

March 28, 2025

## Tractebel Engineering Private Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term fund-based/non-fund based limits - Others	120.0	134.0	[ICRA]A- (Stable)/[ICRA]A2+; Ratings reaffirmed and assigned for enhanced amount
<b>Total</b>	<b>120.0</b>	<b>134.0</b>	

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmation of the ratings continues to draw comfort from Tractebel Engineering Private Limited's (TEPL) strong parentage (ultimate holding company being ENGIE SA) and the demonstrated track record of operational and financial support from the parent. The ratings also factor in TEPL's established operational track record in the engineering and consulting space, which has helped in steady order accretion in the past.

The order inflow remained healthy in FY2024 and H1 FY2025 with an order book of Rs. 252 crore as on September 30, 2024. ICRA notes that a major proportion of the current order book comprises energy sector (~40%), followed by infrastructure segment (32%) and water (25%). The order book to FY2024 revenue ratio was 1.4 times as on March 31, 2024, providing medium-term revenue visibility. ICRA favorably notes the low debt levels that have kept the capital structure and coverage indicators healthy. Further, being an established player in the industry, TEPL shares strong relationships with its clients and has a well-diversified customer profile comprising reputed private and public sector entities, including some Government departments.

The ratings are, however, constrained by the company's relatively moderate scale of operations and its relatively low profitability. TEPL has reported operating margins in the range of 3.8-4.3% in the last two years, which may remain rangebound (4-5%), going forward, as well. Also, it faces competition from several large consulting companies, which limits the pricing flexibility and thus restricts the operating margins. ICRA also notes the employee-intensive nature of the consulting business, and the challenges associated with the retention of the key personnel.

The Stable outlook reflects ICRA's expectation that TEPL will continue to benefit from its established track record of operations, strong parentage and comfortable order book position, translating into comfortable credit profile.

### Key rating drivers and their description

#### Credit strengths

**Established track record in engineering consultancy space along with strong parentage** – TEPL has an established track record of providing engineering consultancy services in energy, water, and urban development-related projects in India and abroad for more than two decades. TEPL is a step-down subsidiary of Engie SA, a French multinational electric utility company which operates in the fields of electricity generation and distribution, natural gas, nuclear and renewable energy. The Engie Group, in order to centralise its holding operations, has incorporated a subsidiary company, called Tractebel Engineering International SA, and the erstwhile 74% shareholding in TEPL by Tractebel Engineering SA was transferred to Tractebel Engineering International SA. Nonetheless, the erstwhile parent - Tractebel Engineering S.A. – is a prominent global engineering and consulting organisation and continues to demonstrate a track record of extending technical and financial support (continuation of corporate guarantee for now) to its bank facilities. TEPL's established track record, coupled with its strong parentage, helps

it in securing orders, both domestically and internationally. TEPL is also planning to foray into newer segments based on the parent's experience in those sectors, which would expand its service offerings.

**Diversified and reputed client base** – The customer base is diversified with the top ten clients contributing to 52% of TEPL's revenues in FY2024. Over the years, the company has executed projects for reputed private (Indian and international) and Government-owned entities (primarily Indian). The major clients of TEPL include IOCL, Irrigation and Waterways Department, BPCL, HPCL, Calik Enerji San. Further, the company has executed repeat orders for its clients, which reflects favourably on its execution capabilities.

**Comfortable order book provides medium-term revenue visibility; timely execution remains crucial** – The order flow remained healthy in FY2024 as the company secured orders of ~Rs. 159 crore; providing medium-term revenue visibility. Further, the company added orders worth more than Rs. 200 crore in the current fiscal. However, the order book remained skewed towards the Urban infrastructure segment at 28%, followed by gas ((including city gas distribution and pipeline) at 25%, hydropower at 21%, while the balance was constituted ports and waterways, thermal, renewable, transmission and distribution as of December 31, 2024. Timely execution of the orders remains crucial for TEPL's revenue growth and profitability.

### Credit challenges

**Moderate scale of operations and execution vulnerable to external factors** – TEPL reported an operating income (OI) of Rs. 183 crore in FY2024, a 14% growth year-on-year (YoY). Despite the revenue growth, the scale of operations remain moderate. ICRA expects TEPL to register a revenue growth of 9-10% YoY in FY2025, based on its healthy order book. This, however, may get affected in case of slower-than-expected pace of execution, given its exposure to certain infrastructure projects that remain vulnerable to customer approvals.

