June 04, 2025

Saurashtra Cement Limited: [ICRA]BBB- (Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – fund-based –Term loan	44.00	[ICRA]BBB- (Stable); assigned
Long-term – non-fund-based	340.00	[ICRA]BBB- (Stable); assigned
Long-term – fund-based –Cash credit	20.00	[ICRA]BBB- (Stable); assigned
Total	**404.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating assigned for Saurashtra Cement Limited (SCL) takes into consideration the fully integrated nature of operations, healthy revenues backed by high capacity utilisation levels, decent brand strength, comfortable capital structure and strong liquidity position. SCL has two fully integrated cement plants in the Saurashtra region in Gujarat, with combined clinker and grinding capacity of 2.8 MT and 2.7 MT, respectively. The company has access to its own limestone reserves near its manufacturing units, a 25 MW captive power plant (CPP) and a 5.5 MW waste heat recovery system (WHRS), which cater to 60-65% of the company's overall power requirements. The company plans to enter into power purchase agreements (PPAs) with green energy providers, which is expected to reduce SCL's dependence on grid power in the near term.

The company's OI stood at Rs. 1,400 – 1,800 crore in the FY2022 – FY2025 period, backed by high-capacity utilisation levels of the cement plants. The company majorly sells cement in the Saurashtra region under the brand names of 'Hathi' and 'Sidhee'. SCL's capacity utilisation was greater than 95% for the FY2022 – FY2025 period, indicating good demand and decent brand strength of the entity in the Saurashtra region. Going forward, with sustained demand from the housing and infrastructure sectors, the capacity utilisation levels are expected to be high, leading to stable revenues for SCL in the medium term.

The total debt (TD) stood moderate at Rs. 135.7 crore as of March 2025 (March 2024: Rs. 85.0 crore), with majority of TD in the form of fund-based working capital and the remaining as term debt. In FY2025, the company modernised its cement plant in Sidheegram, Gujarat, at a capex cost of Rs. 80 crore, funded through a sanctioned debt of Rs. 44.0 crore and the balance through internal accruals. Despite the expected increase in debt levels, the TD/TNW is expected to be at 0.2 – 0.3 times (March 2025: 0.1 times) for FY2026. The liquidity position is strong with Rs. 69.1 crore unencumbered cash and cash equivalents as of September 2024 and a buffer in undrawn fund-based working capital limits with an average cushion of ~Rs. 34 crore for the 12-month period ending in March 2025.

The rating, however, is constrained by the high-cost structure, leading to weak operating margins for the company. In the FY2022 – FY2025 period, the company's OPBITDA margins were modest and volatile, ranging between 0.5% and 7.4%. This is primarily due to high power and fuel costs compared to peers in the industry and losses in the paint division. The company purchased coal and petcoke through open route at high prices in the past, resulting in high power and fuel costs. However, with an increase in working capital limits in FY2025, the company should be able to buy coal/petcoke at competitive rates, resulting in moderation in fuel costs, thereby improving the company's profitability from FY2026 onwards.

In May 2021, SCL acquired the paints business of Snowcem Paints Pvt. Ltd., including the brands owned by the entity on a slump sale basis. The paint division is yet to be profitable and is continuously incurring expenses in terms of brand building, sales promotions and the launch of new products. Going forward, the company's ability to improve its cost structure in the cement division by purchasing coal/petcoke at competitive rates and generating operating profits in the paints division will be a key rating monitorable.

The rating also factors in the geographical concentration risk and intense competition in the cement industry, coupled with the vulnerability of revenues to cyclicality in the economy. The company faces geographical concentration risk as the majority of its revenues are derived from the Saurashtra region, Gujarat. Further, with intense competition in the western market amid multiple large industry players, SCL is susceptible to volatility in prices and/or a reduction in market share. SCL remains exposed to demand and pricing dynamics in the cement industry, which are influenced by cyclical economic trends and capacity additions by players during such periods. When capacity addition exceeds incremental demand, prices and consequently, the profitability of the players are impacted.

The Stable outlook reflects ICRA's opinion that SCL will continue to benefit from its integrated nature of operations, adequate debt protection metrics and strong liquidity position.

Key rating drivers and their description

Credit strengths

Integrated cement operations – SCL has two fully integrated cement plants in the Saurashtra region, Gujarat, with a combined clinker and grinding capacity of 2.8 MT and 2.7 MT, respectively. The company has access to its own limestone reserves near its manufacturing units, along with a 25 MW CPP and a 5.5 MW WHRS, which cumulatively cater to 60–65% of its overall power requirements. The company plans to enter into PPAs with green energy providers, which is expected to reduce its dependence on grid power in the near term.

