



## Press Release

### Panyam Cements and Mineral Industries Limited

October 11, 2023

#### Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	140.00	IVR BB/ Stable (IVR Double B with Stable Outlook)	Assigned	Simple
Short Term Bank Facility	20.00	IVR A4 (IVR A Four)	Assigned	Simple
<b>Total</b>	<b>160.00</b> <b>(Rs. One Hundred and Sixty Crore Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Panyam Cements and Mineral Industries Limited (Panyam) derives comfort from the proximity to raw material sources and customers, and favourable industry outlook. These rating strengths are, however, constrained by the expectation of PAT losses in the foreseeable future, leveraged capital structure with moderate coverage indicators, and nascent stage of operations.

#### 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.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

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

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 PAT losses in the foreseeable future**

The Company reported a PAT loss of Rs 59.85 crore in FY23 as the EBITDA of the Company was also negative. While EBITDAs are expected to be positive in FY24, FY25 and FY26 because of expected increase in scale of operations and better absorption of fixed costs, PAT losses are expected to continue in FY24 because of higher depreciation and interest charge. The Company is expected to break even at PAT level only in FY25.

- **Leveraged capital structure albeit with healthy coverage ratios**

The overall gearing ratio of the Company including quasi equity was 0.26x as on March 31, 2023. This is expected to deteriorate FY24 onwards with the sanctioning of term loan of INR 100 crore and CC limit of INR 40 crore. Expected Overall Gearing ratios including quasi equity would be in the range of 1.45x and 1.85x between March 31, 2024 and March 31, 2026. The expected interest coverage ratios would be in the range of 2.18x and 2.53x between FY24 and FY26 and the expected DSCR would be in the range of 2.22x and 2.59x between FY24 and FY26.



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- **Nascent stage of operations**

The Company is at a very nascent stage of operations as commercial production post the resolution process began only in May 2022. Hence, at this stage it is very challenging to predict whether the brand acceptability of Panyam in the near to medium term would be strong. Having said that, post sanctioning of working capital limits, the monthly sales of the Company have improved dramatically. To put things in perspective, sales of INR1.1 crore happened in July 2023 while in August and September 2023, sales of INR9.66 crore, and INR15.28 crore were recorded respectively. October Sales are expected to be around INR20 crore. These figures reflect the acceptability of the Panyam brand in the market and the effectiveness of the distributors engaged by the Company. Brand acceptability along with competitive pricing would ultimately determine the demand of the Company's product in the long run.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)  
[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)  
[Criteria of assigning rating outlook](#)

**Liquidity – Adequate**

The liquidity profile of the Company is expected to remain adequate with satisfactory cash accruals vis a- vis debt repayment obligations. Current ratios are expected to remain comfortable between 2.39x and 2.57x during March 31, 2024 and March 31, 2026 (0.99x as on March 31, 2023). The operating cycles are expected to remain between 67 and 163 days during FY24-26. The operating cycle was -42 days in FY23.

**About the Company**

Panyam Cements and Mineral Industries Limited (Panyam) is a cement manufacturing company based in Kurnool, Andhra Pradesh. The Company was admitted to NCLT and went



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through a restructuring phase. The Company commenced fresh operations of cement manufacturing under the stewardship of the new promoter, Dr Jagathrakshakan Srinisha in May 2022 by procuring the key raw material, clinker from the secondary market. Since March 2023 clinker production has begun in house.

### Financials (Standalone):

For the year ended* / As on	(Rs in Crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	0.00	38.86
EBITDA	-71.35	-26.17
PAT	202.75	-59.85
Total Debt	0.00	23.73
Tangible Net worth	78.45	92.57
EBITDA Margin (%)	NM	-67.34
PAT Margin (%)	NM	-154.01
Overall Gearing ratio (X)	0.00	0.26

\*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	100.00	IVR BB/ Stable	-	-	-
2.	Cash Credit	Long Term	40.00	IVR BB/ Stable			
3.	Letter of Credit/ Bank Guarantee	Short Term	20.00	IVR A4			

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### About Infomerics Ratings:

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).

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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.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
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Term Loan	-	-	June 2031	100.00	IVR BB/ Stable
Cash Credit	-	-	-	40.00	IVR BB/ Stable
Letter of Credit/ Bank Guarantee	-	-	-	20.00	IVR A4

**Annexure 2: List of companies considered for consolidated analysis: NA**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Panyam-oct23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated facilities: 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](http://www.infomerics.com).