Anjani Portland Cement Limited

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	30.00	CARE A+; Stable	Reaffirmed
Short-term bank facilities	10.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed ratings to the bank loan facilities of Anjani Portland Cement Limited (APCL). The rating continues to factor in strong parentage of Chettinad Cement Corporation Private Limited (CCCPL, rated 'CARE AA+; Stable/CARE A1+') with track record of funding support from CCCPL. APCL has integrated cement units with significant captive limestone reserves and partial captive power sources. Ratings take comfort from its limited external debt against parent funding. These strengths are partially tempered by its weakened operating efficiencies resulting in weakened debt coverage metrics. The company's operating margins are vulnerable to demand-supply dynamics of cement and volatility in input prices. The company operates at a relatively modest scale of operations with geographically concentrated revenues in southern Indian cement market which is characterised with overcapacity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Enhancement in APCL's total capacity without significantly impacting its capital structure.
- Improvement in the credit profile of the parent CCCPL.

Negative factors

- Change in stance of funding support by the parent.
- Significant external debt funded capital expenditure programme which has an impact credit profile.
- Deterioration in the credit profile of the parent, CCCPL.

Analytical approach: Consolidated

For analysing APCL, consolidated financials have been considered due to the presence of common management, operational and financial linkages with the subsidiaries. The entities considered in consolidation are mentioned in Annexure-6 below.

CARE Ratings has factored in the linkages with the parent entity; Chettinad Cement Corporation Private Limited (CCCPL, rated CARE AA+; Stable/CARE A1+).

Outlook: Stable

The 'stable' outlook reflects CARE Ratings' belief that APCL will derive benefit from the financial flexibility of its strong parent while improving its business profile over the medium term.

Detailed description of key rating drivers:

Key strengths

Strong parentage and strong track record of funding support

APCL is a part of the Chennai-based Chettinad group, which was formed in 1935. Chettinad Cement Corporation Private Limited (CCCPL, rated 'CARE AA+; Stable/ CARE A1+'), which is the holding company of APCL, is the flagship company of the Chettinad group. CCCPL owns and operates seven cement manufacturing plants (including two split grinding unit) with an aggregate installed cement production (clinker backed) capacity of 17.5 MTPA (14.6) on standalone basis while 20.1 MTPA (17.2 MTPA) on consolidated basis which includes two integrated cement units in its subsidiaries as on September 30, 2024. In the past, APCL has received support from CCCPL in the form of inter corporate deposits (ICD). In H1FY22 (refers to April 01 to September 30), APCL had received funds from CCPL in the form of ICDs of ₹460 crore (carrying rate of interest of 7%) to fund BCPL's acquisition. Additional funding support was also witnessed to APCL and BCPL (APCL's subsidiary). APCL has outstanding ICDs from CCCPL of ₹422.45 crore as on December 31, 2024, at consolidated level. Hence, there is demonstrated track record by the ultimate parent to support its subsidiary. CCCPL has cash and cash equivalents of ₹1012 crore as on September 30, 2024.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Integrated operations with presence of captive power plants and limestone mines

APCL sources limestone from its three captive mines within 2-8 km radius from the cement plant. Similarly, its subsidiary, BCPL sources limestone from its two captive mines, adjacent to the plant and within short radial distance. Such backward integration with limestone reserves ensures uninterrupted supply of quality limestone and is expected to provide operational efficiency.
Its captive 16 MW thermal power plant helps meet most of APCL's integrated cement plant requirements while the subsidiary's major portion of power requirements are met from electricity grid. However, BCPL's sole Waste Heat Recovery System (WHRS) of 4 MW capacity (before modification capacity was 7.2 MW), which was under modification, got commissioned in November 2024. This is expected to provide ~1/3rd of the company's power requirements going forward.

Limited external debt against parent funding

Though the company may seem to have leveraged capital structure, majority debt is from the parent company to fund BCPL's acquisition in the past. Of the total debt (including security deposits from dealers) of ₹462 crore as on March 31, 2024, ICDs from the parent company is ₹407.45 crore. The tangible net worth as on March 31, 2024, was -₹18 crore but this was after adjustment of net goodwill of ₹239 crore. The goodwill was generated after BCPL's acquisition which was funded largely through ICDs from the ultimate parent company, CCCPL.

Key weaknesses

Weakened operating margins due to vulnerability to demand-supply dynamics and volatility in input prices

The company's operating profitability margin weakened significantly in FY23 and FY24 to 3.24% and 4.73%, respectively, and from 18.13% in FY22. Accordingly, profit before interest, lease rentals, depreciation and tax (PBILDT) per tonne reduced to ₹142 and ₹190 per tonne in FY23 and FY24, respectively, against ₹782 per tonne in FY22. The margins were largely impacted in FY23 considering significant spike in fuel costs and stoppage of WHRS due to its modification work which continued in FY24 as well. Despite the moderation in fuel costs in FY24, the company had significant high cost fuel inventory which took time to be consumed. However, in H1FY25, the company was operating at loss largely due to drop in realisations by ₹398 per tonne which nullified reduction in power and fuel costs of ₹324 per tonne compared to H1FY24. Lower capacity utilisation in H1FY25 due to lower cement demand further impacted operating efficiency. However, the company is expected to achieve operating profitability in FY25 overall considering higher volume push which is expected to be further supported by additional cost savings from commissioning of 4 MW WHRS in its subsidiary in November 2024. As the cost competitiveness increases, the company is expected to push more volumes which is expected to be more evident from FY26 onwards.

