

January 31, 2025

## International Seaport Dredging Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term bank facilities/Short-term bank facilities, fund/non-fund based limits	225.00	225.00	[ICRA]BBB-(Stable)/[ICRA]A3 reaffirmed
<b>Total</b>	<b>225.00</b>	<b>225.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating reaffirmation continues to derive comfort from the operational, technical and financial support extended to International Seaport Dredging Private Limited (ISDPL) by the Belgium-based Dredging, Environmental & Marine Engineering (DEME) Group through its subsidiary Dredging International N.V. ICRA notes that the company's financial performance had improved with the increase in revenues and operating profits and strengthened net worth position over the past few years. However, the company continues to be susceptible to lumpy order flows, stringent contractual provisions, unpredictable seabed conditions, timely receipt of approvals, timely chartering of ships and site availability. Its margins are exposed to intense competition from domestic and major global dredging players. The above factors had impacted ISDPL's margins in the past. Further, the profitability was impacted in FY2024 owing to high vessel hire charges and increased selling, general and administrative expenses paid to the DEME Group in FY2024 for the FY2023 operations.

The ratings derive comfort from the past financial support from the parent in the form of flexible credit periods from group companies for the payment of vessel charges and other services. The payables to the group companies have largely been paid in FY2023 and FY2024 due to the significant improvement in cash flows and ISDPL is expected to adhere to a 30-day payable period, going forward. In FY2020, the promoter group infused Rs. 225-crore equity and is committed to support ISDPL, operationally and financially.

The current order book position is healthy with maintenance dredging projects. The operational risks in project execution are partly mitigated by the familiarity of the soil. Though the company has significant cash balance as on date, the same may be remitted to the parent with adequate liquidity maintained for ISDPL's operations.

ICRA also notes the company's asset-light model with low fixed costs as well as the negligible use of fund-based limits. ISDPL plans to keep its fleet strength small to benefit from the low depreciation costs and leverage the extensive fleet available with the Group by leasing vessels as required. ICRA also notes that the company has a few arbitration cases with customers, where it has raised claims and the development on these cases will be monitored. Further, it has contingent liabilities arising from disputes related to service tax and any adverse ruling on the same is a rating sensitivity factor.

The Stable outlook on the rating reflects ICRA's expectation that ISDPL is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that any cash remittance to the DEME Group by the company will be planned in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

## Key rating drivers and their description

### Credit strengths

**Strong parentage and track record of operational and financial support** – ISDPL is promoted by the Belgium-based DEME Group through its subsidiary Dredging International N.V. and Larsen & Toubro (L&T). DEME is a 150-year-old Antwerp-based dredging and hydraulic engineering group and is a major global player in this segment. It provides operational, technical, and financial support to ISDPL. The company enjoys a flexible credit period from the group companies while making payments for technical services, vessels and charter hires. Moreover, since FY2015, it has been maintaining an asset-light model with a single-owned vessel. It mainly charters vessels from the large pool of the DEME Group. This provides flexibility in deploying the vessels based on requirement and reduces the fixed costs.

The Group provides counter guarantees for obtaining bank guarantees for the large orders received by ISDPL. Due to the significant net worth erosion faced by ISDPL on account of the large losses, the promoter group infused an equity of Rs. 225 crore in FY2020 and has committed to support the company financially, should the need arise.

**Favourable long-term demand outlook** – The Indian port infrastructure is expected to grow in the long term, thereby providing a fillip to industries such as dredging companies. However, the Indian port sector is plagued by delays, inadequate risk assessment of soil, limited escalation clauses and a weak financial position. The shortage of dredgers in the Indian market provides opportunities for ISDPL to in-charter dredgers from DEME to be deployed in India.

### Credit challenges

**Revenue and profitability vulnerable to lumpy order flow and risks associated with dredging projects** – The dredging sector remains exposed to lumpy order flows, the uncertainty related to seabed behaviour and the fixed-price nature of the contracts, resulting in cost and time overruns. Due to these reasons, ISDPL's financial performance has been volatile over the years and it incurred losses in the last few fiscals. However, in FY2023, ISDPL's margins improved with better order execution and higher utilisation of the own vessel. The order execution was on a better track and ISDPL has a high-value order book which has improved the revenue visibility. However, the revenues moderated in FY2024 with the cancellation of a key project. The profitability was also impacted in FY2024 owing to high vessel hire charges and increased selling, general and administrative paid to the DEME Group in FY2024 for the FY2023 operations. ISDPL's financial performance had moderated in the past owing to modest new order inflow and delay in project execution on the back of issues with getting timely approvals, unavailability of site, soil issues and pandemic restrictions, which led to sub-optimal usage of mobilised resources.

**High competition from domestic and foreign dredging players** – The company faces aggressive competition from domestic players who can avail the right of first refusal (ROFR) as well as from major global dredging players, putting pressure on its margins. The competitive situation is aggravated by the weak global demand conditions and surplus capacity. However, the risk is partly mitigated by ISDPL's strong parentage, as the parent group is a major player in the dredging industry.

### Liquidity position: Adequate

ISDPL's liquidity position is expected to remain adequate, supported by significant cash balances of Rs. 213.99 crore as on March 31, 2024, nil long-term repayment obligations, availability of unutilised working capital facilities, flexibility in payment of payables to Group entities and no major capex plans in the near term. Nonetheless, any losses from the orders being executed could put pressure on the liquidity and may necessitate additional support from the parent group. ICRA notes the significant cash and fixed deposits on the books. However, these cash balances may be remitted to the parent after maintaining adequate liquidity for the operations of ISDPL.

## Rating sensitivities

**Positive factors** – The ratings could witness upward revision if there is a sustained improvement in profitability, while the order flows continue to be healthy on sustained basis.

