ICRA

ICRA Limited

CONFIDENTIAL

Ref. No.Reval/Chen/155/20-21

February 12, 2021

Mr. A.V. Dharmakrishnan
Chief Executive Officer
The Ramco Cements Limited
Auras Corporate Centre, V Floor
98-A, Dr. Radhakrishnan Road
Mylapore
Chennai – 600 004

Dear Sir,

Re: ICRA rating for Rs. 300.00 crore non-convertible debenture of The Ramco Cements Limited

Please refer to your request dated Feb 11, 2021 for revalidating the rating letter issued for the captioned programme.

We confirm that the [ICRA]AA+ (pronounced ICRA double A plus) rating with a stable outlook assigned to your captioned programme and last communicated to you vide our letter Ref. No.: RTG/Chen/072/20-21 dated Dec 15, 2020 and revalidated vide our letter Ref. No.Reval/Chen/143/20-21 dated Jan 18, 2021 stands.

Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. The modifier + (plus) appended to the rating symbol, indicates its relative position within the rating category.

The other terms and conditions for the rating of the aforementioned instrument shall remain the same as communicated vide our letter Ref. No.: RTG/Chen/072/20-21 dated Dec 15, 2020.

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold long term debt/non-convertible debenture to be issued by you.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

SUBRATA RAY

Digitally signed by SUBRATA RAY
Date: 2021.02.12 14:51:01 +05'30'

CERTIFIED TRUE COPY
For THE RAMCO CEMENTS LIMITED,

K SNarayanam

K. SELVANAYAGAM
Secretary - Membership No.A3871
"Auras Corporate Centre", 5th Floor
No.98-A, Dr. Radhakrishnan Salai
Mylapore, Chennai-600 004.

[Subrata Ray]
Senior Group Vice President
Email: subrata@icraindia.com

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CONFIDENTIAL

Ref. No.Reval/Chen/143/20-21

January 18, 2021

Mr. A.V. Dharmakrishnan
Chief Executive Officer
The Ramco Cements Limited
Auras Corporate Centre, V Floor
98-A, Dr. Radhakrishnan Road
Mylapore
Chennai – 600 004

Dear Sir,

Re: ICRA rating for Rs. 300.00 crore non-convertible debenture of The Ramco Cements Limited

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We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

SUBRATA RAY

Digitally signed by SUBRATA RAY
Date: 2021.01.18 17:29:06 +05'30'

[Subrata Ray]
Senior Group Vice President
Email: subrata@icraindia.com

CERTIFIED TRUE COPY
For THE RAMCO CEMENTS LIMITED,

K. SELVANAYAGAM
Secretary - Membership No.A3871
"Auras Corporate Centre", 5th Floor
No.98-A, Dr. Radhakrishnan Salai
Mylapore, Chennai-600 004.

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ICRA Limited

CONFIDENTIAL

Ref. No.: RTG/Chen/072/20-21

December 15, 2020

Mr. A.V. Dharmakrishnan
Chief Executive Officer
The Ramco Cements Limited
Auras Corporate Centre, V Floor
98-A, Dr. Radhakrishnan Road
Mylapore
Chennai – 600 004

Dear Sir,

Re: ICRA Credit Rating for the Rs. 300.00 crore Non-Convertible Debenture (NCD) of The Ramco Cements Limited

Please refer to the Rating Agreement dated Dec 02, 2020 and RRF dated Dec 01, 2020 executed between ICRA Limited ("ICRA") and your company for carrying out the rating of the aforesaid NCD Programme. The Rating Committee of ICRA, after due consideration, has assigned **[ICRA]AA+ (pronounced ICRA double A plus)** rating to the captioned NCD Programme. Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. The modifier + (plus) appended to the rating symbol, indicates its relative position within the rating category. The outlook on the long-term rating is **Stable.**

In any of your publicity material or other document wherever you are using the above assigned rating, it should be stated as **[ICRA]AA+ (Stable).** We would request if you can sign attached acknowledgement and send it to us latest by Friday Dec 18, 2020 as acceptance on the assigned rating. In case you do not communicate your acceptance/non-acceptance of the assigned credit rating, or do not appeal against the assigned rating by the aforesaid date, the rating will be treated by us as unaccepted and shall be disclosed on ICRA's website accordingly. This is in accordance with requirements prescribed by the Securities and Exchange Board of India (SEBI) vide SEBI circular dated June 30, 2017.

Any intimation by you about the above rating to any banker/lending agency/government authorities/stock exchange would constitute use of this rating by you and shall be deemed acceptance of the rating.

This rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instrument. If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned. ICRA reserves the right to review and/or, revise the above at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the bonds, debentures and/ or other instruments of like nature to be issued by you.

