Crisil Ratings

Rating Update

April 02, 2025 | Mumbai

Deccan Cements Limited

Update as on April 02, 2025

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Substantial improvement in operating performance resulting operating margin around 13-15% and better liquidity.
- Timely progress of ongoing project and its implementation within budgeted cost.

Downward factors:

- Substantial delay in project or any sizeable cost overrun impacting overall credit profile.
- Sharp drop in realisations and operating margin leading to modest net cash accrual of less than Rs 60 crore

Crisil Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, Crisil Ratings seeks regular updates from companies on the business and financial performance. Crisil Ratings is, however, awaiting adequate information from Deccan Cements Limited (DCL) which will enable us to carry out the rating review. Crisil Ratings will continue provide updates on relevant developments from time to time on this credit.

Crisil Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria ‘Information Availability Risk in Credit Ratings’.

About the Company

Set up in 1979 as a public limited company by the late Mr M B Raju, DCL manufactures cement at its plant in Bhavanipuram that began commercial production in 1982.

For the six months through September 2023, revenue and profit after tax (PAT) were Rs 366.14 crore and Rs 18.87 crore, respectively, against Rs 378.95 crore and Rs 27.24 crore, respectively, in the corresponding period previous fiscal.

Please note: This advisory should not be construed as a rating reaffirmation.

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CRISIL Ratings

Rating Rationale

February 07, 2024 | Mumbai

Deccan Cements Limited

Rating outlook revised to 'Negative'; Ratings reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.922.02 Crore**
Long Term Rating	**CRISIL A/Negative (Outlook revised from 'Stable' Rating reaffirmed)**
Short Term Rating	**CRISIL A1 (Reaffirmed)**

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1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has revised its rating outlook on the long-term bank facilities of Deccan Cements Ltd (DCL) to **'Negative'** from 'Stable' and reaffirmed the rating at **'CRISIL A';** the short-term rating has been reaffirmed at 'CRISIL A1'.

The outlook revision factors in the weaker-than-expected performance over the past few quarters on account of significant increase in input prices, especially coal, leading to steep decline in operating margin and net cash accrual. This, along with significant risks arising from the ongoing large, debt-funded capital expenditure (capex), may exert pressure on the overall credit profile.

Operating margin weakened to around 12% in fiscal 2023 from around 20% in fiscal 2022 and continues to reel at around 11% in the first half of the current fiscal. Though moderation in input prices and recent hike in cement prices are expected to improve performance in the ensuing quarters, any prolonged cost pressures resulting in subdued operating margin may weaken credit profile.

The company is undertaking a capex programme of Rs 1,120.61 crore, funded through term debt of Rs 670.56 crore. Any significant increase in debt along with moderation in operating performance may adversely affect debt protection metrics. Hence, timely completion of the ongoing capex and ramp-up in production from new capacities will remain monitorable.

The ratings continue to reflect the established market position of DCL in South India, comfortable capital structure, and extensive industry experience of the management. These strengths are partially offset by exposure to project-related risks, and susceptibility to volatility in input costs, realisations, and cyclicality in the cement sector.

Key rating drivers & detailed description

Strengths:

- **Extensive experience of the promoters and established market position in South India:** DCL is among the leading cement players in South India with more than four decades of experience. It has two integrated production lines in Bhavanipuram, Telangana, with total cement capacity of 1.8 million tonne per annum (TPA). With the commencement of operations of additional 1.8 million TPA towards the end of fiscal 2025, the company will further strengthen its market position. DCL remains a small, pure cement player with estimated revenue of Rs 760-800 crore for fiscal 2024 (sales were Rs 360 crore in the first half of fiscal 2024). Increase in selling prices and revival in demand will support performance in the second half of the fiscal. Adequate limestone reserves in the company's mine and captive power generation resulted in healthy operational efficiency.

- **Comfortable capital structure:** Overall gearing was 0.4 time as on March 31, 2023, on the back of a strong networth of Rs 664 crore. Though capital structure is expected to moderate over the medium term on account of the ongoing debt-funded capex, gearing is expected to remain at less than 1 time. Moderation in profitability will also affect debt protection metrics, though no major impact is expected on account of the debt-funded capex as the interest portion during the progress of the project is being capitalised. Networth will continue to grow with healthy accretion to reserves.

Weaknesses:
- **Exposure to project-related risks:** The company is incurring capex of around Rs 1120.61 crore, which will be funded through term debt of Rs 670.56 crore and the rest through internal accrual. Since only about Rs 560 crore of the total cost has been incurred, the project is susceptible to implementation risk. Though the project is progressing as per schedule, its timely completion within budgeted cost will be monitorable.

- **Susceptibility to volatility in input costs, realisations and cyclicality:** Capacity addition in the cement industry tends to be sporadic because of the long gestation period for setting up a facility and numerous players adding capacities during the peak of a cycle. This has led to unfavourable price cycles for the sector in the past. Moreover, profitability remains susceptible to volatility in input (raw material, power, fuel and freight) prices. Increase in the prices of coal, diesel and packaging material impacts profitability of cement players. Realisations and profitability are also affected by demand, supply, offtake and regional factors.

Liquidity: Strong
Net cash accrual is expected to be above Rs 58 crore against debt obligation of less than Rs 20 crore in fiscal 2024. The company does not have any major debt obligation in fiscal 2025, and repayment of capex loan will commence from fiscal 2026. DCL has large cash balance in the form of fixed deposit of around Rs 225 crore, which will, however, come down as the capex progresses. Bank limit utilisation averaged around 72% and incremental accrual will support liquidity.

