

## Chettinad Logistics Private Limited

February 19, 2025

| Facilities/Instruments                 | Amount (₹ crore)                | Rating <sup>1</sup>      | Rating Action |
|--|---------------------------------|--------------------------|---------------|
| Long-term bank facilities              | 50.00<br>(Reduced from 120.00)  | CARE A; Stable           | Reaffirmed    |
| Long-term / Short-term bank facilities | 680.00<br>(Reduced from 910.00) | CARE A; Stable / CARE A1 | Reaffirmed    |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Chettinad Logistics Private Limited (CLPL) derive strength from being part of the Chettinad group, long operational track record of the company, longstanding relationship with its clients, comfortable capital structure and liquidity position. However, ratings are constrained by tender driven nature of business with significant dependence on a few clients for major part of the revenue, exposure to group companies by ways of investments, loans and advances, scope for strengthening the management information systems (MIS), which is essential for continuous and close monitoring of financial and operational performance of the company.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in the total operating income (TOI) to above ₹3,000 crore and diversification in the customer base on a sustained basis.
- Improvement in profit before interest, lease, depreciation and taxes (PBILDT) margins above 7% on a sustained basis.

#### Negative factors

- Deterioration in the capital structure with overall gearing above 0.50x on a sustained basis.

### Analytical approach: Combined approach

CARE Ratings Limited (CARE Ratings) has combined the business and financial risk profile of Chettinad Logistics Private Limited (CLPL) and Chettinad Minerals and Logistics Private Limited (CMLPL) owing to the operational and financial linkages between the entities and corporate guarantees extended by CLPL to the entire debt availed by CMLPL. Details provided in Annexure 6.

### Outlook: Stable

CARE Ratings believes the company will continue to benefit from the long track record of operations and healthy financial risk profile over the medium term.

### Detailed description of key rating drivers

#### Key strengths

#### Part of the Chettinad group

CLPL is part of the south India-based Chettinad group. The Group was originally promoted by Dr Rajah Sir Annamalai Chettiar and has almost 90-year track record of operations. The group has interests in diverse areas, including cement, health, education, and engineering among others. The group's flagship company is Chettinad Cement Corporation Private Limited (CCCPL, rated 'CARE AA+; Stable/ CARE A1+').

#### Experience of the group and operational synergies between group companies

CLPL is a part of Chettinad Group, which has a long track record of operations in providing end-to-end logistics solution for coal handling. CLPL has been involved in the movement/handling coal with presence across major coal handling ports such as Vizag, Haldia and Paradip. CLPL used to do coal trading to group companies (mainly for CCCPL) to meet the internal coal requirement and also undertake coal handling for power generating companies such as Andhra Pradesh Power Development Company Limited, and NTPC, among others and stevedoring operations. CLPL operates a transport division with ~600 trucks, providing road

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

transport services to group companies. In September 2023, the group's captive coal trading business was transferred to another group company, CMLPL. As a result, CLPL now focuses exclusively on coal handling services for third-party clients and continues to provide road transport services to group companies.

### **Comfortable capital structure**

At combined level there is no external term debt and avail only working capital borrowings, majorly in the form of non-fund-based limits. CMLPL primarily use letter of credit (LC) to extend to suppliers in the coal trading business, whereas CLPL majorly use performance guarantees for generation companies (GENCOs) and other PSU undertakings for coal handling. The capital structure at combined level is comfortable with overall gearing of 0.01x as on March 31,2024 and net debt negative position.

### **Key weaknesses**

#### **Moderation in scale of operation in FY24; scale expected to further moderate in FY25**

In FY24, the combined TOI moderated by 10%, primarily majorly due to a decline in coal prices leading to lower trading revenue. The scale of operations is expected to further moderate in FY25. This is due to the substitution of a few shipments of imported coal with petcoke, as Chettinad Cement directly imported petcoke, leading to a loss in trading volumes. The coal handling division of CLPL saw a reduction in active contracts with the expiration of certain contracts won in FY24. However, PBILDT% at combined level has improved from 5.23% in FY23 to 9.46% in FY24 driven by higher margin contracts in the coal handling division. CLPL plans to bid for new tenders in the coal handling segment in FY26, which could provide opportunities to diversify its customer base and improve scale. Timely renewal of existing contracts and addition of new contracts in the coal handling division shall remain key rating monitorable.

### **Client concentration risk**

CLPL and CMPLPL face considerable client concentration risk, as a significant portion of its revenue is depend on a small number of key clients. In FY24, CLPL has coal handling contracts with Andhra Pradesh Power Development Corporation (APPDCL), Karnataka Power Company Limited (KPCL), and NLC Tamilnadu Power Limited (NTPL) contributed the company's majority revenue. As on December 2024, the coal handling segment has only one active contract with APPDCL. Whereas CMLPL rely majorly on the group company CCCPL for its trading operations. However, strong track record and industry expertise of the group has enabled it to remain competitive in acquiring new business, mitigating some risks associated with this concentration.