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As mentioned above and in accordance with the aforesaid circular you are requested to furnish a monthly *'No Default Statement (NDS)'* (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We thank you for your kind cooperation extended during the course of the rating exercise. Should you require any clarification, please do not hesitate to get in touch with us.

We look forward to your communication and assure you of our best services.

With kind regards,

For ICRA Limited

SRINIVASAN RANGASWAMY Digitally signed by SRINIVASAN RANGASWAMY Date: 2020.12.16 11:29:55 +05'30'

[Srinivasan R]
Vice President
Email: r.srinivasan@icraindia.com

CERTIFIED TRUE COPY
For THE RAMCO CEMENTS LIMITED,

K. SELVANAYAGAM
Secretary - Membership No.A3871
"Auras Corporate Centre", 5th Floor
No.98-A, Dr. Radhakrishnan Salai
Mylapore, Chennai-600 004.

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December 18, 2020

The Ramco Cements Limited: [ICRA]AA+ (Stable) assigned for Rs. 300.00 crore NCD

Summary of rating action

Instrument*	Previously Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debentures	600.00	900.00	[ICRA]AA+ (Stable) assigned for the Rs. 300.00 crore NCD and outstanding on the other facilities
Term loans	1,915.00	1,915.00	
Long-term fund based	735.00	735.00	
Long-term unallocated	185.00	185.00	
Short-term fund based	250.00	250.00	
Short-term non-fund based	485.00	485.00	[ICRA]A1+ outstanding
Commercial Paper	900.00	900.00	
Total	**5,070.00**	**5,370.00**	

**Instrument details in Annexure – I*

Rationale

The ratings draw comfort from The Ramco Cements Limited's (TRCL) strong business profile with a healthy market share in the South Indian cement market and its expanding presence in the eastern markets over the last few years. TRCL's performance has been better than the market across most geographies and it has been able to maintain its healthy margins (operating margin of 22.0% in FY2020 and 31.4% in H1 FY2021), given its strong operating efficiencies. ICRA also draws comfort from the company's exceptional financial flexibility and its conservative capital structure with net gearing of 0.5 times as on Sep 30, 2020.

For H1 FY2021, the company reported a 14.7% contraction in revenues following a decline in volumes, primarily due to the pandemic and the lockdown imposed. However, its OPBDITA/tonne improved to Rs. 1,670 in H1 FY2021 from Rs. 1,024 for FY2020, following improved realisations and lower power and fuel costs. TRCL is expected to witness sharp volume and revenue decline in full year FY2021, following the pandemic and weak macroeconomic environment leading to muted housing, construction and infrastructure spending. Nonetheless, its OPBDITA/tonne is expected to improve in FY2021 on a YoY basis, primarily aided by better realisations, focus of margin-accretive products and lower per tonne fuel costs. The favourable location of the recently commissioned grinding units in Vizag (Andhra Pradesh), West Bengal and Orissa would lead to a reduction in transit distance for the target markets in eastern India, further supporting profits. ICRA positively factors in the expected growth in the company's eastern region revenues over the medium term, once the grinding and clinker project expansions are completed. While the higher penetration in the Orissa and West Bengal and entry into new markets like Maharashtra is likely to aid in geographic diversification, the extent of reduction in dependence on the southern market, which is at 76% currently, remains to be seen.

The company has a cumulative debt-funded capex of ~Rs. 3,730 crore outlined for FY2020–FY2022, primarily for its capacity expansion projects to meet the increasing demand. As a result, TRCL's net debt/OPBDITA has moderated to 2.0x in H1 FY2021 and is expected to remain high for FY2021 and FY2022. Further, the company has significant

CERTIFIED TRUE COPY
FOR THE RAMCO CEMENTS LIMITED,

K. SELVANAYAGAM
Secretary - Membership No.A3871
"Auras Corporate Centre", 5th Floor
No.98-A, Dr. Radhakrishnan Salai
Mylapore, Chennai-600 004.

repayment obligations of close to Rs. 1,700 crore for the period FY2021–FY2023. However, its financial profile is expected to remain comfortable, supported by healthy accruals.

Key rating drivers and their description

Credit strengths

Strong market position in southern region; increasing penetration in eastern India – The Ramco brand is prominent in South India, along with other cement brands like Ultratech, Dalmia, Chettinad and Coromandel, to name a few. The company continues to maintain a healthy market share in the southern region and has been expanding its presence in the eastern region. TRCL's volumes have grown faster than the respective region growths in most geographies in FY2019 and FY2020; its decline has been lower than that of the market in H1 FY2021.

