



THE INDIA CEMENTS LIMITED

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SH/

25.02.2022

BSE Limited
Corporate Relationship Dept.
First Floor, New Trading Ring
Rotunda Building
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
MUMBAI 400 001.

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra-Kurla Complex
Bandra (E)
MUMBAI 400 051.

Scrip Code: 530005

Scrip Code: INDIACEM

Dear Sirs,

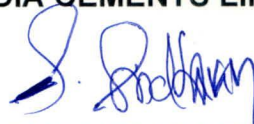
Sub.: CARE ratings for Bank Facilities - Disclosure under Regulation 30(4)
of SEBI (Listing Obligations and Disclosure Requirements)
Regulations, 2015

This is to inform you that CARE Ratings Limited (CARE), vide its letter dated 22.02.2022, received by us on 24.02.2022, intimated the ratings assigned to our bank facilities as under (copy enclosed):

Facilities	Rating	Rating Action
Long Term Bank Facilities	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed; Outlook revised from Positive
Short Term Bank Facilities	CARE A1 (A One)	Reaffirmed

Thanking you,

Yours faithfully,
for THE INDIA CEMENTS LIMITED


COMPANY SECRETARY

Encl.: As above

The India Cements Limited

February 22, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3,194.37	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed; Outlook revised from Positive
Short Term Bank Facilities	750.00	CARE A1 (A One)	Reaffirmed
Total Bank Facilities	3,944.37 (Rs. Three Thousand Nine Hundred Forty-Four Crore and Thirty-Seven Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed rationale & key rating drivers

The outlook for ICL has been revised from positive to stable as the expected growth in volumes and profitability has not been achieved in 9MFY22 (refers to period from April 01 to Dec 31) and the same will be likely lower than expected levels for the full fiscal year 2022. The sales realization of cement has though sustained in 9MFY22, but the profitability (PBILDT per tonne) has been impacted primarily on account of the cost side pressures and lower sales volume as against envisaged leading to moderation in its debt protection measures. The ability of the company to improve its profitability levels and bring down its debt levels going forward shall remain key rating monitorable.

The ratings continue to factor in the market position of The India Cements Limited (ICL) in the southern markets as one of the largest players with established presence, its strong brand image in all the five southern states, integrated nature of operations with presence of captive power plants and revenue contribution from non-southern states resulting in geographical diversification. The ratings are, however, tempered by the susceptibility of the revenues and profitability to the demand-supply dynamics of the cement market, ICL's moderate leverage levels, relatively low profit margins, exposure to group entities and cyclical nature of cement industry.

Key rating sensitivities

Positive factors: Factors that could, individually or collectively, lead to positive rating action/upgrade

- Improvement in profitability and reduction in total debt resulting in total debt/GCA of around 4.0x on a sustained basis.

Negative factors: Factors that could, individually or collectively, lead to negative rating action/downgrade

- Deterioration in total debt to GCA on a sustained basis.
- Any large debt funded capex resulting in moderation in the capital structure.

Established position in South India and strong brand presence

ICL is one of the largest producers of cement in south India with established presence in all the five states in the region with an installed capacity of 15.55 mtpa (million tons per annum) as on March 31, 2021, including the presence of its production unit in Rajasthan. ICL sold 8.90 million tonnes cement in FY21 as against 11.0 million tonnes in FY20, operating at capacity utilization level of 57% in FY21 (P.Y: 71%). Sharp drop in capacity utilization during FY21 was on account of impact of COVID-19 where the country was under nationwide lockdown for large part of Q1FY21.

ICL continues to remain as one of the major players in the southern market driven by strong brand image and presence across all the southern states. Overall southern markets accounted for 58% of the total sales volume of ICL in FY21 as against 61% in FY20. The company sells its products under established brands, namely, 'Sankar', 'Coromandel' and 'Raasi' in the southern markets.

Integrated nature of operations with presence of Captive Power Plants

The company has two captive power plants (CPPs) of 50 MW each at Shankarnagar (TN) and Vishnupuram (AP). These CPPs reduces effective cost of power in addition to providing un-interrupted power supply. ICL has access to relatively low cost power sources also, such as power from gas-based power plant of 26 MW (owned by an associate company), a waste heat recovery system of 7.7 MW in one of its cement plants and AP Gas Power Corporation where the company is entitled to 22 MW of power against its investment. In addition, the company also has an installed windmill capacity of 18.65 MW. ICL has acquired mining rights in Indonesia for low GCV coal through its subsidiary, Coromandel Minerals Pte Ltd, Singapore (CMPL). This along with coal imported from US is the major source of fuel (around 80%) for the rotary kiln.

Moderation in financial profile in 9MFY22, albeit improvement reported in FY21

During FY21, ICL reported 12% degrowth in revenue on the back of 19% drop in the cement sales volume. However, improvement in selling price by 9% on y-o-y basis and benign input prices for large part of the year resulted in improvement in profitability and accruals during FY21. PBILDT margin during FY21 improved to 18.34% from 11.80% during FY20. GCA during FY21 stood at Rs.514 crore as against Rs.272 crore during FY20. This apart, ICL has also benefited from rationalization of

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

overheads during FY21 which includes cost saved on travelling expenses, marketing expenses etc. The same lead to drop in repair & admin and selling & distribution expense during FY21.

