

Barak Valley Cements Limited

September 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	39.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Detailed Rationale & Key Rating Drivers

Barak Valley Cements Limited (BVCL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on BVCL's bank facilities will now be denoted as **CARE BB+; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account sustained satisfactory operational and financial performance of the company characterised by growth in scale of operations during FY24 (refers to the period April 01 to March 31). The rating continues to derive strength from the extensive experience of promoters in cement industry, company's long track record of operations and established customer base in North-eastern region.

However, these rating strengths are constrained due to moderation in profitability margins during FY24, modest scale of operations, exposure to volatility in input costs, working capital intensive operations and substantial exposure towards subsidiaries.

Detailed description of the key rating drivers

At the time of last rating on June 28, 2023 the following were the rating strengths and weaknesses (updated for the information available from BVCL and BSE filings):

Key Rating Weaknesses

Modest scale of operations

BVCL has modest scale of operations with installed capacity of 0.33 million tonnes per annum (MTPA) of cement and 0.23 MTPA of clinker. The company has geographical concentration in sales of cement in the North-Eastern region of India. During FY24, the capacity utilization of the plant improved to 104.85% and 91.81% for cement and clinker production respectively from 78.41% and 86.15% in FY23 due to significant increase in demand. Still, the company lacks economies of scale and operational efficiencies that are enjoyed by larger established players present in the region. Further the company caters to a highly concentrated region with large number of cement manufacturers operating near-by some of which are having large manufacturing capacity. The company has geographic concentration risk since it predominantly markets its products only in the North-eastern states of Mizoram, Manipur, Tripura, Assam, and Meghalaya.

Exposure to volatility in input costs

Limestone, coal, fly ash and gypsum form major raw materials for a cement manufacturer. While the company has captive mines for limestone, it meets its coal and fly ash requirement through open market purchases from the domestic producers. With the company depending on the open market purchases for meeting its raw material requirement, it remains exposed to the risk arising on account of the volatility in the raw material prices. Further in order to cater to the high clinker demand during FY24 in order to serve the increased demand for cement, BVCL had to resort to open market for clinker acquisition which also increased its input cost during the year.

Working capital intensive operations

The operations of the company continue to remain working capital intensive as characterized by average utilization of 89% over the last 12 months ended Jun'24. The gross current asset stood at 125 days in FY24, with operating cycle at 59 days. The collection and creditor period came in at 23 days and 68 days respectively, being majorly in line with previous year.

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

Key Rating Strengths

Growth in total operating income, albeit with moderation in profitability

The company reported growth in its operations during FY24 on the back of improved demand. Total operating income increased from Rs. 174.46 crore in FY23 to Rs. 232.14 crore in FY24. The PBILDT margins of the company, however, moderated from 13.13% during FY23 to 10.90% in FY24 due to increase in input cost of clinker which was partly procured from suppliers during the year in order to serve the pent up demand of cement.

Locational advantage and integrated cement plant with captive limestone mines

The company's cement manufacturing plant has locational advantage as the unit is situated on the National Highway connecting Guwahati and Silchar and located in the Barak Valley region of Badarpurghat, Distt. Karimganj, Assam. The entire area is surrounded by the other states of North-East such as Manipur, Mizoram, Tripura, and southern part of Meghalaya, which are the company's target markets. The company also has captive limestone mines, in its wholly owned subsidiary viz. Meghalaya Minerals and Mines Limited (MMML), in district Jaintia of Meghalaya. It has also set up limestone crushing and galvanized plant for crushing, segregation, and homogenization of limestone. The limestone mines are located within 75 km radius from the cement plant and the company has mining rights till 2052. BVCL is procuring its entire requirement of limestone from its subsidiary.

Established customer base in North-Eastern region of India

BVCL's presence is concentrated in North-eastern region of India and the company sells cement through a distribution network comprising 150-160 dealers, in the states of Assam, Mizoram, Tripura, and Manipur. The company has over 20 years of relationships built with these dealers with satisfactory realization of payments. The company has a diversified and strong customer base including institutions and government agencies like Director General of Supplies & Disposals (DGS&D), 19th Assam Rifles, Executive Engineer Rural Development (EERD), CPWD, ONGC, BSF, etc.

Experienced promoters and long track record of operations in the cement industry

Incorporated in 1999, the company has more than 2 decades of experience in the business of cement manufacturing and sells cement under the brand name 'Valley Strong Cement'. It manufactures Ordinary Portland Cement (OPC) and Portland Pozzolana Cement (PPC) and its target markets are located in the North-Eastern states of India. The promoters of the company have extensive experience in the business of cement manufacturing and are well supported by a qualified management team.

Liquidity analysis: Adequate

The company has adequate liquidity, characterized by expected GCA of around Rs. 16.65 crore against which it has repayment obligations of about Rs. 4.18 crore in FY25. Average utilisation of working capital has also reduced to ~89% during last 12 months till Jun'24. Same was ~96% for 12 months ended Mar'23. Free cash and cash equivalents are negligible.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of non-cooperation by issuers](#)
[Policy on default recognition](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Cement](#)
[Manufacturing Companies](#)

About the Company

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Construction Materials	Cement & Cement Products	Cement & Cement Products

Incorporated in April 1999, BVCL is engaged in the business of manufacturing and marketing cements of different grades under the brand name 'Valley Strong Cement'. The manufacturing unit of the company is located at Jhoom Basti, Devendranagar, Badarpurghat, District Karimganj, Assam and the company sells cement in the North-Eastern states of India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1-FY25 (UA)
Total operating income	174.46	232.14	53.39
PBILDT	22.90	25.30	7.00
PAT	5.80	9.86	3.20
Overall gearing (times)	0.63	0.46	NA
Interest coverage (times)	2.63	3.51	5.34

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	25.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Term Loan-Long Term		-	-	March 2027	14.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	25.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (28-Jun-23)	1)CARE BB; Stable (04-Jul-22)	1)CARE BB-; Stable (23-Aug-21)
2	Term Loan-Long Term	LT	14.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (28-Jun-23)	1)CARE BB; Stable (04-Jul-22)	1)CARE BB-; Stable (23-Aug-21)

*Issuer did not cooperate; based on best available information.

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

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Term Loan-Long Term	Simple

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

Annexure 5: Bank Lender Details for this Company

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

Contact us

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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