

ITD Cementation India Limited (Revised)

March 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,552.30 (Reduced from 1,731.29)	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	6,918.96 (Reduced from 7,909.97)	CARE A; Stable / CARE A1	Reaffirmed
Commercial paper (Carved out) *	200.00	CARE A1	Reaffirmed

*not placed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities and short-term instruments of ITD Cementation India Limited (ITD India) factors in the robust growth in order book resulting in strengthened revenue visibility in medium term and significant improvement in the company's operational and financial performances in FY23 (refers to period April 1 to March 31) and 9MFY24. The company's total operating income (TOI) grew by 34% in FY23 and stood at ₹5,090 crore as compared to ₹3,809 crore in FY22, which further improved to ₹5,460 crore in 9MFY24, thereby surpassing FY23 revenue levels. The company's profitability margins and debt coverage metrics have also shown consistent improvement in 9MFY24 owing to significant progress and revenue booking witnessed in its large-sized projects which were earlier at nascent stages of execution. Its profit before interest, lease rentals, depreciation and taxation (PBILDT) margins (excluding profit from JVs) improved to 9.61% for 9MFY24 (FY23: 8.39%) while adjusted total debt (excluding interest free mobilisation advances)/ PBILDT improved to 2.21x (FY23: 3.56x) and it is expected to remain below 3.25x in the medium term.

Ratings also continue to derive strength from ITD India's established track record in the engineering, procurement and construction (EPC) business in the country, promoters' extensive experience, satisfactory project execution capabilities with complex EPC work undertaken, and comfortable liquidity.

Nevertheless, aforesaid improvement in ITD India's standalone financial risk profile is partly offset by weakening in credit profile of its parent, Italian Thai Development Public Company Limited (ITD Thailand). Further, the entity has also got extension in the bond's redemption date by two years, along with an increase in coupon rates. Given this weakening, there could be possibility of support requirement from ITD India. ITD India's management has articulated that any cashflow support to be extended to the parent is unlikely. In the past as well, ITD India has neither declared exceptional dividend nor extended any loans to ITD Thailand. Any material support from ITD India to ITD Thailand shall be key rating sensitivity.

Ratings continue to be constrained by the working capital-intensive business, operations being exposed to variability in commodity prices, and inherent challenges associated with the construction sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Continuously growing scale of operations while maintaining adjusted total debt/ PBILDT to around 3.25x on a sustained basis.

Negative factors

- Increasing gross current asset days to more than 275 days on a sustained basis.
- Delaying progress of various projects leading to lower-than- envisaged revenue and adjusted total debt (excluding interest free mobilisation advances)/PBILDT exceeding 4x on a sustained basis.
- Extension of support to the parent, ITD Thailand, thereby impacting the company's debt coverage indicators.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has adopted a consolidated approach for analysing ITD India. The list of subsidiaries and joint venture (JV) consolidated is attached as Annexure-6.

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

Outlook: Stable

The stable outlook reflects strong order book and satisfactory project progress, which is expected to result in satisfactory financial and liquidity profiles, going forward.

Detailed description of the key rating drivers:**Key strengths****Established presence in the EPC business**

ITD India was established in 1978 and has presence of over four decades 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, including elevated and underground metro projects, large commercial and institutional buildings, pumping stations, irrigation, and marine infra works among others across the country.

Robust growth in order book

ITD India has been able to successfully add orders on a regular basis which has resulted in a robust growth in order book position. It has witnessed strong inflow of orders over the last 2 years and has added orders of ₹8,000 crore in FY23 and ₹6,100 crore in 9MFY24 leading to order book of ₹20,825 crore as on December 31, 2023. The order book translates to 4.09x of the FY23 revenue providing healthy revenue visibility over medium term.

The order book is well spread across diverse segments comprising maritime structures (32%), urban infrastructure (including metro rail) 22.9%, highway/bridges/flyovers (17.8%), industrial structures and buildings (12%), and tunnels/dams/irrigation (10.3%), among others. Order book is diversified with presence in about 15 states and is currently also executing projects in Sri Lanka and Bangladesh.

