

**Press Release**  
**Purbanchal Cement Limited**  
**March 28, 2024**  
**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.00	ACUITE A-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	19.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.19.00 crore bank facilities of Purbanchal Cement Limited (PCL). The outlook is '**Stable**'.

**Rationale for the rating**

The rating on PCL derives strength from the sound business risk profile of the company marked by experienced management, moderate profitability levels, low dependence on external borrowings. Further, the rating also draws comfort from the healthy financial risk profile and strong liquidity position of the company.

The company's revenue grew by ~19% in FY2023 to Rs.237.54 Cr. from Rs.199.26 Cr. in FY2022. The growth in revenue is led by higher sales volume and improved realisations per tonne. However, in the current financial year, the revenue is estimated to moderate in the range of Rs.190-200 Cr. In 10MFY2024, company has reported revenue of Rs.156.48 Cr. The moderation is primarily on account of lower production as there was a breakdown in the clinker manufacturing unit for a period of 3-4 months, thereby affecting the supply of raw material.

The strengths are however, partly offset by the moderate working capital intensity in PCL's nature of operations, modest scale of operations, high geographical concentration risks and susceptibility to volatility in input prices.

**About the Company**

Incorporated in 2003, Purbanchal Cement Limited (PCL) is a Sonarpur, Assam based company, engaged in the manufacturing of Clinker, Ordinary Portland Cement (OPC) and Portland Pozzolana Cement (PPC) with an installed capacity for grinding of 3.94 lakh TPA (effective capacity 3.63 lakh TPA) and clinker manufacturing capacity of 1.62 lakh TPA. The company markets its products in northeast under the brands 'Surya Gold' and 'Surya Concretec' cement with major sales concentration in Assam. The company is currently headed by Mr. Vedant Agarwal(Managing Director). The company channelizes its sales through distributors and dealers across Assam, Meghalaya and other north eastern states.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has taken a standalone view of the business and financial risk profile of PCL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

## **Long and diversified experience of the management**

PCL is engaged in manufacture of cement since April 2008. The company was promoted in

2003 by Shri Trilok Chand Agarwal of Kolkata and Shri Prakash Gupta of Guwahati. Later, the company was taken over by Shri Madhur Agarwalla and Shri Subhash Chandra Agarwalla in July 2007, when the company was in project implementation stage. The plant became operational since April 2008. The promoters over the years have been successful in establishing the 'Surya Gold' and 'Surya Concretec' brand in the North-Eastern cement market. The promoters also have a long business experience in several industries such as ferro alloy, steel, refractories and more. In 2007, the management ventured into cement business by acquiring majority stake in PCL. Acuité believes that the established track record of over a decade and multifaceted experience of the promoters will continue to support the business, going forward.

### **Sound Business Risk Profile: albeit moderation expected in FY2024**

The demand-supply scenario in the Northeast region to remain favourable over the medium term, given the thrust on infrastructure development in the area and limited capacity addition in the region. Majority of the company's sales is concentrated in Assam in the hub of limestone mines and large cement players, saving on transportation costs. The company has a healthy capacity utilization of ~92 per cent for cement and 108 per cent for clinker, which is entirely captively consumed. Higher proportion of sales is derived from 'Surya Concretec' premium cement which is stronger than 'Surya Gold' cement. Since inception, PCL has established strong relationships with its regular customers, providing a consistent revenue visibility.

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The operating profitability moderated to 5.84% in FY2023 from 6.39% in FY2022, due to increased material cost. Further, it is expected to decline in FY2024, on account of higher material cost (majorly due to high clinker cost). Given that the raw-material cost is the major cost driver and the prices of which are volatile in nature, the profitability of the company is exposed to risk associated with volatility in prices of raw-material.

### **Healthy financial risk profile**

The company's healthy financial risk profile is marked by moderate net worth, negligible gearing and robust debt protection metrics. The tangible net worth of the company stood at Rs.91.94 Cr. as on 31st March 2023 as compared to Rs.82.45 Cr. as on 31st March 2022. Company has negligible debt outstanding as on 31st March 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.44 times as on 31st March 2023 as compared to 0.37 times in the previous year. The robust debt protection metrics of the company is marked by Interest Coverage Ratio at 21.08 times and Debt Service coverage ratio at 16.02 times as on 31st March 2023 as against 16.98 times and 13.53 times respectively in the previous year. Acuité believes that going forward the financial risk profile of the company will be sustained backed by steady accruals and no major debt funded capex plans.

### **Weaknesses**

#### **Moderately intensive working capital cycle**

The working capital cycle is moderately intensive marked by improved Gross Current Assets (GCA) of 108 days in FY2023 as compared to 115 days in FY2022. The debtor period stood comfortable at 28 days as on March 31, 2023 as compared to 33 days as on 31st March 2022. Further, the inventory period stood at 58 days as on March 31, 2023 as compared to 72 days in FY22. The company offers credit period for around 40 days to its customers and has a policy to maintain inventory for about 1-2 months period. For Limestone, the company usually maintains buffer stock of over 3 months. Also, the company procures around 40 per cent clinker (which is one of the major raw material) from the market for captive consumption, in

cash or against advance payment leading to high operating cycle. Acuité believes that the working capital management of the company will remain at similar levels over the medium term.

### **Susceptibility to volatility in input cost; cyclicality associated with 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 realizations. Moreover, profitability remains susceptible to volatility in input prices, including raw material, power, fuel and freight. Realisations and profitability are also affected by demand, supply, offtake and regional factors. PCIL remains exposed to frequent fluctuations in power cost in addition to the risks of volatile other input prices.

### **Rating Sensitivities**

Significant moderation in scale of operations and decline in operating profitability.  
Elongation of working capital cycle

### **Liquidity Position**

#### **Strong**

The company's liquidity position is strong marked by healthy net cash accruals of Rs.12.36 Cr. in FY2023 as against no long-term debt repayment over the same period. The fund-based limit of the company remains utilized at ~ 10 per cent for last six months ended February 2023. The current ratio stood comfortable at 3.18 times as on 31st March, 2023 as compared to 3.27 times as on 31st March, 2022. The cash and bank balances of the company stood at Rs.8.90 Cr. in FY2023 as compared to Rs.0.69 Cr. in FY2022. However, the company's working capital cycle is moderately intensive as reflected from Gross Current Assets (GCA) of 108 days in FY2023 as compared to 115 days in FY2022. Acuité believes that going forward the liquidity position of the company will remain strong due to steady cash accruals against no debt repayment.

### **Outlook: Stable**

Acuité believes the company's outlook will remain 'stable' over the medium term on account of its experienced management, sound business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while sustaining its operating margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and profitability or stretch in working capital cycle leading to deterioration in the liquidity position of the company.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	237.54	199.26
PAT	Rs. Cr.	9.41	8.10
PAT Margin	(%)	3.96	4.06
Total Debt/Tangible Net Worth	Times	0.01	0.01
PBDIT/Interest	Times	21.08	16.98

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Dec 2022	Cash Credit	Long Term	19.00	ACUITE A-   Stable (Reaffirmed)
13 Dec 2022	Cash Credit	Long Term	19.00	ACUITE A-   Stable (Reaffirmed)
07 Oct 2021	Cash Credit	Long Term	19.00	ACUITE A-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.00	ACUITE A-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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