Capacit'e Infraprojects Limited

Issue Snapshot:

Issue Open: Sept 13 - Sept 15 2017

Price Band: Rs. 245 – 250

Issue Size: 16,000,000 Equity Shares

*Offer Size: Rs.392.00 crs – 400.00 crs

QIB	upto	50% eq sh
Retail	atleast	35% eq sh
Non Institutional	atleast	15% eq sh

Face Value: Rs 10

Book value: Rs 74.36 (March 31, 2017)

Bid size: - 60 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity Capital: Rs. 51.89 cr
Post issue Equity Capital: Rs.67.89 cr

Listing: BSE & NSE

Book Running Lead Manager: Axis Capital Limited, IIFL Holdings Limited, Vivro Financial Services Pvt Ltd,

Registrar to issue: Karvy Computershare Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoters & Promoter Group	57.29	43.79
Public (incl institutions & employees)	42.71	56.21
Total	**100.0**	**100.0**

*= assuming pricing at the higher end of price band
Source of the note : RHP

Background & Operations:

Capacit'e Infraprojects Limted (CIL) is a fast growing construction company focussed on Residential, Commercial and Institutional buildings with growth in consolidated revenue from operations from Rs. 2,142.59 million for Fiscal 2014 to Rs. 11,570.40 million for Fiscal 2017, and an Order Book of Rs. 40,024.76 million as at May 31, 2017 comprising 56 ongoing projects.

It provides end-to-end construction services for residential buildings ("Residential"), multi level car parks, corporate office buildings and buildings for commercial purposes (collectively, "Commercial") and buildings for educational, hospitality and healthcare purposes ("Institutional"). Its capabilities include constructing concrete building structures as well as composite steel structures. It also provides mechanical, electrical and plumbing ("MEP") and finishing works. It predominantly operates in the Mumbai metropolitan region ("MMR"), the National Capital Region ("NCR") and Bengaluru. Its operations are geographically divided into MMR and Pune ("West Zone"), NCR and Patna ("North Zone") and Bengaluru, Chennai, Hyderabad and Kochi ("South Zone"). As on May 31, 2017, projects in the West Zone, North Zone and South Zone constituted, approximately 58.93%, 14.29% and 26.79% of its total projects, respectively. It works for a number of reputed clients and are associated with some marquee construction projects in India. Some of its clients include Kalpataru, Oberoi Constructions Limited, The Wadhwa Group, Saifee Burhani Upliftment Trust, Lodha Group, Rustomjee, Godrej Properties Limited and Prestige Estates Projects Limited.

As at March 31, 2017, CIL has a consolidated net block of fixed assets (including capital work in progress) amounting to Rs. 2,612.56 million, including Rs. 2,136.55 million of Core Assets constituting 81.78% of its net block of fixed assets (including capital work in progress). It uses specialised formwork technologies, including vertical composite panel system for columns, horizontal composite panel system for slabs, crane enabled composite table formwork, aluminium panel formwork and automatic climbing system formwork. these modern formwork technologies helps to reduce the construction cycle time of replicating floors in a high rise construction compared to conventional formwork systems, such as cup-lock formwork. As of May 31, 2017, it had 1,711 employees and 10,035 contract labourers across all its projects. It has received an ISO 9001:2008 certification for its quality management system. Further, it has also received an ISO 14001:2004 certification for its environmental management system and an OHSAS 18001:2007 certification in respect of its occupational health and safety management systems

Objects of Issue:

The objects of the Offer are.

- Funding working capital requirements
- Funding purchase of capital assets (system formwork); and
- General corporate purposes

In addition to the Objects, CIL expects that the listing of its Equity Shares on the Stock Exchanges will, among other things, enhance its visibility, brand image and create a public market for its Equity Shares.

The Net Proceeds are proposed to be utilised towards the following objects (Rs mn)

Sr. No.	Object	Amount proposed to be utilised
1	Funding working capital requirements	2,500.0
2	Funding purchase of capital assets (system formwork)	519.5
3	General corporate purposes	*
	Total	*

Means of Finance
CIL intends to completely finance the Objects from the Net Proceeds, share capital, internal accruals and financing from banks and financial institutions including non-banking financial institutions.

