

KPIL/24-25
24th April, 2024

BSE Limited Corporate Relationship Department Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai - 400 001 Scrip Code: 522287	National Stock Exchange of India Ltd. 'Exchange Plaza', C-1, Block 'G', Bandra-Kurla Complex Bandra (E) Mumbai – 400 051 Scrip Code : KPIL
---	---

Sub.: Intimation of affirmation of Credit Rating of various facilities / instruments of the Company under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Respected Sir / Madam,

This is to inform you that India Ratings & Research Private Limited vide its Press Release dated 10th April, 2024, received by the Company on 10th April, 2024 at 05:47 p.m., has affirmed rating of various financial facilities / instruments of the Company, details of which are given below :

Type of facilities / instruments	Rating Assigned	Rating Action
Long Term Bank facilities	IND AA/Stable	Affirmed
Short Term Bank facilities	IND A1+	Affirmed
Commercial Paper	IND A1+	Affirmed
Non-Convertible Debentures	IND AA/Stable	Affirmed

Further, it has withdrawn the rating (IND AA/Stable) assigned to the Non-convertible Debentures of Rs. 75 Crores, Rs. 25 Crores and Rs. 25 Crores issued under ISINs: INE890A07054, INE890A08029 and INE890A08037 respectively, as the same had been redeemed.

The Press Release *inter-alia* containing Rationale from India Ratings & Research Private Limited is enclosed herewith.

Pursuant to Regulation 55 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Master Circular No. SEBI/HO/DDHS/PoD1/P/CIR/2023/108 dated 29th July, 2022 (updated as on 30th June, 2023), the details in respect of Credit Rating for Non-Convertible Debentures of the Company is as under:

Details of credit rating									
Current rating details									
Sr. No.	ISIN	Name of the Credit Rating Agency	Credit rating assigned	Outlook (Stable/ Positive/ Negative / No Outlook)	Rating Action (New/ Upgrade/ Downgrade/ Re- Affirm/ Other)	Specify other rating action	Date of Credit rating	Verification status of Credit Rating Agencies	Date of verification
1	2	3	4	5	6	7	8	9	10
1	INE220B08084	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	10-04-2024	Verified	10-04-2024
2	INE890A08086	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	10-04-2024	Verified	10-04-2024



KALPATARU PROJECTS INTERNATIONAL LIMITED
(Formerly Kalpataru Power Transmission Limited)

3	INE890A08094	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	10-04-2024	Verified	10-04-2024
4	INE890A08060	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	10-04-2024	Verified	10-04-2024
5	INE890A08078	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	10-04-2024	Verified	10-04-2024
6	INE890A08045	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	10-04-2024	Verified	10-04-2024
7	INE890A08052	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	10-04-2024	Verified	10-04-2024
8	INE890A07054	India Ratings & Research Private Limited	WD (paid in full)	-	Other	With-drawn	10-04-2024	Verified	10-04-2024
9	INE890A08029	India Ratings & Research Private Limited	WD (paid in full)	-	Other	With-drawn	10-04-2024	Verified	10-04-2024
10	INE890A08037	India Ratings & Research Private Limited	WD (paid in full)	-	Other	With-drawn	10-04-2024	Verified	10-04-2024

The disclosure is being submitted at the earliest possible opportunity, given inadvertent oversight by the relevant internal department of the Company.

Please take the same in your records.

Thanking you,

Yours faithfully,
For **Kalpataru Projects International Limited**

Shweta Girotra
Company Secretary

Encl.: As above

India Ratings Affirms Kalpataru Projects International and Its NCDs at 'IND AA'/Stable

Apr 10, 2024 | Civil Construction

India Ratings and Research (Ind-Ra) has affirmed Kalpataru Projects International Limited's (KPIL; formerly Kalpataru Power Transmission Limited) Long-Term Issuer Rating at 'IND AA'. The Outlook is Stable. The instrument-wise rating action are as follows:

Details of Instruments

Instrument Type	Coupon Rate	Date of Issuance	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Issuer rating	-	-	-	-	IND AA/Stable	Affirmed
Proposed commercial paper	-	-	-	INR7.50	IND A1+	Affirmed
Non-convertible debentures	-	-	-	INR4.24 (reduced from INR5.49)	IND AA/Stable	Affirmed
Fund-based working capital limit	-	-	-	INR24.55	IND AA/Stable/IND A1+	Affirmed
Proposed fund-based working capital limit	-	-	-	INR0.45	IND AA/Stable/IND A1+	Affirmed
Non-fund-based working capital limit	-	-	-	INR195.25	IND AA/Stable/IND A1+	Affirmed
Proposed non-fund-based working capital limit	-	-	-	INR1.75 (reduced from 5.47)	IND AA/Stable/IND A1+	Affirmed
Term loan	-	-	FY28	INR2.04 (reduced from INR3.28)	IND AA/Stable	Affirmed

Analytical Approach

To arrive at the ratings, Ind-Ra continues to consider the standalone profile of KPIL (including the standalone profile of erstwhile subsidiary JMC Projects (India) Limited, now amalgamated with KPIL) while factoring in the cash flow shortfall support required for its Indian and offshore subsidiaries.

