Mangalam Cement Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	567.35 (Enhanced from 530.31)	CARE A+; Stable	Reaffirmed
Long-term / Short-term bank facilities	410.00	CARE A+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	75.00	CARE A1+	Reaffirmed
Commercial paper	75.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities and instruments of Mangalam Cement Limited (MCL) consider MCL's healthy scale of operations despite some moderation considering market-driven dynamics, comfortable financial profile, and MCL's adequate liquidity position. CARE Ratings Limited (CARE Ratings) has noted the decline in total operating income (TOI) in FY24 and 9MFY25 considering industry-wide challenges such as general elections, floods, erratic rainfall, pollution concerns, and festive season dynamics. These external factors contributed to a decline in demand, impacting revenue performance across industry players. Despite the revenue decline, the company demonstrated effective cost management, leading to an improvement in profitability. The operating margin recovered to 11.85% in FY24 from 8.21% in FY23 and further to 12.29% in 9MFY25.

Ratings also draw strength from MCL's operating efficiency arising out of backward integration and cost optimisations arrived through availability of limestone reserves, captive power plants, waste heat recovery system (WHRS) plant, split units of the project and proximity of the project to raw material sources. Ratings also factor in MCL's brand presence in the northern and central regions, strong distribution network, favourable trade against non-trade sales mix of the company, and eligibility for subsidies and rebates from various state governments.

However, ratings are constrained by exposure of MCL to competitive pressure given its geographical concentration and modest scale of operation, volatility in input and finished goods prices, partial procurement of high-cost limestone from the open markets, cyclicality of the cement industry and limited ability of the cement players to hike prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operation leading to increase in TOI (to greater than ₹2,000 crore) and profitability (PBILDT margin greater than 18%) on a sustained basis.
- Improvement in capital structure (overall gearing less than 0.5x) and debt protection metrics (PBILDT interest coverage greater than 5.0x) on a sustained basis.

Negative factors

- Lower-than-envisaged profitability leading to a net debt/ PBILDT above 3x on a sustained basis.
- Large-scale debt-funded capital expenditure (capex) leading to deteriorating capital structure.

Analytical approach: Standalone

Outlook: Stable

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

The "Stable" rating outlook indicates the expected sustenance of its moderate competitive position and operating efficiency in the cement business and healthy financial risk profile.

Detailed description of key rating drivers:

Key strengths

Established brand with concentration in the northern region and favourable sales mix
MCL was incorporated in 1976 and commenced its business in 1977. The company sells cement under the brand name 'Birla Uttam Cement' and 'Mangalam ProMaxX', which is well recognised majorly in the northern and central markets. Northern and central regions contributed close to 95% of total sales in FY24 and 9MFY25, where Rajasthan and Uttar Pradesh form the major market contributing ~77-78%.
Going forward, CARE Ratings expects the demand in the northern and the central region to be healthy from rural housing and infra projects, especially in Uttar Pradesh on the back of government spending and a pick-up in construction. The company produces two grades of cement, 'Pozzolona Portland Cement' (PPC) and 'Ordinary Portland Cement' (OPC). The blended cement constituted 69% of the cement sales volume in FY24 and 67% in 9MFY25, whereas the OPC constituted remaining 31% and 33% in FY24 and 9MFY25 respectively. Higher proportion of blended cement aids the profitability of the company as it enjoys higher profit margin. MCL has established an extensive network of 51 sales promoters, 1,054 dealers and 2,791 retailers for marketing and selling the cement to its end-customers. The company is also eligible to avail certain subsidy and exemptions given by Government of Rajasthan and U.P. considering expansion projects undertaken by it in both 2014 and September 2016 for 10 years ending 2027.

Healthy operational performance amidst market-driven challenges
Despite market-driven challenges, the company has maintained a resilient operational performance in FY24 and 9MFY25. Total operating income (TOI) for FY24 stood at ₹1,725 crore, reflecting a slight decline from ₹1,792 crore in FY23, primarily due to a marginal reduction in sales realisation from ₹5,180/t to ₹5,120/t and a slight dip in sales volume by 3% from 3.46 MT in FY23 to 3.37 MT in FY24. However, the capacity utilisation remained robust at 77% above the industry's average.

In 9MFY25, the company reported a TOI of ₹1,178 crore, with sales realisation moderating further to ₹4,848/t amid continued market consolidation and competitive pricing strategies to enhance market share by players. Despite this, PBILDT per tonne improved from ₹427/t in FY23 to ₹607/t in FY24 and further to ₹620/t in 9MFY25, supported by lower fuel costs and operational efficiencies.
Going forward as the demand picks up, CARE Ratings expects MCL to continue to have healthy capacity utilisation levels as it operates in demand-accretive regions and the TOI is projected to experience modest growth which is a key monitorable.

