The Ramco Cements Limited

Instruments	Amounts	Rating Action
	(Rs. crore*)	
Term loan facilities	1,578.97 (enhanced from Rs 1,328.97†)	[ICRA]AA (Stable); upgraded/assigned
Long term fund based facilities	614.0	[ICRA]AA (Stable); upgraded from [ICRA]AA-
Short term fund based facilities	670.0	[ICRA]A1+ (re-affirmed)
Short term non-fund based facilities	424.0	[ICRA]A1+ (re-affirmed)
Commercial Paper / Short term debt	642.0	[ICRA]A1+ (re-affirmed)
Term loan facilities	287.77	[ICRA]AA- / Withdrawn

ICRA has upgraded the long-term rating outstanding on the Rs. 1,578.97 crore (enhanced from Rs 1,328.97 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 minus) to [ICRA]AA (pronounced ICRA double A).‡ 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.670.00 crore fund based facilities, the Rs. 424.00 crore non-fund based facilities and the Rs.642.00 crore Commercial Paper (CP) / short term debt programme of TRCL. ICRA has withdrawn the [ICRA]AA- (pronounced ICRA double A minus) (Stable)rating outstanding on the Rs 287.77 crore term loan facilities at the request of the Company, since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 the improvement in the operational and financial performance of the company during the last fiscal. Higher realisation across major markets translated into improved operating profitability indicators, earnings and capital structure for the company. The same is despite the lower than expected volumes; industry volumes have been under pressure during the recent past, owing to tepid demand stemming from weak infrastructure investments in the economy. While the cement industry in the south is expected to continue to face surplus capacity over the medium term, operating performance is expected to improve supported by higher despatches from H2, 2015-16 with likely growth in demand from the Andhra Pradesh and Telegana markets. The anticipated increase in infrastructure and housing investments and low capacity additions in the region would also aid realisations to hold firm across key markets as witnessed during the past two quarters. The ratings continue to derive comfort from the dominant market position of TRCL in its major markets of Tamil Nadu and Kerala and the favourable location of its plants which helps TRCL in catering to these high-realisation markets at lower freight costs. In addition, the strong operating efficiencies and utilization of power from its captive thermal plants have supported earnings; operating margins for the company have been superior when compared to several peers operating in the region.

Low capital expenditure envisaged by the company over the medium term, coupled with steady growth in earnings is expected to further improve TRCL's capital structure; ICRA expects TRCL's gearing and Total Debt/OPBDITA to reduce to 0.5 times and 1.5 times respectively over the next two fiscals. Also, the extent of support extended to its group companies has also reduced to ~Rs. 225 Cr in the current fiscal from peak levels of Rs. 567 Cr as on 31 March 2014, with the key supported entity - Ramco Systems Limited raising funds through Qualified Institutional Placements (QIP) route. TRCL's liquidity position is expected to be supported by the steady growth in earnings, lower capital expenditure and reducing repayment obligations over the medium term. The company has also reduced its dependence on short term debt during the recent past, replacing portion of funding requirements with term loans resulting in adequate unutilized lines of credit. ICRA also derives comfort from the strong financial flexibility enjoyed by TRCL by virtue of it being part of the Ramco Group. The ratings continue to factor

* 100 lakh = 1 crore = 10 million

† Rs 1328.97 Cr is the outstanding portion of the Rs 1954.16 crore of term loans rated during the last exercise

‡ For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications

in the geographic concentration risks with its operations largely confined to 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 raw material price risks which have limited margin expansion.

ICRA notes that the penalty imposed by the Competition Commission of India (CCI) in June 2012 on TRCL and other cement majors is still being contested at the Competition Appellate Tribunal, and ICRA would continue to monitor the developments on the same and take appropriate rating action, if and when necessary.

Company Profile
TRCL is a leading cement player in South India with capacity of 12.5 million tonnes (apart from grinding capacities of 2.95 million tonnes which is being currently expanded to 3.95 mtpa with a new facility at Orissa) 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 157MW. 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-(SO)/[ICRA]A1(SO) and also [ICRA]AA-(SO)/[ICRA]A1+(SO)[§]). 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. 239.9 crore on an operating income of Rs.3,724.4 crore during the fiscal ended March 31, 2015, as against net profit of Rs. 99.9 crore on an operating income of Rs.3,731.2 crore during the previous fiscal.

June 2015

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[§] The ratings for the various bank facilities of Ramco Systems Limited are backed by corporate guarantees from Ramco Industries Limited and The Ramco Cements Limited

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