Detailed Rationale of the Rating Action

The affirmation reflects the strength in KPIL's business and credit profile, supported by an improvement in the scale of execution, its operating revenue over FY23-9MFY24 and a recovery in its EBITDA margins. Ind-Ra believes given that the company's order inflows over FY22-FY24 are likely to be aligned to prevalent commodity prices, their contribution to work execution would support its margin recovery over the medium term. Furthermore, the company's strong orderbooking over FY23-9MFY24 with a closing standalone orderbook of INR492 billion (3.4x FY23 operating revenues) provides strong revenue visibility over the medium term. However, the company's working capital cycle remained higher over year to date FY23 and FY24, compared to its historical levels, mainly due to the building-up of contract assets on account of mobilisation/preliminary works in its newly started projects, elongated payment milestones in railways and a slowdown in execution in certain projects. As its newly started projects pick up pace, Ind-Ra expects the billing to start against the mobilisation/preliminary contract assets. With a sustained reduction in the railways sector orderbook (as a percentage of the total orderbook) in the past few years and a likely movement/closure of some of these railways and water supply orders in FY25, the gross working capital cycle is expected to moderate in the medium term, which shall be a key monitorable.

List of Key Rating Drivers

Strengths

- Robust business profile; likely to strengthen due to strong order inflows
- Strong track record of execution; likely recovery in EBITDA margins
- Comfortable credit metrics

Weaknesses

- Elongated working capital cycle
- Support to subsidiaries/group companies in short to medium term

Detailed Description of Key Rating Drivers

Robust Business Profile; Likely to Strengthen further due to Strong Order Inflows: KPIL is one of the largest diversified Indian engineering, procurement and construction (EPC) players with operating revenue of over INR143 billion in FY23 (FY22: INR124 billion). Its revenue expanded at a CAGR of 8.4% during FY20-FY23. The management expects the revenue to have grown 18%-20% in FY24, with the company registering 16.8% growth in operating revenue at INR116 billion in 9MFY24 (9MFY23: INR99 billion). In 9MFY24, its total order inflows stood at INR176 billion (FY23: INR252 billion) with a strong orderbook of INR517 billion at end-December 2023 (including INR25 billion orders from its offshore stepdown EPC subsidiaries: Linjemontage I Grastorp AB in Sweden (LMG Sweden) and Fasttel Engenharia S.A., Brasil (Fastell Brazil)). The standalone orderbook (end-December 2023) to FY23 sales ratio stood comfortably at 3.4x. The total orderbooking for FY24 touched INR290 billion-300 billion, as per the management. Ind-Ra expects the company's robust order inflows over FY22-FY24, which would cross INR700 billion, to drive the growth over FY25-FY27.

KPIL's total orderbook (including subsidiaries) at end-December 2023 was well diversified, with transmission and distribution (T&D) accounting for 37%, buildings and factories (24%), water business (22%), urban infrastructure (7%), railways (7%) and oil and gas infrastructure (3%). Geographically, out of total orders, domestic orders accounted for 61% share, with overseas orders comprising the balance. The domestic orders comprised government counterparties such as central /state government/central-state joint ventures (JVs)/public sector undertakings mainly in the railways, transmission and oil and gas segments and moderate-to-strong private counterparties (mainly in the housing and commercial buildings business). Outside India, the company mainly focuses on the T&D business, followed by buildings and roads business. A substantial portion of these orders are backed by multi-lateral agencies such as EXIM Bank of India, Asian Development Bank, European Investment Bank, and African Development Bank among others. Ind-Ra draws comfort from the orderbook size as well as its segmental and geographic diversification.

Strong Track Record of Execution; likely Recovery in EBITDA Margins: KPIL registered 15.5% growth in its operating revenue to INR143 billion in FY23 (FY22: INR124 billion), led by its strong execution. It further posted

16.8% growth in its revenue to INR116 billion in 9MFY24 (9MFY23: INR99 billion). Ind-Ra expects the company to have posted revenue of INR167 billion-170 billion in FY24, driven the strong execution momentum.

