Windfarms Limited – Subsidiary	71.50%	Full Consolidation
Ramco Industrial and Technology Services Limited – Subsidiary	94.11%	Full Consolidation
Lynks Logistics Limited – Associate*	29.72%	Equity Method
Ramco Industries Limited – Associate	15.40%	Equity Method
Ramco Systems Limited - Associate	15.30%	Equity Method
Rajapalayam Mills Limited – Associate	0.46%	Equity Method
Madurai Trans Carrier Limited – Associate	29.86%	Equity Method

Source: Company data; ICRA Research; *associate till July 12, 2023

Note: ICRA has considered the consolidated financials of The Ramco Cements Limited, its subsidiaries and associates while assigning the ratings. ICRA has also evaluated the adjusted leverage and coverage metrics while including the debt of Madurai Trans Carrier Limited (MTCL, as take-or-pay agreement with TRCL and 2 other entities) and Raja Charity Trust (as TRCL has given corporate guarantee)

Corrigendum

Rationale dated December 27, 2024 has been revised with changes as below:

- Revision in the format of date of issuance and maturity date in the instrument details section on page number 8.
- Language related changes for withdrawal of NCD of Rs. 195.0 crore on page 2.

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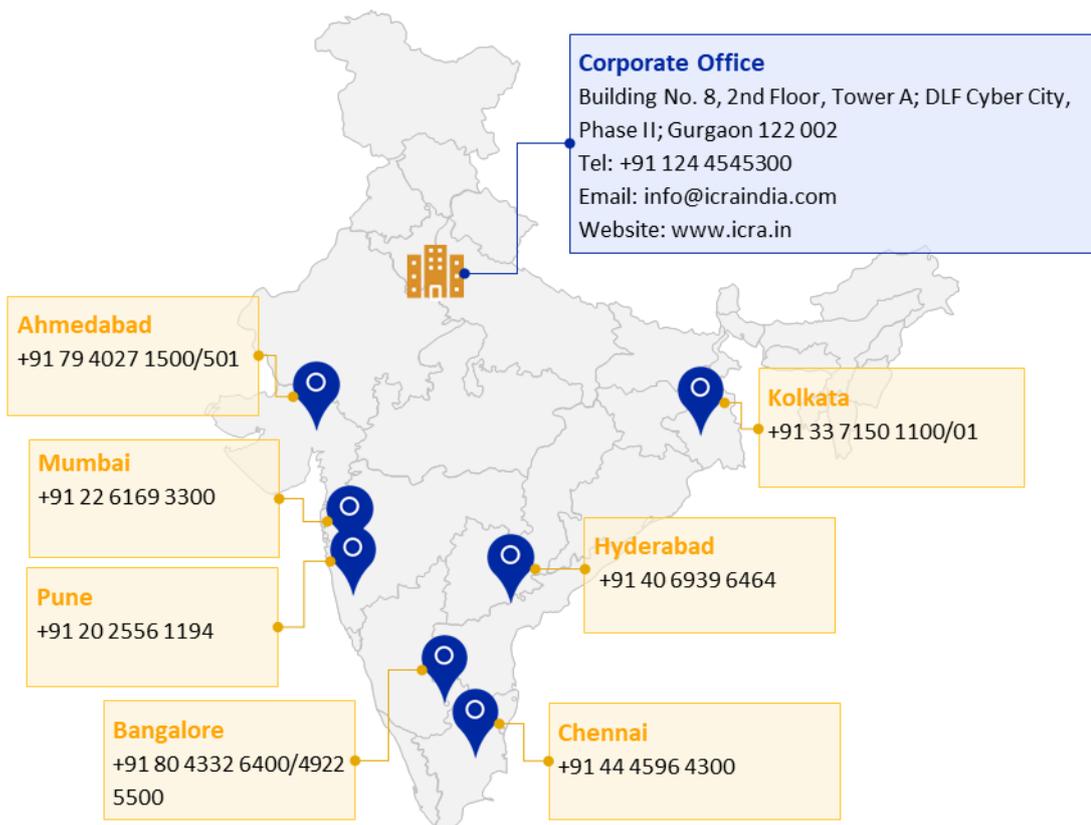
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