Competitive Strengths:

Exclusive focus on construction of buildings in major cities: The primary focus of CIL's business is on the construction of Residential, Commercial and Institutional buildings. This focussed business approach has enabled it to build, in a short span of time, a motivated team of people, through incentive structures and periodic recognition, with the domain knowledge, skill and experience. The geographical spread of its projects has been limited to major cities in India, with a predominant focus on clientele based in MMR, NCR and Bengaluru. This focus on construction of buildings in select large markets has enabled it to acquire the specialized construction technology, experience and skills for constructing Super High Rise Buildings and High Rise Buildings and mass housing projects. CIL is one of the few companies in the organised segment in India that concentrates specifically on undertaking construction of buildings, without engaging in any other activities such as land development or infrastructure development. Its concentrated focus on construction of buildings has enabled it to grow its Order Book leading to a high degree of specialization in this business, which has helped in increasing its operating revenues and profits from operations.

Large Order Book with marquee client base and repeat orders : Since CIL's incorporation in August 2012, it has undertaken projects across various segments in Residential, Commercial and Institutional buildings. As of May 31, 2017, it had an Order Book aggregating to Rs. 46,024.76 million, with projects spread across major regions in India, including the MMR, NCR, Pune, Hyderabad, Bengaluru, Chennai and Kochi. Its Order Book, as at May 31, 2017, is 3.98 times the consolidated revenue from operations for the financial year ended March 31, 2016 and consisted of orders for construction of 12 Super High Rise Buildings, 23 High Rise Buildings, 6 Other Buildings, 14 Gated Communities and 2 Villaments. Its quality of work and timely execution has allowed it to enhance its relationships with existing clients and to secure projects from new clients. CIL's client base, consisting of some of India's leading real estate developers, allows it to bid for and secure a broad range of projects. The consistent growth in its Order Book position is a result of its sustained focus on building projects and ability to successfully bid and win new projects.

Experienced Promoters, Directors and management team: CIL's Promoters has significant management experience in the construction industry. The leadership and vision of its Promoters has been instrumental in driving its growth since inception and implementing its business strategies. Further, its diversified Board includes certain Directors, with more than 20 years of experience in the construction industry. The combined strength of its Promoters, Directors and senior management team provides access to marquee clients in securing new orders and expanding business. This has enabled it to strengthen its presence. The expertise and experience of its Promoters, Directors and senior management team, coupled with client relationships gives CIL a competitive edge in the building construction industry.

Ownership of modern system formworks and other Core Assets : CIL has the capabilities to undertake building construction projects using modern technologies including temperature-controlled concrete for mass pours, self-compacting free flow concrete for heavily reinforced pours and special concrete for vertical pumping in Super High Rise Buildings and High Rise Buildings. It uses different types of system formwork owned by it including, automatic climbing system formwork, aluminium formwork, table formwork, composite panel formwork (consisting of vertical panel and horizontal panel formwork systems) to meet the varying construction needs of different types of buildings. Each kind of building requires a high degree of skill, scale and speed to complete. As at March 31, 2017, it had a consolidated net block of fixed assets (excluding capital work in progress) amounting to Rs. 2,545.25 million, including Rs. 2,136.55 million of Core Assets constituting 83.94% of its net block of fixed assets. Its investment in Core Assets has helped CIL to expand its execution capabilities, along with a corresponding growth of its Order Book.

Access to skilled workforce*:* Skilled labour is an important resource in building construction. As of May 31, 2017, CIL had 1,711 employees and 10,035 contract labourers across its projects. It has established a dedicated subcontract resource cell for the purpose of mobilisation of workmen to meet the manpower needs across all its project sites. In order to ensure welfare and, thereby, reduce attrition and increase dependability of workmen, it provides accommodation, food arrangements / allowance, transport arrangements and access to medical facilities. CIL also imparts process quality training to its employees and workmen to prevent against cost and time overruns on account of repair, rectification or reworking of faulty or defective construction. Imparting training to, and ensuring the welfare of, its work force enables it to simultaneously create and retain a skilled and dependable labour force, which is one of the key factors for the effective execution of work at its project sites.

