

Press Release

**Nu Vista Limited
(Erstwhile Emami Cement Limited)**

August 07, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE A- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE A-**' (**read as ACUITE A minus**) on the Rs.30.00 crore bank facilities of Nu Vista Limited (NUVL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

Acuité, vide its press release dated February 29, 2020, had placed the long term rating of 'ACUITE A-' on 'Rating watch with developing implications' based publicly available information regarding the sale of cement business of Emami Group to Nuvoco Vistas Corporation Limited (Nirma Group).

NUVL (Erstwhile Emami Cement Limited), incorporated in 2007 is engaged in manufacturing of cement. NUVL's cement plants are located in Risda (Chhattisgarh), Panagarh (West Bengal), Jajpur (Odisha) and Bhabua (Bihar). The total installed capacity of these plants is 8.3 million tonnes per annum. NUVL was a part of Kolkata based Emami Group. Nuvoco Vistas Corporation Limited (NVCL) bought the entity for an enterprise value of Rs.5, 500 crore. NUVL is now a fully owned subsidiary of NVCL.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of NUVL and notched up the standalone rating by factoring in the support extended by parent company NVCL to arrive at this rating. Earlier Acuité had notched up the rating by taking support extended by Emami Group.

Key Rating Drivers

Strengths

- **Strong support from parent company**

NUVL is engaged in manufacturing of cement and now is a fully owned subsidiary of NVCL. NVCL has cement manufacturing plants across Rajasthan, Haryana, Chhattisgarh, West Bengal and Jharkhand, with an overall annual capacity of 14.70 million tonnes. The company offers three products: Portland slag cement, Portland Pozzolana Cement and ordinary Portland cement through its brands Concreto and Duraguard. NVCL has a leadership position in the eastern India cement market, with 75% of its volume flowing in from the eastern states. The operating income of NVCL stood at of Rs. 6793.24 crore in FY2020 and Rs. 6560.26 crore in FY2019. The operating margin stood at 19.09 per cent in FY2020 and 13.78 per cent in FY2019.

- **Healthy business profile**

NUVL has an integrated manufacturing facility at Risda (Chhattisgarh) which has a clinker making facility; a captive limestone mine adjacent to the factory and a captive power plant. The clinker capacity is sufficient for meeting requirement of the plants in Risda and Panagarh as well as of the upcoming unit in Odisha. The captive power plant will meet most of the power requirement of the Risda plant, while 30 percent of the total power generated from waste heat would further lower the power cost for the company. Further, the commencement of railway siding in Panagarh has also led to cost savings.

NUVL has successfully ramped up the capacity utilisation levels at its Risda and Panagarh plant, along with improvement in EBITDA levels. NUVL's revenues have grown to Rs.2025.55 crore in FY2020 (PY: Rs.1870.98 crore) on account of increase in cement realisation due to improved product demand. The operating profit improved at Rs.387.11 crore for FY2020 as against Rs. 212.98 crore in FY2019. The realisations are likely to improve further with higher sales in West Bengal and Bihar where the company earns better realisations than those in Chhattisgarh.

Acuité believes that the healthy cement demand growth in eastern India, led by a demand push from the housing, infrastructure and commercial sectors will further strengthen the business profile of NUVL.

Weaknesses

- **Susceptibility to risks relating to input costs and realisations, and cyclical in the cement industry**

NUVL's profitability remains susceptible to volatility in prices of inputs, including raw material, power, fuel, and freight. Increase in pet coke prices over the past year has impacted the profitability of several cement players. Realisations and profitability are also affected by demand, supply, offtake, and other regional factors. Capacity additions in the cement business take three to four years to become operational and stabilise; also, capacity expansions are lumpy, with most players setting up capacities simultaneously in anticipation of demand growth. This lumpiness in capacity addition and the fact that small capacities are not viable often lead to oversupply in the initial years after the capacities become operational. Thus, the domestic cement industry faces excess supply every three to four years.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity Position: Adequate

NUVL's liquidity position is supported by an infusion of funds in the form of unsecured loans by the promoters. The promoters have infused unsecured loans (quasi-equity) amounting to Rs. 760.07 crore as on March 31, 2020. Since the operational cash flows would be inadequate to service the debt obligations, it is expected that the parent company shall either infuse funds for timely servicing of the debt and/or arrange for timely refinancing.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	2025.55	1870.98
PAT	Rs. Cr.	(155.10)	(54.13)
PAT Margin	(%)	(7.66)	(2.89)
Total Debt/Tangible Net Worth	Times	1.97	2.50
PBDIT/Interest	Times	1.40	1.07

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

None

Any other information

Not Applicable

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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Feb-2020	Working Capital Demand Loan	Long Term	30.00	ACUITE A- (Rating watch with developing implications)
29-Mar-2019	Working Capital Demand Loan	Long Term	30.00	ACUITE A-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the 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- (Withdrawn)

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About Acuité Ratings & Research:

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