

ITD Cementation India Limited

April 06, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1,261.32 (Enhanced from 750.00)	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	6,638.96 (Enhanced from 4,150.00)	CARE A; Stable / CARE A1 (Single A; Outlook: Stable/ A One)	Reaffirmed
Total Bank Facilities	7,900.28 (Rs. Seven Thousand Nine Hundred Crore and Twenty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation in ratings of enhanced bank facilities of ITD Cementation India Limited (ITD India) factors award of underground metro project by Chennai Metro Rail Limited resulting in strengthened revenue visibility in medium term, although moderation in leverage ratios is expected due to additional borrowings proposed to support the execution of relatively large sized work order. The ratings also factor in established track record of ITD India in execution of complex underground metro projects. Timely execution of the said project work with generation of the envisaged operating cash flows shall be important from credit perspective.

The ratings, also, 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 9MFY22 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
- Sustained increased in gross current asset days to more than 300 days
- Delay in progress of various projects leading to lower than envisaged revenue and total debt/PBILDT exceeding 4.50 times on a sustained basis

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.2663 crore during 9MFY22 with outstanding orders of approx. Rs.11535 crore as on December 31, 2021. The order book translates to 4.18x of the FY21 revenue providing healthy revenue visibility over medium term. Further, during January 2022, company has secured orders around of Rs.4837 crore (including of Chennai Metro Rail Project). The orderbook is well diversified with presence across diverse segments comprising urban infrastructure (including metro rail), marine structures, Tunnels/Dams/Irrigation, building construction etc.

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

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.

Award of Metro Project resulting additional revenue visibility in medium term with stable debt coverage indicators: The company has been awarded metro project by Chennai Metro Rail Limited (CMRL) in January 2022. The overall contract value of the project is around Rs.3762 crore divided into two packages of Rs.1905 crore and Rs.1856 crore respectively. The project duration is of 48 months which provide revenue visibility in medium term. The company has planned to incur capex for such project through project specific bank limits as well as through interest free mobilisation advances. ITD India had moderate leverage marked by total debt/PBILDT of 4.18 times in FY21. Despite additional debt, total debt/PBILDT is expected to remain range bound in the medium term given the relatively high margins associated with the work order. Nevertheless, ITD India is exposed to inherent project risk associated with complex underground metro project involving construction of twin tunnel. ITD India's track record in executing similar projects in the past is expected to offer partial mitigation. Going forward, ITD India's ability to execute the current large order book in timely manner while generating envisaged operating cash flow shall be crucial from credit perspective.

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 in 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 Jan 2022 and unutilised bank line of around Rs.120 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

[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[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.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	2881.50	2758.46	2670.49
PBILDT	332.11	256.13	244.60
PAT	43.76	15.95	52.82
Overall gearing (times)	0.89	1.01	NA
Interest coverage (times)	2.79	2.55	2.31

A: Audited; UA: Unaudited

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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	969.00	CARE A; Stable
Fund-based - LT-Term Loan		-	-	November 2025	292.32	CARE A; Stable
Non-fund-based - LT/ST-BG/LC		-	-	-	6638.96	CARE A; Stable / 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 (01-Dec-21)	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	969.00	CARE A; Stable	1)CARE A; Stable (01-Dec-21)	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	292.32	CARE A; Stable	1)CARE A; Stable (01-Dec-21)	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*	6638.96	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (01-Dec-21)	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: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	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 Ratings Ltd. 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 CARE Ratings Limited:

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