

**Shri Kamakhya Chamaria**  
**Vice Chairman**  
**Barak Valley Cements Limited**  
202, Royal View,  
B.K. Kakoti Road, Ulubari,  
Guwahati  
Assam 781007

June 30, 2022

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your Company for FY22 (Audited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	41.00	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
Total Facilities	41.00 (Rs. Forty-One Crore Only)		

- Refer **Annexure 1** for details of rated facilities.
- A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by July 01, 2022, we will proceed on the basis that you have no any comments to offer.
- CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
- CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT

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

COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website [www.careedge.in](http://www.careedge.in) for latest update on the outstanding rating.
9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

*Kartik Verma*

**Kartik Verma**  
Analyst  
Kartik.Verma@careedge.in

*Puneet Kansal*

**Puneet Kansal**  
Associate Director  
puneet.kansal@careedge.in

Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi – 110 055  
Phone: +91-11-4533 3200

CIN-L67190MH1993PLC071691

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off  
Eastern Express Highway, Sion (East), Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

## Annexure 1

### Details of Rated Facilities

#### 1. Long Term Facilities

##### 1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	North-eastern Development Finance Corporation Ltd.	16.00	To be repaid in 71 equal monthly instalments of Rs. 22.22 lakhs starting from August 2022 and last instalments in July 2028 of Rs. 22.38 lakhs
	<b>Total</b>	<b>16.00</b>	

##### 1.B. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	IDBI Bank Ltd.	25.00	Repayable on demand
	<b>Total</b>	<b>25.00</b>	

**Total Long-Term Facilities: Rs.41.00 crore**

**Total Facilities (1. A+1.B): Rs.41.00 crore**

CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi – 110 055  
Phone: +91-11-4533 3200

CIN-L67190MH1993PLC071691

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off  
Eastern Express Highway, Sion (East), Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

PK

**Annexure-2**  
**Barak valley Cements Limited**  
**Press release**

**Ratings**

Facilities/ Instruments	Amount (₹ crore)	Rating <sup>2</sup>	Rating Action
Long Term Bank Facilities	41.00	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
<b>Total Bank Facilities</b>	<b>41.00</b> <b>(₹ Forty-One Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The revision in the long-term rating assigned to the bank facilities of Barak Valley Cements Limited (BVCL) takes into account the improvement in operational and financial performance of the company during FY22 (refers to the period April 01 to March 31). The company reported a growth of ~30% in total operating income and ~12% in PBILDT during FY22. 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 partially offset by modest scale of operations, exposure to volatility in input costs, working capital intensive operations and substantial, however reduced exposure towards subsidiaries.

**Key Rating Sensitivities:**

**Positive:**

- Improvement in Total Operating income above Rs.250 crores along with PBILDT margins above 12% on sustained basis
- Efficient management of working capital cycle and improvement in liquidity position.

**Negative:**

- Decrease in PBILDT margins below 10% on a sustained basis
- Substantial decline in sales volume resulting in lower capacity utilization of plants and decline in the total operating income.
- Any higher than envisaged debt funded capex, adversely impacting the capital structure of the company

**Detailed description of the key rating drivers**

**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. The capacity utilization of the plant improved to 75.68% and 76.74% for cement and clinker production respectively in FY22 from 64.58% and 71.77% in FY21. 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.

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

CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi – 110 055  
Phone: +91-11-4533 3200

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off  
Eastern Express Highway, Sion (East), Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: [care@careedge.in](mailto:care@careedge.in) • [www.careedge.in](http://www.careedge.in)

CIN-L67190MH1993PLC071691

PK

## ***Working capital intensive operations***

During FY22, the operations of the company continue to remain working capital intensive characterized by average utilization of ~94.15% over the last 12 months ended May 2022. The gross current asset days stood at 130 days in FY22, and the working capital cycle stood at 45 days for FY22.

## ***Substantial however reduced exposure in subsidiaries***

As on March 31, 2022, company has Rs. 12.87 crore as investments in its subsidiaries reduced from Rs.38.17 crores on March 31, 2021. Company has divested its entire stake in three tea subsidiaries namely Singlacheera Tea, Chargolla Tea and Goombira Tea Company Ltd to reinstate their focus on cement industry. As on March 31, 2022, adjusted net worth stood at Rs.74.73 crore and adjusted overall gearing stood at 0.97x. Any further increase in exposure towards subsidiaries shall remain negative from credit perspective.

