

Deccan Cements Limited

September 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	294.00	CARE BBB+; Stable	Assigned
Short-term bank facilities	6.00	CARE A3+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has assigned CARE BBB+ to long-term and CARE A3+ to short-term bank facilities, of Deccan Cements Limited (DCL). Ratings factor in DCL's established operational track record in the south Indian cement market, with over four decades of operations and backward integrated nature of operations with sufficient captive limestone reserves and diversified captive power portfolio. Ratings derive comfort from its established brand presence with a strong distribution network of over 1,800 dealers across key markets, supported by specialty cement products catering to niche markets.

However, ratings remain constrained by the company's elevated leverage profile, primarily owing to the debt-funded (debt to equity ratio of ~60%) ongoing capex. DCL is currently undertaking a ₹1,162 crore expansion at its Bhavanipuram plant to add 1.3 MTPA clinker, 1.8 MTPA cement capacity and an 8 MW WHRS, with ~₹950 crore incurred as on June 2025. Post completion, the cement capacity is expected to increase to 4.0 MTPA by FY26. Execution risk remains, although substantial progress achieved and lender support mitigate concerns. CareEdge Ratings will continue to monitor developments in this regard and timely completion of capex without cost overruns is the key rating sensitivity.

The company's financial risk profile moderated in FY25 with income from operations declining to ₹527 crore (FY24: ₹799 crore) considering lower volumes and weaker realisations amidst subdued demand and competitive intensity. Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin moderated to 6.73% in FY25 (FY24: 11.97%). Its debt coverage indicators also elevated at FY25-end; however it is expected to improve in the medium term, owing to price hikes taken by the company, benefits arising from cost efficiencies from fuel diversification, and contribution from the enhanced capacities which are anticipated to improve PBILDT per tonne in the range of ₹500-₹650 per tonne (from ₹255/ton in FY25) and higher cash generation. Further, improvement in PBILDT margin is visible in Q1FY26 as well characterised by PBILDT margin improvement to 19.55% and revenue growth of 31% quarter-on-quarter in Q1FY26. With term loan repayments commencing from June 2026 onwards, and envisaged growth in accruals, CareEdge Ratings expects repayments to be met comfortably in the medium term. Additionally, CareEdge Ratings note that there is an asset monetisation plan underway and timely availability of financial support by promoters, on need basis.

Ratings remain constrained by cyclicalities associated with cement industry and exposure to volatility in input costs and realisations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the operational risk profile led by enhanced capacities with realisations over ₹4200/MT and PBILDT margins over 17% on a sustained basis.
- Improvement in capital structure leading to a decline to net debt/PBILDT below 4.5x on a sustained basis.

Negative factors

- PBILDT Margins lower than 13% on a sustained basis leading to weakening of its credit risk profile.
- Further delay in commissioning the project or cost overruns.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Analytical approach: Standalone

CareEdge Ratings has considered a standalone approach. Although, DCL has a newly incorporated wholly owned subsidiary "Deccan Swarna Cements Private Limited" incorporated on March 13, 2024; a standalone approach has been followed as there are no meaningful operations under the subsidiary and no external registered borrowings or charges.

Outlook: Stable

The 'Stable' outlook for bank facilities of DCL signifies CareEdge Ratings' expectation that DCL is likely to maintain a healthy operational risk profile and financial risk profile over the medium term, supported by firm realisations and continued demand of its products.

Detailed description of key rating drivers:

Key strengths

Established track record of operations in the Southern market

Incorporated in July 1979, DCL has a long-standing presence in the southern market with over four decades of operational history. The company benefits from access to captive limestone reserves and captive power generation, supporting healthy operating efficiency. Over the years, DCL has expanded capacity through brownfield developments. As on FY25, the company operates two integrated plants with cement capacity of 2.2 MTPA and clinker capacity of 1.5 MTPA, with an additional 1.8 MTPA of cement capacity expected by January 2026, which will strengthen its market position. The product portfolio includes ordinary grades such as OPC 43, OPC 53, PPC and PSC, and specialty cements such as S53 (for railway applications), SRC, Low Heat Cement and Low Alkali Cement.

