



Ref : CIL/STEX 30/Q2FY23
Date : September 29, 2022

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 Upgrade 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) vide its letter dated September 29, 2022 has upgraded Capacit'e Infracore Limited (CIL) Long Term Issuer Rating at 'IND BBB+' from 'IND BBB'. The outlook is Stable.

The report from the credit rating agency covering the credit rating rationale and press release thereon is enclosed.

This is for your kind information and records.

Thanking you,

Yours faithfully,

For Capacit'e Infracore Ltd


Varsha Malkani
Company Secretary



Encl: As above

India Ratings Upgrades Capacite Infraprojects to 'IND BBB+'/Stable; Rates NCD

Sep 29, 2022 | Construction

India Ratings and Research (Ind-Ra) has upgraded Capacite Infraprojects Limited's (CIL) Long-Term Issuer Rating to 'IND BBB+' from 'IND BBB'. The Outlook is Stable. 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 BBB+/Stable	Assigned
Term loans	-	-	Up to FY27	INR892.3 (reduced from INR1,114.3)	IND BBB+/Stable	Upgraded
Proposed term loans	-	-	-	INR850 (increased from INR675)	IND BBB+/Stable	Upgraded
Fund-based working capital limits	-	-	-	INR1,650 (increased from INR1,200)	IND BBB+/Stable/ IND A2	Upgraded
Proposed fund-based working capital limits	-	-	-	INR250 (reduced from INR325)	IND BBB+/Stable/ IND A2	Upgraded
Proposed non-fund-based working capital limits	-	-	-	INR1,950 (increased from INR1,600)	IND BBB+/Stable/ IND A2	Upgraded
Non-fund-based working capital limits	-	-	-	INR15,240 (reduced from INR16,680)	IND BBB+/Stable/ IND A2	Upgraded
Sales invoice/bill discounting limits				INR375	WD	Withdrawn (Paid in full)

*Unlisted

Analytical Approach: Ind-Ra has taken 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 upgrade reflects CIL's timely debt servicing over the 12 months ended August 2022 and the conversion of the promoter's unsecured loan into equity which boosts the liquidity position of the company. The upgrade also reflects CIL's strong order book position with it winning orders worth INR28 billion over the 12 months ended August 2022. Moreover, there has been an improvement in CIL's leverage to 1.4x in FY22 (FY21: 2.0x), and agency expects it to improve below 1.0x over the near term with a faster execution pace of projects.

Key Rating Drivers

Conversion of Promoter loan to Equity: In FY22, the promoters infused INR502 million into CIL, in the form of unsecured loans by diluting a portion of their stake to meet the working capital requirements and honour CIL's obligations. The interest would be accrued (net of taxes) for these loans and would not be repaid till the cash flow mismatches are addressed. This unsecured loan is now being converted to equity and warrants for 31 million shares at INR160 per share have been allotted.

Improved Operational Performance and Credit Metrics: CIL's order execution pace, which was impacted due to the COVID-19 outbreak in FY21, picked up in FY22, leading to a rise in the consolidated revenue to INR13.34 billion (FY21: INR8.8 billion). The revenue increase was also driven by multiple tailwind factors such as multiple 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 also increased to 16% in FY22 from 15.5% in FY21. The execution pace continued during 1QFY23, resulting in CIL clocking around INR4.7 billion in revenues (1QFY22: INR2.8 billion) with EBITDA margins improving to 20.7% (14.1%) on account of one-time accounting changes; adjusted for these changes, the EBITDA margin stood at around 18.8% during the quarter. Ind-Ra estimates CIL to register a revenue of INR16 billion-18 billion with EBITDA margins in the range of 16%-17% in FY23.

CIL's credit profile improved in FY22 with its net leverage (debt less unrestricted cash/EBITDA) decreasing to 1.4x (FY21: 2.0x; FY20: 0.78x) and interest coverage (gross interest expense/EBITDA) increasing to 3.4x (1.9x, 3.9x). Ind-Ra expects CIL's credit metrics to improve further over the medium term on account of an increase in its operational performance.

Strong Revenue Visibility, but Highly Concentrated Order Book: At end-Jun 2022, CIL had an unexecuted order book of INR82.3 billion, providing a strong revenue visibility of 6.1x of FY22 revenues (excluding the MHADA project of INR43.6 billion), with public sector orders comprising 68% of the order book, with the balance coming from private players. The company targets to maintain its order book from the public sector at 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 Mumbai Metropolitan Region (MMR) region. Also, the top 10 projects of the company comprise around 84% of the total order book. City and Industrial Development Corporation of Maharashtra (CIDCO) contributes 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.

