

Ref : CIL/STEX 30/Q2FY24

Date : August 26, 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 August 25, 2023 has affirmed Capacit'e Infraprojects Limited (CIL) Long Term Issuer Rating at IND BB+ while resolving the rating Watch with Negative Implications. The outlook is stable, i.e., IND BB+ / Stable

Ind-Ra has resolved the Rating Watch with Negative Implications and affirmed the ratings in view of the tying up of a portion of the enhancements required in the working capital limits from State Bank of India, equity infusion of INR 963 million in July 2023, and debtor recovery, which would support the company's liquidity position.

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

**Dinesh Ladwa
Company Secretary & Compliance Officer**

Encl: a. a.

India Ratings Affirms Capacite Infraprojects at 'IND BB+' / Stable; Off Rating Watch with Negative Implications

Aug 25, 2023 | Residential | Commercial Projects

India Ratings and Research (Ind-Ra) has affirmed Capacite Infraprojects Limited's (CIL) Long-Term Issuer Rating at 'IND BB+' while resolving the Rating Watch with Negative Implications. The Outlook is Stable. The instrument-wise rating actions are given below:

Instrument	ISIN	Coupon Rate	Date Of Issuance	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Non-convertible debentures (NCDs)	INE264T07011	12.50%	28 March 2022	31 March 2025	INR857.2 (reduced from INR1,000)	IND BB+/Stable	Affirmed; off Rating Watch with Negative Implications
Fund-based Limits					INR1,647.6	IND BB+/Stable/IND A4+	Affirmed; off Rating Watch with Negative Implications
Proposed fund-based working capital limit					INR250	IND BB+/Stable/IND A4+	Affirmed; off Rating Watch with Negative Implications
Proposed fund-based working capital limit					INR2.4	IND BB+/Stable/IND A4+	Assigned
Proposed non-fund-based capital limits					INR1,445 (reduced from INR1,950)	IND BB+/Stable/IND A4+	Affirmed; off Rating Watch with Negative Implications
Non-fund-based limits					INR12,815 (reduced from INR12,820)	IND BB+/Stable/IND A4+	Affirmed; off Rating Watch with Negative Implications
Term loan				31 March 2027	INR802.16	IND BB+/Stable	Affirmed; off Rating Watch with Negative Implications
Term Loans				31 March 2027	INR39.14	IND BB+/Stable	Assigned
Proposed term loans					INR850	IND BB+/Stable	Affirmed; off Rating Watch with Negative Implications
Proposed term loans					INR150	IND BB+/Stable	Assigned

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.

Ind-Ra has resolved the Rating Watch with Negative Implications and affirmed the ratings in view of the tying up of a portion of the enhancements required in the working capital limits from State Bank of India (IND AAA/Stable), equity infusion of INR963million in July 2023, and debtor recovery, which would support the company's liquidity position. Click or tap here to enter text.

Key Rating Drivers

Liquidity Indicator – Stretched: At FYE23, CIL had unencumbered cash balances of around INR471 million against a scheduled repayment obligation of INR758 million in FY24 and INR811million in FY25 (average monthly repayment obligation of INR63million in FY24 and INR67.5million in FY25). The average maximum utilisation of its fund-based limits remained around 98% over the 12 months ended July 2023, while that of its non-fund-based limits was around 87% during the same period. The company has different project-specific limits for three large public sector projects, which provide a buffer for the execution of such projects. CIL also had an average balance of around INR76million in project-specific escrow accounts over the 12 months ended July 2023. CIL has been able to secure an enhancement of INR500 million in its non-fund-based consortium limits from State Bank of India and has also been able to secure approval to use INR1,000 million of City and Industrial Development Corporation of Maharashtra's (CIDCO) project's bank guarantee (BG) limits of INR2,015 million for retention money BG along with the already specified purposes of performance BG and advance BG to the extent of reduction of BG from the present level. As per the management, CIL will be able to generate liquidity to the tune of INR1,525million from CIDCO's INR1000 million retention BG limit by substitution of the consortium BG limits that are currently being used for CIDCO's project with project-specific limits. Furthermore, CIL is looking for enhancements of around INR3400 million. These additional tie-ups will help in improving the liquidity buffer and in sustaining the execution run-rate. As per the management, the tie-ups are likely to be in place by 3QFY24. Ind-Ra will continue to monitor the company's liquidity position.