### **Exposure to group companies albeit moderation as of March 2024**

At a standalone level, CLPL has exposure to group companies by ways of loan, investments, and trade receivables of ₹387.07 crore as on March 31, 2024, against ₹647.98 crore as on March 31, 2023. Notably, majority investment exposure is towards CCCPL. In FY24, CLPL reduced its stake in CCCPL by divesting a portion to other group companies and as on March 31, 2024, CLPL holds ~a 4.4% stake in CCCPL.

### **Liquidity: Strong**

At combined level, the entity has strong cash accruals against nil scheduled repayment obligations. The average utilisation for fund-based facilities is ~20% for last 12 months ended November 2024. The unutilised bank lines are adequate to meet its incremental working capital limits. The operating cycle continues to remain comfortable at 44 days in FY24 (PY: 36 days). The cash and balance including liquid investments stood at ₹493.85 crore as on March 31, 2024.

### **Applicable criteria**

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector   | Industry           | Basic industry              |
|-------------------------|----------|--------------------|-----------------------------|
| Services                | Services | Transport services | Logistics solution provider |

CLPL is incorporated in December 1999 and is a part of the South India-based Chettinad Group. CLPL previously operated in two business divisions: Clearing and Forwarding (C&F) and Stevedoring, and Coal Trading. The C&F division focuses on managing the movement of coal for private and public sector companies, holding valid licenses for stevedoring works at key ports, and a customs house agent (CHA) license for operations across all ports in India. CLPL also operates an inland container depot (ICD) at Coimbatore. Its coal handling and logistics services extend across major Indian ports, including Paradip, Vishakapattinam, Haldia, Ennore, and Tuticorin.

The company's coal trading division initially managed the coal trading and handling operations for Chettinad Group companies, primarily Chettinad Cement and its subsidiaries. However, in September 2023, CLPL transferred its coal trading operations to its group company, Chettinad Mineral Logistics Private Limited (CMLPL). Following this transition, CLPL now solely focuses on coal handling and C&F services for third-party clients. CLPL operates a road transport division with a fleet of trucks, primarily offering road transport services to group companies. This road transport division was transferred to CLPL from another group company in FY23.

| Brief financials (₹crore) (Combined) | March 31, 2023 (A) | March 31, 2024 (A) | 9M FY25 (UA) |
|--------------------------------------|--------------------|--------------------|--------------|
| Total Operating income               | 2,515.87           | 2,244.87           | 850.00*      |
| PBILDT                               | 131.64             | 212.35             | 48.10        |
| PAT                                  | 98.74              | 174.11             | NA           |
| Overall gearing ratio(times)         | 0.22               | 0.01               | NA           |
| Interest coverage(times)             | 7.17               | 18.47              | NA           |

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

\* For the 9M FY25 for CLPL, road transport division has not been included.

| Brief financials (₹crore) (Standalone) | March 31, 2023 (A) | March 31, 2024 (A) | 9M FY25 (UA) |
|--|--------------------|--------------------|--------------|
| Total Operating income                 | 2,515.87           | 1,845.79           | 400.00*      |
| PBILDT                                 | 131.64             | 205.27             | 40.00        |
| PAT                                    | 98.70              | 169.69             | NA           |
| Overall gearing ratio(times)           | 0.22               | 0.01               | NA           |
| Interest coverage(times)               | 7.17               | 19.76              | NA           |

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

\* For the 9M FY25 for CLPL, road transport division has not been included.

**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   |      | -                             | -               | -                          | 50.00                       | CARE A; Stable                     |
| Non-fund-based - LT/ ST-BG/LC |      | -                             | -               | -                          | 680.00                      | CARE A; 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       | Non-fund-based - LT/ ST-BG/LC          | LT/ST           | 680.00                       | CARE A; Stable / CARE A1 | -   | 1)CARE A; Stable / CARE A1 (02-Feb-24)<br>2)CARE A / CARE A1 (RWD) (10-May-23) | 1)CARE A; Stable / CARE A1 (20-Feb-23)      | 1)CARE A; Stable / CARE A1 (17-Mar-22)<br>2)CARE A; Stable / CARE A1 (01-Apr-21) |
| 2       | Fund-based - LT-Cash Credit            | LT              | 50.00                        | CARE A; Stable           | -   | 1)CARE A; Stable (02-Feb-24)<br>2)CARE A (RWD) (10-May-23)                     | 1)CARE A; Stable (20-Feb-23)                | 1)CARE A; Stable (17-Mar-22)<br>2)CARE A; Stable (01-Apr-21)                     |

LT: Long 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 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     | Chettinad Minerals and Logistics Private Limited | Full                    | Operational and financial linkages |

**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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