



Ref : CIL/STEX 30-11/Q3FY18

Date : January 16, 2018

To

The Secretary,
BSE Limited
Corporate Relationship Dept,
P.J. Towers,
Dalal Street, Fort,
Mumbai-400 001

Scrip Code – /Scrip Id: 540710/CAPACITE

The Secretary,
National Stock Exchange of India Limited
Plot No.C/1, G Block,
Bandra Kurla Complex
Bandra (East)
Mumbai-400 051

Scrip Symbol: CAPACITE

Dear Sir/ Madam,

Sub: Intimation of Upgradation of Credit Rating

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, we wish to inform that India Ratings and Research (Ind-Ra) vide its letter dated January 16, 2018 has upgraded Capacit'e Infraprojects Limited's (CIL) Long-Term Issuer Rating to 'IND A' from 'IND A-', while resolving the Rating Watch Positive (RWP). The outlook is stable. The Rating Rationale is enclosed.

This is for your information and records.

Yours Truly

For CAPACIT'E INFRAPROJECTS LIMITED

Sai Kedar Katkar
Company Secretary & Compliance Officer



Encl: As above

India Ratings Upgrades Capacite Infraprojects to 'IND A'/Stable; Off RWP

16

JAN 2018

By **Sudeep Arekar**

India Ratings and Research (Ind-Ra) has upgraded Capacite Infraprojects Limited's (CIL) Long-Term Issuer Rating to 'IND A' from 'IND A-', while resolving the Rating Watch Positive (RWP). The Outlook is Stable. The instrument-wise rating action is as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Bank facilities	-	-	-	INR9,761.2	IND A/Stable/IND A1	Upgraded ¹

¹details of bank loans are given in Annexure

KEY RATING DRIVERS

Consolidated View: Ind-Ra henceforth will not take a consolidated view of CIL and Capacite Engineering Private Limited (CEPL), because CEPL has ceased to be a subsidiary of CIL effective from 1 April 2017. As a result, Ind Ra would assess CIL on a standalone basis. The impact of this deconsolidation on the financial profile of CIL is negligible. CEPL is a turnkey solution provider of mechanical-electrical-plumbing flooring, interiors and finishing works.

Improved Liquidity Profile: The upgrade reflects an improvement in CIL's liquidity, post successful completion of an INR4 billion initial public offering in September 2017. The company intends to utilise these proceeds for its working capital requirements and purchase of capital assets. As of December 2017, the company has around INR3 billion unencumbered cash reserves. The company's cash conversion cycle increased marginally to 41 days in FY17 (FY16: 36 days), while it utilised an average of around 73% of its fund-based limits for the 12 months ended November 2017. However, the management expects the utilisation levels to reduce over the medium term on the back of an improvement in overall liquidity as a result of the initial public offering.

Comfortable Credit Profile: CIL's net financial leverage (total debt less unrestricted cash) improved to 0.9x in FY17 (FY16: 1.5x), driven by lower debt obligations, while EBITDA/net interest was at 3.8x (3.6x). The company's revenue increased to INR11,570 million in FY17 (FY16: INR8,533 million), while its EBITDA increased to INR1,580 million (INR1,147 million) on account of the successful execution of the order book. CIL's EBITDA margin improved to 13.7% in FY17 (FY16: 13.4%) on the back of an increase in higher-margin projects in the company's order book.

Reputed Clientele: CIL's clientele includes Godrej Properties Limited, Lodha Developers Private Limited ('IND BBB+/Negative), Wadhwa Group Holdings ('IND BBB/Negative), Oberoi Constructions Limited, EMMAR Private Limited, Kalpataru Group, Rustomjee Developers, Brigade Group, Saifee Burhani Upliftment Trust among other developers. The founders plan to focus on metros such as Mumbai-Mumbai Metropolitan Region, Delhi-National Capital Region and Bangalore, considering the need for high-rise buildings due to the limited availability of land in these cities, in addition to smaller cities such as Bengaluru, Hyderabad, Pune and Kochi. The promoters, as a practice, choose projects which are adequately capitalised and have limited reliance on advances from customers so that there is strong cash flow visibility. According to the management, the company is likely to benefit from the Real Estate Regulation Act, which provides better cash flow visibility to engineering, procurement and construction contractors.