Integrated nature of operations

DCL has a well-established distribution network of over 1,800 dealers across Andhra Pradesh, Telangana, and other southern and neighbouring states, with a strong presence in rural markets. The company has built a diversified captive power portfolio comprising a 15 MW coal-based captive thermal power plant, a 3.75 MW hydroelectric project, a 2.025 MW wind farm, and a 6 MW waste heat recovery system (WHRS), with an additional 8 MW WHRS under implementation. These facilities together provide an installed capacity of ~26.77 MW, supporting energy requirements and operational efficiency.

In FY25, operations at the thermal power plant were limited due to elevated coal prices, making costs unviable compared to grid power. DCL revised its coal procurement strategy by sourcing from private miners and imports, while also modifying equipment to use petcoke. These measures resulted in meaningful savings of ~₹216 per tonne of clinker in Q1FY26, basis this CareEdge Ratings envisage meaningful reduction in the already elevated power and fuel costs for full year FY26.

DCL also benefits from captive high-grade limestone reserves sufficient adequate to support operations including the capacity enhancement for over 30 years.

Decline in operational risk profile amidst demand weakness in FY25, though improvement expected in FY26 driven by price hikes and internal efficiencies

The company's operational performance moderated in FY25, with income from operations declining to ₹526.98 crore (FY24: ₹799.43 crore) as sales volumes fell to 1.39 MT from 1.91 MT in the previous year, largely attributable to weak demand in core markets. Blended realisations declined to ₹3,780/tonne (FY24: ₹4,163/tonne), reflecting subdued infrastructure activity and pricing pressure from heightened competition. Operating profitability was also impacted, with PBILDT per tonne reducing to ₹255/MT (FY24: ₹499/MT) and PBILDT margin contracting to 6.73% (FY24: 11.97%). While freight costs eased, elevated power and fuel costs at ₹1,542/tonne (FY22: ₹1,246/tonne) weighed on margins.

In Q1FY26, operational performance improved with cost optimisation measures and a recovery in cement prices considering price hikes taken in April 2025. A revised fuel procurement strategy reducing reliance on costlier coal, incorporating lower-cost domestic coal grades, and introducing petcoke (~8% of fuel mix) helped reduce average fuel cost per tonne of clinker to ₹1,302/MT (FY25: ₹1,517/ton) in Q1FY26. Historically, the company's fuel costs were higher than peers due to its long-term fuel supply agreement with a government entity. However, the strategic shift in procurement is expected to align fuel costs closer to industry levels going forward. Further, sector-wide price increases sustained in the quarter supported stronger realisations, resulting in PBILDT margin improvement to 19.55% in Q1FY26 (Q1FY25: 8.19%) while the total revenue in the quarter rose 31% sequentially to ₹156 crore. CareEdge Ratings expects sustenance in the growth momentum with FY26 (full year) realisations hovering ~₹4000/MT

and a PBILDT margin in the range of 13-16% in the medium term, also supported by capacity enhancement by December 2025. In the medium term, the company is expected to achieve a PBILDT per tonne in the range of ₹500-₹650/ton, compared with ₹255/ton in FY25 (FY24: ₹499/ton), as operational efficiencies and market dynamics improve which is also a key monitorable.

Key weaknesses

Elevated leverage and temporarily weakened debt coverage metrics

The company's financial risk profile weakened in FY25, primarily considering debt-funded nature of its expansion project and the concurrent moderation in profitability. Total debt increased to ₹714.15 crore as on March 31, 2025 (FY24: ₹520.11 crore), resulting in an increase in overall gearing to 1.02x (FY24: 0.75x). The drawdown of project debt, and profitability pressures has impacted leverage metrics as the PBILDT interest coverage reduced to 2.76x in FY25 from 7.63x in FY24. Similarly, Net Debt to PBILDT stood elevated at 16.03x at FY25 end, compared to 3.00x at FY24 end.

