

OCL India Limited

Instrument	Amount	Rating Action
	In Crore	As on November 2016
Commercial Paper/ Short-term debt programme	300.0	[ICRA]A1+ assigned
Long Term loans	Rs 655.68 crore	[ICRA]AA Stable (Outstanding)
Fund based Limits	Rs 200.00 crore	[ICRA]AA Stable/[ICRA]A1+ (Outstanding)
Non fund based limits	Rs 351 crore	[ICRA]AA Stable / [ICRA]A1+(Outstanding)
NCD	Rs 648 crore	[ICRA]AA Stable (Outstanding)

ICRA has assigned a short term rating of [ICRA]A1+ (pronounced ICRA A one plus) to the Rs 300 crore Commercial Paper/ short term debt programme of OCL India Limited. Additionally, ICRA has long term outstanding rating of [ICRA]AA (pronounced ICRA double A) for the Rs 648 crore NCD Programme, Rs 655.68 crore term loans and Rs 200 crore Fund based limits of OCL India Limited. ICRA also has a short term outstanding rating of [ICRA] A1+ (pronounced ICRA A one plus) for Rs 351 crore non fund based limits of OCL India Limited. The outlook on the long term rating is Stable.

The rating action takes into account the cash accretive and operationally efficient cement operations of OCL as well as the Dalmia group and also its strong market position in its key markets of Southern, Eastern and North Eastern India. The rating action factors in the favourable supply demand outlook in the Eastern region; also greater marketing synergy with a group company namely Dalmia Cement East Limited (which operates a cement unit in Bokaro, Jharkhand); and various cost reduction measures being undertaken by OCL including increased slag percentage in Portland Slag cement (PSC), reduction in slag procurement prices driven by enhanced availability of slag and introduction of petcoke usage in cement kilns. The aforementioned factors have led to the company reporting healthy growth in offtake and OPBDITA/MT in its cement division during H1FY17 and consequently strong profitability indicators in H1FY17. The liquidity position of the company is also strong as reflected by the huge liquid surplus (~Rs. 1400 crore as on March 31, 2016 and ~Rs 1580 crore as on Sep 30, 2016) and significant unutilized working capital limits; and so are its capital structure (net gearing stood at -0.14 as on March 31, 2016); and coverage indicators with Net Cash Accruals/Total debt at 29% and Debt/OPBDITA at 2.29 times in FY16). Demonetization of higher currency notes can potentially impact demand in the real estate sector which can spiral down to cement as well as construction sectors and hence ICRA will continue to monitor the impact of the same in the near to medium term.

The proposed restructuring, reverse merger of Dalmia Bharat Limited (DBL, holding company of DCBL) into OCL India Limited (OCL, 74.6% stake held by DBCL) and subsequent transfer of business undertaking to DCBL will result in consolidation of entire operations of Dalmia Group (with the exception of Calcom Cement India Ltd, 76% stake held by DCBL) under one single company; DCBL. This will result in simplification of structure, removal of redundancies and enhanced operational and financial synergies. The group had earlier announced merger of OCL and Dalmia Cement East Limited (DCEL) into Odisha Cement Limited (wholly owned subsidiary of OCL), merger of Adhunik Cement Ltd (ACL, wholly owned subsidiary of DCBL operating in North East region) with DCBL and also transfer of power assets and liabilities of DCB Power Ventures (74% held by Dalmia Power Ltd¹ and 26% held by DCBL) to DCBL. These schemes once implemented will result in a single company with pan India presence for cement capacities and result in operational and tax synergies for DCBL.

The ratings are however constrained by the fact that OCL continues to remain vulnerable to geographical concentration risks as its operations are confined to a single region. Further the company's margins are exposed to the cyclical nature in the cement industry and also price trends for raw materials and other inputs.

Going forward, the company's ability to maintain its capital structure while pursuing growth opportunities will be the key rating driver.

¹ Dalmia Power Limited is 100% subsidiary of DBL



Company Profile

OCL (formerly known as Orissa Cement Limited) was promoted by the Dalmia group. The company has two divisions, namely, cement and refractory. The cement division is located at Rajgangpur (Orissa), Kapilas (Orissa) and Medinipur (West Bengal) while the refractory division is located at Rajgangpur in Orissa. OCL has been engaged in the business of manufacturing cement since 1950 and later diversified into the manufacture of refractories in 1954.

Recent Results

During FY16, OCL reported an Operating Income (OI) of Rs. 2664.70 crore and net profit of Rs. 236.28 crore as against OI of 2214.92 crore and net profit of Rs. 113.69 crore in FY15. During H1 FY17, OCL reported OI of Rs. 1355 crore and net profit of Rs. 191.55 crore.

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