

ITD Cementation India Limited

November 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,552.30	CARE A (RWP)	Placed on Rating Watch with Positive Implications
Long-term / Short-term bank facilities	6,918.96	CARE A / CARE A1 (RWP)	Placed on Rating Watch with Positive Implications
Commercial Paper (Carved out)*	200.00	CARE A1 (RWP)	Placed on Rating Watch with Positive Implications

Details of instruments/facilities in Annexure-1.

*Carved of the working capital limits

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed ratings of ITD Cementation India Limited (ITD India) on rating watch with positive implications. Ratings action follows exchange intimation by the company dated October 25, 2024, impending likelihood of change in the company's parentage. The present promoter, Italian Thai Development Company Limited (ITD Thailand), entered share purchase agreement (SPA) with Renew Exim DMCC, a Dubai-based affiliate of the Adani group, promoted by Vinod Shantilal Adani. The Adani group has done major acquisitions through their Dubai-based entities in the past as well. Per the SPA, Adani group is purchasing 46.64% of the promoter stake of ITD Thailand. Additionally, the Adani group has also come with an open offer for purchasing up to 26% shares in ITD India from the company's public shareholders. Post consummation of these transactions, Adani group is likely to hold 72.64% stake in ITD India.

CARE Ratings believes the change in parentage would delink the impact of weak credit profile of the present promoter on ITD India. The transaction is subject to receipt of approvals from required authorities and CARE Ratings shall be monitoring developments in this regard and take a view once more clarity emerges.

Ratings continue to factor in the robust growth in order book resulting in strengthened revenue visibility in medium term, healthy operating performance indicated by improvement in the consolidated revenue by 52% in FY24 and 30% in Q1FY25 (on a y-o-y basis) with an improving profit margin before interest, lease rentals, depreciation and tax (PBILDT) margin (excluding profit from JVs) to 10.37% in FY24 (PY: 8.39%) and 9.97% in Q1FY25. The company's profitability margins and debt coverage metrics have shown consistent improvement owing to significant progress and revenue booking witnessed in its large-sized projects which were earlier at nascent stages of execution. Total debt/PBILDT improved to 2.94x (FY23: 5.02x) and it is expected to remain below 3.25x in the medium term.

Ratings also remain underpinned by the established track record of ITD India in engineering, procurement and construction (EPC) business in the country, promoters' extensive experience, satisfactory project execution capabilities with complex EPC work undertaken, comfortable solvency position and healthy liquidity.

Nevertheless, aforesaid improvement in ITD India's standalone financial risk profile has been moderated with weakening in credit profile of its present parent, Italian Thai Development Public Company Limited (ITD Thailand). The rating strengths, 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 ~3.25x on a sustained basis.

Negative factors

- Increasing gross current asset days to over 275 days on a sustained basis.
- Delaying progress of 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, impacting the company's debt coverage indicators.

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

Analytical approach: Consolidated

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.

Outlook: Not applicable

Detailed description of key rating drivers:**Key Strengths****Strong orderbook position**

ITD India has been able to successfully add orders regularly, which resulted in robust order book position for the company. It witnessed strong inflow of orders over the last three years and added orders of ₹6,195 crore in FY24 and ₹1,053 crore in Q1FY25 leading to order book of ₹18,536 crore as on June 30, 2024. The order book translates to 2.4x of the FY24 revenue providing healthy revenue visibility over medium term.

The order book is well spread across diverse segments comprising maritime structures (35%), urban infrastructure (including metro rail) 21%, highway/bridges/flyovers (15%), industrial structures and buildings (12%), and tunnels/dams/irrigation (11%), among others. Order book is diversified with presence in ~several states and is currently also executing projects in Sri Lanka and Bangladesh.

The order book 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. The company has made significant progress in the execution of Chennai metro project and Ganga expressway. However, works at Project Varsha have not yet commenced since it has been awarded in October 2023. 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 operational performance in FY24 and Q1FY25

In FY24, on a consolidated level, ITD India reported strong growth in its total operating income (TOI) to ₹7,718 crore compared to ₹5,090 crore reported in FY23, registering a growth of ~52% backed by healthy execution of the order book. Revenue growth continued in Q1FY25 with year-over-year (y-o-y) growth of 30% and revenue stood at ₹2,381 crore compared to ₹1,833 crore in Q1FY24.

With the completion of legacy projects, easing up of commodity price pressure and progress in work of Chennai metro and Ganga Expressway, there has been a substantial improvement in the company's PBILDT margins to 10.37% in FY24 (PY: 8.39%, FY22: 7.93%) and 9.97% in Q1FY25. CARE Ratings expects the margins to improve and remain at an average of 10% in medium term.