The company's EBITDA margins (adjusted for bank charges) moderated in FY22-FY23, specially in 4QFY23, due to COVID-19-related disruptions, including commodity price fluctuations, lower absorption of overhead costs, higher freight costs and additional provisioning towards some older orders. The company's EBITDA margins stood at 9.1% in FY23 (FY22: 9.6%; FY21: 10.8%). The absolute EBITDA recovered to INR13.0 billion in FY23 (FY22: INR11.9 billion; FY21: INR12.2 billion) on account of its increased execution. The EBITDA margins remained broadly stable at 9.3% in 9MFY24 (FY23: 9.1%). Ind-Ra expects the company's EBITDA margins to recover in the medium term driven by higher execution and a large part of the outstanding orders booked FY22 onwards, being likely aligned to prevalent commodity price. However, as its older orders shall continue to contribute to the execution in the next few quarters, the recovery could be gradual.

Comfortable Credit Metrics: Commensurate with the higher working capital lock-up in interim quarters in 2Q/3QFY24, as also observed in FY23, the company's net leverage (including acceptances; net debt/EBITDA) increased to 2.46x at end-December 2023 (FY23: 1.95x), mainly due to an increase in the working capital debt. The management expects the leverage to moderate in FY24, due to likely release of its working capital and Ind-Ra understands it could remain similar to that of end-FY23. However, with the mobilisation of new orders, the unbilled component of the working capital is likely to remain elevated in FY25; with billing stages likely to hit by end-FY25, the working capital could start moderating by 4QFY25/1QFY26 and its impact on the net leverage shall be monitored by Ind-Ra. The gross interest coverage (EBITDA/gross interest), even though moderated to 3.04x in FY23 (FY22: 3.35x), still remained comfortably above 3x at end-December 2023.

Support to Subsidiaries/Group Companies in Short to Medium Term; Likely Upside from Monetisation

Fructification: The company has a portfolio of three build-operate-transfer toll projects: Brij Bhoomi Expressway Private Limited (holds 100% stake), Wainganga Expressway Private Limited (100%), Vindhyaachal Expressway Private Limited (100%), and Shree Shubham Logistics Limited, which is engaged in agri-warehousing and its JVs/subsidiaries for its foreign operations. The company continues to support its toll portfolio for any debt servicing requirements. The company is looking to monetise its investments in Vindhyaachal Expressway in the short term and Shree Shubham in the medium term after the offtake of the warehousing services upticks. The management stated that as a short-term measure, it could explore debt refinancing in one or two subsidiaries to mitigate the potential cash-flow mismatches. Ind-Ra has factored in the support required in these various companies.

In 9MFY24, the company invested around INR2.0 billion (netted off for INR0.31 billion inflows from its Indore real-estate step-down subsidiary, Saicharan Properties Limited). Kalpataru Power Chile SpA (KP Chile), an offshore EPC subsidiary, received investments worth INR1.0 billion in 9MFY24, because of the mobilisation requirements in the Chile EPC project (project value exceeding INR35 billion), the management expects to recover the same after the execution picks up FY25 onwards. The management looks to monetise the entire investments in the Indore real estate business by December 2024. The JV toll project, Kurukshetra Expressway Private Limited (49.7% JV of KPIL and the balance stake held by Bharat Road Networks Limited) was terminated in July 2021 and the termination payment amount has been under arbitration, any shortfall in the amount is key rating monitorable. However, the management does not expect any shortfall on the basis of the likely termination payment/claims. Ind-Ra has factored in the support required by the asset portfolio including companies where corporate guarantee has been extended, larger-than-expected support to these group companies and /or delays in materialisation of asset monetisation shall be monitored by Ind-Ra.

Elongated Working Capital Cycle; likely to Moderate over Short- to Medium Term:

The gross working capital (GWC) levels remained elongated at 301 days at 9MFY24 (FYE23: 296 days) as against its historical levels of 270-280 days in FY21-FY22, largely on account of accumulation of contract assets due to certain elongated payment milestone driven contracts/ work-in-progress stuck on account of right-of-way issues as well as the mobilisation expenditure made for early stage projects. This has been offset to some extent by the incremental customer mobilisation advances; however, the improved payment cycle of the trade payables had led to peaking of the net working capital days to 116 days in 9MFY24 (FYE23: 95 days). However, since the year end typically leads to higher billing/cashflow realisation, the agency expects the GWC to have improved slightly at FYE24. However, Ind-Ra expects a moderate improvement in GWC which could remain elevated over the next few quarters

(compared to FYE23) as the mobilisation expenses are typically converted to billing over short to medium term and with continued robust order inflows, leading to likely further mobilisation. Hence, the agency expects an overall reduction in the GWC over 4QFY25-1QFY26. However, the elevated GWC levels are likely to be supported by a recovery in the EBITDA in absolute and margin terms, leading to an overall improvement in the credit metrics.

Liquidity

Adequate: On a standalone basis, KPIL had aggregate unencumbered cash and bank balances of INR4.23 billion at end-2QFY24. The average utilisation of existing working capital limits for the 12 months ended January 2024 stood at 86% for the fund-based limits and 88% for the non-fund-based limits. The company has repayment obligations of INR3.03 billion and INR 2.40 billion in FY25 and FY26, respectively, which are likely to be met by a combination of debt refinancing and internal accruals. In FY23 and FY24 also, the company successfully raised non-convertible debentures for incremental debt/refinancing and Ind-Ra draws comfort from the available access to the capital markets.

