The Ramco Cements Limited

Instruments	Amounts	Rating Action
	(Rs. crore[1])	
Non-Convertible debentures	500.00	[ICRA]AA+ (Stable) / upgraded
Term loan facilities	275.00 (reduced from 1,578.97[2])	[ICRA]AA+ (Stable) / upgraded
Long term fund based facilities	614.00	[ICRA]AA+ (Stable) / upgraded
Short term fund based facilities	600.00	[ICRA]A1+ (re-affirmed)
Short term non-fund based facilities	449.00	[ICRA]A1+ (re-affirmed)
Commercial Paper / Short term debt	742.00	[ICRA]A1+ (re-affirmed)
Term loan facilities	1303.97	[ICRA]AA / Withdrawn

ICRA has upgraded the long-term rating outstanding on the Rs 500.00 Crore Non-Convertible debenture programme, Rs. 275.00 crore (reduced from Rs 1,578.97 crore) term loan facilities and the Rs. 614.0 crore fund based facilities of The Ramco Cements Limited ("TRCL" / "the company") from [ICRA]AA (pronounced ICRA double A) to [ICRA]AA+ (pronounced ICRA double A plus).[3] The outlook on the long-term rating is stable. ICRA has re-affirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs.600.00 crore (reduced from Rs 670.00 Crore) fund based facilities, the Rs. 449.00 crore (increased from Rs 424.00 Crore) non-fund based facilities and the Rs. 742.00 crore Commercial Paper (CP) / short term debt programme of TRCL. ICRA has withdrawn the [ICRA]AA (pronounced ICRA double A) rating outstanding on the Rs 1303.97 crore term loan facilities at the request of the Company, since these instruments have been repaid in full.

The upgrade in long term rating reflects consistent improvement in the operational and financial performance of the company over the past two years, characterized by strong growth in earnings from operations translating into improvement in capital structure and liquidity profile. Healthy realisation witnessed across major markets and favourable input and freight costs have aided steady improvement in operating profitability, despite lower than expected volumes. Over the years, the company has achieved significant operating efficiencies, which provides sustainable cost advantages.

Industry volumes and capacity utilization levels in the Southern market remained under pressure during FY2016, owing to tepid demand stemming from weak infrastructure investments in key markets. While the surplus capacity condition in the southern region is expected to continue over the medium term, utilization levels are expected to improve from the current fiscal supported by anticipated strong growth in demand especially from Andhra Pradesh and Telegana markets (as has been witnessed during March-May 2016). The likely increase in infrastructure and housing investments; and low capacity addition in the region is expected to support realisations across TRCL's key markets ofTamil Nadu as witnessed during the last two fiscals. TRCL's operating performance is also expected to be supported by its increasing penetration into the Eastern markets and associated cost control measures undertaken.

The ratings continue to derive comfort from the dominant market position of TRCL in its major markets of Tamil Nadu and Kerala, the favourable location of its plants which helps TRCL in catering to these high-realisation markets at lower freight costs and its strong operating efficiencies which have supported earnings over the years, resulting in operating margins for the company being superior when compared to several peers operating in the region.

Strong growth in accruals coupled with low capital expenditure incurred by the company during the past two years has supported the improvement in capital structure; TRCL's gearing and Total Debt/OPBDITA reduced to 0.7 times and 2.0 times respectively during FY2016. With no major capital expenditure envisaged and earnings expected to continue to record steady growth, TRCL's capital structure is expected to further improve; ICRA

[1] 100 lakh = 1 crore = 10 million
[2] Rs 275.0 Cr is the outstanding portion of the Rs 1578.97 crore of term loans rated during the last exercise
[3] For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications

expects TRCL's gearing and Total Debt/OPBDITA to further reduce to 0.25 times and 0.8 times respectively over the next two fiscals.

Over the last couple of years, the extent of support extended to its group companies has reduced to ~Rs. 225 Cr from peak levels of Rs. 567 Cr in March 2014, with the key supported entity - Ramco Systems Limited raising funds through Qualified Institutional Placements (QIP) route to redeem its debt. No increase in support to group companies is expected going forward. ICRA also derives comfort from the strong financial flexibility enjoyed by TRCL by virtue of it being the flagship company of the Ramco Group. The ratings continue to factor in the geographic concentration risks, with its operations heavily focussed on the southern market which has witnessed periodical bouts of sharp price drops in the past owing to the high surplus capacity in the region. The company's earnings are also exposed to price risks owing to the fluctuations witnessed in raw material prices and fuel rates, which could limit margin expansion.

Company Profile

TRCL is a leading cement player in South India with capacity of 12.5 million tonnes (apart from grinding capacities of 4.0 million tonnes which is proposed to be expanded to 5.0 mtpa with a new facility planned at West Bengal) spread across the states of Tamil Nadu, Andhra Pradesh and Karnataka. TRCL manufactures and markets cement under the 'Ramco' brand predominantly in the southern markets of the country. TRCL has windmill capacity of 125.95 MW (post the transfer of 33.23 MW to a newly formed subsidiary, Ramco Windfarms Limited, during 2013-14) and captive thermal power plants with capacity of 157 MW. TRCL is the flagship company of the Ramco Group ("the Group") which has interests in cement, fibre cement sheets, textiles (cotton yarn) and information technology. Key companies in the Group include Rajapalayam Mills Limited (rated [ICRA]BBB+/Stable/[ICRA]A2), Ramco Industries Limited (rated [ICRA]A/stable/[ICRA]A1) and Ramco Systems Limited (rated [ICRA]A-/Stable/[ICRA]A2+). The Ramco Group was founded in 1938 by Late Mr. P A C Ramasamy Raja and is presently managed by his son, Mr. P R Ramasubrahmaneya Rajha.

Recent Results

TRCL has reported a consolidated net profit of Rs. 534.6 crore on an operating income of Rs. 3653.6 crore during the fiscal ended March 31, 2016, as against net profit of Rs. 239.9 crore on an operating income of Rs.3,724.4 crore during the previous fiscal.

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