January 04, 2017

ITD Cementation India Limited

Instrument*	Rated Amount (in crore)	Rating Action
Term Loans	100.00	Upgraded from [ICRA]BBB+ (Stable) to [ICRA]A-(Stable)
Fund Based Limits	800.00	Upgraded from [ICRA]BBB+ (Stable) to [ICRA]A-(Stable)
Non-Fund Based Limits	3000.00	Upgraded from [ICRA]BBB+ (Stable) / [ICRA]A2+ to [ICRA]A-(Stable) / [ICRA]A1
Total	**3900.00**	

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has upgraded the long-term rating from [ICRA]BBB+ (pronounced ICRA triple B plus) to [ICRA]A- (pronounced ICRA A minus) and the short-term rating from [ICRA]A2+ (pronounced ICRA A two plus) to [ICRA]A1 (pronounced ICRA A one) outstanding on the Rs. 3,900 crore[1] bank facilities of ITD Cementation India Limited (ITD/the company) [2]. The outlook on the long term rating is 'Stable'.

Rationale

The upgrade of the ratings take into account the healthy inflow of orders received by the company which has led to a healthy order book position of Rs. 5,758 crore as of September 30, 2016 (i.e. 1.88 times the consolidated operating income of CY2015). The pick-up in the execution of orders over the past two fiscals has resulted in a healthy increase in the operating income of the company from Rs. 1,728 crore in CY2014 to Rs. 3,070 crore in CY2015. The ratings also take into account the improvement in the company's capital structure and the healthy liquidity profile with presence of significant cash balances(~Rs.268 crore as of June 30,2016) and undrawn working capital facilities The ratings continue to draw comfort from ITD's demonstrated track record in execution of projects across various infrastructure sub-segments as well as strong parentage, by virtue of being a part of Italian Thai Development Public Company Limited, Thailand's largest construction company by revenues, which enables the company meet the qualification criteria required to undertake complex projects.

The ratings, however, are constrained by the modest operating profitability of the company (~6% for the past two fiscals) and the sizeable receivables which are due for more than a year; any large bad debt write-off would be a rating sensitivity. The ratings also take into account the presence of certain slow-moving orders (about 20% of the unexecuted order-book) which may impact the revenue growth in the near term. The ratings also consider the significant orders from the Mass Rapid Transit Systems (MRTS) segment which exposes the company to execution and regulatory risks. However, past history of timely and successful completion provides comfort. The ratings also factor in the losses faced by the company in some of the legacy projects due to cost over-runs which has impacted its overall profitability levels.

Going forward, the company's ability to execute the on-going projects in a timely manner and improve its profitability levels remains critical from a credit perspective.

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[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit Strengths

- Strong parentage by virtue of being a subsidiary of ITD Thai, Thailand's largest contractor by revenues; Leveraging this association, ITD is able to meet qualification criteria required to undertake complex projects
- Demonstrated track record in execution of projects across various infrastructure sub-segments
- Healthy and diversified order book provides visibility to revenues in the near term
- Healthy liquidity position with significant cash balances and undrawn working capital facilities
- Improvement in capital structure over the past two fiscals with decline in borrowing levels and successful QIP issue

Credit Weakness

- Modest operating profitability levels
- Large order for construction of metro under execution in Mumbai, exposing the company to execution and regulatory related risk
- Certain slow-moving orders in the order book can affect revenue growth in the near term
- Sizeable receivables due for more than a year
- Losses faced by the company in some of the legacy orders

Description of key rating drivers highlighted above:

ITD is a 51.83% subsidiary of ITD Thai, Thailand's largest construction contractor. ITD Thai has a presence across various segments in infrastructure construction and partnering with ITD Thai enables ITD to meet qualification criteria for projects. ITD has had healthy order-inflow in the recent years, with un-executed order-book of Rs. 5,758 crore as of September 30, 2016 providing revenue visibility for the near term. ITD's order book continues to reflect healthy diversity across segments in the infrastructure construction segment, and ICRA particularly notes the marked shift away from the transportation segment (primarily roads) over the past few fiscals. However, ITD's order-book is exposed to execution related risks as out of the un-executed order-book of Rs. 5,758, two large orders of ~Rs. 1,106 crore (~20% of the order-book) have seen slower-than-anticipated progress. Any further delays in the execution of these projects can affect the revenue growth of the company.

With execution of the increasing order-book, ITD's operating income increased by 78% (y-o-y) to Rs. 3,070 crore in CY2015. However, the operating margins continue to remain subdued at ~ 6%. With the clearing of long-pending settlement with NHAI and a QIP issue in September 2014, ITD's capital structure improved significantly with gearing at 0.88 time as of June 30, 2016.

Analytical approach: Not Applicable

Links to applicable Criteria

Corporate Credit Rating –A Note on Methodology
<http://www.icra.in/Files/Articles/2009-October-Rating-Corp-Rating-Methodology.pdf>

About the Company:

ITD Cementation India Limited (ITD/ the company) is a contracting and construction organisation providing design, engineering, procurement and construction (EPC) services for infrastructure projects in India. ITD has done variety of work which includes piling, foundations, ground improvement, geotechnical & specialist engineering, marine structures and ports; transportation projects including highways and bridges; hydroelectric projects including tunnels and dams; industrial works and urban infrastructure projects.

The company was incorporated in 1978 as Cemindia Company Limited. The company underwent change in its ownership structure over the years. Since 2005 ITD has been a subsidiary of Thailand-based Italian-Thai Development Public Company Limited (ITD Thai), Thailand's largest construction company by revenues. ITD Thai undertakes construction projects including airports, buildings, dams and tunnels, highways, expressways, railways, bridges, industrial plants, mining, pipelines and utility works, marine construction services, rapid transit systems, steel structures and telecommunications.

For CY2015, ITD reported a net loss of Rs. 59.30 crore on an operating income of Rs. 3,070.9 crore. For H1CY2016, ITD reported a net profit of Rs. 28.2 crore on an operating income of Rs. 1,877.7 crore

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	**Name of Instrument**	**Current Rating**			**Chronology of Rating History for the past 3 years**	
		Type	**Rated amount (Rs. Crores)**	**Month-year & Rating**	**Month- year & Rating in FY2015**	**Month- year & Rating in FY2014**
				January 2017	**June 2014**	**April 2013**
1	Term Loans	Long Term	100.00	[ICRA]A-(Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
2	Cash Credit	Long Term	800.00	[ICRA]A-(Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
3	Bank Guarantee/ Letter of Credit	Long Term/ Short Term	3000.00	[ICRA]A-(Stable)/ [ICRA]A1	[ICRA]BBB+ (Stable)/ [ICRA]A2+	[ICRA]BBB+ (Stable)/ [ICRA]A2+

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website

Annexure-1
Details of Instrument

Name of the instrument	**Date of issuance**	**Coupon rate**	**Maturity Date**	**Size of the issue (Rs. Cr)**	**Current Rating and Outlook**
Term Loan	-	-	-	100.00	[ICRA]A- (Stable)
Cash Credit	-	-	-	800.00	[ICRA]A- (Stable)
Bank Guarantee/ Letter of Credit	-	-	-	3000.00	[ICRA]A- (Stable)/ [ICRA]A1

Source: ITD

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About ICRA Limited:
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