

Chettinad Products and Services Private Limited

July 27, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	30.00 (Reduced from 45.00)	CARE A; Stable / CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Chettinad Products and Services Private Limited (CPSPL) factor-in the benefits derived from being part of the Chettinad group, the significant investments in the flagship company of the group viz Chettinad Cement Corporation Private Limited (CCCPL, rated 'CARE AA+; Stable/CARE A1+'), and business linkages, the long operational track record of the promoters, the comfortable capital structure and debt coverage indicators.

The rating is however, constrained by the moderation in the scale of operations with a declining profitability margin, high dependence of revenue from group companies, low order book position, scope for strengthening the management information systems (MIS) which is essential for continuous and close monitoring of the financial and operational performance of the company and lack of depth in organizational structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operation to above Rs. 450 crores, while maintaining healthy PBILDT margins.
- Diversification of revenues across geographies/client.

Negative factors

- Reduction in the total operating income to less than Rs. 150 crores on sustained basis.
- Any large debt funded capex or decrease in the value of investments leading to a significant weakening of the capital structure.
- Weakening of linkages with Chettinad Cement Corporation Private limited and other group companies.

Analytical approach: Standalone approach factoring in linkages with the group

Outlook: Stable

The 'stable' outlook reflects that the company is expected to maintain its comfortable capital structure and moderate operational performance over the medium term.

Detailed description of the key rating drivers:

Key strengths

Part of the Chettinad group

CPSPL is a proprietary arm of the Chennai-based Chettinad group mainly involved in civil construction, logistics, earth moving and man-power supply services. The Chettinad Group, formed in 1912, has interests in diverse areas, including cement, construction, logistics, engineering, education, transportation, healthcare and other businesses. The flagship company of the Chettinad Group is Chettinad Cement Corporation Pvt Ltd (CCCPL, rated 'CARE AA+; Stable/ CARE A1+'). Other notable companies of the group include South India Corporation Private Limited (SICPL, rated 'CARE A/CARE A1 (Rating Watch with Developing Implications)'), Chettinad Logistics Private Limited (CLPL, rated 'CARE A/CARE A1 (Rating Watch with Developing Implications)') and Anjani Portland Cement Private Limited (APCL, rated 'CARE A+; Stable/ CARE A1+').

Investments in CCCPL and business linkages

The company has significant investments amounting to about Rs. 1,125.85 crore as on 31st March 2023 in Chettinad Cement Corporation and Private Limited (CCCPL, rated 'CARE AA+; Stable/ CARE A1+'). The company holds 22.64% stake in Chettinad cement corporation Private Ltd. In addition to the investments, the company offered services to CCCPL which accounts for more than 75% of its revenue in FY23. For FY 2022, Chettinad Cements Corporation Private Ltd. reported a TOI of Rs. 4,972 crore and PAT of Rs. 499 crores.

Long operational track record of the promoters

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

In the construction space, the Chettinad Group has more than two decades of experience in construction of industrial and commercial buildings, whereas in the logistics and earth moving space, the group has more than eight decades of experience in providing these services. The group's proven ability to execute projects of prescribed standard within the stipulated time, over the years, has helped in building a strong relationship with its clients and getting repeated orders from them.

Comfortable Capital Structure and debt coverage indicators

The company has comfortable capital structure and debt coverage indicators due to no external borrowings. The company has outstanding bank guarantees extended as performance guarantees and retention monies with clients. The mobilization advance stood at Rs. 12.50 crores as on March 31, 2023 (PY: Rs. 15.72 crore). The overall gearing adjusted for mobilization advance stood at 0.01x as on March 31, 2023 (PY: 0.01x). In FY23, the company has issued bonus share in the ratio of 1:3 to the existing shareholders to the tune of Rs. 212.33 crores.

Key weaknesses

Moderation in scale of operation with reducing profitability margins

With the discontinuation of the logistics division from CPSPL's books, the sales stands moderated from Rs. 337.44 crores in FY22 to Rs. 225.88 crores in FY23. For the year ended March 31, 2023, 59% of the total revenues comes from civil construction contracts and the rest is contributed by the earth moving, manpower supply and service division. The PBILDT margins has moderated from 4.90% in FY22 to 1.87 % in FY22 on account of higher raw material and employee cost. The Civil Construction division executes commercial/residential projects for the group. The earth moving division undertakes limestone extraction for CCCPL and other operations & HO division takes care of staffing activities (both on-roll and contract employees) for group companies.

High dependence of revenues from group companies and low order book position

More than 90% of CPSPL's revenue comes from services offered to its group companies. CPSPL has unexecuted civil construction order book of Rs. 197 crores as on March 31, 2023. Current order book stood at 0.87x of TOI in FY23. The revenue share from group companies is expected to increase with focus only on internal projects from group companies. The order book of CPSPL is concentrated to the southern states of India as the majority of the orders are from Tamil Nadu followed by other states.

Liquidity: Strong

The company's liquidity profile is characterized by zero fund-based debt as against a cash and bank balance of Rs. 66.89 crore as on March 31, 2023. Apart from this, the company has deposits of Rs. 48.04 crores. The operating cycle has reduced from 18 days in FY22 to 11 days in FY23 with improvement in receivable from group companies. The Bank guarantee outstanding stood at Rs. 8.62 crores as on March 31, 2023 against limit of Rs. 30 crores. It is to be noted that the company has reduced overall BG limit from Rs. 45 crores to Rs. 30 crores in FY23.

Applicable criteria

[Construction](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Chettinad Products and services Private limited (CPSPL) is part of the Chennai based Chettinad group which was formed in 1912. Chettinad Products and services Private limited (formerly known as Marvel cements) was incorporated in March 2011. It is formed by an amalgamation of Chettinad Builders Private Limited, Chettinad Earth Movers Private Limited, Chettinad

Hospitals private limited, Chettinad Software Services Private Limited, Chettinad Security Services Private Limited and Chettinad Logistics Private Limited (trucking division) with the company. The major operations of the company are: i) Civil construction contracts & ready-mix concrete division ii) Earth moving division iii) Other Operation and HO.

Brief Financials (₹ crore)	March 31, 2022 (A)*	March 31, 2023 (Prov)*
Total operating income	337.44	225.88
PBILDT	16.52	4.23
PAT	25.03	13.64
Overall gearing (times)**	0.01	0.01
Interest coverage (times)	NM	NM

* FY23 financials are not comparable with previous years, FY 22, on account of discontinuation of the logistics division in FY23.

** Overall gearing adjusted for mobilization advances.

A: Audited; Prov: Provisional; NM: Not meaningful. Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	30.00	CARE A; Stable / CARE A1

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	30.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (01-Aug-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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