## **Key Rating Strengths**

### ***Improvement in operational and financial performance during FY22***

The company reported improvement in operational and financial performance during FY22 (refers to the period April 01 to March 31) largely due to increase in demand of cement triggered by government infrastructure push and subdued impact of pandemic. The production volume of the company increased by 11.10% from 2.13 Lac tonnes (0.21MT) in FY21 to 2.49 Lac tonne (~0.25MT) in FY22. The company's total operating income also improved to Rs.172.73 crore in FY22 from 132.84 crores in FY21. The PBILDT increased to Rs.19.02 crore during FY22 from Rs.16.89 crore in FY21. The Company has reported loss at net level of Rs. 4.27 crore on account of loss on sale of 3 subsidiaries namely Goombira Tea Company Ltd, Chargolla tea Company Pvt Ltd, and Singlacheera tea Company Pvt Ltd respectively. The GCA levels of the company however remains moderate and stood at Rs. 8.52 crores in FY22.

### ***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.

### ***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.

## **Outlook on cement industry**

Growth in India's cement sector has seen a strong bounce back in FY22. The year closed with a growth of 20%, reaching an all-time high, after witnessing a decline of 11% in FY21. Owing to strong momentum in housing, infrastructure, and industrial development, the cement industry in India is set to see an upswing in demand in FY23 as well. The industry is likely to move at high single-digit growth on account of government thrust for infrastructure and strong traction in capital expenditure. Various initiatives by the government along with several MSME schemes are set to propel capital expenditure from private players. While demand is likely to remain strong in FY23, headwinds arising out of rising cost pressure could create some stress on the profitability of cement companies. Resultant price hikes by cement producers will become

## CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi – 110 055  
Phone: +91-11-4533 3200

CIN-L67190MH1993PLC071691

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off  
Eastern Express Highway, Sion (East), Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

PK

evident and might sustain in the near term. However, due to the competitive nature of the industry, the magnitude of the price hikes driven by cost pressure remains to be seen.

**Liquidity: Stretched**

The company has stretched liquidity, characterized by high working capital utilization and low cash and bank balance. The company is expected to generate gross cash accruals of around Rs. 11 crore against which it has repayment obligations of about Rs. 4.66 crore in FY23. As on March 31, 2022, the company has free cash and cash equivalents amounting to Rs.1.12 crore. The average utilization level of the fund-based limits of Rs 25 crore for the trailing twelve months ending May'2022 stood high at 94.15%.

**Analytical approach:** Standalone

**Applicable Criteria**

[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**

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, 2021 (A)	March 31, 2022 (A)
Total operating income	132.82	172.73
PBILDT	16.89	19.02
PAT	3.18	-4.27
Overall gearing (times)	1.01	0.84
Interest coverage (times)	2.10	2.06

A: Audited

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
------------------------	------	------------------	-------------	---------------	-----------------------------	---

CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi – 110 055  
Phone: +91-11-4533 3200

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off  
Eastern Express Highway, Sion (East), Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

CIN-L67190MH1993PLC071691

PK

Fund-based - LT-Cash Credit		-	-	-	25.00	CARE BB; Stable
Term Loan-Long Term		-	-	March 2027	16.00	CARE BB; Stable

**Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	25.00	CARE BB; Stable	-	1)CARE BB-; Stable (23-Aug-21)	1)CARE B; Stable (31-Aug-20)	1)CARE C; Stable (20-Aug-19) 2)CARE B; Stable (18-Jul-19)
2	Term Loan-Long Term	LT	16.00	CARE BB; Stable	-	1)CARE BB-; Stable (23-Aug-21)	1)CARE B; Stable (31-Aug-20)	1)CARE C; Stable (28-Feb-20)

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities**

Long term loan	Detailed explanation
<b>Financial covenants</b>	
i. Promoter contribution	At least 50% of the promoter's contribution for the capex should be brought upfront
ii. Unsecured loan	The borrower shall submit the undertaking that unsecured loan will be subordinated interest free loan and shall not be repaid prior to liquidation of term loan.
iii. D:E ratio	D:E ratio for the capex shall be maintained at 1.58
<b>Non- financial covenants</b>	
i. Dilution of equity holding in Meghalaya Minerals and Mines Limited	The borrower shall not dilute its 100% equity holding in the subsidiary company Meghalaya Minerals and Mines Limited

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

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

**Annexure-5: Bank lender details for this company**

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

**Note on complexity levels of the rated instruments:** CARE Ratings 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](mailto:care@careedge.in) for any clarifications.

## Contact us

### Media Contact

Name: Mradul Mishra  
Contact no. - +91-22-6837 4424  
Email ID: [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Name – Puneet Kansal  
Contact no. - +91-11-4533 3225  
Email ID: [puneet.kansal@careratings.com](mailto:puneet.kansal@careratings.com)

### Relationship Contact

Name: Swati Agrawal  
Contact no. - +91-11-4533 3200  
Email ID: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

### CARE Ratings Limited

13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi – 110 055  
Phone: +91-11-4533 3200

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off  
Eastern Express Highway, Sion (East), Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: [care@careedge.in](mailto:care@careedge.in) • [www.careedge.in](http://www.careedge.in)