

## Panyam Cements and Mineral Industries Limited

April 29, 2020

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	30.00	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Short-term Bank Facilities	9.32	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
<b>Total Facilities</b>	<b>39.32</b> <b>(Rupees Thirty Nine crore and Thirty Two lakh only)</b>		
Non-Convertible Debentures	97.86	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
<b>Total Instruments</b>	<b>97.86</b> <b>(Rupees Ninety Seven crore and Eighty Six lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

#### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 26, 2018, placed the rating(s) of Panyam Cements and Mineral Industries Limited (PCMIL) under the 'issuer non-cooperating' category as PCMIL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. PCMIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email dated April 6, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

#### Detailed description of the key rating drivers

*At the time of last rating in December 26, 2018 the following were the rating strengths and weaknesses (updated from information available from BSE and NCLT):*

#### Key Rating Weaknesses

***Continued delays in debt servicing owing to weak liquidity position:*** There are continued delays in debt servicing on account of liquidity constraint. The company suspended operations from December 2018 and continued to incur cash losses during FY19 which has led to stretched liquidity position and consequently delays. The same have also been mentioned in the audit report of the company. The operating cycle for the company has deteriorated further from 53 days in FY18 to 91 days in FY19, owing to stretched collection period, which declined from 54 days in FY18 to 131 days during FY19. Further, as on March 31, 2019, the company had cash and bank balance of Rs.0.13 crore. Further, debenture trustee has filed case against the company in NCLT.

***Significant decline in operations:*** The total operating revenue (TOI) for the company reduced by 54.34% to Rs.82.28 crore during FY19 from Rs.180.22 crore during FY18. Similarly, the company incurred operating loss of Rs.14.70 crore during FY19 as against PBILDT of Rs.11.54 crore during FY18. Along similar lines, the loss levels of the company increased from Rs.31.44 crore during FY18 to Rs.67.39 crore during FY19.

***Continued leveraged capital structure with further deterioration:*** The capital structure of the company continues to remain leveraged. The net worth of the company has completely eroded as in March 31, 2019.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; Based on best available information

**Significant exposure to group companies:** The company's exposure towards group companies continues to remain high in the form of equity, advances, Inter Corporate Deposits and also Corporate Guarantees given for debt availed by group entities.

#### Key Rating Strengths

**Experienced promoters with long track record of operations in diversified business:** PCMIL belongs to Nandi Group of Industries, which has presence in diversified businesses such as cements, dairy, construction, PVC pipes, etc mainly in Andhra Pradesh. The main promoter, Mr S.P.Y. Reddy (Chairman) has business experience of more than three decades. The business operations of the group have benefited from Mr. Reddy's long established track record in different businesses and the vast industry network developed over the years.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[CARE's methodology for Manufacturing Companies](#)

[Rating Methodology – Cement Industry](#)

[Financial ratios – Non-Financial Sector](#)

#### About the Company

Panyam Cements & Mineral Industries Limited (PCMIL), incorporated in June 1955, is part of Nandi Group of Industries based out of Nandyal in Andhra Pradesh. PCMIL is currently engaged in manufacturing of Ordinary Portland Cement (OPC) 53 grade & 43 grade and Pozzolona Portland cement (PPC) with installed capacity of 1 million tons per annum (MTPA) at its manufacturing facilities located at Kurnool District, Andhra Pradesh. PCMIL was acquired by Nandi Group from its earlier promoters Mr. M. V. Subba Rao and Associates during September 2004 when it was a sick company. Over the years, Nandi Group has successfully revived the company and furthermore, promoters have undertaken large modernization and expansion projects to increase scale of operations and reduce operational costs. Since 1978, the Nandi group has built a diversified presence of businesses such as cement, dairy, PVC pipes, construction, TMT bars etc.

Brief Financials	FY18 (A)	FY19 (A)
Total Operating income	180.22	82.28
PBILDT	11.54	-14.70
PAT	-31.44	-67.39
Overall gearing (times)	NM	NM
Interest Coverage (times)	0.34	NM

A- Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

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

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees		-	-	-	9.32	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Debentures-Non Convertible Debentures	INE167EO7018	March 30, 2016	14%	March 31, 2021	97.86	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	30.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D; ISSUER NOT COOPERATING* (26-Dec-18)	1)CARE D (29-Sep-17) 2)CARE D (05-Sep-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	9.32	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D; ISSUER NOT COOPERATING* (26-Dec-18)	1)CARE D (29-Sep-17) 2)CARE D (05-Sep-17)
3.	Debentures-Non Convertible Debentures	LT	97.86	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D; ISSUER NOT COOPERATING* (26-Dec-18)	1)CARE D (29-Sep-17) 2)CARE D (05-Sep-17)

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

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### 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.

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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.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**