Healthy margins and accruals; conservative capital structure – TRCL has strong operational efficiencies, resulting in healthy margins and accruals over the years. The company had an operating profit margin of 22.0% in FY2020 and 31.4% in H1 FY2021, and it generated net cash accruals of over Rs. 4,600 crore over FY2016–H1 FY2021. The company's net gearing stood at 0.5 times as on Sep 30, 2020, while its interest coverage stood at 16.1 times for FY2020 and 12.8 times for H1 FY2021). With comfortable accrual levels, ICRA expects TRCL's financial profile to remain comfortable over the medium term, despite the proposed debt-funded capex and consequent moderation in coverage metrics.

Exceptional financial flexibility – ICRA favourably factors in the lender/investor comfort enjoyed by the company. TRCL had undrawn term loans of Rs. 760 crore as on Dec 05, 2020. The company's recent borrowings were tied-up at relatively competitive interest rates of 3.3% p.a. for its 90-day commercial paper, 5.5% coupon for a 3.5-year NCD and 6.25% p.a. for term loans.

Credit challenges

Significant debt-funded capex over FY2020–FY2022 – The company has a relatively high capex commitment of ~Rs. 3,730 crore outlined for FY2020–FY2022, predominantly for its proposed capacity expansion projects to meet the increasing demand. The company has set up two grinding units (total 2.0 million tonne capacity) in FY2020 and has one more grinding unit in the pipeline with 1.0 million tonne capacity in FY2021 closer to/in the eastern market in FY2020. TRCL is also expanding its clinker capacities through a brownfield capacity in Jayanthipuram and a greenfield plant Kurnool in Andhra Pradesh (total 3.75 million tonnes capacity) to support additional clinker requirements, given its high capacity utilisation. There is an increase of ~Rs. 900 crore in the total capex commitment for the period FY2020–FY2022 from the Rs. 2,825 crore indicated during in Nov 2019, leading to higher debt funding. As a result, TRCL's net debt/OPBDITA has moderated to 2.0x in H1 FY2021 and is expected to remain high for FY2021 and FY2022. Further, the company has significant repayment obligations of close to Rs. 1,700 crore for the period FY2021–FY2023. Significant reduction in debt levels and improvement in coverage metrics on a sustained basis once the current capex phase is completed would remain critical.

High geographic concentration in South India – The company derives about 76% of its revenues from the five southern states, which exposes it to region-specific demand risks. Although TRCL has been gradually expanding its presence in the Orissa and West Bengal markets over the last few years, partly by setting up grinding units closer

to these markets, the proportion of revenues remain skewed towards the southern part of the country. The expected higher penetration in Orissa and West Bengal, and entry into new areas like Maharashtra, is likely to aid in diversification. However, the extent of geographic diversification remains to be seen.

Liquidity Position: Adequate

TRCL's liquidity position has remained **adequate** with positive retained cash flows in the last several years and cumulative accruals of over Rs. 4,600 crore over FY2016–H1 FY2021. The company had cash and cash equivalents of Rs. 48.1 crore as on September 30, 2020 and its average working capital utilisation as a percentage of drawing power was 67.6% for the period May–Oct 2020, reducing significantly from 84.5% for the period November 2019–April 2020. As against these sources of cash, TRCL has sizeable debt-funded capex commitment of ~Rs. 3,730 crore over FY2020–FY2022 for capacity enhancements, of which about Rs. 1,000 crore is yet to be incurred as of Dec 05, 2020. Also, TRCL has total repayment obligations of close to Rs. 1,700 crore for FY2021–FY2023 on the existing loans. Despite this, the company's liquidity position is expected to remain adequate over the medium term, supported by its strong operational profile and margins; and exceptional financial flexibility and lender/investor comfort, which are likely to continue going forward as well.

Rating sensitivities

Positive triggers – A rating upgrade is unlikely in the near term, given that TRCL has relatively high debt-funded capex plans in FY2021 and FY2022.

Negative triggers – Negative pressure on TRCL's ratings could emerge with sharp deterioration in earnings or significant rise in net debt on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating methodology for cement companies
Parent/Group Support	Not applicable
Consolidation / Standalone	Consolidation

About the company

The Ramco Cements Limited (TRCL) is a reputed cement manufacturer in India and markets its products under the Ramco brand. TRCL has an aggregate installed cement capacity of 12.5 million tonne per annum, spread across five facilities in Tamil Nadu, Andhra Pradesh and Karnataka. It has an additional grinding capacity of 6.3 million tonne in South/East India. About 76% of the company's revenues are derived from the four southern states. TRCL has captive thermal and windmill capacities of 175 MW and 125.95 MW, respectively. The company also has two modest-scale subsidiaries, Ramco Windfarms Limited (with a 39-MW windmill capacity) and Ramco Industrial and Technology Services Limited (which is into transport services, manpower services and IT).

