

KPIL/24-25
06th June, 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
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Sub.: Intimation of Credit Rating affirmed / assigned by India Ratings & Research Private Limited to 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 06th June, 2024, received by the Company on 06th June, 2024 at 01:08 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 also assigned credit rating of IND AA/Stable for a future issuance of Non-Convertible Debentures (NCDs) upto Rs. 300 Crores.

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/DDHS-PoD-1/P/CIR/2024/48 dated 21st May, 2024, 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	-	06-06-2024	Verified	06-06-2024
2	INE890A08086	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	06-06-2024	Verified	06-06-2024

KALPATARU PROJECTS INTERNATIONAL LIMITED
(Formerly Kalpataru Power Transmission Limited)

3	INE890A08094	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	06-06-2024	Verified	06-06-2024
4	INE890A08060	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	06-06-2024	Verified	06-06-2024
5	INE890A08078	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	06-06-2024	Verified	06-06-2024
6	INE890A08045	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	06-06-2024	Verified	06-06-2024
7	INE890A08052	India Ratings & Research Private Limited	IND AA/Stable	Stable	Affirmed	-	06-06-2024	Verified	06-06-2024
8	Refer Note [#]	India Ratings & Research Private Limited	IND AA/Stable	Stable	New	-	06-06-2024	Verified	06-06-2024

**Note: Since the rating has been assigned for a future issuance of NCDs, ISIN(s) are not available as of date.*

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 Rates Kalpataru Projects International's Proposed NCDs and Affirms Existing Ratings at 'IND AA'/Stable; Proposed CP Affirmed at 'IND A1+'

Jun 06, 2024 | Civil Construction

India Ratings and Research (Ind-Ra) has taken the following rating actions on Kalpataru Projects International Limited (KPIL) and its debt instruments:

Details of Instruments

Instrument Type	Coupon Rate	Date of Issuance	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Long-Term Issuer Rating	-	-	-	-	IND AA/Stable	Affirmed
Proposed commercial paper	-	-	-	INR7.50	IND A1+	Affirmed
Non-convertible debentures#	-	-	-	INR3.24	IND AA/Stable	Affirmed
Proposed non-convertible debentures#	-	-	-	INR3.00	IND AA/Stable	Assigned
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	IND AA/Stable/IND A1+	Affirmed
Term loan	-	-	FY28	INR1.88 (reduced from INR2.04)	IND AA/Stable	Affirmed

Details in Annexure

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, if required, for its Indian and offshore subsidiaries - Vindhyachal Expressway Private Limited, Wainganga

Expressway Private Limited, Brij Bhoomi Expressway Private Limited, Shree Shubham Logistics Limited, Fasttel Engenharia S.A., Brasil, Linjemontage I Grastorp AB and Energylink (India) Limited.

Detailed Rationale of the Rating Action

The ratings reflect the strength in KPIL's business and credit profile, supported by an improvement in the scale of execution, its operating revenue, and EBITDA margins profile over FY23-FY24. 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 order booking over FY23-FY24 with a closing standalone orderbook of INR548 billion (3.3x FY24 operating revenues) provides strong revenue visibility over the medium term. However, the company's working capital cycle remained higher over FY23 and FY24, compared to its historical levels, mainly due to 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 gradually 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 improve 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

Support to subsidiaries/group companies in short to medium term; likely upside from monetisation fructification

Elongated working capital cycle; likely to moderate over 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 INR167 billion in FY24 (FY23: INR143 billion; FY22: INR124 billion). Its revenue expanded at a CAGR of 10.1% during FY20-FY24. In FY24, its total order inflows stood at INR300 billion (FY23: INR252 billion), with a strong orderbook of INR584 billion at end-March 2024 (including INR35 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-March 2024) to FY24 sales ratio stood comfortably at 3.3x. Ind-Ra believes that the strong orderbook position at end-FY24 would drive the growth over FY25-FY27.

KPIL's total orderbook (including subsidiaries) at end-March 2024 was well diversified, with transmission and distribution (T&D) accounting for 35%, buildings and factories (19%), water business (18%), oil and gas infrastructure (16%), urban infrastructure (5%) and railways (7%). Geographically, out of total orders, domestic orders accounted for 55% 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, roads, and oil and gas more recently. 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 16.9% yoy growth in its operating revenue to INR167 billion in FY24 (FY23: INR143 billion; FY22:124 billion), led by its strong execution. Ind-Ra expects the company to post higher-double digit revenue growth in FY25, driven by the strong execution momentum and the robust orderbook position, with a healthy mix of new and ongoing orders.

