

April 29, 2024

ITD-ITD Cem Joint Venture: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-fund based limits	155.00	127.25	[ICRA]A2; Reaffirmed
Total	155.00	127.25	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for ITD-ITD Cem Joint Venture (ITD-JV) takes into account ITD-JV's parentage by virtue of being a part of the ITD Group [51:49 JV between ITD-Thai and ITD Cementation India Limited, rated [ICRA]A (Stable)/[ICRA]A1]], which has significant experience in executing metro projects. The project is nearly complete (more than 95%), and hence the execution risk has largely subsided. ICRA notes that the credit profile of the 51% JV partner (ITD Thai) has weakened in the recent past. However, as per discussion with the management, the pending work is being executed by ITD Cementation and the same is expected to be completed by Q2 FY2025. ICRA notes that the JV partner, i.e., ITD Cementation has provided corporate guarantee for the bank lines of the ITD-JV.

The rating is constrained by the geographical and client concentration risks with the unexecuted order book primarily consisting of Kolkata metro project. Nevertheless, the track record of timely receipt of payments (average receivable period of 30 days) mitigates the counterparty credit risk to some extent. The JV is not expected to house more projects post completion of the present metro project.

Key rating drivers and their description

Credit strengths

Strong execution track record of parent (ITD Cementation) – The rating considers the established track of ITD Cementation, which has significant experience in executing metro projects. Apart from the established track record of the contractor (ITD Cementation), the JV partners' corporate guarantee and sufficient unencumbered cash available for residual completion, provide additional comfort.

Credit challenges

Residual completion risk – The project is nearly complete (more than 95%), and hence the execution risk has largely subsided. The credit profile of the 51% JV partner (ITD Thai) has weakened in the recent past. However, as per discussion with the management, the pending work is being executed by ITD Cementation and the same is expected to be completed by Q2 FY2025.

High concentration risk – The rating is constrained by the geographical and client concentration risks with the unexecuted order book primarily consisting of Kolkata metro project. Nevertheless, the timely receipt of payments (average receivable period of 30 days) mitigates the counterparty credit risk to some extent. The JV is not expected to house more projects post completion of the present metro project.

Liquidity position: Adequate

The liquidity position of ITD JV is adequate, as reflected in the unencumbered cash and bank balances, which stood at Rs. 67.1 crore as on December 31, 2023. There is no long-term debt outstanding as on December 31, 2023.

Rating sensitivities

Positive factors – An upgrade in rating is unlikely given the characteristics of the JV.

Negative factors – The rating can be downgraded if there is weakening in linkages with the sponsor or if there is any significant cost and time overrun in the project or there is any material deterioration in the credit profile of the sponsor group.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Parent Company: ITD Cementation ICRA expects ITD Cementation to be willing to extend financial support to ITD JV, should there be a need, given its strategic importance to the ITD Group, and out of its need to protect its reputation. Both ITD Cementation and ITD JV also share the common name, which in ICRA's opinion, would persuade ITD Cementation to provide financial support to ITD JV to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	Standalone

About the company

ITD JV is a joint venture between ITD Thai and ITD Cementation. ITD Thai holds 51% stake in the ITD JV and 49% of the stake is owned by ITD Cementation. ITD Cementation enters into project-specific JVs with ITD Thai for projects where experience of the latter is required to meet technical qualification criteria. The JV is currently executing the Kolkata metro project for Kolkata Metro Rail Corporation Limited.

Key financial indicators (audited)

	FY2022	FY2023
Operating income (Rs. crore)	124.2	115.5
PAT (Rs. crore)	5.2	5.0
OPBDIT/OI (%)	5.2%	-6.5%
PAT/OI (%)	4.2%	4.3%
Total outside liabilities/Tangible net worth (times)	1.7	2.0
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	1.8	-3.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Apr 29, 2024	-	Jan 24, 2023	Oct 7, 2021
1 Non-fund based limits	Short Term	127.25	-	[ICRA]A2	-	[ICRA]A1(CE) withdrawn and [ICRA]A2 assigned simultaneously	[ICRA]A1(CE)
2 Fund-based Term loan	Long term	-	-	-	-	[ICRA]A(CE) (Stable); withdrawn	[ICRA]A(CE) (Stable)
3 Fund-based working capital	Long Term	-	-	-	-	-	[ICRA]BBB+ (Stable); Withdrawn
4 Non-fund based limits	Long Term	-	-	-	-	-	[ICRA]BBB+ (Stable); Withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-fund based limits	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	Non-fund based limits	-	-	-	127.25	[ICRA]A2

Source: Company

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

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About ICRA Limited:

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