Outlook: Negative
Operating performance may remain subdued owing to cost pressures, while the significant debt contracted to fund the ongoing capex is expected to weaken credit profile.

Rating sensitivity factors
Upward factors
- Substantial improvement in operating performance resulting operating margin around 13-15% and better liquidity.
- Timely progress of ongoing project and its implementation within budgeted cost.

Downward factors
- Substantial delay in project or any sizeable cost overrun impacting overall credit profile.
- Sharp drop in realisations and operating margin leading to modest net cash accrual of less than Rs 60 crore.

About the company
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For the six months through September 2023, revenue and profit after tax (PAT) were Rs 366.14 crore and Rs 18.87 crore, respectively, against Rs 378.95 crore and Rs 27.24 crore, respectively, in the corresponding period previous fiscal.

Key financial indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	782.55	793.02
Reported PAT	Rs crore	49.30	87.57
PAT margin	%	6.30	11.04
Adjusted debt/adjusted networth	Times	0.40	0.26
Interest coverage	Times	8.47	15.67

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity Level	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	15	NA	CRISIL A1
NA	Bill Discounting	NA	NA	NA	15	NA	CRISIL A1
NA	Cash Credit	NA	NA	NA	20	NA	CRISIL A/Negative
NA	Cash Credit	NA	NA	NA	10	NA	CRISIL A/Negative
NA	Cash Credit	NA	NA	NA	56	NA	CRISIL A/Negative
NA	Cash Credit	NA	NA	NA	20	NA	CRISIL A/Negative
NA	Cash Credit	NA	NA	NA	19	NA	CRISIL A/Negative
NA	Letter of Credit	NA	NA	NA	6	NA	CRISIL A1
NA	Long Term Loan	NA	NA	Mar-2027	5	NA	CRISIL A/Negative
NA	Long Term Loan	NA	NA	Mar-2032	125	NA	CRISIL A/Negative
NA	Long Term Loan	NA	NA	Mar-2032	125	NA	CRISIL A/Negative
NA	Long Term Loan	NA	NA	Mar-2032	375	NA	CRISIL A/Negative
NA	Long Term Loan	NA	NA	Mar-2032	105	NA	CRISIL A/Negative
NA	Long Term Loan	NA	NA	Mar-2024	4.07	NA	CRISIL A/Negative
NA	Proposed Cash Credit Limit	NA	NA	NA	8.5	NA	CRISIL A/Negative
NA	Proposed Cash Credit Limit	NA	NA	NA	8.5	NA	CRISIL A/Negative
NA	Proposed Letter of Credit	NA	NA	NA	1	NA	CRISIL A1
NA	Proposed Letter of Credit	NA	NA	NA	1	NA	CRISIL A1
NA	Proposed Working Capital Facility	NA	NA	NA	2.95	NA	CRISIL A/Negative

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	899.02	CRISIL A/Negative / CRISIL A1		--	27-12-23	CRISIL A1 / CRISIL A/Stable		--	12-11-21	CRISIL A/Stable	CRISIL A/Stable
			--		--	24-04-23	CRISIL A/Stable		--	28-10-21	CRISIL A/Stable	--
			--		--	10-02-23	CRISIL A/Stable		--		--	--
			--		--	03-02-23	CRISIL A/Stable		--		--	--
Non-Fund Based Facilities	ST	23.0	CRISIL A1		--	27-12-23	CRISIL A1		--	12-11-21	CRISIL A1 / CRISIL A/Stable	CRISIL A1
			--		--	24-04-23	CRISIL A1		--	28-10-21	CRISIL A1	--
			--		--	10-02-23	CRISIL A1		--		--	--
			--		--	03-02-23	CRISIL A1		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	**15**	**State Bank of India**	**CRISIL A1**
Bill Discounting	**15**	**The South Indian Bank Limited**	**CRISIL A1**

Cash Credit	20	IndusInd Bank Limited	CRISIL A/Negative
Cash Credit	10	HDFC Bank Limited	CRISIL A/Negative
Cash Credit	56	State Bank of India	CRISIL A/Negative
Cash Credit	20	Axis Bank Limited	CRISIL A/Negative
Cash Credit	19	Bank of Bahrain and Kuwait B.S.C.	CRISIL A/Negative
Letter of Credit	6	State Bank of India	CRISIL A1
Long Term Loan	5	Bank of Bahrain and Kuwait B.S.C.	CRISIL A/Negative
Long Term Loan	125	IDBI Bank Limited	CRISIL A/Negative
Long Term Loan	125	Canara Bank	CRISIL A/Negative
Long Term Loan	375	State Bank of India	CRISIL A/Negative
Long Term Loan	105	IndusInd Bank Limited	CRISIL A/Negative
Long Term Loan	4.07	HDFC Bank Limited	CRISIL A/Negative
Proposed Cash Credit Limit	8.5	Canara Bank	CRISIL A/Negative
Proposed Cash Credit Limit	8.5	IDBI Bank Limited	CRISIL A/Negative
Proposed Letter of Credit	1	Canara Bank	CRISIL A1
Proposed Letter of Credit	1	IDBI Bank Limited	CRISIL A1
Proposed Working Capital Facility	2.95	Not Applicable	CRISIL A/Negative

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Cement Industry
CRISILs Criteria for rating short term debt

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