Tecnimont Private Limited

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	116.50 (Enhanced from 65.00)	CARE AA-; Stable	Reaffirmed
Long-term / Short-term bank facilities	2,007.50 (Reduced from 2,015.00)	CARE AA-; Stable / CARE A1+	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Tecnimont Private Limited (TPL) continues to derive strength from strong operational and financial linkages with its ultimate parent, Maire Tecnimont SpA (referred as group hereafter), and the group's vast scale of operations spread across the globe with established position in engineering, procurement, and construction (EPC) of polymer-based plants and fertiliser segment. There are business and financial linkages with the parent, Group, with TPL deriving 32% of the total revenue for past three years from Group through engineering services and funding support received from the parent group through external commercial borrowings (ECBs) of US $20 million (~₹166 crore) for managing incremental working capital requirements. Going forward, CARE Ratings Limited (CARE Ratings) expects continued parent support, and with Group receiving large-sized work orders, TPL's revenue proportion from the parent group is likely to grow.

Ratings also derive strength from the satisfactory order book position and financial performance in FY24 (FY refers to April 01 to March 31) and H1FY25. In FY24, TPL's revenue reported a modest growth of 4% and stood at ₹2,398 crore against ₹2,302 crore in FY23, while the profit before interest, lease rentals, depreciation and taxation (PBILDT) improved from 4.44% in FY23 to 6.73% in FY24. For H1FY25, TPL reported revenue of ₹1,298 crore (y-o-y growth of 16% over H1FY24), and PBILDT margin of 5.38% (3.47% in H1FY24).

The ratings also factor in low leverage and satisfactory liquidity profile. While the debt levels have increased in FY24 on account of increase in lease liabilities and ECBs from parent, the overall debt coverage metrics have remained at stable levels. Due to the increase debt and reduced cash position, the net debt/PBILDT moderated to 1.29x in FY24 from negative net debt/PBILDT in FY23. The company had been utilising letter of credit and reverse factoring usage for financing increasing working capital requirements of existing projects, the outstanding amounts for the same have been consistently reducing. With support from parent towards working capital requirement, the company has reduced supply chain finance outstanding in current fiscal.

However, the rating strengths are tempered by working capital intensive operations due to high unbilled revenues per contractual terms, concentrated order book position, and profit margins susceptible to fluctuating foreign currency and majority third-party work orders being of fixed price nature.

CARE Ratings Ltd (CARE Ratings) had envisaged the working capital intensity to reduce post H1FY25, however, the reduction in the unbilled revenues has been stalled due to delay in handover of the work from third party contractors. CARE Ratings expects a modest recovery of the unbilled revenues in FY25; however, a larger recovery shall be visible in FY26 per the updated timelines for completion of the projects where unbilled revenues are higher. Going forward, rationalisation of current assets levels will be crucial from credit perspective.

CARE Ratings has withdrawn the rating for the term loan of ₹44 crore as no funds were mobilised using the rating and the term loan limit sanctioned also stands cancelled.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations with revenue increasing to ₹3,000 crore and above with operating margin ~10% on a sustained basis.

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

- Improvement in gross current asset (GCA) days to less than 150 days on a continued basis.

Negative factors

- Increase in total outside liabilities to tangible net worth (TOL/TNW) above 2.50x on a continued basis.
- Extension of GCA days beyond 275 days on a consistent basis.
- Material change in the shareholding/ controlling interest of the company or operational linkages with the Maire Tecnimont group.

Analytical approach: Standalone, factoring linkages with the ultimate parent, Maire Tecnimont SpA.

Outlook: Stable
The stable outlook reflects CARE Ratings' expectation of TPL's healthy revenue generation, augmented by its existing order book position with expected new orders, favourable sector outlook, and support expected from parent in case of requirements.