CareEdge Ratings expects an improvement in financial risk profile from the last quarter of FY26 to early FY27 with improvement in demand and contribution from additional capacity (~85% of capex is already complete). The full year impact is expected to be visible from FY27 end. Term debt repayments are scheduled to commence only from FY27 (June 26) onward. Overall gearing is expected to remain below unity in FY27-28, while net debt/ PBILDT is expected to trend downwards below 3.5x subject to demand recovery and normalisation of realisations in the medium term.

Project execution risk

The company is undertaking a ₹1,162.07 crore capacity expansion at its Bhavanipuram plant, comprising 1.3 MTPA clinker, 1.8 MTPA cement capacity, and an 8 MW WHRS. The project is funded through a mix of equity/internal accruals and ₹670 crore term debt, of which ₹547 crore has been drawn and ₹950 crore incurred as on June 2025. The commercial operations date (COD) has been revised from January 01, 2025, to January 01, 2026, with lender approval. Debt repayment is scheduled to commence in June 2026 over 28 quarterly instalments following a three-month moratorium, with the door-to-door tenor revised to 10 years and three months.

The original plan to establish a split grinding unit at Vizag faced delays due to pending environmental and regulatory approvals. Consequently, the company secured lender approval for a one-year extension of date of commencement of commercial operations (DCCO) and strategically relocated the expansion project to its Bhavanipuram site, where approvals for 4 MTPA capacity are already in place. In parallel, debottlenecking and modifications enhanced existing capacity from 1.8 MTPA to 2.2 MTPA as on March 31, 2025. While execution risk persists given the scale and revised timeline, CareEdge Ratings draw comfort from the steady progress and demonstrated promoter support.

Liquidity: Adequate

The company's liquidity profile is adequate, supported by a cash and bank balance of ₹144.35 crore as on March 31, 2025, (PY: ₹230.62 crore), of which ₹85 crore was lien-marked against bank guarantees, expected to be released by September 2025. Liquidity is further supported by nil repayment obligations for FY26 and healthy gross cash accruals (GCA) expectations in the range of ₹130-160 crore for FY27-FY28 against repayment obligations of ₹95-97 crore annually. With lender approval for a one-year extension in DCCO, term loan repayments have been deferred from June 2025 to June 2026. Average working capital limit utilisation stood at 89% for 12 months ending June 2025.

As part of its asset monetisation plan, the company has initiated steps to sell ~17.83 acres of land in Vizag, Andhra Pradesh originally acquired for a grinding unit that was later shifted to Bhavanipuram. Realisation from this monetisation is estimated at ₹55-60 crore between December 2025 and March 2026.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[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](#)

About the company and industry

Industry classification

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

Incorporated in July 1979, DCL is engaged in manufacturing cement and generating power. The company began operations in 1982 with a 200 TPD cement plant at Bhavani Puram, Telangana, becoming India's first mini cement plant to adopt rotary kiln technology. Following the demise of the company's erstwhile founder and Chairman, M.B. Raju, in June 2023, P. Parvathi Raju (daughter of M.B. Raju) was elevated to Chairperson & Managing Director in August 2023.

Brief Financials (₹ crore) Standalone	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	799.43	526.98	159.07
PBILDT	95.66	35.48	31.1
PAT	37.26	7.53	15.33
Overall gearing (times)	0.75	1.02	NM
Interest coverage (times)	7.63	2.76	8.29

A: Audited UA: Unaudited; NM: Not Meaningful; Note: these are latest available financial results

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		-	-	-	56.00	CARE BBB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	6.00	CARE A3+
Term Loan-Long Term		-	-	31-03-2033	238.00	CARE BBB+; Stable

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 2025-2026	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
1	Term Loan-Long Term	LT	238.00	CARE BBB+; Stable				
2	Fund-based - LT-Cash Credit	LT	56.00	CARE BBB+; Stable				
3	Non-fund-based - ST-BG/LC	ST	6.00	CARE A3+				

LT: Long term; ST: 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
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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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