

Ambuja Cement

4th June, 2021

BSE Limited, Phiroz Jeejeebhoy Towers, Dalal Street, Mumbai – 400023	National Stock Exchange of India Ltd., Plot No.C/1 'G' Block Bandra – Kurla Complex, Bandra East, Mumbai 400051
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Dear Sirs,

Sub: Credit Rating - Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we inform that the credit rating agency - CRISIL has vide their letter dated 3rd June, 2021 reaffirmed the credit rating assigned to bank facilities and short-term debt programme of the Company as follows:-

Rating Action

Total Bank Loan Facilities Rated	Rs.1200 Crore (Enhanced from Rs.1000 Crore)
Long Term Rating	CRISIL AAA/Stable (Reaffirmed)
Short Term Rating	CRISIL A1+ (Reaffirmed)
Rs.100 Crore Short Term Debt	CRISIL A1+ (Reaffirmed)

CRISIL Rating rationale is enclosed for your reference.

Presently, the Company do not have any debt instrument or fixed deposit programme or any scheme or proposal involving mobilization of funds whether in India or abroad.

Kindly take the same on record.

Thanking you
Yours faithfully

For AMBUJA CEMENTS LTD

**RAJIV GANDHI
COMPANY SECRETARY
Membership No A11263**

Rating Rationale

June 03, 2021 | Mumbai

Ambuja Cements Limited

Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.1200 Crore (Enhanced from Rs.1000 Crore)
Long Term Rating	CRISIL AAA/Stable (Reaffirmed)
Short Term Rating	CRISIL A1+ (Reaffirmed)

Rs.100 Crore Short Term Debt	CRISIL A1+ (Reaffirmed)
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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable/CRISIL A1+' ratings on the bank facilities and short-term debt programme of Ambuja Cements Limited (Ambuja Cements).

The ratings continue to reflect the company's healthy market position in north and west India, robust operating efficiency and strong financial risk profile because of healthy cash flows. These strengths are partially offset by susceptibility to the commoditised and cyclical nature of the cement industry. Any substantial debt-funded capex or acquisition, which may weaken the financial risk profile, will be a key rating sensitivity factor.

For the three months ending March 2021, the standalone sales volume increased around 26% (year-on-year) driven by healthy demand and low base, which was impacted because of the lockdown in the last two weeks of March 2020. During first quarter of 2021 (January to March), EBITDA margin improved to 27.3% from 21.9% in the corresponding quarter of previous year driven by strong growth in volumes and efficiency gains.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of Ambuja Cements and ACC Ltd (ACC; 'CRISIL AAA/Stable/CRISIL A1+'). This is because, post the restructuring between ACC and Ambuja Cements, ACC became a subsidiary of Ambuja Cements. Moreover, both companies have a common line of business, and have entered into master supply agreement, which helps them operate symbiotically, optimising each other's plant capacities and spare inventories, and thus, benefit from operational and financial synergies.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

* Healthy market position

Ambuja Cements had installed capacity of 29.65 million tonne per annum (MTPA) as on March 31, 2021, spread across north and central (around 40%), west (around 37%) and east (around 23%) India. It has large marketing infrastructure, pan-India presence and strong operational linkages with ACC (34.5 MTPA as on March 31, 2021). The companies together have 12-13% capacity share in the Indian cement market. Their nationwide presence shields operations from regional price volatility and demand-supply imbalances.

* Strong financial risk profile

Consolidated gearing remained healthy. Also, strong cash flow and low debt levels translate into robust debt protection metrics. Supported by healthy cash accrual and minimal reliance on debt, the debt protection metrics will remain strong over the medium term.

Weaknesses

* Susceptibility to volatility in input cost and realisations, and cyclical nature in the cement industry

Capacity addition in the cement industry is sporadic because of long gestation period for setting up a facility and large number of players adding capacity during the peak of a cycle. This has led to unfavourable price cycles in the past. Moreover, profitability is 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.

Liquidity: Superior

Debt primarily consists of interest-free loan from the state government. The company has announced capex of around Rs 2,500 crore to be spent over a period of 2-3 years towards capacity addition, captive power plant, plant maintenance and other infrastructure developments. Cash and cash equivalent stood at Rs 2,717 crore as on December 31, 2020. Unutilised bank lines and healthy cash accrual will sufficiently cover capex and working capital requirement.

Under ACC, liquidity will remain robust in the absence of external debt. Expected capex of around Rs 3,500 crore over the medium term, towards capacity addition and efficiency capex, will be entirely funded through internal accrual. Cash and cash equivalent stood at Rs 5,849 crore as on December 31, 2020. Cash accrual is estimated over Rs 1,900 crore in 2021. Unutilised bank limits and healthy cash accrual will be sufficient to meet capex and working capital requirement.

Outlook: Stable

CRISIL Ratings believes Ambuja Cements will maintain its strong financial risk profile over the medium term supported by healthy cash accrual and low debt.

Rating Sensitivity Factors

Downward Factors

- Larger-than-expected capex (organic or inorganic) or high dividend outflow, resulting in net cash less than Rs 1500 crore on a sustained basis
- Sustained decline in operating margin to less than 12%

About the Company

Ambuja Cements is one of India's leading cement manufacturers. In January 2006, Holcim Ltd (Holcim) acquired 14.8% stake in Ambuja Cements. Following an open offer in April 2006, Holcim assumed management control of the company. Globally, Holcim and Lafarge SA announced their merger in April 2014. Completed in July 2015, the merged entity was named LafargeHolcim. Post the proposed restructuring between ACC and Ambuja Cements, effective from August 12, 2016, ACC became a subsidiary of Ambuja Cements.

