

Katerra India Private Limited

February 16, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	310.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Negative (Triple B Minus; Outlook: Negative) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	190.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Negative / CARE A3 (Triple B Minus; Outlook: Negative / A Three) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	500.00 (Rs. Five Hundred Creole Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Katerra India Private Limited to monitor the rating(s) vide e-mail communications/letters dated October 04,2021, February 07,2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Katerra India Pvt Ltd.'s bank facilities will now be denoted as **CARE BB/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in rating of bank facilities of Katerra India Private Limited is on account of absence of critical information on financial and operational performance of company for FY21 and current FY. As per interaction with lender, an instance of LC devolvement was informed in past 6 months indicating stretched liquidity. CARE does not have data on latest cash and cash equivalent available, working capital utilization levels etc. which has hindered the assessment of the company's liquidity position which is one of the critical drivers in the credit analysis of Katerra India Private Limited considering its large scheduled debt repayments.

Detailed description of the key rating drivers

At the time of last rating on April 06,2021 the following were the rating strengths and weaknesses:

Key Rating Strengths

Continuing loss making operations impacted by Covid-19 but funded out with internal cash generation/promoter infusion without relying on external debt:

During FY20, with better execution of orders, Company's cash loss has been reduced to Rs. 68.61 cr. as against Rs. 207.63 cr. in FY19. However, with pandemic led lockdown from last week of March 2020 impacted the business in H1FY21 with lower billing during the period. Though the billing has seen improvement after gradual lifting of lockdown restrictions, but company has incurred cash loss of Rs. 61 crore in 9MFY21. While losses and working capital requirements of company was primarily funded with funds infusion from promoters, company has managed FY21 operations largely by internal cash generation with minimal reliance on external debt and without support of parent company. Only for capex purpose, company has received a round Rs. 22 cr.(USD 3 mn) from parent company in first week of March'21.

Continuity in flow of orders: Order inflow for the company continues to remain healthy on back of its long track record in the area of operations and strong clientele base which helps it in receiving repeat orders. Order book position was Rs. 1575 crore as on Dec'20 which is 2.51x of average revenues earned by the company during FY18- 20. Company's client base includes both corporates and real estate developers. Apart from above orders, Company is endeavouring to close several under negotiation contracts with several clients. The closure of several prospective orders will be critical for the company to continue to grow its scale of operations.

Niche presence in the offsite construction technology, and reputed clientele: Katerra has set up an integrated, technologically advanced and automated offsite manufacturing facility which includes four distinct units: Precast, pods, Joinery and Aluminum glazing. It is an integrated facility dedicated to offsite-construction, where building components are

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

manufactured in a factory environment and shipped to site. Pre cast construction offers significant time saving for builders over conventional method. The clientele of company includes reputed real estate players, and corporates. Some of the marquee name includes, Embassy group, Lulu Group, Infosys Limited, Microsoft, Bosch Limited, Kovai Medical Center and Hospital Ltd, Vaishnavi Group, Vaswani Group, etc.

Key Rating Weaknesses

Working capital intensive nature of business: Katerra is in construction industry which is implicitly a working capital intensive nature of business. Working capital requirement is driven by high amount of unbilled revenue and inventory and debtor days partially offset by mobilisation advances. Katerra receives an upfront payment of around 20-30% upon receipt of work order, in the form of mobilization advances, which eases the liquidity position. The mobilization advances are backed by bank guarantee or corporate guarantee of Katerra India Private Limited. Post the initiation of work, billing is done on milestone or BOQ basis, depending upon the contract, and frequency of the bill submission is monthly. High amount of mobilization has led to limited reliance on working capital limits to fund the gap. Katerra keeps, an inventory of around one month whereas suppliers for materials are paid in around 60 to 90 days.

Short track record of operations with client and geographical concentration: Katerra started its operations in FY15 (refers to the period April 01 to March 31) with completion of first phase of Krishnagiri factory set up and the final phase was completed in February 2017. The company has commenced its operations in Hyderabad and Mumbai which is diversifying its geographical presence to a certain extent. However, operations are still largely concentrated in the Southern region of India making it a regional player. Furthermore, its' customer base is also limited but is continuously adding new reputed customers.

Intense competition in construction industry albeit existence of very few player in the pre-cast products and offsite manufacturing: The construction industry in India is highly fragmented with a large number of small and mid-sized players. This coupled with tendering process in order procurement results into intense competition within the industry. However, the rapid growth of the construction industry in India has influenced key players in the industry to adopt alternative technologies addressing time, cost and quality. The rising demand in housing, infrastructure and other facilities have further highlighted the need for the construction industry to look at adopting alternate building technologies. Offsite construction has evolved as a panacea to dealing with the under-supply and poor quality in the current age conventional construction industry. Additionally, government's aim of creating world class infrastructure by introducing various policies and initiatives like assigning infrastructure status to affordable housing, aiming of providing houses to all citizens of India by 2022, conceptualizing smart city projects, building cargo national corridors and announcing investments in highway project in the recent budget will impetus the overall sector. Although, different forms of offsite techniques have been around for a while but their uptake has been low in the Indian context. The influence of time and cost are as a major factor fuelling the adoption of offsite construction.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Financial Ratios – Non financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Outlook and Credit Watch](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology-Manufacturing Companies](#)

About the Company

Katerra India Private Limited (Katerra) was incorporated as KEF Infrastructure Private Limited in July'13 by Mr. Faizal Kottikollon. During FY19, Katerra Inc. (backed by Softbank Vision fund), through its subsidiary, Katerra Operating Company Inc. has acquired major stake in KEF Infrastructure Pte Ltd. (Singapore), which is the holding company of Katerra. Katerra is engaged in offsite construction technology & solutions including precast, prefabricated structures, joinery and aluminium glazing catering to various corporates and real estate developers. The company has a fully integrated manufacturing facility at Industrial Park in Krishnagiri (Tamil Nadu).

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	31-03-2021
Total operating income	602.43	930.41	NA
PBILDT	-132.63	57.84	NA
PAT	-200.26	-37.1	NA
Overall gearing (times)	1.15	0.67	NA
Interest coverage (times)	NM	NM	NA

A: Audited; NM: Not Meaningful; NA: Not Applicable

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	September 2029	230.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Bank Overdraft	-	-	-	-	80.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-BG/LC	-	-	-	-	190.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	230.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BBB-; Negative (06-Apr-21)	1)CARE BBB-; Negative (03-Apr-20)	-	1)CARE BBB-; Stable (28-Dec-18) 2)CARE BB+ (CWD) (19-Jul-18)
2	Fund-based - LT-Bank Overdraft	LT	80.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BBB-; Negative (06-Apr-21)	1)CARE BBB-; Negative (03-Apr-20)	-	1)CARE BBB-; Stable (28-Dec-18) 2)CARE BB+ (CWD) (19-Jul-18)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	190.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE BBB-; Negative / CARE A3 (06-Apr-21)	1)CARE BBB-; Negative / CARE A3 (03-Apr-20)	-	1)CARE BBB-; Stable / CARE A3 (28-Dec-18) 2)CARE BB+ / CARE A4+ (CWD) (19-Jul-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us**Media Contact**

Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Himanshu Jain
Contact no.: 8123793395
Email ID: himanshu.jain@careedge.in

Relationship Contact

Name: Pradeep Kumar V
Contact no.: +91-98407 54521
Email ID: pradeep.kumar@careedge.in

About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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