Healthy revenues backed by high-capacity utilisation levels and decent brand strength – The company's OI stood at Rs. 1,400–1,800 crore during FY2022–FY2025, backed by high capacity utilisation levels at its cement plants. The company primarily sells cement in the Saurashtra region under the brand names 'Hathi' and 'Sidhee', with capacity utilisation exceeding 95% in FY2022–FY2025, indicating strong demand and decent brand strength in the region. Going forward, with sustained demand from the housing and infrastructure sectors, capacity utilisation levels are expected to remain high, leading to stable revenues for SCL over the medium term.

Comfortable capital structure and strong liquidity – The total debt (TD) stood moderate at Rs. 135.7 crore as of March 2025 (March 2024: Rs. 85.0 crore), with majority of TD comprising fund-based working capital borrowings and the remainder being term debt. In FY2025, the company modernised its cement plant in Sidheegram, Gujarat, at a capex cost of Rs. 80 crore. This was funded through sanctioned debt of Rs. 44.0 crore, with the balance from internal accruals. Despite the expected increase in debt levels, TD/TNW is projected to be at 0.2–0.3 times (March 2025: 0.1 times) in FY2026. Liquidity remains strong, with unencumbered cash and cash equivalents of Rs. 69.1 crore as of September 2024 and an average cushion of ~Rs. 34 crore in undrawn fund-based working capital limits for the 12 months ending March 2025.

Credit challenges

High-cost structure leading to weak operating margins – In the FY2022 – FY2025 period, the company's OPBITDA margins were modest and volatile, ranging between 0.5% and 7.4%. This was primarily due to high power and fuel costs relative to industry peers and losses in the paints division. The company had previously purchased coal and petcoke through open markets at high prices, resulting in elevated power and fuel costs. However, with an increase in working capital limits in FY2025, the company is expected to procure coal/petcoke at more competitive rates, which should moderate fuel costs and improve profitability from FY2026 onwards.

In May 2021, SCL acquired the paints business of Snowcem Paints Pvt. Ltd., including its associated brands, on a slump sale basis. The paints division is yet to be profitable and continues to incur expenses on brand building, sales promotions, and the launch of new products. Going forward, the company's ability to improve its cost structure in the cement division by sourcing coal/petcoke at competitive rates and to generate operating profits in the paints division will be a key rating monitorable.

Exposed to geographical concentration risk and intense competition in cement industry – The company faces geographical concentration risk as the majority of its revenues are from the Saurashtra region, Gujarat. Further, with intense competition in the western market amid multiple large industry players, SCL remains susceptible to volatility in prices and/or a reduction in market share.

Vulnerability of revenues to cyclicality in economy – SCL remains exposed to the demand and pricing dynamics in the cement industry, which are influenced by cyclical economic trends and capacity additions by industry players. When capacity addition exceeds incremental demand, prices and, consequently, the profitability of the players are adversely affected.

Environmental and social risks

Environmental considerations: As a cement producer, SCL has high fuel consumption, which results in greenhouse gas emissions and pollution. Hence, increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution norms may lead to higher costs for cement producers. SCL has undertaken several initiatives, including increasing the use of renewable energy—solar power and WHRS together accounted for 20% of total power consumption in H1 FY2025, compared to 14% in FY2024—and modernising its cement plant to reduce power costs.

Social considerations: The primary social risks associated with the company relate to the health and safety of its employees involved in limestone mining and clinker and cement production.

Liquidity position: Strong

Liquidity remains strong, with Rs. 69.1 crore in unencumbered cash and cash equivalents as of September 2024 and undrawn fund-based working capital limits, with an average cushion of ~Rs. 34 crore for the 12 months ending March 2025. The company has debt repayment obligations of Rs. 9.6 crore in FY2026, which are expected to be comfortably serviced through estimated cash flows from operations and existing liquidity. The company has no major capex plans for FY2026.

Rating sensitivities

Positive factors – The rating can be upgraded if the company is able to significantly improve its revenues and profitability, leading to an enhancement in its debt protection metrics while maintaining a strong liquidity position on a sustained basis.

Negative factors – Pressure on the rating could arise if there is a material decline in revenues and earnings or large debt-funded capex, resulting in moderation in the debt leverage and coverage metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Cement
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Saurashtra Cement Limited as mentioned in Annexure II.

About the company

Saurashtra Cement Limited operates cement manufacturing plants in Ranavav and Sidheegram, Gujarat, with a combined grinding capacity of 2.7 MT and a clinker capacity of 2.8 MT. The company also sells paints under the "Snowcem" brand, which contributes 2–5% of its overall revenues. SCL is one of the flagship companies of the larger Mehta Group, founded in 1900 by the late Nanjibhai Kalidas Mehta and is, at present, managed by his grandson, Mr. Jay Mehta. The Mehta Group has diversified interests across Cement and Building Materials, Packaging, Sugar, Horticulture & Floriculture, Engineering, Electrical Cables, Consultancy, Agro Chemicals, Hospitality, Entertainment & Sports, Trade and Financial Services, and International Trade. The company is listed on the Bombay Stock Exchange and the National Stock Exchange. As of March 2025, the promoters hold a 67% stake, while the remaining share are held by the public shareholders.

Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	1,765.9	1,537.6
PAT	56.6	7.0
OPBDIT/OI	7.4%	2.8%
PAT/OI	3.2%	0.5%
Total outside liabilities/Tangible net worth (times)	0.7	0.7
Total debt/OPBDIT (times)	0.6	3.1
Interest coverage (times)	16.2	3.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	June 04, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term – fund-based –Term loan	Long-term	44.00	[ICRA]BBB- (Stable)	-	-	-	-	-	-
Long-term – Non-fund-based	Long-term	340.00	[ICRA]BBB- (Stable)						
Long-term – fund-based –Cash credit	Long-term	20.00	[ICRA]BBB- (Stable)						

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – fund-based – Term loan	Simple
Long-term – Non-fund-based	Very simple
Long-term – fund-based –Cash credit	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – fund-based –Term loan	May 2024	NA	FY2031	44.00	[ICRA]BBB- (Stable)
NA	Long-term – Non-fund-based	NA	NA	NA	340.00	[ICRA]BBB- (Stable)
NA	Long-term – fund-based –Cash credit	NA	NA	NA	20.00	[ICRA]BBB- (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	SCL Ownership	Consolidation approach
Saurashtra Cement Limited	100.00% (rated entity)	Full Consolidation
Agrima Consultants International Limited	100.00%	Full Consolidation

Source: Company data

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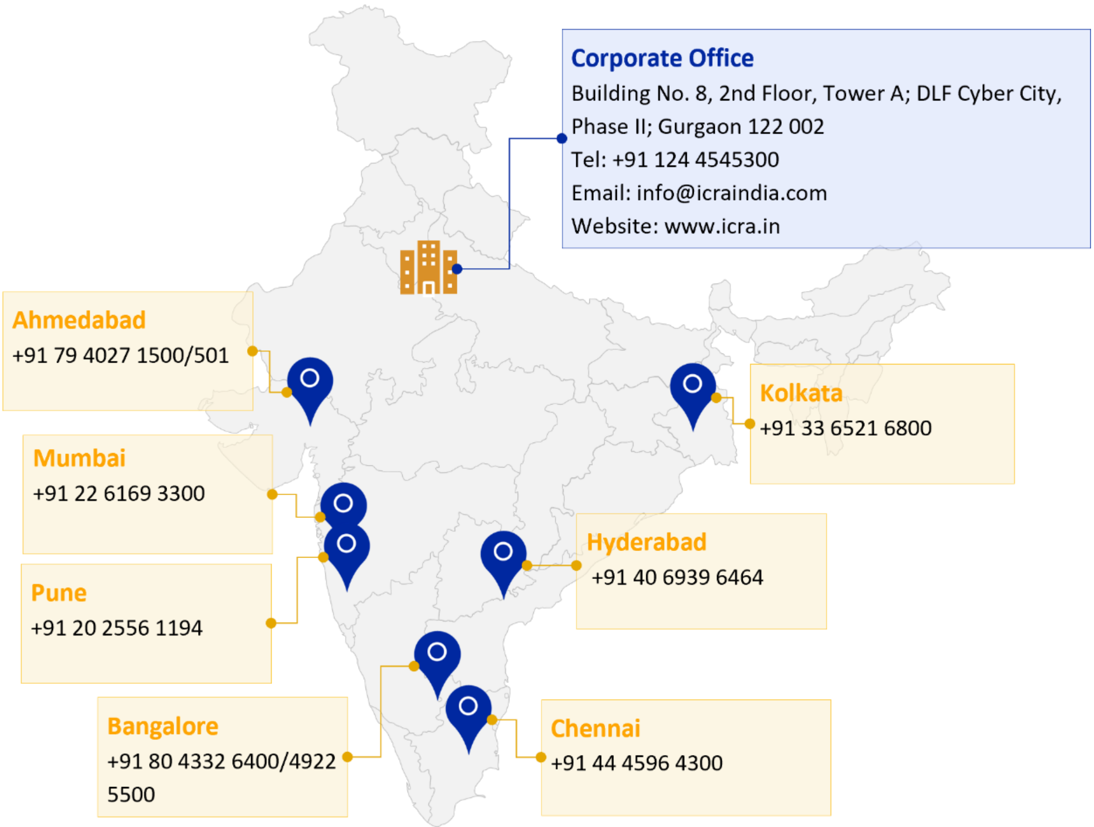

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