Rating Sensitivities

Positive: A steady increase in the profitability while maintaining segmental, geographic and project-wise diversification with the net leverage (including acceptances) remaining below 1.5x, on a sustained basis, could lead to a positive rating action.

Negative: Deterioration in the profitability, an increase in the working capital lock-up, leading to a rise in the debt, and/or higher-than-expected cash outflows to its SPVs resulting in the net leverage (including acceptances) remaining above 2.0x, on a sustained basis, could lead to a negative rating action.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on KPIL, due to their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please [click here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please [click here](#).

About the Company

KPIL is part of the Kalpataru group which was established in 1969. The Kalpataru group is a diversified conglomerate with interests in EPC and real estate. KPIL, established in 1981 by Mofatraj P Munot, is involved in EPC segment mainly in power T&D segment, railway infrastructure and oil & gas infrastructure and has presence in 70 countries. KPIL has extended its reach in the European market through its subsidiary LinjemontageiGrastorp AB in Sweden and Latin America through its subsidiary Fasttel Engenharia Ltda in Brazil.

Merger with erstwhile JMC: Established in 1982, JMC Projects (India) was held 67.75% by KPIL. It had a presence across diversified construction domains including buildings and factories including residential and commercial buildings, water including pipeline projects for water supply scheme, urban infrastructure and roads and bridges. On 19 February 2022, the board of JMC's parent, i.e. KPIL, approved the scheme of amalgamation (scheme) of JMC with KPIL and subsequently, on 21 December 2022, the National Company Law Tribunal, Ahmedabad, approved the scheme with an appointed date of 1 April 2022. On 4 January 2023, the scheme became effective and thus, JMC has been merged with KPIL.

FINANCIAL SUMMARY

Particulars (INR billion)	2023	2022
---------------------------	------	------

Operating revenues	143.37	124.07
Growth (%)	15.6	9.2
EBITDA	13.05	11.93
EBITDA margin	9.1	9.6
PAT	5.32	3.50
PAT margin	3.7	2.8
Gross debt (w/o. acceptances)	27.01	21.65
Less: unencumbered cash	7.59	8.66
Net debt	19.42	12.99
Net leverage (excluding acceptances)	1.49	1.09
Interest coverage ratio	3.04	3.35
Source: KPIL; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Rating/Outlook	Historical Rating/Outlook
				11 April 2023
Issuer rating	Long-term	-	IND AA/Stable	IND AA/Stable
Fund-based working capital limit	Long-term/Short-term	INR25.0	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+
Non-fund-based working capital limit	Long-term/Short-term	INR197.0	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+
Term loans	Long-term	INR2.04	IND AA/Stable	IND AA/Stable
Non-convertible debentures	Long-term	INR4.24	IND AA/Stable	IND AA/Stable
Proposed commercial papers	Short-term	INR7.5	IND A1+	IND A1+

Bank wise Facilities Details

Click here to see the details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limits	Low
Non-fund-based working capital limits	Low
Term Loans	Low
Commercial papers	Low
Non-convertible debentures	Low

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

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR billion)	Rating/Outlook
NCDs	INE220B08084	12 January 2022	6.15	10 January 2025	2.000	IND AA/Stable

NCDs	INE890A08086	4 November 2022	Repo rate linked	4 November 2025	0.500	IND AA/Stable
NCDs	INE890A08094	4 November 2022	Repo rate linked	4 November 2024	0.500	IND AA/Stable
NCDs	INE890A08060	17 October 2022	Repo rate linked	17 October 2024	0.375	IND AA/Stable
NCDs	INE890A08078	17 October 2022	Repo rate linked	17 October 2025	0.375	IND AA/Stable
NCDs	INE890A08045	15 December 2021	9.80	14 June 2024	0.250	IND AA/Stable
NCDs	INE890A08052	15 December 2021	9.8	13 December 2024	0.240	IND AA/Stable
NCDs	INE890A07054	28 August 2018	9.95	28 August 2023	0.7500	WD (Paid in full)
NCDs	INE890A08029	15 December 2021	9.80	15 June 2023	0.2500	WD (Paid in full)
NCDs	INE890A08037	15 December 2021	9.80	15 December 2023	0.2500	WD (Paid in full)

Source: Ind-Ra, KPIL

APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

Contact

Primary Analyst

Pritha Preshi Sharma

Associate Director

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40001770

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Devika Malik

Senior Analyst

+91 40 67661911

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

About India Ratings and Research: India Ratings and Research (Ind-Ra) is 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 project finance companies.

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

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

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.

DISCLAIMER

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website 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.