Strong yet Concentrated Order Book: CIL's order book amounted to INR46.7 billion at end-September 2017 (end-September 2016: INR35.2 billion), which is 3.7x FY17 revenue, providing medium term revenue visibility. The company's order book, though, is concentrated, with around 63% of its projects in the Mumbai Metropolitan Region, 16% in the National Capital Region and 11% in Bengaluru. CIL's ratings are also constrained by its exposure to the cyclical real estate sector (entire order book relates to real estate projects), which leads to volatile cash flows. Ind-Ra has maintained a negative outlook on the sector based on the expectation of muted growth in demand for property.

RATING SENSITIVITIES

Negative: Any weakening of the liquidity as a result of a significant reduction in the cash balance or a reduction in unutilised working capital limits due to an increase in the working capital cycle and/or deterioration in the overall credit profile would lead to a negative rating action.

Positive: A substantial improvement in the business profile of the company as a result of diversification while maintaining adequate liquidity, would lead to a positive rating action.

COMPANY PROFILE

Incorporated in 2012, CIL provides engineering, procurement and construction/turnkey solutions for housing, high rises, speciality buildings and urban infrastructure. The promoters aim to diversify into the public sector as well with planned forays into the affordable housing segment.

FINANCIAL SUMMARY

Particulars	FY17	FY16*
Revenue (INR million)	11,570	8,533
EBITDA (INR million)	1,580	1,147
EBITDA margins (%)	13.7	13.4
Total debt (INR million)	1,536	1,771
Interest coverage (x)	3.8	3.6
Net leverage (x)	0.9	1.5
Source: CIL, Ind-Ra; *Restated		

RATING HISTORY

Instrument Type	Current Rating/Outlook			Rating History/Outlook/Rating Watch		
	Rating Type	Rated Limits (million)	Rating	15 September 2017	6 January 2017	20 October 2015
Issuer rating	Long-term	-	IND A/Stable	IND A-/RWP	IND A-/Negative	IND A-/Stable
Bank facilities	Long-Term/Short-Term	INR9,761.2	IND A/Stable/IND A1	IND A-/RWP/IND A2+/RWP	IND A-/Negative/IND A2+	IND A-/Stable/IND A2+

ANNEXURE

Instrument Type	Rated Limits (million)	Rating/Outlook	Rating Action
Term loans [^]	INR722.8	IND A/Stable	Upgraded
Term loans ^{#,^}	INR292.8	IND A/Stable	Assigned
Proposed term loans	INR157.2	WD	Withdrawn (issuer did not proceed with the instrument as envisaged)
Fund-based working capital limits	INR440	IND A/Stable /IND A1	Upgraded
Fund-based working capital limits [#]	INR335.6	IND A/Stable /IND A1	Assigned
Proposed fund-based working capital limits	INR224.4	WD	Withdrawn (issuer did not proceed with the instrument as envisaged)
Proposed fund-based working capital limits [*]	INR470	Provisional IND A/Stable/Provisional IND A1	Assigned
Sales invoice/bill discounting limits	INR400	IND A/Stable /IND A1	Upgraded
Sales invoice/bill discounting limits [#]	INR70	IND A/Stable /IND A1	Assigned
Proposed invoice financing limits	INR30	WD	Withdrawn (issuer did not proceed with the instrument as envisaged)
Non-fund-based working capital limits	INR3,710	IND A1	Upgraded
Non-fund-based working capital limits [#]	INR2,690	IND A1	Assigned
Proposed non-fund-based working	INR100	WD	Withdrawn (issuer did not proceed with the

capital limits			instrument as envisaged)
Proposed non-fund-based working capital limits*	INR630	Provisional IND A1	Assigned

[^]Equipment loan

[#]Converted to final rating from provisional rating

*The final rating will be assigned following the final issuance and the receipt of final documentation, conforming to the information already received by Ind-Ra.

COMPLEXITY LEVEL OF INSTRUMENTS

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

SOLICITATION DISCLOSURES

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Applicable Criteria

[Corporate Rating Methodology](#)

Analyst Names

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