The company is one of the flagship companies of the larger Ramco Group founded in 1938 by Late P A C Ramasamy Raja and is at present managed by his grandson, Mr. P R Venketrama Raja. The Ramco Group has interests in textiles, fibre cement sheets and information technology and is represented by key companies such as

Rajapalayam Mills Limited, Ramco Industries Limited (rated [ICRA]AA-/Stable/[ICRA]A1+) and Ramco Systems Limited (rated [ICRA]A-/Positive/[ICRA]A2+).

Key Financial Indicators (audited)

Consolidated	FY2019	FY2020
Operating Income (Rs. crore)	5,162.3	5,389.3
PAT (Rs. crore)	507.5	604.4
OPBDIT/ OI (%)	21.1%	22.0%
PAT/OI (%)	9.8%	11.2%
Total Outside Liabilities/ TNW (times)	0.8	1.0
Total Debt/ OPBDIT (times)	1.5	2.6
Interest coverage (times)	20.8	16.1

Source: Company, BSE, ICRA research; OPBDITA: Operating Profit before Depreciation, Interest and Taxes; PAT: Profit After Tax; RoCE: Return on Capital Employed; TNW: Tangible Net Worth; NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

CERTIFIED TRUE COPY
For THE RAMCO CEMENTS LIMITED,

K. SELVANAYAGAM
Secretary - Membership No.A3871
"Auras Corporate Centre", 5th Floor
No.98-A, Dr. Radhakrishnan Salai
Mylapore, Chennai-600 004.

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Rating history for last three years

					Current Rating						Chronology of Rating History for the past 3 years				
					Date & Rating in FY2021			Date & Rating in FY2020			Date & Rating in FY2019			Date & Rating in FY2018	Date & Rating in FY2017
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	18 Dec 2020	06 Oct 2020	23 Sep 2020	26 Nov 2019	08 Nov 2019	30 Jul 2019	26 Mar 2019	03 Oct 2018	23 May 2018	20 Jul 2017	09 Jun 2016
1	Term loans	Long Term	1,915.00	1,701.3 (as on Sep 30, 2020)	[ICRA]AA+ (Stable)										
2	Long-term fund based	Long Term	735.00												
3	Short-term fund based	Short Term	250.00		[ICRA]A1+										
4	Short-term non-fund based	Short Term	185.00												
5	Commercial Paper	Short Term	300.00												
6	Non-convertible debenture	Long Term	300.00	590.00	[ICRA]AA+ (Stable)				-	-	-	-	-	[ICRA]AA+ (Stable)	
7	Unallocated	Long Term	185.00		[ICRA]AA+ (Stable)			-							

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

CERTIFIED TRUE COPY
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K SELVANAYAGAM

K. SELVANAYAGAM
Secretary - Membership No.A3871
"Auras Corporate Centre", 5th Floor
No.98-A, Dr. Radhakrishnan Salai
Mylapore, Chennai-600 004.

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Not applicable	Long-term unallocated	NA			185.00	
Not applicable	NCD	NA			300.00	
INE331A07240	NCD	5.50%			200.00	
INE331A07232/ INE331A07224/ INE331A07216/ INE331A07208	NCD	FY2020	6.89%	FY2024	400.00	[ICRA]AA+ (Stable)
	Term loans	FY2018	6.75%	FY2026	1,915.00	
Not applicable	Long- term fund based	NA			735.00	
	Short-term fund based				250.00	
	Short-term non-fund based				485.00	[ICRA]A1+
	Commercial Paper				900.00	

Source: The Ramco Cements Limited

Annexure-2: List of entities considered for consolidation

Company Name	Ownership	Consolidation Approach
Ramco Windfarms Limited – Subsidiary	71.50%	Full consolidation
Ramco Industrial and Technology Services Limited – Subsidiary	94.11%	
Ramco Industries Limited - Associate	15.43%	
Ramco Systems Limited - Associate	17.70%	
Rajapalayam Mills Limited - Associate	0.35%	Equity method
Madurai Trans Carrier Limited - Associate	29.86%	
Lynks Logistics Limited - Associate	46.21%	

Source: The Ramco Cements Limited

ICRA

ANALYST CONTACTS

Subrata Ray
+91 22 6114 3408
subrata@icraindia.com

Pavethra Ponniah
+91 44 4596 4314
pavethrap@icraindia.com

Vinutaa S
+91 44 4596 4305
vinutaa.s@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 2556 0194/ 6606 9999

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