However, it is to be noted that input cost such as petcoke, diesel started increasing during Q4FY21 which resulted in moderation in the PBILDT margin to 14.53% during the period as against 18.73% in Q3FY21.

The cost pressures continued during 9MFY22. The fuel cost for the industry peaked in Q3FY22, which would remain at slightly elevated levels for the players due to high-cost inventories in Q4FY22 as well. The power and fuel cost for 9MFY22 for ICL stood at Rs 1560 per tonne as against Rs 1088 per tonne for FY21. Further, the volumes sold stood at 6.42 MT during the period, lower than projected, mainly due to impact of monsoons in Q3FY22 in southern parts. The company tried to take price hikes in the months of November and December 2021 but the same could not sustain due to lower demand in Q3FY22. As guided by the management, prices have started to improve in February 2022 (increase of Rs 30/bag was taken in early February) and the demand also has picked up.

Accordingly, ICL reported TOI of Rs.3,321 cr in 9MFY22 (PY: Rs.2,987 cr in 9MFY21) With PBILDT margin of 12.03% as against 20.27% in the corresponding period of FY21.

Revenue contribution from non-southern states resulting in geographical diversification

Share of sales volume in the non-southern states has been improving over the past few years. Share of total sales volume in non-southern market improved to 42% in FY21 from 39% in FY20 (PY: 33%). The same was mainly on account of subdued demand in Andhra Pradesh & Telangana. This apart, government in AP has changed due to which many of AP state government projects (including Amaravati) which was planned during the previous government were put on hold which further resulted in weak demand from AP market. While ICL benefit from expanding its reach beyond south by catering to markets in the nearby region, it is to be noted that 90% of ICL's cement capacity is located in southern region which results in relatively higher logistics cost.

Key rating weakness

Exposure to group entities

Networth of ICL stood at Rs.5,304 crore as on March 31, 2021. Total investments and loans advances as on March 31, 2021 stood at Rs.1,824 (PY: Rs.1,747 crore) and accounted for 34% of the total networth. Of this, Rs.631 crore is in the form of investments in equity and debt instruments of various group entities, loans & advances to body corporate & related parties amounting Rs.1,193 crore. In addition to above, ICL has also extended corporate guarantee to the bank facilities availed by its group companies. Amount of such guarantees stood at Rs.162.20 crore as on December 31, 2021.

Moderate leverage levels

The overall gearing of ICL, as on March 31, 2021, improved to 0.62x from 0.74x as on March 31, 2020. Adjusting for exposure to group entities/body corporate, overall gearing stood at 0.99 times as on March 31, 2021 (PY:1.18 times) Total debt outstanding as on March 31, 2021 declined to Rs.3,006 crore from Rs.3,542 crore as on March 31, 2020 on account of i) Repayment of term debt and ii) Reduction in working capital. Working capital borrowings dropped to Rs.464 crore as on March 31, 2021 from Rs.742 crore as on March 31, 2020. Total debt/GCA improved to 6.40x as on March 31, 2021 as against 14.09x as on March 31, 2021 (PY: 12.09x) on account of improved accruals coupled with reduction in debt levels. Gross debt to PBILDT ratio which stood at 4.04x for FY21 and was expected to improve by the end of fiscal 2022 is expected to elevate owing to lower than expected profitability for FY22. Leverage levels would continue to remain a key monitorable for ICL.

Industry outlook

Cement industry is highly cyclical in nature and depends largely on the economic growth of the country. Due to this cyclicity, the company remains exposed to risks associated with the same. During FY20, weakness in housing demand, prolonged rains in many parts of the country and decline in demand from the infrastructure segment due to lack of funding and halting/ temporary stoppage of state projects following change in government post state elections had a negative bearing on the production of cement in the domestic markets. Further, with the outbreak of the Covid-19 pandemic in the Indian sub-continent which forced the government to announce a nation-wide lockdown also affected the domestic cement production during FY20 and FY21.

The performance of cement companies is likely to remain stable despite the challenges of Covid pandemic. For FY22, the domestic cement production is expected to register a mid-teen growth.

The demand is expected to be driven by recovery of activity in the urban housing sectors, upcoming general elections in 2024, infrastructure projects as well as rural demand and renewed real estate demand. However, any potential halt on the construction activities amidst upsurge of infections pertaining to any further Covid-waves shall remain a key monitorable for the growth in the coming months. Due to the input cost upsurge in FY22, the EBITDA margins for the players is likely to moderate, though margins are expected to recover partially in Q4FY22 with the likely price hikes to be taken by players. In the present circumstances where the sector is grappling with the higher input cost, a sustained increase of prices along with demand stand critical for the operational performance of the players in the near term.

