Deccan Cements Limited

August 07, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term bank facilities	RBI	169.00 (Reduced from 294.00)	CARE BBB; Stable	Downgraded from CARE BBB+; Stable
Short-term bank facilities	RBI	131.00 (Enhanced from 6.00)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has downgraded the long-term rating assigned to bank facilities of Deccan Cements Limited (DCL) from CARE BBB+; Stable to CARE BBB; Stable while reaffirmed the rating to short-term bank facilities at CARE A3+. Downgrade in the long-term rating factors in lower-than-envisaged improvement in profitability in FY26, which resulted in higher-than-expected leverage levels, characterised by total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) of 9.78x and interest coverage of 2.82x in FY26, considering debt-funded capex project and subdued operational performance. CareEdge Ratings expects financial risk profile of the company to remain leveraged in the near-to-medium term with expectations in ranges of TD/PBILDT of 5.6-5.8x and interest coverage of 1.5-1.75x for FY27.

However, ratings take comfort from the commissioning of newly added cement capacity of 1.8 MTPA in December 2025 and successful fund raising comprising ₹557 crore of non-convertible debentures (NCDs) and ₹103 crore of compulsorily convertible debentures (CCDs), in June 2026. Proceeds are primarily intended for refinancing the term debt availed for the capex programme, improving the company's financial flexibility with minimal debt repayment obligations in next two years. DCL undertook a ₹1,162 crore expansion at its Bhavanipuram plant to add 1.3 MTPA clinker capacity, 1.8 MTPA cement capacity, and an eight MW waste heat recovery system (WHRS), funded through a debt-equity mix. With the successful commissioning of operations of newly added capacities, DCL's total cement capacity has increased to 4.0 MTPA, supporting future growth.

Ratings continue to factor in DCL’s established operational track record in the Southern domestic cement market, with over four decades of operations and a strong distribution network of over 1,800 dealers and consignment agents across key markets. Further comfort is being drawn from the company’s backward integration through captive limestone reserves sufficient to last over 30 years of operations, its diversified captive power portfolio including hydro, wind, and waste heat recovery plants aggregating to ~34 MW, and its established brand presence supported by specialty cement products, catering to niche markets, such as railways and infrastructure.

Ratings remain constrained by the company's moderate financial risk profile, characterised by subdued operating performance owing to lower sales volumes and weak cement realisations amid a challenging demand environment, and intense industry competition in FY25 and FY26. Ratings are further tempered by its exposure to the cyclical nature of the cement industry, vulnerability to fluctuations in input costs and product realisations, and execution and stabilisation risks associated with the newly commissioned capacity, particularly in context of the current industry environment marked by pricing pressures and elevated cost structures.

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 operating margins over 15% on a sustained basis.
- Improvement in capital structure leading to a decline to net debt/PBILDT below 5.0x on a sustained basis.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.
[2]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited’s publications.

Negative factors

- Lower-than-envisaged profitability margins below 11% impacting cash accruals, weakening of liquidity, and net debt/ PBILDT of over 5.75x on a sustained basis.

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 stable operational risk profile and financial risk profile in 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. DCL commenced operations in 1982 with a 200 TPD plant at Bhavanipuram, Telangana, becoming the first mini cement plant in India to adopt rotary kiln technology. Following the demise of its founder and Chairman, M.B. Raju, in June 2023, P. Parvathi Raju was appointed as Chairperson and Managing Director in August 2023.

Over the years, DCL has expanded capacity through brownfield developments. As of FY26, the company operates two integrated plants with an installed cement capacity of 4.0 MTPA and clinker capacity of 3.0 MTPA. The capacity was materially enhanced following the commissioning of Line-3 at Bhavanipuram in December 2025, which is expected to support incremental volumes in the medium term.

The product portfolio includes ordinary grades, such as OPC 43, OPC 53, PPC, and PSC, and specialty cements like 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 and consignment agents 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 14 MW WHRS. These facilities together provide an installed capacity of ~34MW (of which ~18 MW is captively used), supporting energy requirements and operational efficiency.

In FY26, 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 during the year by sourcing from private miners and imports, while also modifying equipment to use pet coke. These measures resulted in meaningful savings of ~₹190-200 per tonne of clinker in FY26.

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

Moderate operational risk profile

The company's operational performance remains moderate in FY26 and FY25, owing to state elections in FY25 and competitive nature of the industry. Income from operations increased to ₹634.64 crore in FY26 from ₹525.40 crore in FY25, owing to higher volumes sold with commissioning of 1.8 MTPA capacity in December 2025, although still remains lower than the ₹798.40 crore of income reported in FY24. Sales volumes improved by ~16.7% to 1.62 MT in FY26 from 1.39 MT in FY25, though remaining below the FY24 level of 1.92 MT.

Blended realisations witnessed a modest increase of ~4% year-over-year (y-o-y) to ₹3,918/tonne in FY26 (FY25: ₹3,780/tonne), aided by better pricing and an improved sales mix across core markets. Average power and fuel costs reduced to ₹1,382/tonne in FY26 from ₹1,542/tonne in FY25, while total cost per tonne declined to ₹3,448/tonne from ₹3,536/tonne during the same period. Consequently, operating profitability improved significantly, with PBILDT per tonne increasing to ₹475/MT in FY26 from ₹255/MT in FY25 and PBILDT margin improving to 12.1% (FY25: 6.73%).

