

## ITD Cementation India Limited

December 01, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	750.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	4,150.00	CARE A; Stable / CARE A1 (Single A; Outlook: Stable/ A One)	Reaffirmed
<b>Total Bank Facilities</b>	<b>4,900.00</b> <b>(Rs. Four Thousand Nine Hundred crore Only)</b>		
Commercial Paper (Carved out)	200.00	CARE A1 (A One)	Reaffirmed
<b>Total Short Term Instruments</b>	<b>200.00</b> <b>(Rs. Two Hundred crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities and short instrument of ITD Cementation India Limited continue to derive strength from the established track record in the Engineering, Procurement and Construction business in the country, extensive experience of promoters, satisfactory project execution capabilities, healthy and diversified order book position catering to multiple sectors and comfortable debt coverage metrics. The ratings also factor in the improved financial performance during H2FY21 (FY refers to period April 01 to March 31) backed by normalization of operations which were adversely impacted during H1FY21 by the covid induced lockdowns. The financial performance has further witnessed considerable improvement during H1FY22 and the ratings take cognizance of same.

The rating strengths, are however, tempered by working-capital intensive nature of business with extension of gross current asset days over the last three years, operations being exposed to variability in commodity prices and intense competition in the sector.

### Rating Sensitivities

*Positive Factors - Factors that could lead to positive rating action/upgrade:*

- Expansion in scale of operation and profitability margins.
- Significant improvement in gross current asset days to below 200 days on a sustained basis.

*Negative Factors- Factors that could lead to negative rating action/downgrade:*

- Any significant addition to debt resulting in weakening of leverage position.
- Further elongation of gross current asset days.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### **Established presence in the EPC business:**

ITD India was established in 1978 and has presence of over four decades of presence in the EPC segment in the country. The company has established a strong position in construction industry in India with a proven track record. It has successfully executed large and complex array of projects which includes elevated and underground metro projects, large commercial and institutional buildings, pumping stations, irrigation, marine infra works etc across the country. The company also benefits from the support extended by the parent company Italian Thai Development Public Company Limited (ITD Thailand) in project execution and access to various technologies and other technical know-how. The parent also deploys skilled personnel wherever necessary and has representation on company's board/management.

##### **Healthy and diversified order book:**

ITD India has been able to successfully add orders on a regular basis which has resulted in a healthy and growing order book position. The company added order around Rs.4200 crore during FY21-H1FY22 with outstanding orders of around Rs.12000 crore as on June 30, 2021. The order book translates to 4.18x of the FY21 revenue providing healthy revenue visibility over medium term. The orderbook is well diversified with presence across diverse segments comprising urban infrastructure (incl metro rail) 31%, marine structures (27%), Tunnels/Dams/Irrigation (17%), followed by building construction (13%) etc. The top 10 orders comprise 69% of the order book thereby fairly diversifying the revenue profile. ITD India also has wide geographical presence across 7 states with Karnataka capturing major share (30%) followed by WB (19%), TN (11%) etc.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

With continuous addition of orders, around 30% orders are at an early stage of execution and hence timely receipt of requisite approvals would have a bearing on the execution and revenue growth.

***Moderation in performance during FY21 with gradual recovery in H1FY22:***

During FY21, company on consolidated level has reported total operating income of Rs. 2758.46 crore; a marginal degrowth of 4.27% as compared to Rs.2881.94 crore reported during FY20. Following the nationwide lockdown announced by the Government of India on account of outbreak of Covid-19 pandemic, construction activity was largely shutdown during April 2020 and has resumed during later part of Q1FY21; however, owing to the unavailability of labour and raw material and the logistics constraint, project execution was severely impaired. Construction activity picked up during later part of Q2FY21 thereby improving the performance during H2FY21.

The project execution and financial performance has been resilient during the second wave. During H1FY22, the company has reported total operating income of Rs. 1643 crore, a y-o-y growth of 71%. There has been pressure on the margins due to rising commodity which cannot be entirely passed on. Hence the PBILDT margin reduced to 9.16% during H1FY22 as compared to 11.5% achieved during pre-covid period (FY20).

***Comfortable capital structure:***

Overall gearing of the company continues to remain comfortably at around unity as on March 31, 2021. During FY21 company availed term debt of Rs.35 crore for capex and additional loan of around Rs.50.00 crore under ECLGS scheme. The orders bid for have provision to avail mobilization advances to an extent of 5-10% of order value. Hence the company has increased the mobilization advance to fund the working capital requirement resulting in reduced utilization of working capital limits. The debt coverage metrics witnessed moderation during FY21, but have remained at satisfactory level.

***Key Rating Weaknesses***

***Susceptible to fluctuation of commodity prices***

Raw material expenses constitute one of the major cost elements with composition of ~40% (on an average) to the total cost of sales. The major materials consumed comprises Cement, Steel, fuel etc. which are procured from Government approved vendors. While there are price escalation clauses in contracts, there is a time lag in recovery of same. Further, the entire commodity price rise cannot be passed on due to linkages of escalation with price index and different terms of individual contracts. There has been an impact of commodity price rise during last 1.5 years with reduction PBILDT margin by around 192 bps over FY20 level.

