Ratings

CRISIL
An S&P Global Company

Rating Rationale

January 25, 2018 | Mumbai

ACC Limited

Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	**Rs.1130 Crore (Enhanced from Rs.1030 Crore)**
Long Term Rating	**CRISIL AAA/Stable (Reaffirmed)**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale
CRISIL has reaffirmed its ratings on the bank facilities of ACC Ltd (ACC) at 'CRISIL AAA/Stable/CRISIL A1+'.

The ratings reflect ACC's continuing strong market position in the cement industry and robust financial risk profile, result of strong cash flow, negligible debt, healthy debt protection metrics, and adequate financial flexibility.

Analytical Approach
CRISIL has combined the business and financial risk profiles of ACC and Ambuja Cements Ltd (Ambuja Cements; rated 'CRISIL AAA/Stable/CRISIL A1+'). This is because 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, which helps them operate symbiotically, and thus, benefit from operational and financial synergies.

Key Rating Drivers & Detailed Description
Strengths
*** Healthy market position**
ACC had a total installed capacity of 33.41 million tonne per annum (MTPA) as on September 30, 2017. It has a large marketing infrastructure, pan-India presence, and strong operational linkages with Ambuja Cements (29.65 MTPA capacity as on September 30, 2017)-the two companies together share 16% of the Indian cement market. Pan-India presence de-risks operations from regional price volatility and demand-supply imbalances. Established brand image helps command a premium over other brands. Realisations, too, are among the highest in the industry.

*** Strong financial risk profile:**
ACC has a robust capital structure (zero debt and networth of over Rs 9220 crore as on June 30, 2017), and sufficient liquidity (cash balance of Rs 1780 crore as on June 3, 2017). In the first nine months of 2017 (refers to calendar year, January 1 to December 31), net cash accrual was Rs 1204 crore. Debt protection metrics are strong, with interest coverage ratio of 23 times for the first nine months of 2017. Moreover, no major capital expenditure (capex) is planned over the medium term.

Weakness
*** Susceptibility to risks relating to input cost, realisations, and cyclicality in the cement industry**
Capacity addition in the cement industry tends to be sporadic because of long gestation period for setting up of facility and the large number of players adding capacity during the peak of a cycle. This has led to unfavourable price cycles for the sector in the past. Moreover, 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 profitability of several cement players. Realisations and profitability are also affected by demand, supply, offtake, and other regional factors.

Outlook: Stable
CRISIL believes ACC will maintain its strong debt protection metrics over the medium term, supported by low debt and robust cash flow.

Downside scenario
* Inorganic growth plan or larger-than-expected capex weakening financial risk profile
* LafargeHolcim utilising ACC's financial resources to support group companies

About the Company
ACC is India's oldest cement company, with a total installed capacity of 33.41 mtpa as on September 30, 2017. The company also manufactures ready-mix concrete, and has 50 plants across India. ACC and Ambuja Cements are part of the LafargeHolcim group (LafargeHolcim Ltd; rated 'BBB/Negative/A-2' by S&P Global). As on September 30, 2017, LafargeHolcim held 63.11% stake in Ambuja Cements, which held 50.05% stake in ACC; it also holds 4.48% stake in ACC through Holderind Investments Ltd.

Key Financial Indicators

Particulars	Unit	2016	2015
Revenue	**Rs crore**	**11145**	**11787**

Profit After Tax (PAT)	**Rs crore**	**605**	**587**
PAT Margins	**%**	**5.4**	**5.0**
Adjusted debt/adjusted networth	**Times**	**0.00**	**0.00**
Interest coverage	**Times**	**31.61**	**36.24**

Any other information: Not applicable

Note on complexity levels of the rated instrument:
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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Rating Assigned with Outlook
NA	Overdraft facility	NA	NA	NA	155	CRISIL AAA/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	975	CRISIL A1+

Annexure - Rating History for last 3 Years

	Current			2018 (History)		2017		2016		2015		Start of 2015
Instrument	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT		--		--		--		--	28-12-15	Withdrawal	CRISIL AAA/Stable
Fund-based Bank Facilities	LT/ST	155	CRISIL AAA/Stable		No Rating Change		No Rating Change		No Rating Change		No Rating Change	CRISIL AAA/Stable
Non Fund-based Bank Facilities	LT/ST	975	CRISIL A1+		No Rating Change		No Rating Change		No Rating Change		No Rating Change	CRISIL A1+

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	**Amount (Rs.Crore)**	**Rating**	**Facility**	**Amount (Rs.Crore)**	**Rating**
Letter of credit & Bank Guarantee	**975**	**CRISIL A1+**	**Bank Guarantee***	**450**	**CRISIL A1+**
Overdraft	**155**	**CRISIL AAA/Stable**	**Bank Guarantee***	**145**	**Withdrawal**
--	**0**	**--**	**Letter of Credit***	**200**	**CRISIL A1+**
--	**0**	**--**	**Letter of credit & Bank Guarantee**	**225**	**CRISIL A1+**
--	**0**	**--**	**Overdraft**	**155**	**CRISIL AAA/Stable**
Total	**1130**	**--**	**Total^**	**1175**	**--**

**Bank guarantee and letter of credit limits are interchangeable*
^Reduction in total debt includes reduction in bank guarantee and overall enhancement in overdraft facility

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufaturing and service sector companies
Rating Criteria for Cement Industry
CRISILs Criteria for Consolidation
CRISILs Criteria for rating short term debt

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