

Chettinad Cement Corporation Private Limited

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	125.00	CARE AA+; Stable	Reaffirmed
Long-term / Short-term bank facilities	375.00	CARE AA+ / CARE A1+	LT rating assigned and ST rating reaffirmed
Long-term / Short-term bank facilities	100.00	CARE AA+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed ratings to bank loan facilities of Chettinad Cement Corporation Private Limited (CCCPL). The rating assessment continues to consider CCCPL's healthy competitive position in grey cement manufacturing, particularly in southern India, supported by installed grey cement grinding capacities of 20.1 million tonnes per annum (17.5 million tonnes per annum [MTPA] at standalone level and 2.6 MTPA in subsidiary), of which 17.2 MTPA is clinker backed (14.6 MTPA at standalone level and 2.6 MTPA in subsidiary). The company also has modest but growing presence in Maharashtra majorly supported by split grind unit in Solapur, Maharashtra. The company has established a healthy brand recall of its cement products which is supported on ground by its distribution network. Cost competitiveness is supported by the presence of captive limestone mines and captive power generation with a mix of thermal and green power. Furthermore, the ratings also take comfort from its robust capital structure and debt coverage metrics with strong liquidity cushion in the form of cash and cash equivalents and unutilised working capital limits.

These strengths are partially tempered by its presence in southern Indian cement market which is characterised with overcapacity and; CCCPL's moderate operating efficiencies. Its moderate operating efficiencies are largely due to high fuel requirements and low-capacity utilisation in legacy plants particularly in Tamil Nadu. Hence, the sharp hike in input costs over the two fiscal years through FY23 led to drastic deterioration in its profitability, while in FY24 and FY25 impact on operating profitability has been largely considering pressure on realisations. Despite, the negative rating sensitivity being triggered because of its subdued profitability, CARE Ratings has observed continued strong financial risk profile, without any adverse impact on liquidity, which provides the company cushion to withstand the adverse period till the realizations improve, which are largely market driven.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in capacity to become a large-sized player with a PAN-India presence leading to diversification of customer markets with presence across regions and sustainable achievement of profit before interest, lease rentals, depreciation, and taxation (PBILDT) per tonne of over ₹1200 on a sustained basis.

Negative factors

- Sustained deterioration in the profitability with PBILDT per tonne consistently remaining below ₹600 per tonne and thus leading to sustained adverse impact on the company's return on capital employed (RoCE) impacting its credit profile.
- Significant weakening in the leverage indicators with net debt/PBILDT of above 0.5x on a sustained basis.
- Significant deterioration in liquidity from the current levels, particularly reduction in cash and cash equivalents below ₹600 crore.

Analytical approach: Consolidated

For analysing CCCPL, consolidated financials have been considered due to the presence of common management and operational linkages with the subsidiaries. The entities considered in consolidation are mentioned in Annexure-6 below.

Outlook: Stable

The 'Stable' outlook signifies the company's continued strong financial risk profile including its liquidity profile providing significant support to its business risk profile. CARE Ratings believe in the absence of any major debt funded capital expenditure (capex), the company may withstand the current pressure on profitability till the realization improves. Improvement in realizations is expected to trickle down to profitability in absence of any major volatility in other variables.

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

Detailed description of key rating drivers:

Key strengths

Healthy competitive position in southern India with growing presence in other markets

Incorporated in 1962, CCCPL commenced commercial operations in 1968 and has been in operation for over five decades. It has an established market position in southern India with its brand 'Chettinad'. Apart from split grinding unit in Solapur, Maharashtra (installed cement grinding capacity of 2 MTPA), other cement capacities are in southern India which supports its large presence in that region. The company is gradually diversifying its presence with increasing sales in non-southern regions, majorly Maharashtra which provided significant incremental growth in FY24 compared to FY23. This diversification is supported by its split grinding unit in Maharashtra and integrated cement unit in Karnataka.

The company's strong market position is hence reflected in its large scale of operations with consolidated total operating income (TOI) of ₹5588 crore in FY24 growing by 8% year-over-year (y-o-y). CCCPL's volumes (consolidated) grew by 14% in FY24 to 11.86 million tonnes (MT) from 10.41 MT in FY23.

