

Anjaneer Cement Corporation (Revised)

August 11, 2022

Rating

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.53	CARE B; Stable (Single B; Outlook: Stable)	Reaffirmed
Total Bank Facilities	8.53 (₹ Eight Crore and Fifty-Three Lakhs Only)		

Details of facilities in Annexure-1.

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Anjaneer Cement Corporation (ACC) continues to remain constrained by its partnership nature of constitution, small scale of operations, leveraged capital structure, risk arising out of volatility in raw material prices, working capital intensive nature of business, intensely competitive nature of the industry, cyclical nature of the cement industry with exposure to geographical concentration risk.

However, the rating derives strength from experienced partners with wide dealer network.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Sizeable increase in scale of operations from present level (Total Operating Income above Rs.50.00 crore) on a sustained basis

Negative factors – Factors that could lead to negative rating action/downgrade:

- Any sizeable de-growth in scale of operations from present level (total operating income below Rs.10.00 crore) on a sustained basis
- Deterioration in capital structure with overall gearing ratio reaching higher than the level of 4.00 on a sustained basis.

Detailed description of the key rating drivers

Key rating weaknesses

Partnership nature of constitution

ACC is a partnership firm and the inherent risk of withdrawal of capital remains. The partners had withdrawn capital of Rs. 1.04 crore in FY22 (Rs. 6.30 crore in FY21).

Small scale of operations

ACC is into manufacturing of cement business since 2014 and accordingly has track record of operations of about eight years. Furthermore, ACC is a small player in the cement industry marked by total operating income of Rs. 21.00 crore with PBT of Rs.1.39 crore in FY22 (Prov.) as against Rs.18.17 crore with a PBT of Rs. 1.55 crore in FY21. Further, the partner's capital stood at Rs. 3.58 crore as on March 31, 2022 as against Rs.3.23 crore as on March 31, 2021.

PBILDT margin deteriorated to 10.99% in FY22 (prov.) as against 16.44% in FY21 on account of increase in cost of raw material which could not be fully passed on. In line with dip in PBILDT margin, PAT margin declined to 6.63% in FY22 (prov.) as against 8.51% in FY21.

Leveraged capital structure

Although overall gearing of the firm improved to 2.20x as on March 31, 2022 as against 2.40x as on Mar 31, 2021 on account of payment of GECL term loan, it remained leveraged. Further, the interest coverage ratio also improved to 4.12x in FY22 from 3.93x in FY21 due to reduction in interest expenses. Total debt to GCA deteriorated to 4.52x in FY22 (Prov.) as against 4.05x in FY21 on account of lower profitability.

Risk arising out of volatility in raw material prices

ACC is engaged in manufacturing of cements and does not have its own clinker unit. Hence, it has to procure it from other cement manufacturers. The firm procures its major raw material i.e., clinker mainly from large cement players. Furthermore, it does not have any long-term agreement with its suppliers. The raw material cost continues to be the major cost component of ACC constituting around 78% of the total cost of sales in FY22 & around 71% of total cost of sales in FY21. Any sharp movement of major raw material may affect the profitability of the firm.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Working capital intensive nature of business

The operation of ACC is working capital intensive in nature which reflected through its high operating cycle. ACC maintain inventory of 45 to 60 days smooth running of its production and provide open credit of 30-90 days to its old dealers/ distributor, no credit is given to its new dealers/ distributors. Further, operating cycle of the firm has been elongated from 45 days in FY21 to 58 days in FY22 despite improvement in collection period from 74 days in FY21 to 57 days in FY22. This is mainly on account of reduction in creditor days.

Intensely competitive nature of the industry with exposure to geographical concentration risk

ACC is operating in a highly competitive market, dominated by the large cement manufactures with wide brand acceptability. High competition restricts the pricing flexibility of the industry participants and has a negative bearing on the profitability. Furthermore, the operations of the firm are confined in the state of Assam only. Hence, presence in only a single state led to geographical concentration risk for the firm.

Cyclical nature of the cement industry

Cement demand is derived from real estate, infrastructure & industrial sectors. Spiralling cost of capital, delays in execution of infrastructure as well as industrial projects. Due to the elections held in five states, disruption in construction activity dragged the demand growth to 5% in February 2022, which saw a reversal in trend with a strong uptick in March 2022. East and West regions witnessed low-to-marginal growth in housing and infrastructure due to degrowth in urban housing and infrastructure.

Key rating strengths

Experienced partners

ACC is currently managed by Mr. Naba Kumar Basumatary who has around two decades of experience in cement industry, looks after the day-to-day operations of the firm. He is being duly supported by the other partners Mr. Debasis Das, Mr. Apurba Talukdar, Mr. Debi Lal Choudhary, Mr. Harish Chandra Tripathi, Mr. Mrinal Jyoti Das and Mr. Durgesh Chandra Choudhary along with a team of experienced personnel.

Wide dealer network

The firm has around 80 local dealers for the distribution of its products in the state of Assam.

Liquidity: Stretched

The liquidity position remains stretched. The average utilisation of fund-based limits of the firm remained high around 97% through the past 12 months ended March 31, 2022. The firm availed Guaranteed Emergency Credit Line (GECL) of Rs.0.60 crore and repayment of the same started from July 2021. In FY23, the debt repayment obligation stands at Rs.0.20 crore which would be met entirely out of cash accruals.

Analytical approach: Standalone

Applicable criteria

[Rating Outlook and Credit Watch](#)

[Policy on default recognition](#)

[Financial Ratio- Non - Financial Sector](#)

[Liquidity Analysis of Non-Financial sector](#)

[Rating Methodology - Cement](#)

[Criteria for Short term ratings](#)

About the company

Anjane Cement Corporation (ACC) was established as a partnership firm in 2009 by Mr. Naba Kumar Basumatary and Debasis Das for setting up a cement grinding unit. The firm has been engaged in the business of manufacturing cement at its plant located at Baska, Assam with aggregate installed capacity of 90,000 metric ton per annum. The firm has started commercial operations from June, 2014 onwards. The cement manufactured by the firm is marketed under the brand name of 'NEERMAAN' in the state of Assam.

ACC is currently managed by Mr. Naba Kumar Basumatary who has around two decades of experience in cement industry, looks after the day to day operations of the firm. He is being duly supported by the other partners.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)	Q1FY23 (UA)
Total operating income	18.17	21.00	NA
PBILDT	2.99	2.31	NA

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)	Q1FY23 (UA)
Total operating income	18.17	21.00	NA
PAT	1.55	1.39	NA
Overall gearing (times)	2.40	2.20	NA
Interest coverage (times)	3.93	4.12	NA

A: Audited; NA: Not available; UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.53	CARE B; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (01-Jul-19)
2	Fund-based - LT-Cash Credit	LT	8.53	CARE B; Stable	-	1)CARE B; Stable (09-Sep-21)	1)CARE B; Stable (11-Jun-20)	1)CARE B; Stable (01-Jul-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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