

December 11, 2023

## UltraTech Nathdwara Cement Limited: Update on Material Event

### Summary of ratings Outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term/Short-term Fund-based – Working capital facilities (CC/WCDL)	25.00	25.00	[ICRA]AAA(Stable)/[ICRA]A1+
Long-term/Short-term Non-fund based – Working capital facilities (LC/BG)	125.00	125.00	[ICRA]AAA(Stable)/[ICRA]A1+
<b>Total</b>	<b>150.00</b>	<b>150.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

While assigning the ratings, ICRA has taken a consolidated rating view on UltraTech Nathdwara Cement Limited (UNCL) and its parent company, UltraTech Cement Limited (UCL), given the common management and significant operational and financial linkages between them. UNCL is a wholly-owned subsidiary of UCL and operates as its captive unit, with UCL being its sole customer.

### Material Event

UCL intimated the stock exchanges on November 30, 2023 that Kesoram Industries Limited (KIL) has decided to demerge its cement business and has approached UCL in relation to the same. The board of directors of UCL, at its meeting held on November 30, 2023, considered KIL's proposal and approved a Scheme of Arrangement among KIL, UCL and their respective shareholders and creditors. As per ICRA estimates, UCL will acquire the demerged cement business of KIL at a valuation of around Rs. 7,500 - 7,600 crore.

### Impact of Material Event

ICRA notes that the proposed acquisition of KIL's cement assets by UCL is part of its strategy to enhance its geographical presence in the South India and augment its market share. The acquisition is cash neutral. KIL's shareholders will receive 1 equity share of UCL for every 52 equity shares of KIL. The transaction is expected to be consummated within 9-12 months subject to receipt of requisite approvals from various stakeholders and regulatory bodies. As of September 2023, UCL reported cash and liquid investments of Rs. 5,800 crore and low leverage with gross debt/OPBIDTA at 1.0 times. The proposed acquisition is not likely to have a material impact on UCL's leverage and liquidity. ICRA expects UCL's gross debt/OPBIDTA to remain below 1.0 times by March 2025. ICRA 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 the key rating drivers and their description, liquidity position, rating sensitivities: Click [here](#).

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Entities in the Cement Industry</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings of UNCL, ICRA has taken a consolidated rating view on UltraTech Nathdwara Cement Limited (UNCL) and its parent company, UltraTech Cement Limited (UCL), given the common management and significant operational and financial linkages between them. UNCL is a wholly-owned subsidiary of UCL and operates as its captive unit, with UCL being its sole customer. List of entities forming part of UCL's consolidated financials are enlisted in Annexure II.

## About the company

The erstwhile BCL, a flagship subsidiary of the Braj Binani Group, was admitted under the Insolvency and Bankruptcy Code for the corporate resolution process by the National Company Law Tribunal in July 2017. It became UCL's wholly-owned subsidiary with effect from November 20, 2018 and was renamed as UltraTech Nathdwara Cement Limited with effect from December 13, 2018. With this acquisition, UCL added a total capacity of 8.6 MTPA (6.3 MTPA in Rajasthan, 0.3 MTPA in China and 2.0 MTPA in the UAE), 70 MW of thermal power plant capacity and access to BCL's limestone reserves (~450 MT). At present, UNCL operates under a contract manufacturing arrangement, with UCL as its sole customer.

## About the parent company – UCL

UCL, an Aditya Birla Group company, along with its subsidiaries, manufactures Ordinary Portland, Portland Pozzolana and white cement and ready-mix concrete. UCL is the largest cement manufacturer in India with an installed capacity of 137.9 million tonnes (including 5.4-MTPA capacity overseas). As of September 2023, UCL and its subsidiaries together have 24 integrated units, 29 grinding units, one white cement and three wall putty units, five jetties and eight bulk terminals across India and overseas. As on September 30, 2023, Grasim Industries Ltd ([ICRA]AAA(Stable)/[ICRA]A1+, the flagship company of the Aditya Birla Group) held a 57.3% equity stake in UCL.

## Key financial indicators (audited)

UCL Consolidated	FY2022	FY2023	H1 FY2024
Operating income (Rs. crore)	52,598.8	63,240.0	33,749.2
PAT (Rs. crore)	7,332.6	5,069.4	2,963.4
OPBDIT/OI (%)	22.0%	16.8%	16.6%
PAT/OI (%)	13.9%	8.0%	8.8%
Total outside liabilities/Tangible net worth (times)	0.7	0.7	0.7
Total debt/OPBDIT (times)	1.0	1.0	1.0
Interest coverage (times)	12.3	12.9	12.6

Source: Company, 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

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Dec 11, 2023	Aug 16, 2023	July 15, 2022	May 28, 2021	April 27, 2020
1 Term loans	Long term	-	-	-	-	[ICRA]AAA (Stable); withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
2 Fund-based Working capital facilities	Long term and short term	25.00	-	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+
3 Non-fund based Working capital facilities	Long term and short term	125.00	-	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+
4 Long-term/Short-term, Proposed working facilities	Long term and short term	-	-	-	-	-	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Working capital facilities	Simple
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	25.00	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Non-fund based – Working capital facilities	NA	NA	NA	125.00	[ICRA]AAA (Stable)/[ICRA]A1+

Source: Company

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

Company Name	UCL Ownership	Consolidation Approach
UltraTech Nathdwara Cement Limited (UNCL) (formerly known as Binani Cement Limited)	100.00% (rated entity)	Full Consolidation
Harish Cement Limited	100%	Full Consolidation
Gotan Limestone Khanij Udyog Private Limited	100%	Full Consolidation
Bhagwati Limestone Company Private Limited	100%	Full Consolidation
Ultra Tech Cement Middle East Investment Limited (UCMIL)	100%	Full Consolidation
Star Cement Co. LLC, Dubai, UAE	100%	Full Consolidation
Star Cement Co. LLC, RAK, UAE	100%	Full Consolidation
Al Nakhla Crusher Co. LLC, Fujairah, UAE	100%	Full Consolidation
Arabian Cement industry LLC, Abhu Dhabi	100%	Full Consolidation
Ultra tech Cement Bahrain Co. WLL, Bahrain	100%	Full Consolidation
Star Super Cement industries LLC, UAE	100%	Full Consolidation
BC Tradelink Limited, Tanzania	100%	Full Consolidation
Binani Cement (Tanzania) Limited	100%	Full Consolidation
Binani Cement (Uganda) Limited	100%	Full Consolidation
Duqm Cement Project International LLC, Oman	70%	Full Consolidation
Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C, U.A.E including Modern Block Factory Establishment and Ras Al Khaimah Lime Co. Noora LLC	30%	Equity method
Ultra Tech Cement Lanka (Private) Limited	80%	Full Consolidation
Swiss Merchandise Infrastructure Limited	100%	Full Consolidation
Merit Plaza Limited	100%	Full Consolidation
Bhumi Resources PTE LTD, Singapore	100%	Full Consolidation
PT Anggana Energy Resources, Indonesia	100%	Full Consolidation
Madanpur (North) Coal Company Private Limited (MCCPL)	11%	Equity method
Aditya Birla Renewables SPV I Limited	26%	Equity method
Aditya Birla Renewables Energy Limited	26%	Equity method
ABReL (Odisha) SPV Limited	26%	Equity method
ABReL (MP) Renewables Limited	26%	Equity method
ABReL Green Energy Limited	26%	Equity method
Bhaskarpura Coal Company Limited	47%	Equity method

Source: Annual report and quarterly results of UCL, ICRA research

Note: ICRA has taken a consolidated view of the parent (UCL), its subsidiaries, joint venture and associates while assigning the ratings

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