The demand growth has been largely tepid in southern India in FY24 with incremental volume growth largely coming from penetration in west India, particularly Maharashtra. The subdued demand and intense competition led to dip in realisations, particularly in south India. Net sales realisations de-grew by 5.25% to ₹4641 per tonne at consolidated level. Due to elections, heatwaves, extreme rains and festivities since March 2024 till November 2024, there have been further pressure on realisation and pressure on volumes. CCCPL at standalone level sold 5.17 MT cement and clinker in H1FY25 against 5.06 MT in H1FY24 while its subsidiary APCL (Consolidated) sold 0.53 MT in H1FY25 against 0.77 MT in H1FY24. Realisations dipped by 8% in CCCPL (standalone) and 10% in APCL (consolidated) in H1FY25, respectively. Considering subdued H1FY25, the push in volumes is expected in H2FY25 particularly between December 2024 and March 2025 with volume growth expected in the range of 6%-6.5% for CCCPL at consolidated level in FY25 while expansion in grinding capacity at Kallur, Gulbarga unit in Karnataka by 2.5 MTPA is expected to provide incremental volumes from FY26 onwards. With respect to realisations, CARE Ratings expects fall in realisation in FY25 with no significant recovery in FY26 as sustainable prices hikes are yet to be observed, particularly in South India.

Backward linkage with captive limestone mines and power sources

CCCPL sources limestone from captive mines. Most mines are adjacent to the plant or in short radial distance. The company has significant captive limestone reserves, and licenses of these are not expiring for at least next 15 years.

The company has significant captive power sources which covers ~80% power requirements. The green power and waste heat recovery system (WHRS) mix which has been modest has increased in FY24, from 12% in FY23 to 18% in FY24. Apart from the benefit of lower carbon emissions, green power provides cost advantages as well. Currently, CCCPL at consolidated level has an aggregate captive thermal power plant (CPP) capacity of 181 MW, WHRS capacity of 39.05 MW and solar power capacity of 12 MW as on September 30, 2024. The company has commissioned another 7.2 MW of WHRS capacity in its step-down subsidiary.

Robust capital structure and debt coverage metrics; despite debt-funded capex plan

The company's net worth stood strong at ₹4421 crore as on March 31, 2024, against ₹4,291 crore as on March 31, 2023. The company also has a largely unleveraged balance sheet which can be observed from its overall gearing remaining in the range of 0.03x-0.07x over the last three fiscal years ending March 31, 2024. This is supported by healthy built-up of cash and cash equivalents which have been utilised for acquisition, capex and incremental working capital requirements in the recent past. Currently, the debt is majorly the loan from state government and working capital borrowings by its subsidiary.

No major debt-funded capex has been envisioned, while expansion in Kallur plant has largely been funded through internal accruals and outstanding cash and cash equivalents. Hence, CARE Ratings expects the company's overall capital structure to remain robust over the medium term. However, if profitability margins continue to remain subdued, the company's CFO and cash may be insufficient to manage incremental working capitals and capex leading to reliance on debt over the medium-to-long term and hence remains key monitorable. Currently, the company is in net cash position.

Since, there is no major debt, the debt coverage metrics remain robust despite falling profitability.

Key weaknesses

Presence in southern Indian cement market which is characterised with overcapacity

Southern Indian cement market is characterised by overcapacity considering significant limestone reserves and installed cement capacities in southern India against demand. The company has significant presence in southern India leading to moderate capacity utilisation and limited bargaining power with the customers.

Moderate cement capacity utilisation

Though the company improved its volumes in FY23, the company's cement capacity utilisation (based on clinker-based cement capacity) continued to remain moderate at 69% in FY24 at standalone level against 66% in FY23. Considering excess capacity installed in the southern India market, the company is targeting to increase its presence in western India. Moderate capacity utilisation limits optimal operational leverage.

Weakened profitability margins considering moderate operating efficiencies

The company's consolidated operating profitability margin improved in FY24 to 10.07% from 5.85% in FY23, however remains moderate. Accordingly, PBILDT per tonne improved to ₹471 per tonne in FY24 against ₹290 per tonne in FY23 at consolidated level. Largely, the improvement has come from moderation in power and fuel costs which reduced from ₹2191 per tonne in FY23 to ₹1703 per tonne supported by significant moderation in fuel costs and the company's focus on efficient fuel mix strategy

between pet coke and coal, increasing alternative fuel and raw material mix in fuel and increasing green power mix. Power and fuel costs are expected to further reduce in FY25 considering lower cost fuel usage throughout the year unlike FY24. The company also reduced its freight cost per tonne in FY24 by ~₹70 per tonne as it has been targeting lower lead distances efficiently wherever possible. However, amidst this cost reduction, net sales realisations have been significantly impacted due to subdued demand leading to limited improvement in PBILDT per tonne in FY24 and dip in H1FY25 y-o-y. NSR dipped by 5.25% in FY24 y-o-y at consolidated level while in H1FY25 it dipped by 8% in CCCPL at standalone level. Accordingly, PBILDT per tonne reduced from ₹454 per tonne in H1FY24 to ₹335 per tonne in H1FY25 at standalone level. With push in volumes in H2FY25, the overall PBILDT per tonne is expected to be in the range of ₹440-460 per tonne. Going forward, improvement in operating profitability is expected to be largely driven by extent of sustained hike in NSR which is largely market driven considering no major volatility in other variables.

