

Panyam Cements and Mineral Industries Limited

September 29, 2017

Ratings

Facilities	Amount(Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	30.00	CARE D (Single D)	Reaffirmed
Short Term Bank Facilities	9.32	CARE D (Single D)	Reaffirmed
Total Facilities	39.32 (Rupees Thirty Nine crore and thirty two lakh only)		
Non-Convertible Debentures	97.86 (Rupees Ninety Seven crore and Eighty Six lakh only)	CARE D (Single D)	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating continues to factor in recent delays in debt servicing on account of cash flow mismatches.

Detailed description of the key rating drivers**Key Rating Weaknesses**

Delays in interest servicing: Cash flow mismatches have resulted in delays in debt servicing.

Significant decline in PAT and PAT margin albeit marginal improvement in PBILDT and PBILDT margin:

PBILDT and PBILDT margin improved marginally during FY17 vis-à-vis FY16 on account lower contribution from power and fuel and consumable store charges despite decline in realisations. However, PAT declined significantly by 60.31% coming in at Rs.4.24 crore in FY17. PAT margin also declined significantly by 294 bps in FY17 coming in at 1.92%. The decline in PAT and PAT margin was on account of significant increase in capital charges during FY17.

Continued leveraged capital structure with further deterioration: The capital structure of the company continues to remain leveraged and witnessed deterioration. PBILDT interest coverage ratio deteriorated from 2.05x in FY16 to 1.69x in FY17 on account of higher interest charges and lower PBILDT level.

Working capital intensive nature of business and deteriorating liquidity position: The working capital cycle deteriorated from 26 days in FY16 to 34 days in FY17 mainly due to increase in average collection period (30 days in FY17 vis-à-vis 22 days in FY16). Additionally, the liquidity profile of the company also deteriorated during the year as exhibited by gross cash accruals of Rs.11.26 crore in FY17 vis-à-vis gross cash accruals of Rs.16.95 crore in FY16.

Significant exposure to group companies: PCMIL continues to extend support to its group companies. As on March 31, 2017, PCMIL exposure to group companies has increased to Rs.297.38 crore (against Rs.262.44 crore as on March 31, 2016).

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

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.

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.

Stable operational performance: The operational performance of the company remained stable during FY17 wherein the capacity utilisation level of cement was 57.49% vis-à-vis 58.97% during FY16. Gross cement sales stood at Rs. 266.55 crore for FY17 as against Rs. 273.03 crore for FY16. The average gross sales price realization and volume sales, both witnessed marginal decline during FY17 at the back of demonetisation.

Stable industry growth prospects: The industry is going through challenging times in terms of demand with the housing and infra sectors being the dominant sectors influencing the same. Demonetization has had an impact on cement demand in the short run. There are also cost side pressures on power and freight. High build-up of capacity over time coupled with lower demand for cement has kept the capacity utilization rates at subdued levels. While the immediate outlook till March is not too positive, it is expected that the budget will provide a fillip to housing and infrastructure which in turn will provide a boost to demand for cement. However, given the present dynamics, prices will remain stable.

Analytical approach: Standalone

Applicable Criteria:

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

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

[Rating Methodology - Manufacturing Companies](#)

[Rating Methodology - Cement Industry](#)

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 (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	219.83	220.87
PBILDT	29.58	30.54
PAT	10.68	4.24
Overall gearing (times)	2.55	3.76
Interest coverage (times)	2.05	1.69

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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Ms. Radhika Ramabhadran

Tel: +91-40-6900-0516

Mobile: 8008883012

Email: radhika.ramabhadran@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	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
Non-fund-based - ST-Bank Guarantees	-	-	-	9.32	CARE D
Debentures-Non Convertible Debentures	-	-	March 31, 2021	97.86	CARE D

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Jan-17)	1)CARE B- (08-Feb-16) 2)CARE C (08-Oct-15)	1)CARE D (28-Jan-15) 2)CARE C (08-Apr-14)
2.	Fund-based - LT-Cash Credit	LT	30.00	CARE D	1)CARE D (05-Sep-17)	1)CARE BB-; Stable (06-Jan-17)	1)CARE B- (08-Feb-16) 2)CARE C (08-Oct-15)	1)CARE D (28-Jan-15) 2)CARE C (08-Apr-14)
3.	Non-fund-based - ST-Bank Guarantees	ST	9.32	CARE D	1)CARE D (05-Sep-17)	1)CARE A4 (06-Jan-17)	1)CARE A4 (08-Feb-16) 2)CARE A4 (08-Oct-15)	1)CARE D (28-Jan-15) 2)CARE A4 (08-Apr-14)
4.	Debentures-Non Convertible Debentures	LT	97.86	CARE D	1)CARE D (05-Sep-17)	1)CARE BB-; Stable (06-Jan-17)	1)CARE B- (08-Feb-16)	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com