

Press Release

Emami Cement Limited

February 29, 2020

Rating Update



| | |
|-------------------------|--|
| Bond Programme* | Rs. 30.00 Cr. |
| Long Term Rating | ACUITE A- (Under rating watch with developing implications) |

* Refer Annexure for details

Rating Rationale

Acuite has placed the long term ratings of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.30.00 crore bank facilities of EMAMI CEMENT LIMITED (ECL) on 'Rating watch with developing implications'.

Rationale for placing the rating on Watch with developing implications

Acuite has placed the rating under watch with developing implication based publicly available information regarding the sale of cement business of Emami Group to Nuvoco Vistas Corp. Ltd (Nirma Group). The deal of Emami Cement is being finalised and transaction currently is under process. The estimated size of the deal is around Rs.5,500 Cr. The proceeds of this transaction are likely to be deployed towards repayment of borrowings of ECL and the borrowings based on pledge of promoter holding in Emami Limited. Acuite is currently in discussions with the management to understand the current status of the transaction. Acuite is monitoring the developments with respect to the closure of deal and will resolve the watch once clarity emerges.

About the Company

ECL, incorporated in 2007 by Mr. Agrawal and Mr. Goenka, is a part of Kolkata based Emami Group. ECL is engaged in manufacturing of cement. ECL sells cement under the brand name 'Emami Double Bull'. ECL's cement plants are located in Risda (Chhattisgarh) with 2.50 million tonnes per annum capacity for cement and 3.20 million tonnes for Clinker. Further, ECL also has 40MW captive power plant which started operations in December, 2016 and currently, is utilised at full levels. ECL also has plant at Panagarh in West Bengal (grinding unit) with 2 million tonnes per annum capacity which started operations in November, 2017. Further, ECL has also set up plant at Jajpur in Odisha (grinding unit) with 2 million tonnes per annum capacity. Trial run in this plant has started from December, 2018 and the commercial production is expected to commence from April, 2019. ECL has acquired 0.60 million tonnes per annum capacity from Eco Cement Limited in October, 2018 (fully operational plant) at Bhabua (Bihar). The company is planning to expand the capacity of this plant to 1.80 million tonnes.

About the Group

Emami group based in Kolkata is headed by Mr. Agrawal and Mr. Goenka. The group has presence in, various business including FMCG, newsprint paper, writing instruments, edible oil and cultivation, biodiesel, hospitals, real estate, retail, cement, and contemporary art. Currently, the promoter group owns about 52.74% stake in Emami. Emami manufactures more than 300 ayurvedic personal and healthcare products that are marketed across India and in more than 60 countries. Its main brands include Navratna, Boroplus, Zandu, and Fair and Handsome.

Analytical Approach

To arrive at the rating, Acuite has considered the standalone business and financial risk profile of ECL and notched up the standalone rating by factoring in the strong financial support extended by Emami Group.

About the Rated Entity - Key Financials

| | Unit | FY19 (Actual) | FY18 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 1,870.98 | 989.25 |
| PAT | Rs. Cr. | (54.13) | (78.50) |
| PAT Margin | (%) | (2.89) | (7.93) |
| Total Debt/Tangible Net Worth | Times | 2.50 | 2.61 |
| PBDIT/Interest | Times | 1.07 | 0.53 |

For further details, kindly refer to Acuite's release dated March 29, 2019
<https://www.acuite.in/documents/ratings/revised/27476-RR-20190329.pdf>

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Criteria for Group and Parent Support - <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr) | Ratings/Outlook |
|-----------|---------------------------------|-----------|-----------------|------------------------------|
| 29-Mar-19 | Working Capital Demand Loan | Long Term | 30.00 | ACUITE A-/ Stable (Assigned) |

*Annexure – Details of instruments rated

| Name of Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|-----------------------------|------------------|----------------|----------------|-----------------------------|---|
| Working Capital Demand Loan | Not Applicable | Not Applicable | Not Applicable | 30.00 | ACUITE A- (Under rating watch with developing implications) |

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About Acuite Ratings & Research: Acuite Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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