CIL's gross working capital cycle remained stretched in FY23 due to the accumulation of unbilled revenues (FY23: INR9.3 billion, FY22:INR5.7 billion) but it improved to 93% of the revenue (FY22: 101%), largely on account of a pick-up in execution and also because of some recoveries in debtors and retention money and certain write-offs (FY23: INR662 million, FY22: INR90.1 million). In the trailing 10 months ending July 2023, CIL recorded recoveries of INR2,330 million in receivables. Its net working capital cycle remains elevated and increased to 40.3% of the revenues in FY23 (FY22:31.6%) from the levels of 24.8% in FY19. However, the equity infusion of INR963million in July 2023 would provide comfort to the company's project execution. CIL also plans to come up with a qualified institutional placement in FY24, through which it plans to raise INR2,000 million. Also, in FY24, the company has been able to tie up contracts wherein it does not need to submit BGs for securing mobilisation advances or for performance. Effective use of the existing non-fund-based limits along with ongoing efforts for the recovery of stuck receivables will provide further liquidity comfort in the short term. However, Ind-Ra expects the net working capital cycle to remain stretched over the medium term until the enhancement in non-fund-based limits are secured.

Concentrated Order Book: Public sector orders accounted for 70% of the order book in FY23, with the balance coming from private players. However, the order book is highly concentrated in terms of geography, as majority of the projects to be executed are in the Mumbai Metropolitan Region. Also, the top 10 projects of the company comprise around 81% of the total order book. CIDCO contributes around 40% to the overall order book, followed by Maharashtra Housing and Area Development Authority project at 12%.

Growth in Revenue and Profitability; Strong Revenue Visibility: In FY23, CIL's revenue grew by a strong 34% yoy to INR17.98 billion, reaching pre-covid levels (FY22: INR13.34 billion, FY21: INR8.8 billion, FY20: INR15.3 billion). The

revenue growth was driven by factors such as new launches by large developers, strong execution skills leading to a healthy sales momentum, and large developers shifting their preference to organised players, such as CIL, from unorganised ones for awarding contracts for building work. At end-March 2023, CIL had an unexecuted order book of INR95 billion, providing revenue visibility of 5.3x of FY23 revenue. CIL secured orders of INR33.13 billion in FY23 and INR11.5 billion in 1QFY24 (FY22: INR6.16 billion), taking the order book to INR102.45 billion at 1QFY24. The consolidated EBITDA margin increased to 19.5% for FY23 (FY22: 16%), partly due to a reduction in expenditure on construction materials, CIL has been relying on material provided by its customers for most of its orders from the private sector, and also because of the increase in the scale of operations. In 1QFY24, CIL's revenue dropped 10% yoy to INR4.3 billion due to monsoon-related execution challenges. Consequently, the EBITDA margins dropped to 16.5% in 1QFY24 (1QFY23:21%).

Improvement in Credit Metrics: CIL's credit profile remained comfortable in FY23, with its adjusted net leverage (debt less unrestricted cash/EBITDA) falling to 0.9x (FY22: 1.4x) and its gross interest coverage (gross interest expense/EBITDA) increasing to 3.9x (1.9x), due to an improvement in the EBITDA to INR3,514million (INR2,185million). While its total outstanding liabilities (TOL)/EBITDA improved to 4.4x in FY23 (FY22: 6.48x), its TOL/CFO remain elevated at 56.4x (not meaningful). The interest coverage declined to 2.9x in 1QFY24 (1QFY23: 4.9x) due to the drop in EBITDA.

Rating Sensitivities

Negative: Any significant delay in the execution of awarded orders, leading to a lower-than-Ind-Ra-expected profitability, with the NWC remaining above 40% of the revenues, impacting its liquidity profile, might be negative for the ratings.

Positive: Improvement in financial flexibility through tying up adequate working capital limits and an improvement in the working capital cycle and liquidity position might be positive for the ratings.

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	FY23	FY22
Revenue (INR million)	17,986	13,398
EBITDA (INR million)	3,514	2,185
EBITDA margins (%)	19.5	16.3
Net Adjusted Debt including acceptances (INR million)	4,702	4,355
Interest coverage (x)	3.9	3.2
Net adjusted leverage including acceptances (x)	1.3	2.0
Source: CIL, Ind-Ra		

Non-Cooperation with previous rating agency

Not applicable

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/Outlook	Historical Rating/Outlook			
				22 February 2023	29 September 2022	26 November 2021	20 August 2021
Issuer rating	Long-term	-	IND BB+/Stable	IND BB+/Rating Watch with Negative Implications	IND BBB+/Stable	IND BBB/Stable	IND D
NCDs	Long-term	INR857.2	IND BB+/Stable	IND BB+/Rating Watch with Negative Implications	IND BBB+/Stable	-	-
Fund-based limits	Long-term/short-term	INR1,900	IND BB+/Stable/IND A4+	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
Non-fund-based limits	Long-term/short-term	INR14,260	IND BB+/Stable/IND A4+	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
Term loan	Long-term	INR 1,841.3	IND BB+/Stable	IND BB+/Rating Watch with Negative Implications	IND BBB+/Stable	IND BBB/Stable	IND D

Bank wise Facilities Details

[Click here to see the details](#)

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

Evaluating Corporate Governance

Policy for Placing Ratings on Rating Watch

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

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