

Dalmia Cement Bharat Limited ^{Revised}

February 19, 2018

Summary of Rated Instrument:

Instrument	Previous Rated Amount (Rs. crore)	Rated Amount (Rs. crore)	Rating Action
Fund-based Working Capital Limits	375.00	375.00	[ICRA]AA (Stable); outstanding
Term Loans	2969.97	2622.09	[ICRA]AA (Stable); outstanding
Unallocated Fund-based Limits	25.00	25.00	[ICRA]AA (Stable); outstanding
Short Term Loan	148.94	0.00	-
Non Convertible Debenture	1810.00	1182.00	[ICRA]AA (Stable); outstanding
Non Convertible Debenture	100.00	Nil	[ICRA]AA (Stable); withdrawn
Non Convertible Debenture	200.00	Nil	[ICRA]AA (Stable); withdrawn
Non-fund Based Working Capital Limits	675.00	675.00	[ICRA]A1+; outstanding
Commercial Paper	800.00	800.00	[ICRA]A1+; outstanding

ICRA has withdrawn long-term rating of [ICRA]AA (pronounced ICRA double A) assigned to the Rs. 300.00-crore non convertible debentures (NCDs) of Dalmia Cement Bharat Limited (DCBL). The ratings have been withdrawn at the request of the company. DCBL has also confirmed that there is no amount outstanding against the rated instruments.

Material Event

The National Company Law Tribunal (NCLT) has granted approval for resolution plan submitted by Dalmia Cement Bharat Limited (DCBL) for revival of Kalyanpur Cements Limited (KCL). As per the resolution plan, a consideration of Rs. 353 crore will have to be paid for acquisition of KCL, which has an integrated cement-manufacturing capacity of 1.1 metric tonne per annum (MTPA) in Bihar.

Impact of the Material Event

The ratings remain unchanged at [ICRA]AA(Stable)/[ICRA]A1+ given the moderate size of the proposed acquisition with respect to the scale of operations, balance sheet size and available liquid funds of the Dalmia Bharat Group (or the Group) of which DCBL is the flagship company.

The rating action takes into account the established management, brand and cash accretive and operationally-efficient cement operations of DCBL as well as the Group, and also the Group's strong market position in its key markets of Southern, Eastern and North-Eastern India. The rating action continues to factor in significant cost optimisations (procurement as well as logistics) and plant efficiencies achieved by the Group, which are likely to support operating profits going forward. Steady cash accruals and receipt of Rs. 588 crore as consideration for sale of shares¹ on behalf of KKR Mauritius Cement Investments Limited (KKR), has aided reduction in debt, the net debt of the Group has come down from Rs. 5,233 crore as on March 31, 2017 to Rs. 3,953 crore as on December 31, 2017.

ICRA has also taken note of the Scheme 2, involving transfer of power assets and liabilities of DCB Power Ventures Limited (74% held by Dalmia Power Ltd.² and 26% held by DCBL) and merger of Adwetha Cement Limited with DCBL, becoming effective and the likelihood of approval of other ongoing schemes of arrangements³. The proposed restructuring will result in consolidation of entire operations of the Dalmia Group under a single company, DCBL. This will result in simplification of structure, removal of redundancies and enhanced operational and financial synergies.

The ability of the company to maintain a prudent funding mix and its expansion/acquisition plans will be the key rating drivers going forward.

The previous detailed rating rationale is available on the following link: [Click here](#)

¹ Dalmia Bharat Limited's (or DBL, the holding company of Dalmia Group) shares issued to KKR as partial consideration for KKR's stake in DCBL

² Dalmia Power Limited is 100% subsidiary of DBL

³ Other schemes of arrangement for which approval is pending include, 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 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.

Corrigendum

Document dated February 19, 2018 has been corrected with revisions as detailed below:

- The following text has been added below the table labelled ‘Summary of Rated Instruments’ on Page one of the rating rationale:
“ICRA has withdrawn long-term rating of [ICRA]AA (pronounced ICRA double A) assigned to the Rs. 300.00-crore non convertible debentures (NCDs) of Dalmia Cement Bharat Limited (DCBL). The ratings have been withdrawn at the request of the company. DCBL has also confirmed that there is no amount outstanding against the rated instruments.”

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