

## RLJ Cement Limited

April 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	33.66	CARE B+; Stable	Assigned
Long Term / Short Term Bank Facilities	21.34	CARE B+; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of RLJ Cement Limited (RLJ) factor in small scale of operations, leveraged capital structure marked by high overall gearing, lack of backward integration such as captive limestone mines and captive power plant making its profitability vulnerable to fluctuations in the prices of raw materials. Additionally, the ratings are also constrained by sizeable debt-funded capex pertaining to capacity expansion and concentrated customer base. However, the rating is supported by healthy profitability margins, experienced management team, long-term contract with Prism Johnson Limited (PJL) and a comfortable operating cycle.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growth in scale of operations to Rs 100 Crores while maintain PBILDT margins above 8% on a sustained basis.
- Improvement in financial risk profile marked by overall gearing <1.50x.

#### Negative factors

- Any higher than envisaged debt funded capex undertaken by the company leading to further deterioration in overall gearing.

**Analytical approach:** Standalone

#### Outlook: Stable

The Stable outlook reflects CARE Rating's opinion that the company will continue to benefit from the experience of its promoters in the industry along with long term contract with Prism Johnson Limited.

### Detailed description of key rating drivers:

#### Key weaknesses

#### Small Scale of Operations

The scale of operations grew at a compounded annual growth rate (CAGR) of 30.95% in last 5 years ended FY24. The TOI grew by 207% to Rs.77.54 crore in FY24 over FY23 on account of agreement with Prism Johnson Limited (PJL), though remains small which limits the financial flexibility of the company. The TOI for 9MFY25 stood at Rs 50.89 crores.

#### Leveraged capital structure

The entity's capital structure stood leveraged as marked by an overall gearing of 1.20x as on March 31, 2024 (0.81x as on March 31, 2023), which further deteriorated to 1.64x as on December 31, 2024 on account of ongoing debt funded capex. The debt coverage indicators of the company stood weak as reflected by total debt/GCA of 12.03x in 9MFY25 (refers to the period from April 01, 2024, to December 31, 2024).

#### Lack of Integrated nature of operations and limestone mines:

The major cost drivers for RLJ are power, freight, marketing costs, and raw materials (limestone, fly ash, gypsum and laterite). Limestone is the major raw material for the production of cement which is sourced from outside. RLJ sources clinker from PJL at mutually agreed prices. RLJ purchases fly ash, gypsum, and other raw materials from vendors jointly identified by both parties, adhering to quality and price terms acceptable to PJL. Since all the raw material requirement is met from outside vendors, the same exposes the company to raw material price volatility risk.

#### Ongoing debt funded capex

To meet the demand from PJL, the company has planned a capital expenditure of Rs 72 crores, which is primarily to be funded via term loan (Rs 48.16 crores), equity infusion (Rs 7.85 crores), unsecured loans from promoters and PJL (Rs 14.92) and cash accruals. Of this, Rs 58.70 crores of capex has been done as on March 12, 2025. This investment aims to double the capacity from

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

0.18 MMT to 0.36 MMT, with operations expected to commence by April 2025. The increased capacity is anticipated to enhance revenue visibility in the near term, with a turnover of Rs 50.89 crores recorded in the first nine months of FY25.

### Cyclicality of the cement industry:

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.

## Key Strengths

### Long Term Contract with PJJ

Under the agreement dated October 2022, RLJ Cement Limited will reserve 80% of its rated capacity, approximately 25,000 tons per month, for supplying Portland Pozzolana Cement (PPC) to PJJ. RLJ will utilize up to 20% of its capacity per month for its own brand. This agreement will remain in force for five years unless terminated by PJJ with six months' notice. Additionally, RLJ will also source clinker from PJJ at mutually agreed prices. PJJ may also permit RLJ to purchase clinker from third parties approved by PJJ and will procure fly ash, gypsum, and other raw materials from vendors jointly identified by both parties, adhering to quality and price terms acceptable to PJJ.

### Comfortable Operating Cycle

The company primarily sells to PJJ on a contract basis resulting in a moderated collection and inventory period of 15 days and 16 days for FY24(PY:33 days and 56 days).The credit period has also improved in FY24 upon supply from PJJ with creditor days for FY24 at 39 days (PY:67 days).Overall , the operating cycle stood comfortable at -8 days for FY24(PY:22 days).

### Liquidity: Adequate

The liquidity of RLJ remained adequate as marked by expected gross cash accruals (GCA) of Rs 4.84 crore in FY25 against repayment obligations of Rs 1.72 crores. The company has sanctioned working capital limit of Rs 4.80 crore whose average utilisation stood at 91% for past 12 months ending January 31 ,2025. The company has free cash and bank balance of Rs 1.70 crores and FD balance of Rs 1.92 crores as on December 31,2024.

## 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

RLJ Cement Limited based in Mirzapur, Uttar Pradesh, was incorporated on March 31, 2008, as RLJ steel Limited and was previously known as RLF Infracement Private Limited. Promoted by the Jain family, with MD as Mr Sneh Jain, RJJ is involved in manufacturing cement. The grinding unit for manufacturing Portland Pozzolana Cement (PPC) is located in Chunar, Mirzapur, Uttar Pradesh. As of March 31, 2024, it has an installed capacity of 1,80,000 MT.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)
Total operating income	25.28	77.54	50.89
PBILDT	3.62	5.89	5.52
PAT	0.94	2.51	3.03
Overall gearing (times)	0.81	1.20	1.64
Interest coverage (times)	3.20	4.42	6.90

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

### 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		-	-	-	4.80	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	July, 2031	28.86	CARE B+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	21.34	CARE B+; Stable / CARE A4

**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-Term Loan	LT	-	-	-	-	1)CARE D; ISSUER NOT COOPERATING * (12-Dec-22) 2)Withdrawn (12-Dec-22) 3)CARE D; ISSUER NOT COOPERATING * (03-Nov-22)	1)CARE D; ISSUER NOT COOPERATING * (16-Sep-21)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (12-Dec-22) 2)CARE D; ISSUER NOT COOPERATING * (12-Dec-22) 3)CARE D; ISSUER NOT COOPERATING * (03-Nov-22)	1)CARE D; ISSUER NOT COOPERATING * (16-Sep-21)
3	Fund-based - LT-Term Loan	LT	28.86	CARE B+; Stable				
4	Fund-based - LT-Cash Credit	LT	4.80	CARE B+; Stable				
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	21.34	CARE B+; Stable / CARE A4				

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

LT: Long 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	Fund-based - LT-Cash Credit	Simple

2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

### **Annexure-5: Lender details**

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

**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](mailto:care@careedge.in) for clarifications.

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