Detailed description of key rating drivers:

Key strengths

Part of larger Maire Tecnimont group having operations across globe
TPL is a wholly owned subsidiary of Tecnimont SpA, which is 100% owned by Maire Tecnimont SpA, an Italian listed company (on Milan Stock Exchange) with a market cap of ~€2.61 billion as on December 12, 2024. The Maire Tecnimont group operates in ~45 countries through its group companies spread across four continents.
The Maire Tecnimont group is a global market leader for installed capacity, with 30% market share in polyolefin plants and 50% market share in low-density polyethylene (LDPE) plants. In the fertiliser segment, the group has 54% market share in licensing urea plants technology (first worldwide) and 34% market share in licensing urea granulation technology (second worldwide). The group is present in the petrochemical segment since 1970, existing since about five decades. The group has constructed over 210 polyethylene and polypropylene plants, 175 ammonia and urea plants, and over 250 hydrogen and sulphur recovery unit projects. The Maire Tecnimont group has over 1,700 patents registered in its name.
Maire had an outstanding order book of €14.80 billion as on September 30, 2024, providing revenue visibility for four years. In 9MCY24 (CY refers to January 01 to December 31), Maire added orders worth €3.7 billion against orders of €2.3 billion in 9MCY23. Similarly, Maire at a consolidated level witnessed y-o-y revenue growth of 34% and stood at €4.13 billion in 9MCY24 compared to €3.08 billion in 9MCY23.

Strong business linkages with the group
The Maire Tecnimont group extends support to its Indian counterpart in executing projects by providing access to its technologies and know-how and deploying skilled personnel wherever necessary. Strong credentials of the group enable TPL to bid for large and complex projects. In turn, TPL supports the group's international operations by providing engineering, consultation, and execution services (both, onshore and offshore) such as engineering and detailed engineering services, field engineering services, project management services and procurement services, among others. TPL has a master agreement with Tecnimont SpA for supplying 4.50 million man-hours (enhanced from 2.20 million) annually, thus providing a stable source of revenue to TPL. Strong business and operational linkages with the group allow TPL to maintain healthy revenues. The revenue from group entities has increased from 28% of the total revenue in FY22 and FY23 to 39% in FY24 and further to 56% in 6MFY25. TPL has also received funding support from Tecnimont SpA through ECBs of US $20 million as on December 2024 for managing incremental working capital requirements.
Along with TPL, the group operates Tecnimont SpA India project Office (TIPO), with orders of ₹1,775 crore being executed in JV with TPL.

Satisfactory order book position with continued client concentration
The company operates in the capital goods EPC segment, and hence, order book growth depends on capital expenditure (capex) announcement plans for entities in the segment, particularly the oil and gas segment. As on October 01, 2024, TPL had an order book of ₹3,612 crore (₹2,949 crore as on January 01, 2024), which based on the revenue for FY24, provides revenue visibility for next 1.5 years. While order addition in FY24 was muted, it picked up in FY25, where TPL has added a new order worth contract value of ₹837 crore. The order book continues to be concentrated, with two orders contributing ~71% of the overall order book.

Satisfactory financial performance with growth in revenue and margins in H1FY25
TPL's revenue reported a modest growth of 4% in FY24 and stood at ₹2,398 crore considering execution of the limited orders in hand. However, the PBILDT margin improved from 4.44% in FY23 to 6.73% in FY24 due to larger contribution in revenue from

the man hours supply to parent, which has led to lower outgo in material costs and subcontracting works improving the blended margin.
TPL further reported y-o-y growth of 16% in revenue and stood at ₹1,298 crore in H1FY25 (₹1,123 crore in ₹FY24), with PBILDT margin of 5.38% (3.47% in H1FY24). The same is expected to improve to ~6% for the entire year FY25 as the old projects of Indian Oil Corporation Limited (IOCL) are nearing completion.

Key weaknesses

Profit margins susceptible to price fluctuations
The company's profit margin is susceptible to volatile input prices, given the fixed-price nature of contracts, mitigated partially through contingency built-up in bidding. The profit level is also subject to foreign exchange fluctuation risk.

