



Ref : CIL/STEX 30/Q2FY22  
Date : August 21, 2021

To

The Secretary, BSE Limited Corporate Relation Dept, P.J. Towers, Dalal Street, Fort, Mumbai-400 001	The Secretary, National Stock Exchange of India Limited Plot No. C/1, G Block, Bandra Kurla Complex Bandra (East) Mumbai-400 051
Scrip Code – /Scrip Id: 540710/CAPACITE	Scrip Symbol: CAPACITE

Dear Sir/ Madam,

**Sub: Intimation of Downgrade in Credit Rating**

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we wish to inform that India Ratings & Research (Ind-Ra), Rating Agency vide its letter dated August 20, 2021 has assigned Capacit'e Infraprojects Limited's (CIL) Long Term Issuer Rating at 'IND D', from 'IND A' (Negative Outlook).

The report from the credit rating agency covering the rationale for credit rating is enclosed.

This is for your kind information and records.

Thanking you,

Yours faithfully,

For Capacit'e Infraprojects Ltd

Varsha Malkani  
Company Secretary



**Encl: As above**

**Mumbai (Head Office) :**

605-607, Shrikant Chambers, Phase-I, 6th Floor, Adjacent to R. K. Studios, Sion-Trombay Road, Chembur,  
Mumbai- 400071. Maharashtra, India Tel: 022 7173 3717 • Fax.: 022 7173 3733 • Email: info@capacite.in

## India Ratings Downgrades Capacite Infraprojects to 'IND D'

India Ratings and Research (Ind-Ra) has downgraded Capacite Infraprojects Limited's (CIL) Long-Term Issuer Rating to 'IND D' from 'IND A'. The Outlook was Negative. The instrument-wise rating actions are as follows:

### CURRENT RATINGS

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Rated Limits (million)	Rating	Rating Action
Long-Term Issuer Rating	-	-	-	-	IND D	Downgraded
Term loans (Long term)	-	-	Up to FY26	INR1,248 (increased from INR1,242.7)	IND D	Downgraded
Proposed Term loans(Long term)*	-	-	-	INR675	IND D	Downgraded and assigned <sup>\$</sup>
Proposed non-convertible debentures (NCDs)	-	-	-	INR1,000	WD	Withdrawn (the company did not proceed with the instrument as envisaged)
Fund-based working capital limits (Long term/short term)	-	-	-	INR1,250 (increased from INR1,150)	IND D	Downgraded
Sales invoice/bill discounting limits (Long term/short term)	-	-	-	INR325 (reduced from INR750)	IND D	Downgraded
Proposed non-fund-based working capital limits (Long term/short term)*	-	-	-	INR3,000	IND D	Downgraded and assigned <sup>\$</sup>
Non-fund-based working capital limits (Long term/short term)	-	-	-	INR9,070 (reduced from INR15,550)	IND D	Downgraded

\* The provisional rating of the proposed bank facilities has been converted to final rating as per Ind-Ra's updated policy. This is because the agency notes that debt seniority and general terms and conditions of the proposed limits tend to be uniform across lenders, and are not a rating drive.

<sup>\$</sup>Downgraded to Provisional IND D before being assigned.

The downgrade reflects CIL's challenges with liquidity, which led to default in the servicing of its debt obligations. The liquidity situation worsened during the time of the pandemic as the execution profile of the company deteriorated significantly, resulting in cash flow mismatches. While the company availed of the Reserve Bank of India (RBI)-prescribed moratorium in the 1HFY21, the liquidity challenges continued in the 2HFY21. Although the company's execution profile improved slightly in 2HFY21, it was not able to generate sufficient cash flows due to the severity of the pandemic-led lockdown in Mumbai Metropolitan Region (accounted for 91.8% of the unexecuted order book including a MHADA project at FYE21; 91.9% without MHADA project).

While the agency was informed that the company had applied for enhancements from all the lenders under Emergency Credit Line Guarantee Scheme (ECLGS) 2.0 scheme, these loans were disbursed with a time lag, majorly on account of availing internal approvals from various lenders; this resulted in the company delaying on its repayment obligations. These delays were also commented on by the auditor in the independent audit report for FY21 where the extent of delays (61-90 days) were regularised post the disbursement of the ECLGS 2.0 loans.

The agency was receiving No-Default Statement from the company, as per SEBI requirement (circular number SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71, as on August 10, 2021) from November 2020 to July 2021 and a management certificate confirming no irregularities for the period between June 2020 and May 2021. Furthermore, the agency was informed that CIL had average monthly liquidity (cash balances in various current accounts along with unencumbered fixed deposits) to the tune of INR594.2 million against an average monthly repayment obligation (principal+ interest component of the equipment loans) of INR52.1 million over October 2020 - July 2021

The agency had also considered the guidance made by RBI that dispensation in the default recognition is provided only during the period of moratorium and is not available during the sanction and final disbursement of ECLGS scheme. Furthermore, the RBI had also opined that there should not be delay in honouring the payment with any lender anticipating disbursal of additional funds.