Strong financial performance: CIL's business growth during the last three financial years has contributed significantly to its financial strength. As of and for Financial Year ended March 31, 2017, its EBITDA was 14.42% and profit for the period was 6.02% of its consolidated Revenue from operations. In FY 2016, CIL issued Series A CCPS towards investment of Rs. 630.00 million. During FY17, it issued Series B CCPS towards an additional investment of Rs. 600 million. CIL's financial performance over the past few years provides it with a base to undertake larger projects from marquee clients.

Business Strategy:

Continue to remain focused on building construction: CIL intends to remain focused on building construction in order to sustain profitable growth. This focus on building construction will enable it to utilize advanced technologies, including system formworks and information technology based tools, to increase productivity and maximize asset utilization in its construction activities. It will also continue to invest in Core Assets, manpower resources and training to improve its ability to execute its projects with quality and efficiency and improve its ability to bid for new projects. CIL's continued focus on building construction services will allow it to continue to grow its Order Book and improve its asset turnover ratio.

Expand in the mass housing segment: The announcement of recent government initiatives such as "Housing for All by 2022" by the Union Cabinet, which are aimed at redevelopment of existing structures with participation from private developers and promotion of affordable housing, there is significant potential for building construction services being required in the near future. CIL intends to capitalise on the same by bidding for new construction projects, including in the redevelopment projects segment and the mass housing projects segment in major cities in India. Its experience in execution of projects relating to redevelopment such as Saifee Burhani Upliftment Project – Sub cluster 03 and Rustomjee Seasons, as well as the projects in Gated Communities such as Kalpataru Immensa and Godrej Central will provide appropriate qualification credentials for undertaking redevelopment and mass housing projects.

Expand presence in cities with high growth potential: CIL has ongoing projects in MMR, NCR, Bengaluru, Chennai, Hyderabad and Pune all of which are regions with high growth potential CIL intends to increase its presence in these locations by bidding for and securing new projects, including securing repeat orders from its existing clients. It intends to bid for, and execute, a greater percentage of projects, particularly in major cities in the South Zone where it has a presence, thereby also enhancing the geographic distribution of its projects, while reducing concentration in a few markets such as MMR. Additionally, CIL intends to expand its presence in other cities, such as Ahmedabad, which may present high growth potential in the near future.

Undertake projects on a design – build basis: CIL intends to undertake projects to be executed on a design-build basis, wherein its scope of work includes services in relation to designing elements of the project in addition to its construction and finishing services. CIL has recently been issued an LOI for two design-build projects by The Wadhwa Group. Design-build projects, which are typically undertaken on a lump sum payment basis, will increase CIL's revenue potential by increasing the scope of services provided by it. Further that the relatively limited competition in the design-build segment may allow CIL to obtain greater value from projects in this space, manage its budget, to have greater communication and ensure better quality control.

Increase focus on and execute greater number of projects on a lock-and-key basis*:* CIL's term projects where it undertakes building construction services, including MEP, finishing and interior services as "lock-and-key" projects. In lock-and-key projects, it is involved in all stages of construction of a building, from the foundation to the warm shell to the MEP, finishing and interiors. Provision of MEP, finishing and interior services are cost effective for its projects as they allow it to spread its indirect costs. These cost efficiencies allows it to unlock greater revenues from each project and, therefore, the provision of such services, especially in lock-and-key projects, represent a significant value potential for it. CIL intends to seek a greater number of such lock-and-key projects, including in contracts which it bid for in the near future and projects from its existing clientele.