For the three months ended March 31, 2021, Ambuja Cement's consolidated profit after tax (PAT) was Rs 1,228 crore on operating income of Rs 7,715 crore, compared with PAT of Rs 743 crore on operating income of Rs 6,250 crore for the corresponding period last year.

For the three months through March 2021, Ambuja Cement reported standalone PAT of Rs 665 crore on operating income of Rs 3,621 crore, compared with PAT of Rs 399 crore on operating income of Rs 2,828 crore for the corresponding period last year.

Key Financial Indicators* (Consolidated^)

Particulars	Unit	2020	2019
Revenue	Rs.Crore	24,516	27,103
Profit After Tax (PAT)	Rs.Crore	3,107	2,783
PAT Margin	%	12.7	10.3
Adjusted debt/adjusted networkth	Times	0.00	0.00
Interest coverage	Times	47.3	39.9

*as per CRISIL analytical adjustment

^Financials for the year ended December 31; includes consolidated numbers of ACC Ltd

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Level	Rating Assigned with Outlook
NA	Short Term Debt	NA	NA	7-365 days	100	Simple	CRISIL A1+
NA	Cash Credit & Working Capital Demand Loan	NA	NA	NA	75	NA	CRISIL AAA/Stable
NA	Cash Credit & Working Capital Demand Loan*	NA	NA	NA	25	NA	CRISIL AAA/Stable
NA	Letter of credit & Bank Guarantee#	NA	NA	NA	635	NA	CRISIL A1+
NA	Letter of credit & Bank Guarantee	NA	NA	NA	300	NA	CRISIL A1+
NA	Proposed Working Capital Facility	NA	NA	NA	10	NA	CRISIL AAA/Stable
NA	Letter of credit^	NA	NA	NA	155	NA	CRISIL A1+

*Interchangeable with bank guarantee / letter of credit
 #Fully interchangeable with bank guarantee
 ^Upto Rs 80 crore interchangeable with bank guarantee.

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
ACC Ltd	Full consolidation	Post the restructuring between ACC and Ambuja Cements, ACC has now become a subsidiary of Ambuja Cements. Moreover, both companies have a common line of business, and have entered into master supply agreement, which helps them operate symbiotically, optimising each other's plant capacities and spare inventories, and thus, benefit from operational and financial synergies.
M.G.T Cements Private Ltd	Full consolidation	
Chemical Limes Mundwa Private Ltd	Full consolidation	
Dang Cement Industries Private Ltd	Full consolidation	
Dirk India Private Ltd	Full consolidation	
OneIndia BSC Private Ltd	Full consolidation	
ACC Mineral Resources Ltd*	Full consolidation	
Bulk Cement Corporation (India) Ltd*	Full consolidation	
Lucky Minmat Ltd*	Full consolidation	
National Limestone Company Private Ltd*#	Full consolidation	
Singhania Minerals Private Ltd*	Full consolidation	
Counto Microfine Products Private Ltd	Equity method	JV/Associate
Aakaash Manufacturing Company Private Ltd^	Equity method	JV/Associate
Alcon Cement Company Private Ltd^	Equity method	JV/Associate
Asian Concretes and Cements Private Ltd ^	Equity method	JV/Associate

*Subsidiaries of ACC Ltd|

^Associates of ACC Ltd

#ceased to be a subsidiary w.e.f. 18th November 2020.

Annexure - Rating History for last 3 Years

Instrument	Current			2021 (History)		2020		2019		2018		Start of 2018
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	110.0	CRISIL AAA/Stable		--	23-11-20	CRISIL AAA/Stable	06-12-19	CRISIL AAA/Stable	25-01-18	CRISIL AAA/Stable	CRISIL AAA/Stable
					--		--	30-01-19	CRISIL AAA/Stable		--	--
Non-Fund Based Facilities	ST	1090.0	CRISIL A1+		--	23-11-20	CRISIL A1+	06-12-19	CRISIL A1+	25-01-18	CRISIL A1+	CRISIL A1+
					--		--	30-01-19	CRISIL A1+		--	--
Short Term Debt	ST	100.0	CRISIL A1+		--	23-11-20	CRISIL A1+	06-12-19	CRISIL A1+	25-01-18	CRISIL A1+	CRISIL A1+
					--		--	30-01-19	CRISIL A1+		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit & Working Capital Demand Loan	75	CRISIL AAA/Stable	Cash Credit%	100	CRISIL AAA/Stable
Cash Credit & Working Capital Demand Loan*	25	CRISIL AAA/Stable	Letter of Credit^	155	CRISIL A1+
Letter of Credit^	155	CRISIL A1+	Letter of credit & Bank Guarantee\$	725	CRISIL A1+
Letter of credit & Bank Guarantee#	635	CRISIL A1+	Proposed Working Capital Facility	20	CRISIL AAA/Stable
Letter of credit & Bank Guarantee	300	CRISIL A1+	-	0	-

Proposed Working Capital Facility	10	CRISIL AAA/Stable	-	0	-
Total	1200	-	Total	1000	-

*Interchangeable with bank guarantee/letter of credit

#Fully interchangeable with bank guarantee

^Upto Rs 80 crore interchangeable with bank guarantee

%Interchangeable with bank guarantee/letter of credit to the extent of Rs 25 crore

\$Fully interchangeable with bank guarantee to the extent of Rs 425 crore

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Cement Industry](#)

[CRISILs Criteria for rating short term debt](#)

[CRISILs Criteria for Consolidation](#)

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