**Negative factors** – Pressure on the ratings could arise if there is any moderation in the credit profile of the parent DEME Group, or weakening of the financial linkage of ISDPL with the parent, or a further sustained deterioration in ISDPL’s profitability.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Parent/Group Company: DEME Group. Part of a strong parent group with a track record of operational and financial support. ICRA expects the Group to provide additional financial support to ISDPL, should the need arise
Consolidation/Standalone	The ratings are based on the standalone financial statements of the rated entity

## About the company

International Seaport Dredging Private Limited was incorporated in March 2004 as a joint venture between Larsen & Toubro Limited (L&T) and Dredging International N.V. {DI; subsidiary of the Dredging, Environmental and Marine Engineering NV (DEME) Group of Belgium}. DI is the largest shareholder of ISDPL with an 89.9% stake at present, followed by L&T’s minority shareholding of 4.1%. ISDPL undertakes dredging and reclamation jobs (capital dredging for new port development or expansion of the existing ports as well as maintenance dredging).

While ISDPL acquired its first dredger in October 2004 and its second dredger in November 2006, it sold its vessels subsequently and has been following an asset-light model since May 2014. However, with changes in Government policies with regard to preference to Indian flag vessels, the company acquired the vessel, TSHD Antigoon, in June 2015. It also charters vessels from the DEME Group, as and when required. ISDPL has executed various dredging projects at the Dhamra, Ennore, Gangavaram, Mundra, Hazira, JNPT, Karwar and West Asian (chartered operations) ports. The major projects currently underway are at Dhamra. In FY2015, the corporate structure was converted from a non-listed limited company to a private limited company.

## Key financial indicators (audited)

ISDPL Standalone	FY2023	FY2024
Operating income	839.6	246.5
PAT	329.0	-11.9
OPBDIT/OI	41.6%	-2.8%
PAT/OI	39.2%	-4.8%
Total outside liabilities/Tangible net worth (times)	0.8	0.3
Total debt/OPBDIT (times)	0.0	-0.1
Interest coverage (times)	140.3	-1.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			Jan 30, 2025	Oct 30, 2023	July 29, 2022	April 30, 2021
1 Long term/Short term bank facilities - Fund/Non-fund based limits	Long term and short term	225.0	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA] BBB-(Stable)/[ICRA]A3	[ICRA] BBB-(Stable)/[ICRA]A3

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term/Short term bank facilities - Fund/Non-fund based limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term/Short term bank facilities - Fund/Non-fund based limits*	NA	NA	NA	225.00	[ICRA]BBB-(Stable)/[ICRA]A3

Source: Company \* The company has availed several fund-based/non-fund based facilities, all of which are interchangeable with maximum utilisation limits of Rs. 225.00 crore

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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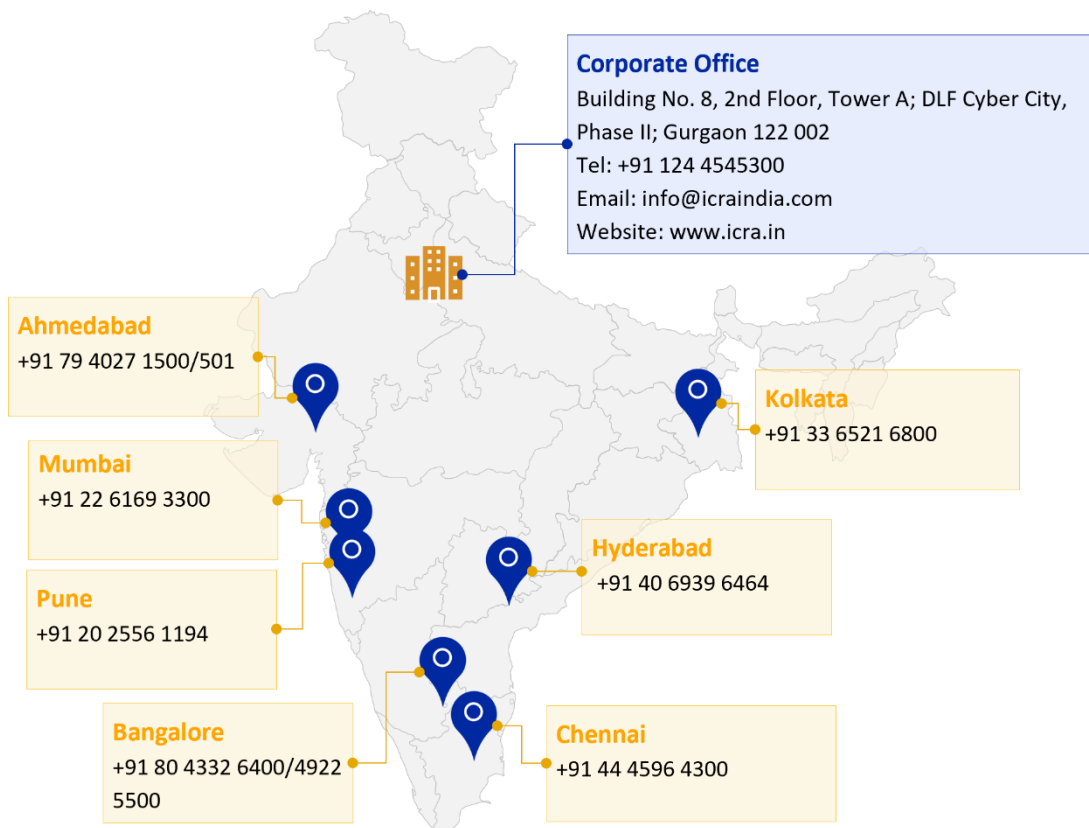
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