The order book had jumped significantly due to addition of three large-sized orders of Chennai metro project (worth ₹4,222 crore), Ganga Expressway project (worth ₹4,866 crore), and Project Varsha for Indian Navy (worth ₹3,289 crore) in FY22, FY23 and FY24, respectively. Since September 2022, the company has made significant progress in the execution of Chennai metro project (20%-23% progress as on December 31, 2023) and Ganga expressway (25% progress as on December 31, 2023) by executing works of around ₹2,000 crore. However, the works at Project Varsha have not yet commenced since it has been recently awarded in October 2023 and is awaiting certain approvals. However, the same is expected to start from Q1FY25 onwards.

CARE Ratings observes, given the company's established track record in executing complex infrastructure projects which require strong technical expertise, project execution risk has been subsided to an extent.

Improved financial performance in FY23 and 9MFY24

In FY23, on a consolidated level, ITD India reported strong growth in its TOI to ₹5,090 crore as compared to ₹3,809 crore reported in FY22, registering a growth of about 34% due to smooth execution of the order book. The revenue growth continued in 9MFY24 with y-o-y growth of 58% and revenue stood at ₹5,460 crore as compared to ₹3,460 crore in 9MFY23, thereby also surpassing the FY23 revenue levels.

The margins were impacted in the past due to the impact of rise in commodity prices, losses in the Bangalore metro project, and initial stage of execution for large-sized projects, which were pressurising the margins. While there are price escalation clauses in approximately 80% of the order book, there is time lag and cost overruns which ultimately drags down the overall PBILDT margins. The entire commodity price rise cannot be passed on due to linkages of escalation with price index and different terms of individual contracts. However, with the completion of legacy projects, easing up of the commodity price pressure and progress in work of Chennai metro and Ganga Expressway, there has been an improvement in the company's profitability margins from 7.93% in FY22 to 8.39% in FY23 and further to 9.61% in 9MFY24.

CARE Ratings expects the margins to improve and remain at an average of 10%.

Improvement in debt coverage metrics in 9MFY24

Historically, the entity's debt level has been on the relatively lower side with satisfactory operating cycle necessitating lower dependence on working capital borrowings. However, with large-sized projects undertaken, the term debt (for funding equipment purchase), mobilisation advance, and working capital requirement had gone up, moderating the capital structure for FY23. A large part of the working capital funding is met through interest free mobilisation advance which supports the interest coverage.

The inventory build-up and high working capital requirement was required during the initial stages of project execution for the large-sized project works which weakened the debt coverage metrics in FY23, and hence the total adjusted debt (including interest linked mobilization advances)/PBILDT stood at around 3.56x for FY23. However, since the revenue and profit booking from such large-sized work orders have started to accrue from FY24 onwards, the adjusted debt/PBILDT stood improved at 2.21x in 9MFY24.

Interest coverage also steadily improved from 2.13x in FY22 to 2.58x in FY23 and 3.27x in 9MFY24. CARE Ratings expects the coverage metrics to remain comfortable going forward.

Liquidity: Adequate

The company's liquidity is adequate marked by healthy cash accruals and unencumbered cash balance of ₹511 crore as on December 31, 2023. Working capital utilisation continued to remain moderate at 81% for trailing 12-month period ending December 2023. Apart from these, the company has tied up project-specific limits for Chennai Metro Rail Project, which provides sufficient cushion to meet the incremental working capital needs.

Key weaknesses

Weakening of the parent's financial profile

The financial profile of the parent, ITD Thailand, has deteriorated over past few years with weak leverage due to high debt level on a consolidated basis. The pressure of the weakening liquidity has led the company to receive an extension in its bond's redemption date by two years, with an increase in the coupon rates. Though the company has reported profits of around ₹162 crore in 9MCY2023, the sustained improvement in the operations and improvement in its leverage levels thereby eliminating the need for any un-envisaged support from its subsidiaries/ ITD India, shall remain a key rating sensitivity.

Working capital intensive operations

ITD India specialises in execution of technically complex projects and the work orders have high component of unbilled revenue due to large-sized orders in initial phase of execution and longer gestation projects. The gross current asset days moderated slightly from 213 days in FY22 to 228 days in FY23 despite the improvement in the collection period from 134 days in FY22 to 127 days in FY23. The same was due to higher amount of unbilled revenue reported for FY23 due to commencement of work for large-sized orders. However, with the billing and achievement of milestones in 9MFY24, the same stood improved at 186 days. The working capital has also been managed through extension of creditors, which along with scaling up of operations led to increase in total outside liabilities/ net worth from 2.24x as on March 31, 2022 to 3.15x as on March 31, 2023. Moreover, given the nature of industry, business operations are expected to remain working capital intensive.

