



**Press Release**  
**SAIFCO CEMENTS PRIVATE LIMITED**  
**December 18, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	121.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	121.00	-	-

**Rating Rationale**

Acuite has assigned its long term rating of **ACUITE BBB-(read as ACUITE triple B minus)** on the Rs.121.00 Crore bank facilities of Saifco Cements Private Limited (SCPL). The outlook is 'Stable'.

**Rationale for Rating**

The assigned rating takes into account established track record of operations of the company along with increase in the capacity utilization resulting into improvement in the top line of business. The company has reported revenue of Rs.109.71 Crore in FY23 against Rs.82.51 Crore in FY22 backed by healthy demand and increase in the capacity utilization which stood at 66.6% in FY23 against 58.6% leads to improvement in the operating profile of the company. Acuite also takes note of the successful implementation of the Resolution Plan and post that the company have also met the all the necessary requirements as per the RBI Circular. These strengths are however, partly offset by moderate financial risk profile, working capital intensive operations and highly competitive nature of industry.

**About the Company**

Based in Jammu & Kashmir, Saifco Cements Private Limited is engaged in manufacturing cement and cement products. The company was incorporated in 1997. Currently the company is managed by Mr. Manzoor Ahmad Guna, Mr. Altaf Ahmad Guna, Mr. Suhail Manzoor Guna, Mr. Mohammad Khalil Guna, Mr. Ghulam Hassan Baba, Mr. Hilal Ahmad Bhat, Mr. Mumtaz Banoo, Mr. Ishfaq Trumboo and Mr. Tahir Ahmad Trumboo.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Saifco Cements Private Limited to arrive at this rating.

**Key Rating Drivers**

**Strengths**

**Experienced Management and established presence in Cement industry**

The management of SCPL has an experience of more than three decade of experience in the cement industry. The directors of the company are Manzoor Ahmad Guna, Altaf Ahmad Guna, Suhail Manzoor Guna, Mohammad Khalil Guna, Ghulam Hassan Baba, Mumtaz Banoo, Ruhail Manzoor Guna, Dawood Altaf Guna, Parveez Ahmad Guna, Amir Manzoor Guna.

Acuite believes that SCPL will continue to benefit from its extensive experience of promoters and it will help company to flourish in near to medium term.

## **Improvement in the scale of operations**

The company has reported revenue of Rs.109.71 Crore in FY23 against Rs.82.51 Crore in FY22. As company has reported healthy demand, increase in the capacity utilization which stood at 66.6% in FY23 against 58.6% leads to improvement in the operating profile of the company. The company has reported operating margins of 12.51% in FY23 against 4.99% in FY22. In addition, the PAT margins of the company stood at 2.21% in FY23 against (3.61%) in FY22. The company has achieved revenue of Rs.61.50 Crore till November 2023. Going forward, the company is estimated to achieve the revenue of under same range along with stable margins. Acuite believes that company may continue to report increase in revenue backed by increase in the capacity utilization in near to medium term.

## **Weaknesses**

### **Moderate Financial risk profile**

The financial risk profile of the company is moderate marked by negative net worth of Rs. (33.26) Crore in FY23 against Rs. (56.45) Crore in FY22. The weakening in tangible net worth is mainly due to erosion of net worth due to accumulation of losses incurred in previous years. However, the net-worth of the company is improved due to infusion of quasi equity into the business. Further, the total debt of the company is Rs.128.59 Crore in FY23 against Rs.158.92 Crore in FY22. The account of the company restructured with ballooning pattern of EMI's up to FY 2033. Initially, the company had to pay 10% of the restructured debt in the first year. However, the company has repaid more than 10% of the restructured debt as per the terms and conditions mentioned in sanction letter and in compliance of RBI. The company has been regular in paying the EMI's to the bank. The interest coverage ratio of the company stood at 1.32 times in FY23 against 0.73 times in FY22. In RP proposal, Interest cost has shown inflated at Rs.15.63 Crore in FY23. There is an increase in interest cost as the RP proposal implemented on September 2022. However, the loan has sanctioned on October 2022 and the interest cost stood at Rs.10.60 Crore. Due to the same, the interest payments had been made as per the previous interest rate of 11.25% and thereafter it has revised to 8.25%. So, the difference of 3.00% has been adjusted in FY23 in the form of reimbursement and company made an additional payment of Rs.2.33 Crore along Rs.2.70 Crore of upfront payment of outstanding debt. Further, the TOL/TNW ratio stood at (4.63) times in FY23 against (3.32) times in FY22 and the Debt-equity profile of the company stood at (3.87) times in FY23 against (2.82) times in FY22. Acuite believes that the financial risk profile of the company is expected to improve over the medium term on account of expected improvement in operating performance and absence of any debt-funded capex plan.