Adequate backward integration and cost optimisation
MCL has a captive limestone mine situated in proximity to the plant which meets almost 90% of the total limestone requirement of the company. Proximity to the major raw material source minimises the transportation cost for sourcing of raw materials and enhances the operational effectiveness.
The captive mines have sufficient proven reserves of ~152 million tonnes. The company mixes the captive limestone from Morak mines with high-grade limestone which is partially procured from its captive mine at Gagrana, Nagaur, Rajasthan at a distance of ~350 kilometres and partly from open markets from the same region. Procurement of limestone from Nagaur involves high transportation cost and subsequently higher raw material cost. About 12% (FY23: 12%) and 14% (H1FY24: 12%) of the company's limestone requirement was procured from open market in FY23 and 9MFY24 respectively. The company has also started procuring limestone from a nearby mine in Chittorgarh, which provides some cost saving on the raw material front. The manufacturing facility of MCL at Morak, Rajasthan provides clinker to both its grinding facilities at Morak and Aligarh. The company operates grinding unit at Aligarh to save upon cost of logistics, as the unit is close to target user markets of UP and MP. Limestone requirements of clinkering unit at Morak is met to the extent of ~90% from the captive limestone mines near the plant. Fly ash is acquired partly from the thermal power plant at Kota, which is ~70 kms from the plant, partly from captive power plant of MCL and partly from a UP state's power plant. Apart from limestone and fly ash, which constitute the basic raw materials, sources of other raw materials are also in close proximity to the project sites which in turn enables the entity to optimize its costs.

The company has two units of coal-based captive power plant with an installed capacity of 35 MW in Kota, two units of wind-based power with an installed capacity of 13.65 MW in Jaisalmer and 11-MW WHRS plant in Kota ensuring continuous supply of power at competitive rates. The installation of 11 MW WHRS at Morak operationalized in August 2020 led to increase in green power sources.
In FY24, captive power sources catered to ~76% (FY23: ~72%) of the company's power requirement reducing the dependence on grid. The total power cost/kwh reduced by 4% Y-o-Y compared to FY24 vs FY23 and 9MFY25 vs 9MFY24 considering increase in contribution of power from captive sources as grid cost/unit increased in FY24.

Capital structure expected to remain comfortable

The company's capital structure remained moderate, with overall gearing ratio improving to 0.76x as on March 31, 2024, from 0.87x in FY23, primarily due to a reduction in total outstanding debt from ₹340 crore in FY23 to ₹286 crore in FY24 and further ₹225 crore in 9MFY25.
The net debt/PBILDT improved to 1.91x in FY24 (FY23: 2.94x), meanwhile, the PBILDT interest coverage ratio improved to 3.04x in FY24 (FY23: 2.25x), backed by healthy operating profitability.
Going forward, CARE Ratings envisages some moderation in capital structure in the medium term as the company will be incurring a partially debt-funded capex project, with peak debt position expected in FY27. However, the net debt/PBILDT is expected to remain comfortable and coverage indicators to be restored post FY27 as the company accrues the benefits of the expansion. Sustained moderation in the leverage indicators amid the capex plans will remain a key monitorable.

Key weaknesses

Exposure to volatility in input costs
The company is exposed to the commodity price risk arising out of fluctuation in prices of raw materials (gypsum, iron ore, fly ash, and iron slag) and fuel (coal and pet coke). Coal (indigenous and international) is used for both the power generation to run its plants and as fuel for kilns. While pet coke is mostly imported, for coal, the company is relying on both domestic and international sources. Coal linkages catered to ~82% and 91% of the total coal requirement of CPP in FY24 and 9MFY25, respectively (PY: 57% and 51%, respectively) and benefits the company by reducing the cost as the total average price/ton in FY24 and 9MFY25 reduced by 19% in FY24 and 25% in 9MFY25 against the previous years.
While input cost volatility remains a challenge, strategic cost-control measures, including efforts to optimise power and fuel expenses (which declined from ₹1,831/t in FY23 to ₹1,666/t in FY24 and further to ₹1,446/t in 9MFY25), will help sustain profitability. Freight costs have risen marginally to ₹1,099/t in 9MFY25, but overall cost structures remain under control.
Going forward, the company is expected to continue its focus on improving its internal efficiencies which along with support from the recent moderation in pet coke and coal prices shall improve the operating profitability sequentially.

Exposure of MCL to competitive pressure given its geographical concentration and moderate scale of operation
The company operates majorly in Rajasthan, Uttar Pradesh, and Madhya Pradesh. The company is exposed to competitive pressure from larger players who operate in these states due its moderate scale of operations.

Cyclicality of the cement industry:
The cement industry is highly cyclical in nature and depends largely on the economic growth of the country. There is a high degree of correlation between the GDP growth and the growth in cement consumption. Cement being a cyclical industry goes through phases of ups and downs, and accordingly impacts the unit realisations.