Liquidity: Adequate

The cash and bank balance outstanding as on March 31, 2020, stood at Rs.7 crore. Total receivables outstanding as on March 31, 2021 decreased to Rs.541 crore from Rs.716 crore as on March 31, 2020 and the collection period in FY21 stood at 53 days (PY: 53 days). The total operating cycle in FY21 stood at 50 days as against 57 days in FY20. The company has sanctioned working capital limit of Rs.750 crore and the average month end working capital utilisation for the past twelve months ended May 2021 was 69%. Scheduled debt obligations for FY22 stood at Rs.573 crore. Repayments in FY22 have been supported partly from the cash accruals and additionally ICL has also refinanced some of its term loans during the course of the year.

Analytical approach:

Standalone

Applicable Criteria[Criteria on assigning Outlook and Credit watch to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Criteria for Short Term Instruments](#)[Rating Methodology-Manufacturing Companies](#)[CARE's methodology for cement manufacturing companies](#)[Financial ratios - Non-Financial Sector](#)[Liquidity analysis - Non-Financial Sector](#)**About the company**

ICL is the one of the largest producers of cement in South India and is one of the largest cement manufacturers in the country with a total installed cement manufacturing capacity of 15.55 mtpa as on December 31, 2020. ICL was established in 1946 by Mr Sankaralinga Iyer and Mr T S Narayanswami and is today headed by Mr N.Srinivasan, Vice Chairman and Managing Director. ICL owns and operates ten cement manufacturing units (including two split grinding units) in the states of Telangana, Andhra Pradesh (AP), Tamil Nadu (TN), Maharashtra (MH) and Rajasthan. The company primarily manufactures two standard types of cement: Ordinary Portland Cement (OPC) and Portland Pozzolana Cement (PPC), the mix being 35:65.

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22 (Prov.)
Total operating income	5,067	4,443	3,321
PBILDT	598	815	400
PAT	-36	222	63
Overall gearing (times)	0.74	0.62	NA
Interest coverage (times)	1.79	3.08	2.57

A: Audited; Prov.: Provisional; NA: Not available

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term		-	-	Mar-2029	2360.21	CARE A; Stable
Non-fund-based-Short Term		-	-	-	740.00	CARE A1
Fund-based - LT-Cash Credit		-	-	-	725.00	CARE A; Stable
Fund-based - LT-Cash Credit		-	-	-	50.00	CARE A; Stable
Non-fund-based - ST-BG/LC		-	-	-	10.00	CARE A1
Term Loan-Long Term		-	-	-	59.16	CARE A; Stable

Annexure-2: Rating History of last three years

			Current Ratings		Rating history			
Sr. No.	Name of the Instrument/Bank Facilities	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Term Loan-Long Term	LT	2360.21	CARE A; Stable	1)CARE A; Positive (01-Jul-21) 2)CARE A-; Positive (08-Apr-21)	1)CARE A-; Stable (07-Apr-20)	1)CARE A; Stable (05-Apr-19)	1)CARE A; Stable (09-May-18)
2	Non-fund-based-Short Term	ST	740.00	CARE A1	1)CARE A1 (01-Jul-21) 2)CARE A2+ (08-Apr-21)	1)CARE A2+ (07-Apr-20)	1)CARE A1 (05-Apr-19)	1)CARE A1 (09-May-18)
3	Fund-based - LT-Cash Credit	LT	725.00	CARE A; Stable	1)CARE A; Positive (01-Jul-21) 2)CARE A-; Positive (08-Apr-21)	1)CARE A-; Stable (07-Apr-20)	1)CARE A; Stable (05-Apr-19)	1)CARE A; Stable (09-May-18)
4	Fund-based - LT-Cash Credit	LT	50.00	CARE A; Stable	1)CARE A; Positive (01-Jul-21) 2)CARE A-; Positive (08-Apr-21)	1)CARE A-; Stable (07-Apr-20)	1)CARE A; Stable (05-Apr-19)	1)CARE A; Stable (09-May-18)
5	Non-fund-based - ST-BG/LC	ST	10.00	CARE A1	1)CARE A1 (01-Jul-21) 2)CARE A2+ (08-Apr-21)	1)CARE A2+ (07-Apr-20)	1)CARE A1 (05-Apr-19)	1)CARE A1 (09-May-18)
6	Commercial Paper	ST	-	-	-	-	1)Withdrawn (31-Mar-20) 2)CARE A1 (05-Apr-19)	-
7	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (08-Apr-21)	1)CARE A-; Stable (07-Apr-20)	1)CARE A; Stable (05-Apr-19)	-
8	Term Loan-Long Term	LT	59.16	CARE A; Stable	1)CARE A; Positive (01-Jul-21) 2)CARE A-; Positive (08-Apr-21)	1)CARE A-; Stable (07-Apr-20)	1)CARE A; Stable (05-Apr-19)	1)CARE A; Stable (09-May-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument		Detailed explanation
A. Financial covenants		
I.	TOL/TNW	≤ 2.00
II.	Interest coverage ratio	≥ 1.70
III.	Debt service coverage ratio	≥ 1.10
B. Non financial covenants		
I.	Ownership and control	Management control and minimum 26% ownership to remain with the existing promoters

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Non-fund-based-Short Term	Simple
4	Term Loan-Long Term	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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