



Press Release

Panyam Cements and Mineral Industries Limited

December 31, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	140.00	IVR BB/ Stable (IVR Double B with Stable Outlook)	IVR BB-/ Negative ISSUER NOT COOPERATING* (IVR Double B Minus with Negative Outlook Issuer Not Cooperating)	Upgraded and removed from Issuer Not Cooperating category; long-term rating outlook revised from 'Negative' to 'Stable'	Simple
Short Term Bank Facilities	20.00	IVR A4 (IVR A Four)	IVR A4 ISSUER NOT COOPERATING* (IVR A four Issuer Not Cooperating)	Reaffirmed and removed from Issuer Not Cooperating category	Simple
Total	160.00 (Rs. One hundred and sixty crore only)				

*Issuer did not cooperate; based on best available information

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Earlier, Infomerics had moved the ratings of Panyam Cements and Mineral Industries Limited (PCMIL) to Issuer Not Cooperating category vide its press release dated November 12, 2024, because of non-submission of required information. However, the entity has started cooperating and submitted the required information. Consequently, Infomerics has removed the ratings from 'ISSUER NOT COOPERATING' category and upgraded the ratings.

The upgradation of the ratings assigned to the bank facilities of PCMIL considers improvement in scale of operations in FY24 (refers to the period April 01,2023 to March 31,2024) and H1FY25 (refers to the period April 01,2024 to September 30, 2024), proximity to raw material sources and customers and favourable industry outlook. These rating strengths are, however,



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constrained by the expectation of net losses in the foreseeable future, leveraged capital structure with moderate coverage indicators, and nascent stage of operations.

The long-term rating outlook of the company has been revised from 'Negative' to 'Stable' on account of favourable demand outlook of the overall industry.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing ratio.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improvement in scale of operations in FY24 and H1FY25**

During FY23 (refers to the period April 01,2022 to March 31,2023), the company was managed by the Resolution Professional, with grinding operations conducted, leading to modest revenue of Rs. 38.86 crore for the period. In beginning of FY24, the current management took over the company. After a temporary production halt due to financial constraints, the plant was revamped and operations resumed early in the year. Despite facing disruptions from maintenance issues and equipment damage that caused a plant shutdown from November 2023 to January 2024, the company recorded a revenue of Rs. 120.12 crore in FY24. During this period, clinker production for captive use in cement manufacturing was also initiated. As operations further stabilised, revenue grew by approximately 80% in H1FY25 compared to H1FY24, reaching Rs. 62.14 crore.

- **Proximity to raw material sources and customers**



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Most of the raw materials like coal, gypsum, iron ore, etc., are purchased locally and the distributors of the company's product are also majorly based in AP, and Telangana. These ensure an optimisation of logistics cost and have a favourable impact on the operating margins.

- **Favourable industry outlook**

The cement industry outlook looks favourable in the near term with steady demand expected from infrastructure spends and spends on house building as both real estate and infrastructure sector have picked up in recent times across India including the southern states

Key Rating Weaknesses

- **Expectation of net losses in the foreseeable future**

The company reported a net loss of Rs 55.02 crore in FY24 as the EBITDA of the company was also negative at Rs 31.82 crore. However, EBITDA and absolute PAT are expected to be positive going forward because of expected increase in scale of operations and better absorption of fixed costs.

- **Leveraged capital structure and low debt coverage indicators**

After availing cash credit and term loans from Canara Bank, total debt surged to Rs. 114.34 crore in FY24 from Rs. 23.73 crore in FY23. Adjusted tangible net worth (considering Rs. 235.00 crore unsecured promoter loans as quasi-equity) dropped to Rs. 65.61 crore as of March 31, 2024, from Rs. 92.73 crore due to losses reducing reserves. Consequently, the overall gearing ratio worsened to 1.74x (FY23: 0.26x), and TOL/TNW increased to 2.15x (FY23: 0.62x). Coverage indicators remained weak, with interest coverage at -1.49x (FY23: -511.15x) and DSCR at -0.81x (FY23: -506.36x). The company currently services only interest payments, with principal repayments starting August 2025. Promoters are expected to infuse funds to address any debt servicing shortfall.

- **Nascent stage of operations**

The company is in the nascent stages of operations under new management, which took over in April-2024. As a result, it is difficult to gauge the brand acceptability of PCMIL in the near to medium term. However, the management has expanded operations to South Indian states, and Goa. Meanwhile, market uncertainties and rising competition from major cement players remain critical risks to watch.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Stretched

The liquidity of the company is expected to remain stretched in the near to medium term marked by inadequate cash accruals to service its debt repayment obligations commencing from August 2025. The average fund based working capital utilization for the 12 months ended October 2024 stood around ~79% but will gradually increase with the scale of operations. Furthermore, current ratio and quick ratio also stood below unity at 0.69x (PY:0.99x) and 0.23x (PY:0.67x) respectively. Going forward, any infusion by the promoters or group companies is expected to support liquidity.

About the company

Panyam Cements and Mineral Industries Limited is a cement manufacturing company based in Kurnool, Andhra Pradesh. The company was admitted to NCLT and went through a restructuring phase. The company commenced fresh operations of cement manufacturing under the stewardship of the new promoter, Dr Jagathrakshakan Srinisha in April 2024 by procuring the key raw material, clinker from the secondary market. Since March 2023 clinker production has begun in house for captive purpose.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	38.86	120.12
EBITDA	-26.17	-31.82
PAT	-59.85	-55.02
Total Debt	23.73	114.34
Tangible Net Worth (Adjusted)	92.73	65.61
EBITDA Margin (%)	-67.35	-26.49
PAT Margin (%)	-153.07	-40.89
Overall Gearing Ratio (Adjusted) (x)	0.26	1.74
Interest Coverage (x)	-511.15	-1.49

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					November 12, 2024	October 11, 2023	-	-
1	Term Loan	Long Term	100.00	IVR BB/ Stable	IVR BB-/ Negative ISSUER NOT COOPERATING* (IVR Double B Minus with Negative Outlook Issuer Not Cooperating)	IVR BB/ Stable	-	-



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2	Cash Credit	Long Term	40.00	IVR BB/ Stable	IVR BB-/ Negative ISSUER NOT COOPERATING* (IVR Double B Minus with Negative Outlook Issuer Not Cooperating)	IVR BB/ Stable	-	-
3	Letter of credit/ Bank Guarantee	Short term	20.00	IVR A4	IVR A4 ISSUER NOT COOPERATING*	IVR A4	-	-

*Issuer did not cooperate; based on best available information

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	June-31	100.00	IVR BB/ Stable
Cash Credit	-	-	-	-	40.00	IVR BB/ Stable
Letter of Credit/ Bank Guarantee	-	-	-	-	20.00	IVR A4

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Panyam-Cement-31dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security	Detailed Explanation
Financial Covenant	
i.	
ii.	
Non-financial Covenant	
i.	
ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.