



Ref : CIL/STEX 30/Q4FY23
Date : February 23, 2023

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 for Change in Credit Rating

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, it is to inform that India Ratings & Research (Ind-Ra) vide its letter dated February 22, 2023 has assigned Capacit'e Infraprojects Limited (CIL) Long Term Issuer Rating at 'IND BB+' from 'IND BBB+' and has placed it on Rating Watch with Negative Implications.

The report from the credit rating agency covering the credit rating rationale 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

India Ratings Downgrades Capacite Infraprojects to 'IND BB+'; Places on Rating Watch with Negative Implications

Feb 22, 2023 | Residential | Commercial Projects

India Ratings and Research (Ind-Ra) has downgraded Capacite Infraprojects Limited's (CIL) Long-Term Issuer Rating to 'IND BB+' from 'IND BBB+' and has placed it on Rating Watch with Negative Implications. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Rated Limits (million)	Rating/Outlook	Rating Action
Non-convertible debenture (NCD)*	-	-	March 2025	INR1,000	IND BB+/Rating Watch with Negative Implications	Downgraded and placed on Rating Watch with Negative Implications
Term loans	-	-	Up to FY27	INR802.16 (reduced from INR892.3)	IND BB+/Rating Watch with Negative Implications	Downgraded and placed on Rating Watch with Negative Implications
Proposed term loans	-	-	-	INR850	IND BB+/Rating Watch with Negative Implications	Downgraded and placed on Rating Watch with Negative Implications
Fund-based working capital limits	-	-	-	INR1,647.6 (reduced from INR1,650)	IND BB+/Rating Watch with Negative Implications /IND A4+/ Rating Watch with Negative Implications	Downgraded and placed on Rating Watch with Negative Implications
Proposed fund-based working capital limits	-	-	-	INR250	IND BB+/Rating Watch with Negative Implications /IND A4+/ Rating Watch with Negative Implications	Downgraded and placed on Rating Watch with Negative Implications
Proposed non-fund-based working capital limits	-	-	-	INR1,950	IND BB+/Rating Watch with Negative Implications /IND A4+/ Rating Watch with Negative Implications	Downgraded and placed on Rating Watch with Negative Implications
Non-fund-based working capital limits	-	-	-	INR12,820 (reduced from INR15,240)	IND BB+/Rating Watch with Negative Implications /IND A4+/ Rating Watch with Negative Implications	Downgraded and placed on Rating Watch with Negative Implications

*Unlisted

ANALYTICAL APPROACH: Ind-Ra continues to take a consolidated view of CIL and its 100% subsidiary CIPL-PPSL-Yongnam Joint Venture Constructions Private Limited, along with its joint ventures and associates including a Maharashtra Housing and Area Development Authority (MHADA) project (together referred to as CIL), owing to the strong operational and strategic ties among them. The joint ventures and associates have been included in financials using the equity method of accounting.

The downgrade reflects CIL's inability to tie up enhanced working capital limits, continued blockage of working capital and a delay in recovering its pending receivables, resulting in a further stretch in its working capital.

Key Rating Drivers

Liquidity Indicator – Stretched; Elongation of Working Capital Cycle: The liquidity position of CIL remained stretched due to its inability to tie up enhanced working capital limits commensurate to the rate of the project execution. Moreover, out of the assessed/sanctioned limits of INR10,100million, the usable limits available have over the months reduced to INR7,312.9 million at end-January 2023 (fund based: INR1,650 million and non-fund based: INR5,662.9 million). The average maximum utilisation of its fund-based limits and non-fund-based limits was 93%

and around 90% over the 12 months ended January 2023.

CIL's working capital cycle remained elongated with an outflow of around INR962 million in 1HFY23. CIL's gross working capital cycle, which had improved to 92% of its revenue in FY22 (FY21: 129%), again stretched to 109.6% as of 9MFY23, on account of an increase in unbilled revenue and retention money (9MFYE23: INR1693million, end-June 2022: INR1,590 million). Ind-Ra notes that the company has different project specific limits for public projects which gives buffer for the execution of such projects. At 9MFYE22, CIL had unencumbered cash balances of around INR112 million (FYE21: INR227 million) as against its scheduled repayment obligation of INR171 million in 4QFY23 and estimated an interest cost of INR250 million-260 million. Ind-Ra expects the net working capital cycle to remain stretched over the medium term in case of further delays in securing tie-ups.