Relatively modest size of operations and geographically-concentrated revenue profile

With operational capacity of 2.6 MTPA (APCL – 1.2 MTPA and BCPL – 1.4 MTPA) of cement capacity, the company operates at a modest scale relatively. Since, the company and its subsidiary have manufacturing facilities in Telangana and Andhra Pradesh, significant portion of its revenue is generated from those regions.
In FY23, the company, witnessed dip in cement plus clinker volume sales from 1.86 million tonnes (MT) in FY22 to 1.51 MT in FY23. This improved marginally to 1.55 MT in FY24. Volumes continued to be under pressure in H1FY25 as the company sold 0.53 MT in H1FY25 against 0.77 MT in H1FY24. Assembly and parliament elections, slowdown in construction activities in Andhra Pradesh, extended and at times severe rainfall, and festivities among others are among the key reasons hampering demand in its key area of operations. The company is expected to observe de-growth in volumes in FY25 as well. Going forward in FY26, the company is expected to benefit from lower base and hence observe high growth rates considering normalised construction activity in its area of operations and lower cost of production allowing wider market radius covered from its plants.

Weak debt coverage metrics

Due to significant moderation in profitability and increased debt, the interest coverage and net debt to PBILDT has been significantly weakened in FY23 and the trend continued in FY24 and H1FY25. ICDs are also of interest-bearing nature. Improvement is expected from FY26 onwards. Comfort can however be derived from the fact that majority debt is from the parent entity CCCPL.

Presence in southern Indian cement market which is characterised with overcapacity

The southern Indian cement market is characterised by overcapacity considering significant limestone reserves and installed cement capacities in southern India against demand. The company has presence in southern India leading to moderately low capacity utilisation and limited bargaining power with the customers.

Liquidity: Adequate

APCL is a subsidiary of CCCPL. APCL's liquidity is adequate as it draws comfort from CCCPL's liquidity profile which is strong. ACPL is currently not having term loan from external lenders. Though, the company has been incurring cash losses since FY23, it is expected the company may turnaround its operations backed by lower costs and higher sales leading to cash profits over the medium term. APCL's working capital limits were highly utilised at 88% in 12 months through September 2024 and its subsidiary's working capital limits were fully utilised in the same period. However, the company's liquidity is supported by significant cash buffer in its parent company, CCCPL, and has received financial support as and when required from its parent.

Applicable criteria

Consolidation
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
Factoring Linkages Parent Sub JV Group

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Construction materials	Cement and cement products	Cement and cement products

APCL is part of the Chettinad group and a subsidiary of CCCPL, the group's flagship company. APCL has an integrated cement unit in Suryapet, Telangana at standalone level with installed capacity of 1.2 MTPA while its wholly owned subsidiary BCPL has an integrated cement unit in Tangeda, Andhra Pradesh with installed capacity of 1.4 MTPA as on September 30, 2024.

Brief Financials (₹ crore) - Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	661.50	623.90	185.85
PBILDT	21.41	29.48	-10.58
PAT#	-58.50	-38.66	-47.46
Overall gearing (times)	24.57	-25.81	-7.05
Interest coverage (times)	0.62	0.92	-0.64

A: Audited UA: Unaudited; Note: these are latest available financial results
**Please note Overall gearing and Net Debt/PBILDT ratios factor in security deposits and Creditors on LC*
#As per CARE Ratings' calculation.

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		-	-	-	30.00	CARE A+; Stable
Non-fund-based - ST-BG/LC		-	-	-	10.00	CARE A1+

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	Non-fund-based - ST-BG/LC	ST	10.00	CARE A1+	-	1)CARE A1+ (08-Jan-24)	1)CARE A1+ (06-Jan-23)	1)CARE A1+ (05-Jan-22) 2)CARE A1+ (CW with Developing Implications) (04-Jun-21)
2	Fund-based - LT-Cash Credit	LT	30.00	CARE A+; Stable	-	1)CARE A+; Stable (08-Jan-24)	1)CARE A+; Stable (06-Jan-23)	1)CARE A+; Stable (05-Jan-22) 2)CARE A+ (CW with Developing Implications) (04-Jun-21)

LT: Long term; ST: Short 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	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Bhavya Cements Private Limited (Subsidiary - holds 99.08% shares)	Full	Strong management, operational and financial linkages

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 for clarifications.

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About us:

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