Comfortable debt coverage metrics

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, term debt (for funding equipment purchase), mobilisation advance, and working capital requirement had gone up, moderating capital structure FY23 onward. Large part of the working capital funding is met through interest free mobilisation advance which supports interest coverage.

Inventory build-up and high working capital requirement was required in initial stages of project execution for large-sized project works which had moderated the debt coverage metrics in FY23, and hence total debt/PBILDT stood at ~5.02x for FY23. Nevertheless, with increasing scale and healthy generation of profits and cash accruals, debt coverage metrics improved in FY24 with total debt/PBILDT to 2.94x. Interest coverage also steadily improved from 2.58x in FY23 to 3.67x in FY24 and 4.49x in Q1FY25. CARE Ratings expects coverage metrics to remain comfortable going forward.

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.

Liquidity: Adequate

The company's liquidity is adequate marked by healthy cash accruals and unencumbered cash balance of ₹700.72 crore as on March 31, 2023 (PY: ₹474 crore). 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

Financial profile of the parent, ITD Thailand, deteriorated in the last few years with weak leverage due to high debt level on a consolidated basis. Pressure of weakening liquidity has led the company to receive an extension in its bond's redemption date by two years, with an increase in coupon rates. Though the company has reported PBILDT of around THB 5,253 million in CY2023 against PBILDT of THB 2,618 million in CY2022, sustained improvement in operations and improvement in its leverage levels eliminating the need for un-envisaged support from its subsidiaries/ ITD India, shall remain a key rating sensitivity.

While ITD Thailand is under way to divest ITD India to Adani group, until the transaction completes, weak parentage continues to have a bearing on the credit profile of ITD India.

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. Gross current asset days moderated slightly to 228 days in FY23 due to higher amount of unbilled revenue reported for FY23 due to commencement of work for large-sized orders. However, with billing and achievement of milestones in FY24, this stood improved at ~180 days. Working capital has also been managed through extension of creditors, and scaling up of operations led to increase in total outside liabilities/ net worth. 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 intensely competitive construction industry, where projects are awarded based on bidder's relevant experience, financial capability, and most attractive bid price. High competition in the infrastructure industry is due to the presence of many 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 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, risks are mitigated to an extent by measures taken by the company such as sustainable use of materials by adopting 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 construction sites, minimising transportation and reducing carbon footprints.

Applicable criteria

[Consolidation](#)

[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](#)

About the company and industry

Industry classification

Macroeconomic 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 (Consolidated, ₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25(UA)
Total operating income	5,090	7,718	2,381
PBILDT	427	801	237
PAT	125	274	100
Overall gearing (times)	1.73	1.57	Not applicable
Interest coverage (times)	2.58	3.67	4.49

A: Audited; UA: Unaudited; Not applicable: Not available

Note: These are latest available financial results

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
Commercial Paper-Commercial Paper (Carved out)	Not applicable, Unplaced	Not applicable	Not applicable	0-365 days	200.00	CARE A1 (RWP)
Fund-based - LT-Cash Credit	Not applicable	-	-	-	1069.00	CARE A (RWP)
Fund-based - LT-Term Loan	Not applicable	-	-	June 2027	433.30	CARE A (RWP)
Fund-based - LT-Vendor financing	Not applicable	-	-	-	50.00	CARE A (RWP)
Non-fund-based - LT/ ST-BG/LC	Not applicable	-	-	-	6918.96	CARE A / CARE A1 (RWP)

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	Commercial Paper-Commercial Paper (Carved out)	ST	200.00	CARE A1 (RWP)	-	1)CARE A1 (20-Mar-24)	1)CARE A1 (14-Feb-23)	1)CARE A1 (01-Dec-21)
2	Fund-based - LT-Cash Credit	LT	1069.00	CARE A (RWP)	-	1)CARE A; Stable (20-Mar-24) 2)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)
3	Fund-based - LT-Term Loan	LT	433.30	CARE A (RWP)	-	1)CARE A; Stable (20-Mar-24) 2)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)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	6918.96	CARE A / CARE A1 (RWP)	-	1)CARE A; Stable / CARE A1 (20-Mar-24) 2)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)
5	Fund-based - LT-Vendor financing	LT	50.00	CARE A (RWP)	-	1)CARE A; Stable (20-Mar-24) 2)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 rated instruments/facilities: Not applicable

Annexure-4: Complexity level of 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 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	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 thus depends 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	
8	ITD Cementation India Ltd-Transrail Lighting Ltd JV	Proportionate	

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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