Strong Execution Capabilities: CIL has successfully executed complex and large residential and real estate engineering, procurement and construction projects in the past. CIL is among the top three companies in the high-rise and the super high-rise segment, having executed more than 45 buildings ranging from 100-280m. Since its inception, the company has evolved from constructing primarily residential real estate projects to commercial projects and has gradually forayed into hybrid projects for both government and private sector clients. CIL is now engaged in key projects which are of importance to the government such as CIDCO, MHADA and some public sector hospital projects. CIL had completed building a Cancer Care hospital in Varanasi of 352 beds within a record time of 10 months in FY19. CIL has received orders worth more than INR28 billion in the 12 months ended August 2022; these orders majorly consist of repeated orders from clients such as Oberoi, Seth builders and from public contracts such as Municipal Corporation of Greater Mumbai (MCGM; Bhandup hospital).

Liquidity Indicator – Stretched: At FYE22, CIL had unencumbered cash balances of around INR227 million (FYE21: INR102 million), along with unutilised fund-based limits of INR233.8 million against a scheduled monthly repayment of a principal obligation of INR32.1 million in FY23. The average maximum utilisation of its fund-based limits remained at 92.5%, while that of its non-fund-based limits was around 63.7% over the 12 months ended August 2022. For one of the private construction projects, the developer has started providing materials such as steel, concrete for construction which will help in reducing the working capital utilisation. CIL has different, project-specific limits for public projects (CIDCO, MCGM) which provide a buffer for the execution of such projects. The company is also in talks with banks for tying up an additional fund-based limit of INR250 million and a non-fund-based limit of INR950 million.

CIL's gross working capital cycle improved to 101% of its revenue in FY22 (FY21: 138% of revenue), on account of a decrease in receivables and unbilled revenue. Similarly, the net working capital improved to 32% of the revenue in FY22 (FY21: 34% of revenue). Ind-Ra expects the net working capital cycle to remain largely stable or improve slightly on account of an increase in the order book from the public sector and prompt collections from the orders executed, a release of retention money and a prompt recovery from debtors. The cash flow from operations turned negative at INR184 million in FY22 (FY21: INR232 million) on account of an increase in the working capital requirement. CIL's capex investment over FY21-FY22 remained at around INR1,000 million each year. This led to the free cash flow remaining negative at INR1,178 million in FY22 (FY21: negative INR782 million). In order to bridge this shortfall in FY22, the company raised an NCD worth INR755 million from Baring Private Equity Asia and another one worth INR245 million in FY23. Also, the promoters infused funds of INR502 million in terms of unsecured debt. In FY23, CIL tied up with Securities Trading Corporation of India Limited for availing a fund-based limit of INR500 million. Ind-Ra expects capex investment to fall to INR700 million-750 million over the near term as most of the required capex has been carried out for projects which will be under execution over the next two-to-three years. This will help in achieving positive cash flow from operation over the near term.

Rating Sensitivities

Positive: The following developments, individually or collectively, might be positive for the ratings

- a sustained increase in the profitability, driven by the successful execution of orderbook while maintaining a comfortable liquidity position through a diversification of lenders.

Negative: The following developments, individually or collectively, might be negative for the ratings

- any significant delay in the execution of awarded orders, leading to a lower-than-Ind-Ra-expected revenue
 - any deterioration in the working capital cycle and EBITDA margins, impacting its liquidity profile, an inability to ensure a stable source of funding through higher limits from banks and thus, credit metrics, with the interest coverage reducing below 2.5x and the net leverage exceeding 2.0x, both on a sustained basis

Company Profile

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

FINANCIAL SUMMARY (CONSOLIDATED)

Particulars	FY22	FY21	FY20
Revenue (INR million)	13,348	8797	15,290
EBITDA (INR million)	2,135	1,365	2,567
EBITDA margins (%)	16.0	15.5	16.8
Total debt (INR million)	3,281*	2,861	3,082
Interest coverage (x)	3.2	1.9	4.0
Net leverage (x)	1.4	2.0	0.8

