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National Stock Exchange of India  
Limited,  
Listing Department,  
Exchange Plaza, C-1, Block 'G' Bandra-  
Kurla Complex,  
Bandra (East), Mumbai 400 051

Date  
10<sup>th</sup> November, 2017

Our Reference No.  
SEC/05-1,2 /2017

Our Contact  
RAHUL NEOGI

Direct Line  
91 22 67680814

Dear Sir,

**Sub: Credit rating**  
**Scrip Code No: BSE 509496 and NSE : ITD CEM**

In terms of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find Rating release letter for Bank Facilities and Instruments dated 9<sup>th</sup> November, 2017 issue by Credit Analysis & Research Limited for your information and records.

Thanking you,

Yours faithfully,  
For ITD Cementation India Limited

(RAHUL NEOGI)  
COMPANY SECRETARY

## ITD CEMENTATION INDIA LIMITED

**Registered & Corporate Office :** National Plastic Building, A - Subhash Road,  
Paranjape B Scheme, Vile Parle (East), Mumbai - 400 057.  
Tel.: 91-22-66931600 Fax : 91-22-66931628 [www.itdcem.co.in](http://www.itdcem.co.in)  
Corporate Identity Number : L61000MH1978PLC020435

ISO 9001, ISO 14001 & OHSAS 18001



**DNV GL**

CARE/HO/GEN/2017-18/1042

**Mr. Prasad Patwardhan**

**Chief Financial Officer**

**ITD Cementation India Limited**

National Plastic Building,

A Subhash Road, Paranjape B Scheme

Vile Parle (East), Mumbai- 400 057

**November 09, 2017**

**Confidential**

Dear Sir,

**Credit rating for bank facilities and instruments**

Please refer to our rating letter no. CARE/HO/RL/2017-18/3102 dated November 03, 2017 and your representation letter dated November 08, 2017 on the above subject.

2. Our Rating Committee has carefully reconsidered the representation made by you regarding the revision in rating assigned to the above mentioned bank facilities and instruments. It has, however, not been found possible to upgrade the rating for the facilities and the rating stands at '**CARE A-; Positive**' (**Single A Minus; Outlook: Positive**) for long-term facilities and '**CARE A1**' (**A One**) for short-term facilities. In this connection, we assure you that the facts mentioned in your letter under reference were considered while deciding the rating.

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-1**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by November 9, 2017, we will proceed on the basis that you have no any comments to offer.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



**[Chirag Shah]**  
**Analyst**

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#### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

#### Annexure I

#### ITD Cementation India Ltd.

November 09, 2017

#### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Bank Facilities- Fund-based-LT- Cash Credit	800	CARE A-; Positive (Single A Minus; Outlook: Positive)	Reaffirmed
Bank Facilities- Fund-based-LT- Term Loan	100	CARE A- (Single A Minus; Outlook: Positive)	Reaffirmed
Bank Facilities- Non fund based- LT/ST- LC/BG	4,250	CARE A-/CARE A1 (Single A Minus; Outlook: Positive /A One)	Reaffirmed
<b>Total Facilities</b>	<b>5,150</b> <b>(Rupees Five Thousand One Hundred Fifty crore only)</b>		
Commercial Paper (CP) issue*	200 (Rupees Two Hundred crore only)	CARE A1 (A One)	Reaffirmed

\*Carved out of the sanctioned working capital limits of the company

Details of instruments/facilities in Annexure-1

#### Detailed Rationale& Key Rating Drivers

The ratings assigned to the bank facilities of ITD Cementation India Ltd (ITD India) continues to derive strength from proven track record of the company in construction industry with decades of experience and parental support for technical know-how. The ratings also factor in improvement in its financial risk profile during FY16 (refers to the period January 1, 2016 to December 31, 2016) and H1FY17 (refers to the period January 1, 2017 to June 30, 2017), characterized by improvement in profitability, capital structure, debt coverage indicators as well as the operating cycle and healthy liquidity position.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

*ITD India's healthy outstanding order book position of Rs. 8233 crore as on June 30, 2017 provide revenue visibility over the near to medium term. Furthermore, the company was also L1 in orders worth Rs. 1820 crore (mainly marine segment) at end H1FY17, which when received would strengthen the order book further and reduce the concentration of order book to metro rail projects.*

*However, the above rating strengths are tempered by concentration of order book to metro rail projects, modest profitability levels (although improved) as well as receivables under litigation which are pending over a year.*

*ITD India's ability to improve the profitability margins based on the timely execution of order book, maintain comfortable capital structure, manage working capital requirement efficiently and recover dues from long outstanding receivables are the key rating sensitivities.*

**Outlook:** The positive outlook factors in the expected further improvement in financial risk profile based on the strong order book and expected QIP issue of Rs. 350 crore.

#### **Detailed description of the key rating drivers**

##### **Key Rating Strengths**

***Proven track record in the construction industry with vast experience and parental support for technical know-how:***

Over the past several years, the company has successfully executed large and complex projects of various types across the country and established strong position in the construction industry in India with a proven track record. The parent company ITD (Italian-Thai Development Corporation Ltd.) also extends support to its Indian counterpart in execution of complex projects by providing access to its technologies and technical know-how. ITD Thailand enables ITD India to enter into joint ventures and partnerships with reputable partners which, in turn, help to bid for large and complex projects.