## KEY RATING DRIVERS

**Liquidity Indicator – Poor:** CIL's net working capital cycle surpassed Ind-Ra's expectation of high slippages and elongated to 177 days in FY21 (FY20: 95 days, FY19: 103 days) on account of an increase in unbilled revenue and increased payments to creditors, and lower execution.

To address the liquidity stress, the company availed of the RBI-prescribed moratorium and also secured interchangeability of non-fund-based limits (LC limits) to fund-based limits to some extent till March 2021, while the overall sanctioned limits remained unchanged. The fund-based limits available to CIL ranged between INR2.1 billion and INR3.2 billion over May 2020-March 2021 with an average maximum utilisation of 86%. Over the last 12 months ended July, CIL on an average had maximum utilisation of around 83% of its fund-based limits, around 70% of its non-fund-based limits and 60% of its LC limits.

CIL's liquidity is also largely contingent on the additional financing that would be required by the company in FY22. The company's repayment obligation is INR424 million in FY22. The promoters have infused unsecured loans of INR470 million in 1QFY22 and the management is planning to raise equity to the tune of INR3 billion. However, Ind-Ra believes, the timely inflow of cash is necessary to alleviate concerns originating from the company's stressed liquidity profile.

**Deterioration in Credit Profile:** CIL's credit profile came under stress in FY21 with net leverage (debt less unrestricted cash/EBITDA) increasing to 2.03x at FYE21 (FY20: 0.78x) and interest coverage (gross interest expense/EBITDA) declining to 1.94x (3.98x) Though the debt levels declined to INR2.86 billion in FY21 (FY20: INR3.08 billion) the company's leverage was high on account of a steeper deterioration in the EBIDTA.

## RATING SENSITIVITIES

Timely debt servicing for at least three consecutive months could result in a positive rating action.

## RATING CRITERIA Corporate Rating Methodology, Short-Term Ratings Criteria for Non-Financial Corporates

### COMPANY PROFILE

Incorporated in August 2012, CIL provides engineering, procurement and construction/turnkey solutions for housing, high rises, super high rises, speciality buildings and urban infrastructure. The company has recently forayed into development of projects for the public sector.

### FINANCIAL SUMMARY

Particulars (INR million)	FY21	FY20
Revenue	8,797	15,290
EBITDA	1,365	2,567
EBITDA margins (%)	15.5	16.8
Total debt	2,863	3,082
Interest coverage (x)	1.9	4.0
Net leverage (x)	2.0	0.8

Source: CIL and Ind-Ra

### RATING HISTORY

Instrument Type	Current Rating			Rating History/Outlook			
	Rating Type	Rated Limits (million)	Rating	12 June 2020	3 May 2019	2 April 2019	22 November 2018
Issuer rating	Long-term	-	IND D	IND A/Negative	IND A/Stable	IND A/Stable	IND A/Stable
Bank facilities	Long-term/Short-term	INR15,568 (reduced from INR22,367.7)	IND D	IND A/Negative/IND A1	IND A/Stable/IND A1	IND A/Stable/IND A1	IND A/Stable/IND A1
Proposed NCDs	Long-term	INR1,000	WD	Provisional IND A/Negative	-	-	-

### COMPLEXITY LEVEL OF THE INSTRUMENTS

Instrument Type	Complexity Indicator
Term loans	Low
Fund-based limits	Low
Non-fund-based limits	Low

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contacts:

Primary Analyst

Devika Malik

Senior Analyst

---

+91 40 67661911

Senior Analyst

India Ratings and Research Pvt Ltd 36 Urban Center, Level 4, Road no.36, Jubilee Hills, Hyderabad - 500 033, India

Secondary Analyst

Harsha Rekapalli

Associate Director

+91 40 67661922

Committee Chairperson

Abhishek Bhattacharya

Senior Director

+91 22 4000 1700

Media Relations: Namita Sharma, Mumbai, Tel: +91 22 4035 6121, Email: namita.sharma@indiaratings.co.in.

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

**About India Ratings and Research:** India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

For more information, visit [www.indiaratings.co.in](http://www.indiaratings.co.in).

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://WWW.INDIARATINGS.CO.IN/UNDERSTANDINGCREDITRATINGS.JSP](http://www.indiaratings.co.in/UNDERSTANDINGCREDITRATINGS.JSP). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE [WWW.INDIARATINGS.CO.IN](http://WWW.INDIARATINGS.CO.IN). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.