

January 24, 2023

ITD-ITD Cem Joint Venture: [ICRA]A (CE) (Stable)/[ICRA]A1 (CE) withdrawn ; fresh rating of [ICRA]A2 assigned

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based-Term Loan	48.0	0.0	[ICRA]A(CE) (Stable)*; Withdrawn
Non-fund Based Limits	155.0	155.0	[ICRA]A1(CE) withdrawn and [ICRA]A2 assigned simultaneously
Total	203.0	155.0	

*Instrument details are provided in Annexure-1

*Rating Without Explicit Credit Enhancement	[ICRA]BBB+
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*Instrument details are provided in Annexure-1

Rationale

ICRA has withdrawn its ratings of [ICRA]A (CE) (Stable) on the term loan of ITD-ITD Cem Joint Venture (ITD JV) on account of the facility being paid off. ICRA has also withdrawn the rating of [ICRA]A1(CE) for the non-fund based limits and has simultaneously assigned fresh rating of [ICRA]A2 for these facilities.

The withdrawal of the CE ratings is triggered by the Guidance Note and the FAQ document issued by the Reserve Bank of India (RBI) to credit rating agencies on April 22, 2022, and July 26, 2022, respectively, guiding that the benefit of a corporate guarantee that does not meet the evaluation mechanism/criteria defined by the RBI is not to be considered while assigning credit enhanced (CE) ratings. The [ICRA]A(CE) (Stable)/ [ICRA]A1(CE) ratings drew comfort from the presence of a corporate guarantee extended by ITD Cementation India Limited (ITD Cementation, rated [ICRA]A (Stable)/[ICRA]A1) and Italian-Thai Development Public Company Limited (ITD Thai) in favour of the said facility. For assigning the rating, ICRA assessed the attributes of the guarantee issued by in favour of the rated facility. The guarantee was legally enforceable, irrevocable, unconditional, covered the entire amount and tenor of the rated facility, and met all the attributes of a strong guarantee. Taking cognisance of the above, ICRA had assigned ratings of [ICRA]A(CE) (Stable)/ [ICRA]A1(CE) to the said facility.

To align itself with the aforesaid regulatory guidance, ICRA would no longer be considering in its credit assessments the benefit of a guarantee that lacks an invocation and payment mechanism, though such a support represents a relatively stronger expression of commitment on the part of the support provider for the supported facilities in comparison to a support that is only implicit in nature.

Explicit support was considered for ITD JV as the guarantee was legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated facility however it does not have a well-defined invocation and payment mechanism and therefore withdrawal of the CE ratings is triggered.

The above rating was earlier based on the unconditional and irrevocable corporate guarantee from ITD Thai and ITD Cementation in the ratio of 51: 49 for the bank facilities of ITD JV.

The rating of [ICRA]A2 takes into account ITD JV's strong parentage by virtue of being a part of the ITD Group, which has significant experience in executing metro projects. The company's unexecuted order book is primarily contributed by the Kolkata metro project, which is in the advanced stages of execution with 98.08% progress achieved as on November 30, 2022. While the JV is exposed to execution risk, strong track record of the sponsor and engineering, procurement and construction (EPC) contractor in timely completion project provides comfort.

The rating is, however, constrained by the concentration risk with the entire unexecuted order book being contributed by one client namely i.e., Kolkata Metro Rail Corporation Limited (KMRCL). Nevertheless, the client’s comfortable credit profile mitigates the counterparty credit risk to some extent. Since the purpose of the JV was to execute a part of the Kolkata Metro and few other orders which the ITD JV has completed, it is not expected to house more projects post completion of the Metro project.

Key rating drivers and their description

Credit strengths

Strong parentage by virtue of being a part of ITD Group – The company has a strong parentage, by virtue of being a part of the ITD Group, which has vast experience in undertaking metro projects across various geographies.

Credit challenges

High concentration risk – The concentration risk continues to remain high with the entire unexecuted order book being contributed by one client namely - KMRCL. However, the client’s comfortable credit profile mitigates the counterparty credit risk to some extent. This risk is further mitigated by the fact that the project is in the advanced stages of completion with 98.08% completed as on November 30, 2022.

Liquidity position: Adequate

The liquidity position of ITD JV is adequate, as reflected in the unencumbered cash and bank balances, which stood at Rs. 184.8 crore as on March 31, 2022. There is no long-term debt outstanding as on March 31, 2022.

Rating sensitivities

Positive factors – The 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 Approach for rating debt instruments backed by third-party explicit support Policy on Withdrawal of Credit Ratings Construction Entities Methodology Rating Approach - Implicit parent or group support
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 KMRCL.

