



## Dalmia Cement East Limited

Instrument	Amount In Rs. Crores	Rating Action December 2014
Term Loans	225.00	[ICRA]A+ (Stable) Assigned
Fund based limits	50.00	[ICRA]A+ (Stable) Assigned
Commercial Paper	50.00	[ICRA]A1+ Assigned
<b>Total</b>	<b>325.00</b>	

ICRA has assigned a long-term rating of [ICRA]A+ (pronounced as ICRA A plus) to the Rs. 225.00 crore term loans and Rs. 50 crore of fund based limits of Dalmia Cement East Limited (erstwhile Bokaro JP Cement Limited<sup>†</sup>) (DCEL). ICRA has also assigned a short-term rating of [ICRA]A1+ (pronounced as ICRA A one plus) to the Rs. 50.00 crores commercial paper program of the company. The outlook on the long-term rating is stable.

### Rating Rationale

The assigned rating takes into account the acquisition of 100% stake of the company by Dalmia Cement (Bharat) Limited (DCBL) which has a strong management team and a long track record of running operationally efficient cement units in the Southern part of India and the resulting operational synergies which will arise out of being part of the Dalmia group. The rating also derives comfort from the company's access to key raw materials- clinker and slag through long term agreements at attractive prices with Jaiprakash Associates Limited and Steel Authority of India Limited (SAIL) respectively. The rating also takes into account healthy financial profile of DCEL as reflected by its healthy operating profitability and adequate debt coverage indicators.

However, the rating is constrained by relatively small scale of operations of the company with a single split grinding unit of 2.1 MTPA capacity at Jharkhand, its short track record of operations and lack of backward integration with dependence on procurement of clinker and power from outside. The rating also factors in susceptibility of DCEL's operations to cyclicalities inherent in cement industry which has resulted in deterioration in operating profitability and cash accruals of the company in FY14. Going forward, realization of proposed synergies with Dalmia Group and DCEL's ability to improve its capacity utilization and profits from the low of FY14 and H1 FY15 will form the key rating sensitivities.

### Company Profile

#### About Dalmia Cement East Limited (erstwhile Bokaro JP Cement Limited)

Bokaro JP Cement Limited was set up as a joint venture between Jaiprakash Associates Limited (JAL) and SAIL with 74% shareholding of Jaiprakash Associates Limited (JAL) and 26% of SAIL (Steel Authority of India Limited). The management control of the company vested with JAL. In Dec 2014, Dalmia Group acquired 100% stake in the company for a total consideration of Rs. 925 crores and changed the name of the company to Dalmia Cement East Limited (DCEL). To fund the acquisition consideration, DCBL will invest Rs. 325 crores as equity in a Special Purpose Vehicle (SPV) - Dalmia Bharat Cements Holdings Limited (DCHL).

DCEL has an operational 2.1 MTPA cement plant in Bokaro, Jharkhand which became operational in July 2011. The company primarily produces Portland Slag Cement whereby slag is procured from SAIL's steel plants located in the vicinity. The company has a long-term contract with SAIL for purchase of slag and with JAL for purchase of clinker.

As per provisional results of H1 2015, DCEL reported Profit after Tax (PAT) of Rs. 1.92 crores on an Operating Income (OI) of Rs. 260.43 crores. In FY14, the company reported PAT of Rs. 30.02 crores on Operating Income of Rs. 743.50 crores.

\* 100 lakh=1 crore= 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



### **About Dalmia Cement Bharat Limited (DCBL)**

Dalmia Cement (Bharat) Limited (DCBL) (erstwhile Avnija Properties Limited (erstwhile APL), incorporated in 1996, was initially the investing arm for Dalmia Bharat Sugar and Industries Limited (erstwhile Dalmia Cement (Bharat) Limited). In March 2010, the Dalmia group underwent a restructuring exercise under which the cement capacity was transferred to DCBL. The company has three operational cement operations- 4.0 MTPA (Dalmiapuram, TN), 2.5 MTPA (Ariyalur, TN) and 2.5 MTPA (Kuddapah, AP). In January, 2012 the company acquired 50% of stake (which later increased to 76%) in Assam based Calcom Cement India Limited (CCIL) and later in September, 2012 acquired 100% in Meghalaya based Adhunik Cement Limited (ACL). In Dec 2014, DCBL has acquired 100% stake in DCEL. In addition to these inorganic expansions the company is also setting up a Greenfield project of 2.5 MTPA grinding capacity in Belgaum, Karnataka for a total project cost of Rs. 1346 Crore which will be commissioned in June 2015.

DCBL reported a net loss of Rs. 13.54 crores on operating income of Rs. 1143.87 crores in 6M FY15. In FY14, the company reported net loss of Rs. 8.27 crores on operating income of Rs. 2310.38 crores.

**December 2014**

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