Inherent challenges associated with construction sector

ITD India operates in the intensely competitive construction industry wherein projects are awarded based on bidder's relevant experience, 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 vast experience in niche segment of complex infrastructure projects, long-standing track record in the construction industry, and established clientele which fares well against the industry peers.

Assumptions/ Covenants: Not applicable

Environment, social, and governance (ESG) risks

ITD India is exposed to the environmental risk emanating from the disruption of economic resources while construction activities are under progress. However, the risks are mitigated to an extent by measures taken by the company such as sustainable use of materials by adopting various energy conservation measures such as deployment of fuel-efficient plant and machinery and use of green technologies, recycling/reusing of material. Also, the company procures raw material and labour locally for the construction sites, thereby minimising transportation and reducing carbon footprints.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non-financial Sector](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

[Consolidation](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil construction

ITD India was incorporated on June 24, 1978, as CemIndia Company Limited. The company's name was changed to current nomenclature in 2004 post acquisition of 80.3% stake in the company by 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 (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	3,809	5,090	5,460
PBILDT	302	427	525
PAT	69	125	185
Overall gearing (times)	1.14	1.73	NA
Interest coverage (times)	2.13	2.58	3.27

A: Audited; UA: Unaudited; NA: Not available; Note: 'these 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 to 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
Commercial paper- Commercial paper (Carved out) *	NA	NA	NA	7-364 days	200.00	CARE A1
Fund-based - LT-Cash credit		-	-	-	1069.00	CARE A; Stable
Fund-based - LT-Term loan		-	-	June 2027	433.30	CARE A; Stable
Fund-based - LT-Vendor financing		-	-	-	50.00	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	6918.96	CARE A; Stable / CARE A1

*not placed

Annexure-2: Rating history for last three years

S. 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	Commercial paper-Commercial paper (Carved out)	ST	200.00	CARE A1	-	1)CARE A1 (14-Feb-23)	1)CARE A1 (01-Dec-21)	1)CARE A1 (06-Oct-20)
2	Fund-based - LT-Cash credit	LT	1069.00	CARE A; Stable	1)CARE A; Stable (23-May-23)	1)CARE A; Stable (14-Feb-23) 2)CARE A; Stable (06-Apr-22)	1)CARE A; Stable (01-Dec-21)	1)CARE A; Stable (06-Oct-20)
3	Fund-based - LT-Term loan	LT	433.30	CARE A; Stable	1)CARE A; Stable (23-May-23)	1)CARE A; Stable (14-Feb-23) 2)CARE A; Stable (06-Apr-22)	1)CARE A; Stable (01-Dec-21)	1)CARE A; Stable (06-Oct-20)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	6918.96	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (23-May-23)	1)CARE A; Stable / CARE A1 (14-Feb-23) 2)CARE A; Stable / CARE A1 (06-Apr-22)	1)CARE A; Stable / CARE A1 (01-Dec-21)	1)CARE A; Stable / CARE A1 (06-Oct-20)
5	Fund-based - LT-Vendor financing	LT	50.00	CARE A; Stable	1)CARE A; Stable (23-May-23)	-	-	-

LT: Long term; ST: Short term; LT/ST: 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	Commercial paper-Commercial paper (Carved out)	Simple
2	Fund-based - LT-Cash credit	Simple
3	Fund-based - LT-Term loan	Simple
4	Fund-based - LT-Vendor financing	Simple
5	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 all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	ITD Cementation Projects India Limited	Full	ITD India undertakes projects across India independently; through its wholly owned subsidiary and its JVs. The revenue for ITD India is thus dependent on the revenue generated from such projects in respective subsidiary/ JVs.
2	ITD Cem-Maytas Consortium	Full	
3	ITD Cemindia JV	Full	
4	CEC-ITD Cem-TPL	Proportionate	
5	ITD Cem-BBJ JV	Proportionate	
6	ITD-ITD CEM JV	Proportionate	
7	ITD-ITD CEM JV (Consortium ITD-ITD Cementation)	Proportionate	

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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