Source: CIL, Ind-Ra

* Including promoters' unsecured loan of INR502 million

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				
				26 November 2021	20 August 2021	12 June 2020	3 May 2019	2 April 2019
Long-Term Issuer Rating	Long-term		IND BBB+/Stable	IND BBB/Stable	IND D	IND A/Negative	IND A/Stable	IND A/Stable
Bank facilities	Long-term/Short-term	INR20,832.3	IND BBB+/Stable/IND A2	IND BBB/Stable/IND A3+	IND D	IND A/Negative/IND A1	IND A/Stable/IND A1	IND A/Stable/IND A1
NCD	Long-term	INR1,000	IND BBB+/Stable	-	-	-	-	-

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

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

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MEDIA RELEASE

India Ratings Upgrades Capacit'e Infraprojects to 'IND BBB+' /Stable

Mumbai, September 29, 2022: Capacit'e Infraprojects Limited (CIL), a fast-growing construction company providing end-to-end services for residential, commercial and Institutional building with presence in Mumbai Metropolitan Region (MMR), Pune, Chennai, National Capital Region (NCR), Varanasi, Kochi, Hyderabad and Bengaluru, announced that India Ratings and Research (Ind-Ra) has upgraded their Long-Term Issuer Rating to '**IND BBB+**' from 'IND BBB'. The outlook is **Stable**.

As per the rating agency the key rating drivers were:

- **Improved Operational Performance and Credit Metrics:**

CIL's order execution pace, which was impacted due to the COVID-19 outbreak in FY21, picked up in FY22, leading to a rise in the consolidated revenue to INR13.34 billion (FY21: INR8.8 billion). The consolidated EBITDA margin also increased to 16% in FY22 from 15.5% in FY21. The execution pace continued during 1QFY23, resulting in CIL clocking around INR4.7 billion in revenues (1QFY22: INR2.8 billion).

CIL's credit profile improved in FY22 with its net leverage (debt less unrestricted cash/EBITDA) decreasing to 1.4x (FY21: 2.0x; FY20: 0.78x) and interest coverage (gross interest expense/EBITDA) increasing to 3.4x (1.9x, 3.9x). Ind-Ra expects CIL's credit metrics to improve further over the medium term on account of an increase in its operational performance.

- **Strong Revenue Visibility, but Highly Concentrated Order Book**

At end-Jun 2022, CIL had an unexecuted order book of INR82.3 billion, providing a strong revenue visibility of 6.1x of FY22 revenues (excluding the MHADA project of INR43.6 billion), with public sector orders comprising 68% of the order book, with the balance coming from private players. 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

- **Strong Execution Capabilities:**

CIL has successfully executed complex and large residential and real estate engineering, procurement and construction projects in the past. CIL is among the top three companies in the high-rise and the super high-rise segment, having executed more than 45 buildings ranging from 100-280m. Since its inception, the company has evolved from constructing primarily residential real estate projects to commercial projects and has gradually forayed into hybrid projects for both government and private sector clients. CIL is now engaged in key projects which are of importance to the government such as CIDCO, MHADA and some public sector hospital projects.

- **Conversion of Promoter loan to Equity:**

In FY22, the promoters infused INR502 million into CIL, in the form of unsecured loans. This unsecured loan is now being converted to equity and warrants for 31 million shares at INR160 per share have been allotted.

Commenting on the upgrade, Mr. Rohit Katyal, Executive Director and CFO, Capacit'e Infraprojects, said, "We are pleased with another rating upgrade in a short span of time. The **'BBB+/Stable'** rating upgrade reaffirms our financial positioning and emphasis on balance-sheet growth. Our immediate goal is to continue the growth trajectory which will help Company boost the rating even further in the near future. The good scores indicate Capacit'e Infraprojects' leadership position in the EPC sector. Our strong order book, robust execution capabilities and efficiency show that we will maintain our market position."

About Capacit'e Infraprojects Limited

Capacit'e Infraprojects Limited has etched a name for itself as a quality contractor in the buildings space. Capacit'e has been rapidly emerging as a marquee contractor in the building space with good repute. The Company's sharp focus on the single segment of buildings, with an emphasis on technology, a robust asset base and the promoters' rich experience in the EPC space have enabled it to scale up quickly in the building space and become a well-respected player. Capacit'e provides end-to-end construction services for High Rise and Super High-Rise Buildings, Townships, Mass Housing, etc. in the residential space, Office Complexes, IT & ITES Parks in the commercial space and Hospitality, Healthcare Facilities, Industrial Buildings, MLCPs in the institutional space.