Moderate Operational Performance and Credit Metrics: CIL's order execution pace, which had picked up in FY22 after recovering from the impact of COVID-19, remained comfortable in 9MFY23, leading to the company achieving consolidated revenue of INR13.52 billion (FY22: INR13.34 billion, FY21: INR8.8 billion). The increase in the revenue was driven by factors such as new launches by large developers, a healthy sales momentum and large developers shifting their preference to organised players such as CIL from unorganised ones to sub-contract building work. The consolidated EBITDA margin remained at 19.8% for 9MFY23 (FY22: 16%; FY21: 15.5%), partly due to a reduction expenditure on construction materials as for most of its private sector clients; CIL is now relying on materials provided by its clients.

CIL's credit profile remained comfortable in 9MFY23 with its adjusted net leverage (debt less unrestricted cash/EBITDA) falling to 1.6x (FY22: 2x; FY21: 2.0x) and its gross interest coverage (gross interest expense/EBITDA) increasing to 3.9x (1.9x, 3.4x), due to improvement in EBITDA. CIL's adjusted net debt (including letter of credit acceptances) increased by INR982 million in 9MFY23 (FY22: INR4,347million).

Strong Revenue Visibility, but Highly Concentrated Order Book: At end-December 2022, CIL had an unexecuted order book of INR97.6 billion, providing a strong revenue visibility of 7.4x of FY22 revenue. Public sector orders accounted for 67% of the order book, with the balance coming from private players. In 9MFY23, CIL secured orders of INR33.13 billion (FY22: INR6.16 billion; FY21: INR1.48 billion). The company targets to maintain its order book from the public sector at the similar levels (70%) over the near- to medium-term. However, the order book is highly concentrated in terms of geography as most of the projects to be executed are in the Mumbai Metropolitan Region. Also, the top 10 projects of the company comprised around 84% of the total order book. City and Industrial Development Corporation of Maharashtra contributed around 50% to the overall order book. Ind-Ra expects the order book to remain strong over the medium term, considering the government's focus on infrastructure development and the company's ability to execute projects in a timely manner.

Rating Sensitivities

The Rating Watch with Negative Implications indicates that the ratings may be either downgraded or affirmed upon resolution. The Rating Watch with Negative Implications will be resolved upon the improvement in financial flexibility through the tie-up of additional working capital limits and an improvement in the working capital cycle, or within the next six months whichever is earlier.

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 (CONSOLIDATED)

Particulars	FY22	FY21
Revenue (INR million)	13,348	8797
EBITDA (INR million)	2,135	1,365
EBITDA margins (%)	16.0	15.5
Total debt (INR million)	3,281	2,861
Interest coverage (x)	3.2	1.9
Net leverage (x)	1.4	2.0
Source: CIL, Ind-Ra		

Solicitation Disclosures

Additional information is available at 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.

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings	Historical Rating/Outlook					
				29 September 2022	26 November 2021	20 August 2021	12 June 2020	3 May 2019	2 April 2019
Issuer rating	Long-term	-	IND BB+/Rating Watch with Negative Implications	IND BBB+/Stable	IND BBB/Stable	IND D	IND A/Negative	IND A/Stable	IND A/Stable
NCDs	Long-term	INR1,000	IND BB+/Rating Watch with Negative Implications	IND BBB+/Stable	-	-	-	-	-
Bank facilities	Long-term	INR 18319.76	IND BB+/Rating Watch with Negative Implications/IND A4+/Rating Watch with Negative Implications	IND BBB+/Stable /IND A2	IND BBB/Stable/IND A3+	IND D/IND D	IND A/Negative/IND A1	IND A/Stable/IND A1	IND A/Stable/IND A1

Complexity Level of Instruments

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

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

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APPLICABLE CRITERIA

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

Policy on Provisional Ratings

The Rating Process

Evaluating Corporate Governance

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