Bid for, and undertake, projects in the public sector*:* In addition to the "Housing for All by 2022" initiative announced by the Union Cabinet, the focus on educational and healthcare infrastructure development by the Government, as highlighted by the proposed total outlay of Rs. 1,390,581.23 crores towards social services, including Rs. 345,178.28 crores towards education and Rs. 152,481.29 crores towards medical and public health in the Twelfth Five Year Plan has opened opportunities for construction of Residential, Commercial and Institutional buildings for public sector clients. CIL has accumulated adequate work experience to bid for construction of Residential, Commercial and Institutional buildings in the public sector. Accordingly, it intends to bid for, and undertake, construction projects from select public sector clients in and around its current area of operations.

Capitalise on changes in the construction industry that will arise on account of the implementation of the RERD Act: The implementation of the RERD Act will have far reaching consequences on the construction industry in India, including the Residential building segment Some of the key impacts that will arise from the implementation of the RERD Act include:

- reduction in risks arising due to delays in obtaining clearances during the construction phase as under the RERD Act, statutory clearances for a project are required to be in place prior to commencement of construction;
- increase in the speed and security of payments due to CIL on account of the mandatory deposit of 70% of the proceeds of a construction project in an escrow account;
- emphasis on timely delivery of construction services;
- emphasis on demand for quality and durability of construction.

On the basis of the above and other changes that will result from the RERD Act, the real estate sector will witness a significant rise in the demand for services from specialised construction service providers providing end to end services like CIL.

Industry:

Construction sector in India

India's construction industry is expected to log materially faster growth, fuelled by spends in road, irrigation, rail and urban infrastructure projects over 2016-17 to 2020-21. Total spending in the period is expected to be in the range of Rs. 23-24 trillion, translating into a CAGR of 10-12%, way faster than a 2-4% rate observed between 2012-13 and 2014-15, when an economic slowdown and attendant sluggish demand had stalled India's investment cycle. Over the next five years, infrastructure projects will provide the maximum construction opportunity at almost 92% of overall construction spend, owing to the central government's continued focus on roads, urban infrastructure and railways. Conversely, spending on industrial projects is expected to be lower as companies dealing in metals, petrochemicals, and cement slow expansion plans amid low utilisation levels and muted demand. (*Source: CRISIL Report*)

CRISIL Research expects demonetisation of high denomination currency to have limited impact on the construction sector considering that it is a short term policy measure and since most high value transactions in infrastructure as well as industrial segments are usually in cashless form. Investments in these sectors also receive government funding which will mitigate the impact of demonetisation.

The sectoral allocation for public sector resources in terms of projected outlays pursuant to the Twelfth Five Year Plan (2012 – 2017) against the realization in the outlays during the Eleventh Five Plan (2007 – 2012) is as follows:

(in ₹ Crore)

S. No.	Heads of Development	Centre									States and UTs			Centre, States and UTs		
		Budgetary Support			IEBR			Total Outlay			Budgetary Resources			Total Outlay		
		Eleventh Plan	Twelfth Plan	% Increase	Eleventh Plan	Twelfth Plan	% Increase	Eleventh Plan	Twelfth Plan	% Increase	Eleventh Plan*	Twelfth Plan$	% Increase	Eleventh Plan	Twelfth Plan	% Increase
1	Agriculture and Allied Activities	60,339	1,33,965	122.02	344	671	95.04	60,683	1,34,636	121.87	1,02,422	2,28,637	123.23	1,63,105	3,63,273	122.72
2	Rural Development	1,79,925	2,67,047	48.42	0	0	0	1,79,925	2,67,047	48.42	1,08,284	1,90,417	75.85	2,88,209	4,57,464	58.73
3	Special Area Programmes	0	0	0	0	0	0	0	0	0	42,817	80,370	87.71	42,817	80,370	87.71
4	Irrigation and Flood Control	2,325	17,212	640.30	1	0	0	2,326	17,212	639.98	2,27,008	4,04,800	78.32	2,29,334	4,22,012	84.02
5	Energy	43,374	98,541	127.19	4,60,709	9,87,456	114.33	5,04,083	10,85,997	115.44	1,80,188	3,52,468	95.61	6,84,271	14,38,466	110.22
6	Industry and Minerals	50,452	1,20,372	138.59	97,058	1,71,718	76.92	1,47,510	2,92,090	98.01	38,143	85,212	123.40	1,85,653	3,77,302	103.23
7	Transport	2,27,637	4,91,713	116.01	1,82,232	3,27,769	79.86	4,09,869	8,19,482	99.94	2,03,316	3,84,690	89.21	6,13,185	12,04,172	96.38
8	Communications	5,308	29,699	459.51	53,208	51,285	−3.61	58,516	80,984	38.40	0	0	0	58,516	80,984	38.40
9	Science, Technology and Environment	50,615	1,30,054	156.95	0	0	0	50,615	1,30,054	156.95	18,682	37,296	99.64	69,297	1,67,350	141.50
10	Economic Services	45,706	1,81,321	296.71	18	155	761.11	45,724	1,81,476	296.89	43,652	1,24,136	184.38	89,376	3,05,612	241.94
11	Social Services	4,92,408	11,90,416	141.75	63,672	83,845	31.68	5,56,080	12,74,261	129.15	6,41,496	13,90,582	116.77	11,97,576	26,64,843	122.52
12	General Services	9,795	50,500	415.57	2	0	0	9,797	50,500	415.46	45,800	57,459	25.46	55,597	1,07,959	94.18
	Total	**11,67,884**	**27,10,840**	**132.12**	**8,57,244**	**16,22,899**	**89.32**	**20,25,128**	**43,33,739**	**114.00**	**16,51,808**	**33,36,068**	**101.96**	**36,76,936**	**76,69,807**	**108.59**