***Extended gross current asset days:***

ITD India specializes in execution of technically complex projects and the work orders have high component of unbilled revenue due to milestone based billing and longer gestation projects. The share of urban projects which has been associated with high unbilled revenue has been increasing over the last 3 years (from Rs. 609.53 crore to Rs. 864.25 crore). The Gross current asset days thus have witnessed year on year elongation since FY19 (172 days) to 271 days during FY21 (FY20: 229 days). On an average, normal debtors are recovered within 3-4 months. The strong net worth base and low debt level has however enabled the company to manage the liquidity profile. The working capital has also been managed through extension of creditors. Hence overall operating cycle has remained moderate at 121 days during FY21 (FY20: 100 days).

***Presence in a highly fragmented industry***

ITD India operates in the intensely competitive infrastructure industry wherein projects are awarded on the basis of relevant experience of the bidder, financial capability and most attractive bid price. The high competition in the infrastructure industry is due to the presence of large number of small and medium players. However, ITD India has rich experience, long standing track record in the construction industry and established clientele which fares well against the peers in the industry.

***Liquidity: Adequate:***

Liquidity profile of the company is adequate marked by healthy cash accruals along with unencumbered cash balance of Rs. 91.97 crore as on September 30, 2021. Moderate working capital utilization of around 70% for trailing 12 month period ending Aug 2021 and unutilised bank line of around Rs.240 crore as on same date provides sufficient cushion to meet the incremental working capital needs.

***Analytical approach: Consolidated***

The consolidated financials of ITD India have been considered for analytical purposes owing to financial and operational linkages between the parent and subsidiaries/JVs, common management and fungible cash flows. The list of subsidiaries and JV consolidated is on Annexure 6

**Applicable Criteria**
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)
[Rating Methodology-Consolidation](#)
[CARE's Policy on Default Recognition](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Short Term Instruments](#)
[Construction](#)
[Infrastructure Sector Ratings](#)
**About the Company**

ITD Cementation India Limited (ITD India) was incorporated on June 24, 1978 as CemIndia Company Limited. The name of the company was changed to current nomenclature in 2004 post acquisition of 80.3% stake in the company by Italian-Thai Development Public Company Limited (ITD Thailand). ITD India is engaged in engineering and civil construction work with focus on maritime structures, urban infrastructure projects/mass rapid transit systems (MRTS), buildings, airports and tunnels.

<b>Brief Financials (Rs. crore)</b>	<b>FY20</b>	<b>FY21</b>	<b>H1FY22</b>
Total operating income	2881.50	2758.46	1643.09
PBILDT	332.11	256.13	157.96
PAT	43.76	15.95	32.98
Overall gearing (times)	1.01	1.01	1.08
Interest coverage (times)	2.55	1.85	2.20

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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 for this company: Annexure 4

**Annexure-1: Details of Instruments/Facilities**

<b>Name of the Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. crore)</b>	<b>Rating assigned along with Rating Outlook</b>
Fund-based - LT-Cash Credit	-	-	-	650.00	CARE A; Stable
Fund-based - LT-Term Loan	-	-	March 2025	100.00	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	4150.00	CARE A; Stable / CARE A1
Commercial Paper-Commercial Paper (Carved out)	-	-	less than 364 days	200.00	CARE A1

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Commercial Paper-Commercial Paper (Carved out)	ST	200.00	CARE A1	-	1)CARE A1 (06-Oct-20)	1)CARE A1 (04-Mar-20) 2)CARE A1 (CWD) (03-Oct-19) 3)CARE A1 (05-Jul-19)	1)CARE A1 (06-Jun-18)
2	Fund-based - LT-Cash Credit	LT	650.00	CARE A; Stable	-	1)CARE A; Stable (06-Oct-20)	1)CARE A; Stable (04-Mar-20) 2)CARE A (CWD) (03-Oct-19) 3)CARE A; Stable (05-Jul-19)	1)CARE A; Stable (06-Jun-18)
3	Fund-based - LT-Term Loan	LT	100.00	CARE A; Stable	-	1)CARE A; Stable (06-Oct-20)	1)CARE A; Stable (04-Mar-20) 2)CARE A (CWD) (03-Oct-19) 3)CARE A; Stable (05-Jul-19)	1)CARE A; Stable (06-Jun-18)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST*	4150.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (06-Oct-20)	1)CARE A; Stable / CARE A1 (04-Mar-20) 2)CARE A / CARE A1 (CWD) (03-Oct-19) 3)CARE A; Stable / CARE A1 (05-Jul-19)	1)CARE A; Stable / CARE A1 (06-Jun-18)

\*Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA****Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Commercial Paper-Commercial Paper (Carved out)	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure 5: Bank Lender Details for this Company**To view the lender wise details of bank facilities please [click here](#)**Annexure 6: List of entities considered for consolidation:**

ITD Cementation Projects India Limited.
ITD Cem-Maytas Consortium
ITD Cemindia JV
CEC-ITD Cem-TPL
ITD Cem-BBJ JV
ITD-ITD CEM JV
ITD-ITD CEM JV (Consortium ITD-ITD Cementation)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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