Key financial indicators (Audited)

	FY2021	FY2022
Operating income	172.5	124.2
PAT	12.2	5.2
OPBDIT/OI	18.5%	5.2%
PAT/OI	7.1%	4.2%
Total outside liabilities/Tangible net worth (times)	1.0	1.7
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	7.2	1.8

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	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020		
				Jan 24, 2023	Oct 7, 2021	Dec 07, 2020	Feb 26, 2020	Sep 27, 2019	
1	Non-fund Based Limits	155.0	-	[ICRA]A1(CE) withdrawn and [ICRA]A2 assigned simultaneously	[ICRA]A1(CE)	[ICRA]A1(CE)	[ICRA]A1(CE)	[ICRA]A1(CE)	[ICRA]A1(CE) &
2	Fund-based Term Loan	48.0	-	[ICRA]A(CE) (Stable); withdrawn	[ICRA]A(CE) (Stable)	[ICRA]A(CE) (Negative)	[ICRA]A(CE) (Stable)	[ICRA]A(CE) &	[ICRA]A(CE) &
3	Fund-based Working Capital	-	-	-	[ICRA]BBB+ (Stable); Withdrawn	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ &	[ICRA]BBB+ &
4	Non-fund Based Limits	-	-	-	[ICRA]BBB+ (Stable); Withdrawn	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ &	[ICRA]BBB+ &

&: Rating watch with developing implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-fund Based Limits	Simple
Fund-based Term Loan	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	-	-		155.0	[ICRA]A1(CE) withdrawn and [ICRA]A2 assigned simultaneously
NA	Fund-based Term Loan*	July 05,2017	-	Not available	48.0	[ICRA]A (CE) (Stable); Withdrawn

Source: Company

*Fully repaid

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.

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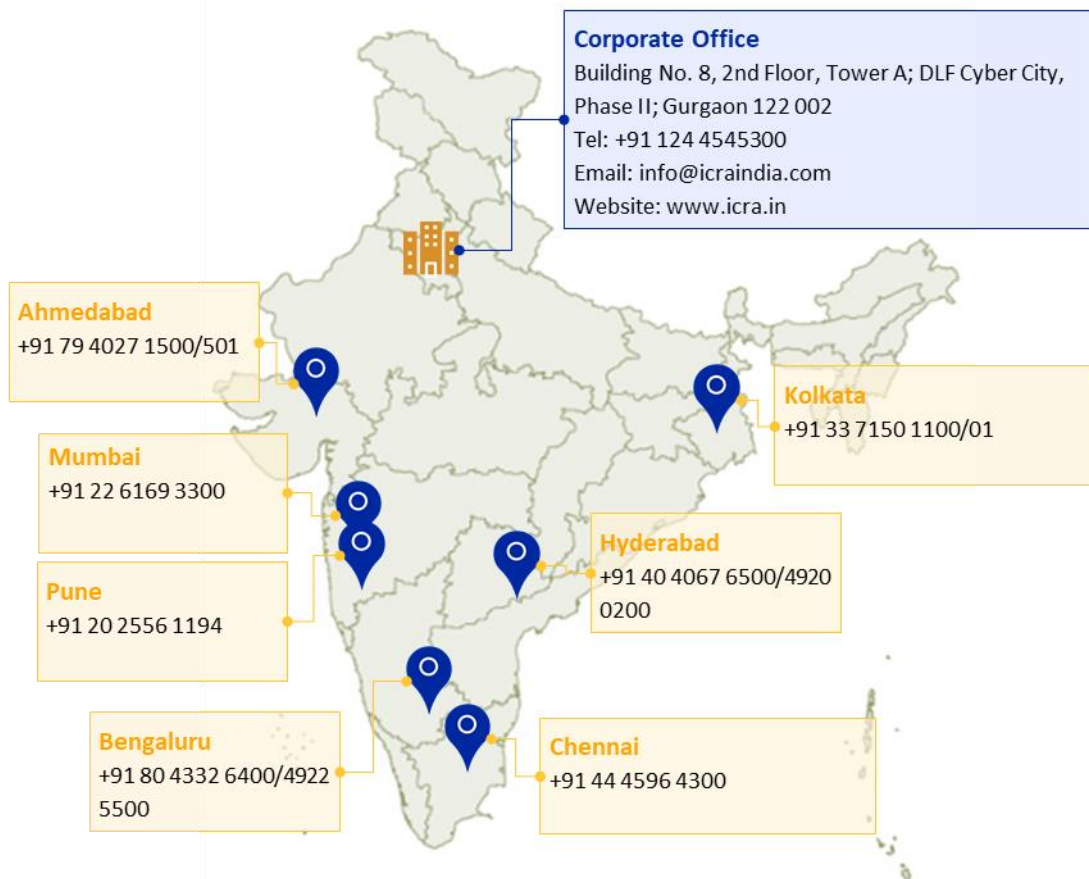
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