**Competitive pressures from established local, multinational and boutique firms constrain margins** – The company faces competition from several large consulting companies, which limits its pricing flexibility. In addition, TEPL's profit margins remain under pressure due to reduced export revenues, foray into the urban development space, increase in competition, rising employee costs and slower execution of some of the existing projects. The company has reported operating margins in the range of 3.8%-4.3% in the last two years. The operating margin may remain range-bound (around 4%-5%) going forward as well. However, it continues to benefit from its established operational track record, wide service offerings and strong parentage to an extent.

**Challenges in attracting and retaining quality manpower** – The company's ability to retain talent remains crucial for maintaining its competitive position, as most of the projects are awarded based on the technical expertise of the key personnel and the past track record of project execution. Employee retention remains vital, given the high cost of training its employees for the execution of projects.

**High working capital intensity** – TEPL's working capital intensity remained high at 40% in FY2024, though improved from FY2023 (53%). This was driven by reduced debtor days of 128 in FY2024 (PY: 141 days) and substantial unbilled revenues (Rs. 58 crore in FY2024). Most of its outstanding debtors pertains to the urban development segment. Further, TEPL has written off balances worth Rs. 8 crore for a stalled project. While the management has taken steps to build liquidity buffers, resolution of the long-pending receivables remains critical.

### Liquidity position: Adequate

TEPL's liquidity position is adequate, supported by satisfactory undrawn working capital limits. Further, the company has no term debt repayments and no capex plans in the near term, given the services nature of its business. However, delays in collections from the customers remain a key constraint for the liquidity position. In this context, TEPL's ability to improve its collections remains crucial.

## Rating sensitivities

**Positive factors** – ICRA may upgrade the ratings if the new order inflows and timely project execution allows a significant scaleup of revenues. Maintaining healthy margins and retaining profits along with a substantial decline in the receivable position on a sustained basis will also support an upgrade.

**Negative factors** – Pressure on TEPL’s ratings could arise if there is pressure on liquidity owing to an elongation in the working capital intensity on a sustained basis. Any significant decline in revenues and profitability may also trigger a downgrade. Weakening of the linkages with the parent and moderation in the credit profile of the parent can also exert pressure on the ratings.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Company: Tractebel Engineering International S.A. (majority shareholder) Ultimate Parent: Engie SA Tractebel Engineering international S.A. (a subsidiary company of Engie SA) has 74% shareholding in TEPL. The ratings assigned to TEPL factors in the likelihood of the promoter group extending financial and operational support to TEPL, given the strong financial and operational linkages within the Group
Consolidation/Standalone	Standalone

## About the company

Tractebel Engineering Private Limited (TEPL), incorporated in 2000, is an engineering consultancy company providing comprehensive services in the energy (including gas, thermal, renewable), water (including hydropower, waterways, water resources) and urban development segments, including but not limited to design, engineering, architectural, planning and construction sectors. At present, 74% of the shares are held by Tractebel Engineering International S.A., which is a 100% subsidiary of global energy and services major—ENGIE SA. Earlier, TEPL operated as the Indian arm of Tractebel Engineering S.A., which held a 100% stake in the company.

## Key financial indicators (audited)

TEPL (Standalone)	FY2023	FY2024
Operating income	160.2	182.8
PAT	3.4	4.0
OPBDIT/OI	4.3%	3.8%
PAT/OI	2.1%	2.2%
Total outside liabilities/Tangible net worth (times)	1.2	1.1
Total debt/OPBDIT (times)	2.0	0.0
Interest coverage (times)	4.2	3.8

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

Current (FY2025)			Chronology of rating history for the past 3 years						
FY2025			FY2024		FY2023		FY2022		
Instrument	Type	Amount rated (Rs. crore)	March 28, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based/ Non-fund based limits - Others	Long Term/Short Term	134.0	[ICRA]A-(Stable)/[ICRA]A2+	Dec 15, 2023	[ICRA]A-(Stable)/[ICRA]A2+	-	-	-	-
Fund based - Working capital facilities	Long Term	-	-	Dec 15, 2023	-	Oct 31, 2022	[ICRA]A-(Stable)	Aug 10, 2021	[ICRA]A-(Stable)
Non-fund based - Bank guarantees	Short Term	-	-	Dec 15, 2023	-	Oct 31, 2022	[ICRA]A2+	Aug 10, 2021	[ICRA]A2+

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term fund-based Non-fund based limits - Others	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
-	<b>Fund based/Non-fund-based</b>	NA	NA	NA	134.0	[ICRA]A-(Stable)/[ICRA]A2+

Source: Company

[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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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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