While the commissioning of the additional capacity at the Bhavanipuram plant has enhanced the company's production scale and provides headroom for volume growth, CareEdge Ratings believes that extent of benefits accruing from the expansion remains to be demonstrated. The company's ability to ramp up volumes and improve PBILDT per tonne is likely to remain challenged in the near term, given the prevailing industry headwinds, including subdued demand conditions, competitive intensity, pressure on cement realisations, and elevated input and logistics costs. Consequently, anticipated operating leverage and profitability benefits from the expanded capacity may be lower than earlier envisaged, and the stabilisation of the new capacity remains a key monitorable.

Key weaknesses

Elevated leverage and subdued debt coverage metrics

The company's financial risk profile remains leveraged, primarily considering the debt-funded nature of its expansion project and the concurrent moderate profitability. The debt as on March 31, 2026, stands at ₹752.6 crore (₹714.15 crore as on March 31, 2025), which mainly comprises of term loans of ₹655 crore taken for setup of Line 3 at Bhavanipuram, which increased the cement capacity to 4.0 MTPA and clinker capacity to 3.0 MTPA. The overall gearing stands at 1.03x as on March 31, 2026 (PY: 1.02x). Due to the drawdown of project debt, TD/PBILDT and ICR remain elevated at 9.78x (PY: 20.1x) and 2.82x (PY: 2.76X), respectively, in FY26.

However, the company's credit profile has received some support from raising of CCDs worth ₹103 crore, which has provided incremental equity support to the capital structure. The refinancing of the remaining portion of the term debt through NCDs has resulted in a relatively elongated repayment schedule with minimal repayments in next two years.

Going forward, as the PBILDT will start flowing from higher capacities with 1.8 MTPA commissioned in December 2025, financial risk profile is expected to improve partially in FY27, though remains moderate characterised by expectations of TD in the range of 5.6-5.8x and interest coverage of 1.5-1.75x for FY27. While the revised debt maturity profile provides some near-term liquidity support, sustained improvement in the financial risk profile will remain contingent upon higher cash accrual generation and moderation in leverage in the medium term, with timely ramp-up of expanded capacities and improvement in operating profitability and this will be the key rating monitorable.

Exposure to volatile input costs and price realisations

The company is exposed to commodity price risk, arising from raw material price fluctuation (gypsum, fly ash, and slag) and fuel (coal and pet coke). Coal (indigenous and international) is used for power generation to run its plants and fuel for kilns. In the recent past, the cement industry witnessed significant spike in power and fuel costs; post pent-up demand for fuel after multiple COVID-19 waves. Russia-Ukraine war exacerbated fuel cost in FY22 and FY23. Spike in fuel costs impacted profitability margins in FY22 and FY23, while subdued realisations have been constraining factor in profitability margins in FY25. Going forward, fuel costs may be impacted due to the ongoing West Asia crisis, which led to significant increase in prices of pet coke. Freight expenses, which account for a significant portion of total costs, are expected to be affected by rising diesel prices. To mitigate this, the company is focusing on other alternatives to contain costs. The company's profitability will remain exposed to significant input cost volatility and cement price realisation, which depends on each region's demand and supply dynamics (volume growth and installed capacity) to cater the demand in a particular region.

Liquidity: Adequate

DCL's adequate liquidity is marked by free cash and bank balance of ₹89.7 crore (PY: 144.35 crore). Liquidity is further supported by minimal NCD repayments with nil repayments in FY27 crore and ₹5.25 crore in FY28, respectively, and healthy GCA expectations in the range of ₹50-60 crore in the next 2-3 years. Average working capital utilisation stood moderate at ~85% for 12 month ended June 2026. Further post commissioning of the additional capacity, no major capex is envisaged in the medium term apart from routine maintenance expenditure of ₹30-35 crore annually. With the project implementation phase substantially completed, the key focus now shifts to ramping up the newly added capacity and achieving optimal utilisation levels. However, benefits from expanded capacities remain contingent upon timely stabilisation of operations and scaling up of sales volumes in a competitive industry environment.

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 and cement products	Cement and 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 and Managing Director in August 2023. As of March 2026, the company has cement capacity of 4.0 MTPA and clinker capacity of 3.0 MTPA.

Brief Financials (₹ crore) Standalone	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	526.98	635.61
PBILDT*	35.48	76.99
Profit after tax (PAT)	7.53	28.59
Overall gearing (x)	1.02	1.03
Interest coverage (x)	2.76	2.82

A: Audited; UA: Unaudited; Note: These are latest available financial results.
*PBILDT: Profit before interest, lease rentals, depreciation, and tax

Status of non-cooperation with previous CRA: The rating was downgraded to CRISIL BB; Stable/CRISIL A4+ (INC) from CRISIL BBB; Stable/ CRISIL A3+; by CRISIL Ratings, vide its PR dated January 06, 2026, due to non-receipt of information.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

For complexity level of instruments rated refer to Annexure-1.

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-		-	-	133.00	CARE BBB; Stable
Non-fund-based - ST-BG/LC	RBI	Simple	-		-	-	131.00	CARE A3+
Term Loan-Long Term	RBI	Simple	-		-	Proposed	36.00	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 2026-2027	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
1	Term Loan-Long Term	LT	36.00	CARE BBB; Stable	-	1)CARE BBB+; Stable (01-Sep-25)	-	-
2	Fund-based - LT-Cash Credit	LT	133.00	CARE BBB; Stable	-	1)CARE BBB+; Stable (01-Sep-25)	-	-
3	Non-fund-based - ST-BG/LC	ST	131.00	CARE A3+	-	1)CARE A3+ (01-Sep-25)	-	-

LT: Long term; ST: Short term

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

Not applicable

Annexure-4: 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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About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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