***Healthy order book with diversified presence across segments and geographies; significant jump in MRTS contracts***

ITD India has a healthy and diversified order book position with outstanding orders of Rs. 8,233 crore (2.64 times of the consolidated FY16 sales) as on June 30, 2017. Furthermore, the company was L1 in orders worth Rs. 1,820 crore at end of H1FY17. As such, the projects to be executed on hand and the orders at L1 provide ITD India with a medium term revenue visibility of around two to three years. Order book is also geographically diversified with presence across 19 states in India. However as on June 30, 2017, orders from MRTS (Mass Rapid Transit Systems) contracts have increased significantly, which exposes the company to segment concentration risk. Although, ITD India has the required technical expertise and skills to execute the complex MRTS projects, timely completion of these orders without any cost overrun will be crucial from the credit perspective.

***Improved financial metrics during FY16 and H1FY17***

ITD India's consolidated operating income has remained consistent during FY16, aided by existing ongoing BMCPTL project which has contributed 32.26% i.e. Rs. 966.55 crore (30.9% i.e. Rs 957 crore in FY15) to the top line of the company. During FY16, PBILDT margin has shown improvement at 7.54% compared to 6.71% FY15, majorly on account of lower contribution of legacy orders and newer projects hitting revenue recognition. During H1CY17, consolidated operating income for the company decreased by 43% y-o-y to Rs. 1,028.66 crore owing to near completion of BMCTPL project. However, PBILDT margin during H1FY17 improved to 14.27% from 9.48% during H1FY16 as the company is selective in



bidding new projects with an emphasis on profitability rather than volume. PAT margin was at 3.50% during H1FY17.

**Improved capital structure and debt coverage indicators**

The overall gearing of the company has shown improvement to 1.01 times as on December 31, 2016 from 1.32 times during December 31, 2015 due to lower utilization of working capital. The overall gearing as on June 30, 2017 has also remained consistent at 1.03 times. The interest coverage has improved to 1.96 times during FY16 from 1.46 in FY15. For H1FY17, the interest coverage was recorded at 3.40 times. Total Debt/GCA also improved to 5.08x as on December 31, 2016 from 9.91x during FY15 year end. The company has planned for a QIP issue of Rs. 350 crore in Q4FY17. Due to this gearing level is expected to improve, despite the expected increase in total debt as on Dec 31, 2017 on account of the increased order book.

**Key Rating Weaknesses**

**Sizeable receivables due for more than one year**

ITD India has long term receivables amounting to Rs 28.63 crore (Rs 28.63 crore during FY15) and unbilled work in progress Rs 86.78 crore (Rs 86.78 crore during FY15) during the year FY16, which are under litigation and are pending for over one year in respect of contracts from Government of Andhra Pradesh. The company has provided for doubtful debt amounting to Rs 59.45 crore as on December 31, 2016 for the amount under negotiation/litigation.

**Analytical approach: Consolidated**

*ITD Cementation Projects India Ltd and four joint ventures (i) ITD Cem-Maytas Consortium, (ii) ITD Cemindia, (iii) ITD- ITDCEM JV and (iv) ITD-ITD CEM JV Consortium of ITD-ITD Cementation have been consolidated. As most of the projects awarded to the Company are executed by these Joint Ventures and subsidiaries, consolidated approach is considered for analysis.*

**Applicable Criteria**

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology: Factoring Linkages in Ratings

Financial Ratios – Non-Financial Sector

**About the Company**

ITD Cementation India Limited (ITD India) established its operations in India in 1931 as a branch of Cementation Company Ltd., UK. On June 24, 1978, the company was incorporated in India as Cemindia Company Limited.

The company is primarily focused in civil engineering, mining, specialized and other engineering activities. In the year 2004, Italian-Thai Development Public Company Limited (ITD Thailand) acquired 80.3% equity stake in the company. Consequent to this acquisition, the company changed its name to ITD Cementation India limited (ITD Thailand currently holds 51.6% stake in ITD India). ITD India's current business operation areas include construction of maritime structures, mass rapid transit systems, hydro power plants, tunnels, dams, industrial structures, airports, highways, bridges, flyovers, tube heading and foundation and specialist engineering. ITD India undertakes projects across India independently; through its wholly owned subsidiary (ITD Cementation Projects India Ltd) and four joint ventures (ITD Cem-Maytas Consortium, ITD Cemindia, ITD- ITDCEM JV and ITD-ITD CEM JV Consortium of ITD-ITD Cementation).

Brief Financials (Rs. crore)	FY15 (A)	FY16 (A)
Total operating income	3068.70	3089.56
PBILDT	201.20	228.42
PAT	-59.30	48.11
Overall gearing (times)	1.33	1.01
Interest coverage (times)	1.46	1.95

A: Audited

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**\*\*For detailed Rationale Report and subscription information, please contact us at**  
[www.careratings.com](http://www.careratings.com)

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	800.00	CARE A-; Positive
Fund-based - LT-Term Loan	-	-	May 2022	100.00	CARE A-; Positive
Non-fund-based - LT/ST-BG/LC	-	-	-	4250.00	CARE A-; Positive / CARE A1
Commercial Paper	-	-	-	200.00	CARE A1

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Commercial Paper	ST	200.00	CARE A1	-	1)CARE A1 (13-Jul-16)	1)CARE A1 (11-Dec-15)	1)CARE A1 (13-Jan-15)
2.	Fund-based - LT-Cash Credit	LT	800.00	CARE A-; Positive	-	1)CARE A- (13-Jul-16)	1)CARE A- (11-Dec-15)	1)CARE A- (13-Jan-15)
3.	Fund-based - LT-Term Loan	LT	100.00	CARE A-; Positive	-	1)CARE A- (13-Jul-16)	1)CARE A- (11-Dec-15)	1)CARE A- (13-Jan-15)
4.	Non-fund-based - LT/ST-BG/LC	LT/ST	4250.00	CARE A-; Positive / CARE A1	-	1)CARE A- / CARE A1 (13-Jul-16)	1)CARE A- / CARE A1 (11-Dec-15)	1)CARE A1 (13-Jan-15)