Heighted working capital intensity
The company provides engineering services to its parent company, for which billings are done monthly. This apart, in the [PC segment, payments are received on achieving specific milestones, leading to an increase in debtors as on March 31, 2024 (43% of the revenue), particularly the unbilled revenue component. The reduction in unbilled revenues has been stalled due to delay in the handover of the work from third party contractors. A modest recovery of the unbilled revenues is expected in FY25, however, a larger recovery shall be visible in FY26 as per the updated timelines for completion of the projects where unbilled revenues are higher.
TPL has been managing its working capital requirements through cash accruals, letter of credit (LC) issuances, and extension of creditors. The company has received funding support from Tecnimont SpA through [CBs of US $20 million for managing incremental working capital requirement. This has supported debt reducing in current fiscal.
Further, despite the built-up of the unbilled revenue from these projects, the overall debt coverage metrics remained stable. The TOLL TNW stood at 1.95x as on March 31, 2024 (2.00x as on March 31, 2023). The IOCL projects are expected to be completed by the end of FY26, post which the coverage metrics are expected to improve.
TPL had earlier sanctioned term loan of ₹44 crore for purchasing of scaffoldings and furnishing of office however, the same has not been availed by the company.

Liquidity: Strong
TPL's liquidity position continues to be strong, reflected by its healthy cash and bank balance and nil external term debt. Business operations are working capital intensive with milestone-based revenue receipts and extended credit period offered to group entities. Fund-based limits remain unutilised for last 12 months ending November 30, 2024. TPL also maintains healthy cash and liquid investments of ₹263 crore as on November 30, 2024 (₹283 crore as on March 31, 2024).

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non-financial Sector
Withdrawal Policy
Construction
Infrastructure Sector Ratings
Short Term Instruments
Factoring Linkages Parent Sub JV Group

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

TPL is a wholly owned subsidiary of Tecnimont SpA, Italy, with Maire Tecnimont SpA as the ultimate holding company. TPL executes EPC projects on a turnkey basis, apart from engineering and electrical and instrumentation services. TPL, either solely or in association with its parent, Tecnimont SpA, undertakes design, engineering, procurement, project management, construction, and commissioning of industrial plants in India and overseas. TPL also provides offshore support in engineering designs to its parent's global operations.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	2,301.60	2,398.41	1,298.49
PBILDT	102.23	161.36	69.91
PAT	40.43	70.43	25.94
Overall gearing (times)	0.61	0.62	0.53
Interest coverage (times)	2.63	2.99	3.52

A: Audited UA: Unaudited; 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
Fund-based - LT-Packing Credit in Foreign Currency	-	-	-	-	116.50	CARE AA-; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	2007.50	CARE AA-; Stable / CARE A1+
Term Loan-Long Term	-	-	-	31-03-2029	0.00	Withdrawn

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 2025	Date(s) and Rating(s) assigned in 2024	Date(s) and Rating(s) assigned in 2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-BG/LC	LT/ST	2007.50	CARE AA-; Stable / CARE A1+	1)CARE AA-; Stable / CARE A1+ (30-Apr-24) 2)CARE AA-;	1)CARE AA-; Stable / CARE A1+ (04-Apr-23)	-	1)CARE AA-; Stable / CARE A1+ (29-Mar-22)

					Stable / CARE A1+ (02-Apr-24)			
2	Fund-based - LT-Packing Credit in Foreign Currency	LT	116.50	CARE AA-; Stable	1)CARE AA-; Stable (30-Apr-24) 2)CARE AA-; Stable (02-	1)CARE AA-; Stable (04-Apr- 23)	-	1)CARE AA-; Stable (29-Mar-22)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	-	-	-	1)Withdrawn (29-Mar-22)
4	Term Loan-Long Term	LT	-	-	1)CARE AA-; Stable (30-Apr-24)	-	-	-

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	Fund-based - LT-Packing Credit in Foreign Currency	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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