Liquidity: Adequate
The liquidity position of MCL is adequate with gross cash accruals of ₹156 crore in FY24 and ₹92 crore in 9MFY25. The company had liquid balance of ₹216 crore as on March 31, 2024, and ₹247 as on December 31, 2024 (inclusive of mutual funds). As against these, the company has balance repayment obligations of ₹21 crore in FY25 while the scheduled repayments for FY26 and FY27 in the range of ₹65-90 crore, respectively.
The past 12 months, average fund-based working capital utilisation of MCL ended December 2024 stood at 84%. As part of the liquidity policy, the management keeps liquid balances at all times to meet contingencies. Going forward, with moderation witnessed in the input cost and steps taken by to improve its operating efficiency the liquidity position is expected to remain comfortable in the medium term.

Assumptions/Covenants
Not applicable

Environment, social, and governance (ESG) risks
Not applicable

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch

[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)
[Cement](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Construction materials	Cement & cement products	Cement & cement products

Incorporated in 1976 and having commenced its business in 1977, MCL is a professionally run company, managed by Vidula Jalan of the B.K. Birla group. The company is engaged in manufacturing cement and currently has an installed cement capacity of 4.00 MTPA (0.75 MTPA grinding unit at Aligarh commenced commercial operations in September 2016), clinker capacity of 2.67 MTPA, coal-based captive power plant of 35 MW (two plants with a capacity of 17.50 MW each) at Morak and 13.65-MW wind power plant (two plants with a capacity of 6.15 MW and 7.50 MW) at Jaisalmer, Rajasthan.
The company has also set up 11-MW WHRS power plant at Morak plant (5.15 MW commissioned in January 2020 and 5.85 MW commissioned in August 2020). The company markets and sells its product under the brand name of Birla Uttam Cement.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	1,801.59	1,727.50	1,225.41
PBILDT	147.86	204.66	150.59
PAT	17.12	59.72	28.15
Overall gearing (times)	0.86	0.76	-
Interest coverage (times)	2.25	3.04	3.00

A: Audited UA: Unaudited; 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: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

CareEdge RATINGS

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
Commercial Paper-Commercial Paper (Standalone)		-	-	7-365 days	75.00	CARE A1+
Fund-based - LT-Cash Credit		-	-	-	225.00	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	30-09-2026	77.28	CARE A+; Stable
Fund-based - ST-Working Capital Demand loan		-	-	-	75.00	CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	410.00	CARE A+; Stable / CARE A1+
Term Loan-Long Term		-	-	31-09-2026	265.07	CARE A+; Stable

Annexure-2: Rating history for 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	225.00	CARE A+; Stable	-	1)CARE A+; Stable (19-Mar-24)	1)CARE A+; Stable (28-Mar-23) 2)CARE A+; Stable (07-Apr-22)	1)CARE A+; Stable (07-Mar-22)
2	Term Loan-Long Term	LT	265.07	CARE A+; Stable	-	1)CARE A+; Stable (19-Mar-24)	1)CARE A+; Stable (28-Mar-23) 2)CARE A+; Stable (07-Apr-22)	1)CARE A+; Stable (07-Mar-22)

3	Non-fund-based - LT/ ST-BG/LC	LT/ST	410.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (19-Mar-24)	1)CARE A+; Stable / CARE A1+ (28-Mar-23) 2)CARE A+; Stable / CARE A1+ (07-Apr-22)	1)CARE A+; Stable / CARE A1+ (07-Mar-22)
4	Fund-based - LT-Term Loan	LT	77.28	CARE A+; Stable	-	1)CARE A+; Stable (19-Mar-24)	1)CARE A+; Stable (28-Mar-23) 2)CARE A+; Stable (07-Apr-22)	1)CARE A+; Stable (07-Mar-22)
5	Commercial Paper-Commercial Paper (Standalone)	ST	75.00	CARE A1+	-	1)CARE A1+ (19-Mar-24)	1)CARE A1+ (28-Mar-23)	1)CARE A1+ (07-Mar-22)
6	Fund-based - ST-Working Capital Demand loan	ST	75.00	CARE A1+	-	1)CARE A1+ (19-Mar-24)	1)CARE A1+ (28-Mar-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based - ST-Working Capital Demand loan	Simple
5	Non-fund-based - LT/ ST-BG/LC	Simple
6	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated: Not applicable

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

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Ravleen Sethi Director **CARE Ratings Limited** Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in Bhawna Rustagi Assistant Director **CARE Ratings Limited** Phone: 91-120-4452045 E-mail: Bhawna.Rustagi@careedge.in Bhoomika Sharma Analyst **CARE Ratings Limited** E-mail: Bhoomika.Sharma@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information, please visit www.careedge.in