[All the costs per tonne ratios are based on cement and clinker sales]

Liquidity: Strong

CCCPL's strong liquidity is supported by healthy cash and cash equivalents and significant generation of gross cash accruals (GCA) and moderate bank limit utilisation. The company had generated GCA of ₹548 crore in FY24, significantly moderated from ₹853 crore in FY22 but improved from FY23. This is expected to grow to ~₹560-600 crore in FY25 considering flattish growth in turnover and profitability margins. Currently, the company has no term loan from banks/financial institutions. Only soft government loans are outstanding. Repayment obligations in FY25 is ₹24.83 crore (including lease liabilities) and ~₹14 crore in FY26. The company has substantial free cash and cash equivalents to meet its capex requirements. The company had free cash and cash equivalents of ₹977 crore as on March 31, 2024 at consolidated level, and ₹1012 crore as on September 30, 2023 (at standalone level). The company has unutilised working capital limits, and robust capital structure which provides headroom for incremental debt, if required.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Cement](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Construction materials	Cement and cement products	Cement and cement products

CCCPL, incorporated in 1962 and belonging to the 'House of Chettinad', is engaged in manufacturing cement since 1967. M A M R Muthiah is the managing director and manages the company's day-to-day affairs. The group has varied business interests in cement, engineering, logistics, transportation, education, healthcare and other businesses. CCCPL manufactures eight types of cement including Portland Pozzolana Cement, PPC – Maxcrete, Ordinary Portland Cement 43 Grade, Ordinary Portland Cement 53 Grade, Rapid Hardening Portland Cement, Sulphate Resistant Portland Cement, Portland Slag Cement and Composite Cement. CCCPL owns and operates six cement manufacturing plants (including a grinding unit) with an aggregate installed cement production (clinker backed) capacity of 17.5 MTPA (14.6) on standalone basis and 20.1 MTPA (17.2 MTPA) on a consolidated basis as on September 30, 2024.

Brief Financials (₹ crore) – Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	5160.68	5587.60	2289.26
PBILDT	301.90	603.33	173.02
PAT	6.98	193.35	78.48
Overall gearing (times)	0.09	0.04	-
Interest coverage (times)	17.89	58.75	120.05

A: Audited UA: Unaudited; Note: these are latest available financial results

*Please note Overall gearing and Net Debt/PBILDT ratios factor in security deposits and Creditors on LC

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	125.00	CARE AA+; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	375.00	CARE AA+ / CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	100.00	CARE AA+; Stable / CARE A1+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	125.00	CARE AA+; Stable	-	1)CARE AA+; Stable (08-Jan-24) 2)CARE AA+; Stable (27-Dec-23)	1)CARE AA+; Stable (06-Jan-23)	1)CARE AA+; Stable (07-Jan-22)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	375.00	CARE AA+ / CARE A1+	-	1)CARE A1+ (08-Jan-24) 2)CARE A1+ (27-Dec-23)	1)CARE A1+ (06-Jan-23)	1)CARE A1+ (07-Jan-22)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	100.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (08-Jan-24) 2)CARE AA+; Stable / CARE A1+ (27-Dec-23)	1)CARE AA+; Stable / CARE A1+ (06-Jan-23)	1)CARE AA+; Stable / CARE A1+ (07-Jan-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Anjani Portland Cement Ltd (Subsidiary – 75% stake)	Full	Presence of common management and operational linkages with the subsidiaries
2.	Emerald property & Power Developers Private Limited (on 25.05.2023) (Subsidiary – 57.57% stake)	Full	
3.	Brownstone Minerals & Metals Private Limited (on 26.05.2023) (Subsidiary – 30.59% stake*)	Full	
4.	Vidyut Property & Power Developers Private Limited (on 11.05.2023) (Subsidiary -28.46% stake*)	Full	
5.	Belaire Apartments Private Limited (Wholly owned subsidiary)	Full	
6.	Associated Cement Holdings Private Limited (on 04.05.2023) (Wholly owned subsidiary)	Full	
7.	Bhavya Cements Private Limited (Step down subsidiary. Anjani Portland Cement Ltd holds 99.08% shares)	Full	

*Partially also held by Associated Cement Holdings Pvt Ltd

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

Contact us

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About us:

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