

Panyam Cements and Mineral Industries Limited

December 26, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	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
Total Facilities	39.32 (Rs. Thirty-Nine crore and Thirty two lakhs only)		
Non-Convertible Debentures	97.68	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING)	Issuer not cooperating; Based on best available information
Total Instrument	97.86 (Rs. Ninety-Seven crore and Eighty-Six lakhs only)	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING)	Issuer not cooperating; Based on best available information

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Panyam Cements and Mineral Industries Limited(PCMIL) to monitor the rating(s) vide e-mail communications/letters dated July 18, 2018, August 3, 2018, October 26, 2018, November 1, 2018, November 9, 2018, November 13, 2018, November 19, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The rating on Panyam Cements and Mineral Industries Limited's bank facilities and instruments will now be denoted as **CARE D/CARE D; ISSUER NOT COOPERATING***.

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

The ratings take into account delays in debt servicing owing to stretched liquidity position.

Detailed description of the key rating drivers

At the time of last rating on September 29, 2017, the following were the rating strengths and weaknesses (Updated from the information available from Stock Exchange)

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 continued to incur cash losses during FY18 which has led to stretched liquidity position and consequently delays. The same have also been in the audit report of the company. The operating cycle for the company has deteriorated further from 37 days in FY17 to 53 days in FY18, owing to stretched collection period, which declined from 34 days in FY17 to 54 days in FY18. Further, as on March 31, 2018, the company had cash and bank balance of Rs. 0.74 crore.

Significant decline in operations: The total operating revenue (TOI) for the company reduced by 18.86% to Rs.180.22 crore for FY18 from Rs.222.10 crore for FY17. Similarly, PBILDT for FY18 has fallen by 63.70%, reducing from Rs.31.78 crore in FY17 to Rs.11.54 crore in FY18. Along similar lines, the PBT & PAT levels have also reduced, and the company incurred losses of Rs.31.44 crore during FY18, as against PBT of Rs.0.93 crore during FY17 & a post-tax loss of Rs.0.32 crore. PBILDT margin also declined during FY18.

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

*Issuer did not cooperate; Based on best available information

Continued leveraged capital structure with further deterioration: The capital structure of the company continues to remain leveraged. The overall gearing ratio deteriorated from 7.93x as on March 31, 2017 to -9.85x as on March 31, 2018. The networth of the company has completely eroded as in March 31, 2018. **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. As on March 31, 2018, the aggregate of same was around Rs. 287.88 crore.

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.

Industry prospects: The eastern states of India are likely to be the newer and virgin markets for cement companies and could contribute to their bottom line in future. In the next 10 years, India could become the main exporter of clinker and gray cement to the Middle East, Africa, and other developing nations of the world. Cement plants near the ports, for instance the plants in Gujarat and Visakhapatnam, will have an added advantage for exports and will logistically be well armed to face stiff competition from cement plants in the interior of the country.

Analytical approach: Standalone

Applicable Criteria

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

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

[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)	FY17 (A)	FY18 (A)
Total operating income	222.10	180.22
PBILDIT	31.78	11.54
PAT	-0.32	-31.44
Overall gearing (times)	7.93	-9.85
Interest coverage (times)	1.33	0.34

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: 040-6900-0516

Mobile: +91 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; 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	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (06-Jan-17)	1)CARE B- (08-Feb-16) 2)CARE C (08-Oct-15)
2.	Fund-based - LT-Cash Credit	LT	30.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (29-Sep-17) 2)CARE D (05-Sep-17)	1)CARE BB-; Stable (06-Jan-17)	1)CARE B- (08-Feb-16) 2)CARE C (08-Oct-15)
3.	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 (29-Sep-17) 2)CARE D (05-Sep-17)	1)CARE A4 (06-Jan-17)	1)CARE A4 (08-Feb-16) 2)CARE A4 (08-Oct-15)
4.	Debentures-Non Convertible Debentures	LT	97.86	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (29-Sep-17) 2)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 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
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