### **Working Capital Intensive operations**

The working capital operations of the company stood at 333 days as on 31<sup>st</sup> March 2023 against 488 days as on 31<sup>st</sup> March 2022. The GCA days are higher on the back of debtor days which stood at 114 days as on 31<sup>st</sup> March 2023 against 17 days as on 31<sup>st</sup> March 2022. Further, the average debtor days maintains by the company under 60-90 days. Also, the inventory days the company stood at 106 days as on 31<sup>st</sup> March 2023 against 136 days as on 31<sup>st</sup> March 2022. During year end, the inventory of the company remains on the higher side due to non-season as the construction does not happen at that point of time due to winters and snowfall. Also, company need to maintain inventory in form of raw material as mines are not accessible due to same reason. On the other hand, the creditor days of the company stood at 81 days as on 31<sup>st</sup> March 2023 against 181 days as on 31<sup>st</sup> March 2022.

### **Susceptibility to volatility in input cost and realisations, and cyclicity in the cement industry**

Capacity addition in the cement industry tends to be periodical because of the long gestation period for setting up a facility and the numerous players adding capacity during the peak of a cycle. This leads to unfavourable price cycles for the sector. 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.

## Rating Sensitivities

- Significant improvement in top-line of the company and profitability margins.
- Significant deterioration in the financial risk profile of the company.

## All Covenants

None.

## Liquidity Position

### Adequate

The liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.3.35 Crore as on 31st March 2023 against the debt repayment obligations of Rs.3.53 Crore in the same period. However, the short fall will be taken care by the extended support of the promoters to the business operations of the company. Further the company is expected to generate sufficient net cash accruals against the debt repayment obligation in near to medium term. The company has also successfully implemented the Resolution Plan and post that it has also met the all the necessary requirements as per the RBI Circular. The current ratio of the company stood at 1.70 times as on 31st March 2023 against 1.57 times as on 31st March 2022. The unencumbered cash and bank balance of the company stood at Rs. The average bank limit utilization of fund based bank facilities stood at 99.51% in last ten months ending August 2023. Also, company is enjoying 100% utilization of non-fund based facilities i.e., Letter of credit which stood at Rs.5.00 Crore and Bank guarantee of Rs.2.00 Crore.

## Outlook: Stable

Acuité believes that SCPL is likely to maintain a 'Stable' outlook over the medium term backed by its experienced management and established brand in the cement industry. The outlook may be revised to 'Positive' in case of higher-than-anticipated improvement in EBITDA per ton thereby leading to an improvement in debt protection indicators and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in debt coverage indicators from the current levels or if the company is unable to the ramp up the operations from its new capacity.

## Other Factors affecting Rating

Not applicable.

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	109.71	82.51
PAT	Rs. Cr.	2.43	(2.98)
PAT Margin	(%)	2.21	(3.61)
Total Debt/Tangible Net Worth	Times	(3.87)	(2.82)
PBDIT/Interest	Times	1.32	0.73

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

None

### 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 :

Not Available

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
The Jammu and Kashmir Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB-   Stable   Assigned
The Jammu and Kashmir Bank	Not Applicable	Funded Interest Term Loan	Not available	Not available	Not available	Simple	47.38	ACUITE BBB-   Stable   Assigned
The Jammu and Kashmir Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	48.62	ACUITE BBB-   Stable   Assigned

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Depanshi Mittal Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:depanshi.mittal@acuite.in">depanshi.mittal@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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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