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 remained stable at 9.1% in FY24 (FY23: 9.1%, FY22: 9.6%; FY21: 10.8%). The absolute EBITDA recovered to INR15.2 billion in FY24 (FY23: INR13.05 billion FY22: INR11.9 billion; FY21: INR12.2 billion) on account of its increased execution. However, in FY24, the company made a higher provisioning of INR0.77 billion towards receivables, which impacted the EBITDA margins. 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 prices. 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: The net leverage remained stable but elevated over FY23-FY24, and stood at 1.96x at end-FY24 (end-FY23: 1.95x), largely comprising working capital debt. The net leverage could start reducing over FY25-FY26, but the improvement is likely to be gradual, mainly because, 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) moderated over historical levels but remained stable and comfortably above 3x during FY23-FY24, standing at 3.06x in FY24 (FY23: 3.04x, FY22: 3.35x).

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 road 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 FY24, the company invested around INR2.1 billion (netted off for INR0.31 billion inflows and INR0.35 billion impairment from its Indore real-estate step-down subsidiary, Saicharan Properties Limited). Kalpataru Power Chile SpA (KP Chile), an offshore EPC subsidiary, received bulk of the investments (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 once 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 294 days at FYE24 (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 99 days in FYE24 (FYE23: 95 days). However, Ind-Ra expects the GWC to remain elevated over the next few quarters 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. Furthermore, recovery of some of the older receivables is likely to materialise gradually. Hence,

the agency expects reduction of GWC to start only from 4QFY25 or beyond. 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 INR8.27 billion at end-FY24. The average utilisation of existing working capital limits for the 12 months ended March 2024 stood at 84% for the fund-based limits and 89% 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. Both 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. Furthermore, Ind-Ra shall monitor the developments regarding any large disputed non-fund-based limits and its potential impact.

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 either 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.

KEY FINANCIAL INDICATORS

Particulars (INR billion)	FY24	FY23
Operating revenues	167.60	143.37
Growth (%)	16.9	15.6

EBITDA	15.27	13.05
EBITDA margin	9.1	9.1
PAT	5.33	5.32
PAT margin	3.2	3.7
Gross debt (with acceptances)	38.19	33.00
Less: unencumbered cash	8.27	7.59
Net debt	29.92	25.41
Net leverage (including acceptances)	1.96	1.95
Interest coverage ratio	3.06	3.04
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	
				10 April 2024	11 April 2023
Issuer rating	Long-term	-	IND AA/Stable	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+	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+	IND AA/Stable/IND A1+
Term loans	Long-term	INR1.88	IND AA/Stable	IND AA/Stable	IND AA/Stable
Non-convertible debentures	Long-term	INR6.24	IND AA/Stable	IND AA/Stable	IND AA/Stable
Proposed commercial papers	Short-term	INR7.5	IND A1+	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>.

CORRECTION IN PREVIOUS RATING ACTION COMMENTARY

Ind-Ra updates the amounts for non-convertible debentures to INR3.24 billion from INR4.24 billion for the rating action commentary published on 10 April 2024.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR billion)	Rating/Outlook
Non-convertible debentures	INE220B08084	12 January 2022	6.15	10 January 2025	1.000	IND AA/Stable
Non-convertible debentures	INE890A08086	4 November 2022	Repo rate linked	4 November 2025	0.500	IND AA/Stable
Non-convertible debentures	INE890A08094	4 November 2022	Repo rate linked	4 November 2024	0.500	IND AA/Stable
Non-convertible debentures	INE890A08060	17 October 2022	Repo rate linked	17 October 2024	0.375	IND AA/Stable
Non-convertible debentures	INE890A08078	17 October 2022	Repo rate linked	17 October 2025	0.375	IND AA/Stable
Non-convertible debentures	INE890A08045	15 December 2021	9.80	14 June 2024	0.250	IND AA/Stable
Non-convertible debentures	INE890A08052	15 December 2021	9.8	13 December 2024	0.240	IND AA/Stable
Proposed non-convertible debentures					3.000	IND AA/Stable

Source: Ind-Ra, KPIL

APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

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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.

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Solicitation Disclosures

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