Note: * Sectoral outlays for states/UTs are based on data given by states. The total of all states arrived from sectoral outlays differs from the total given in Table 3.9 due to several reasons including accounting differences for some scheme of Central Assistance and differences in data provided by states on resources side and outlay side.

$ Excludes IEBR of SPSEs and Local Bodies.

Make in India

The Make in India programme aims at promoting India as an important investment destination and a global hub for manufacturing, design and innovation. The initiative is further aimed at creating a conducive environment for investment, modern and efficient infrastructure, opening up of new sectors for foreign investment and forging a partnership between government and industry.

Some of the recent initiatives of the government aimed at attracting greater investments, including reforms in FDI policy in constructions development sector are:

Removal of conditions for restriction of floor area of 20,000 sq. m in construction development projects and minimum capitalisation of US $ 5 million, to be brought in within six months of the commencement of business;

Exit and repatriation of foreign investment is now permitted before the completion of the development under the automatic route after a lock-in-period of three years-calculated based in each tranche of FDI expires. Exit permitted at any time if project or trunk infrastructure is completed before the lock-in period.

The government may, in view of facts and circumstances of a case permit repatriation FDI or transfer of stake by one non-resident investor to another non-resident investor before the completion of the project. These proposals will be considered by FIPB on a case-to-case basis.

100% FDI under automatic route permitted in completed projects for operation and management of townships, malls/ shopping complexes and business centres.

As per CRISIL, some of the characteristics of the construction industry are:

- **Major job creator**

The construction industry accounts for more than 8% of India's GDP. The industry generates huge employment opportunities due to its constant requirement for skilled and unskilled labourers. Moreover, growth in construction is a positive for sectors such as steel and cement, which are key raw materials.

- **Low entry barriers keep industry fragmented**

The construction industry is highly fragmented as low fixed capital requirements for construction contracts remove entry barriers. Capital expenditure is only required for procuring necessary equipment unlike a manufacturing business, which requires plants and machinery.

- **Possibility of payment delays heighten working capital intensity**

Apart from the initial advance, contractors receive payments after each project milestone is completed. However, timely payments also depend on the contractor's credit profile and the nature of the project. Most projects, especially infrastructure, have a gestation period of over a year. Any delay in payment can push up receivables. Such a scenario makes the construction industry working capital intensive.
The average gross working capital days for a sample of 19 companies on a standalone basis rose to 354 days as of 2014-15 from 282 days as of 2011-12. Over the years, delay in payment by government agencies and prolonged arbitration proceedings for dispute resolution has impacted the working capital position for small and large players. Debtor days have been rising almost continuously which has affected project execution and added to the debt pile.

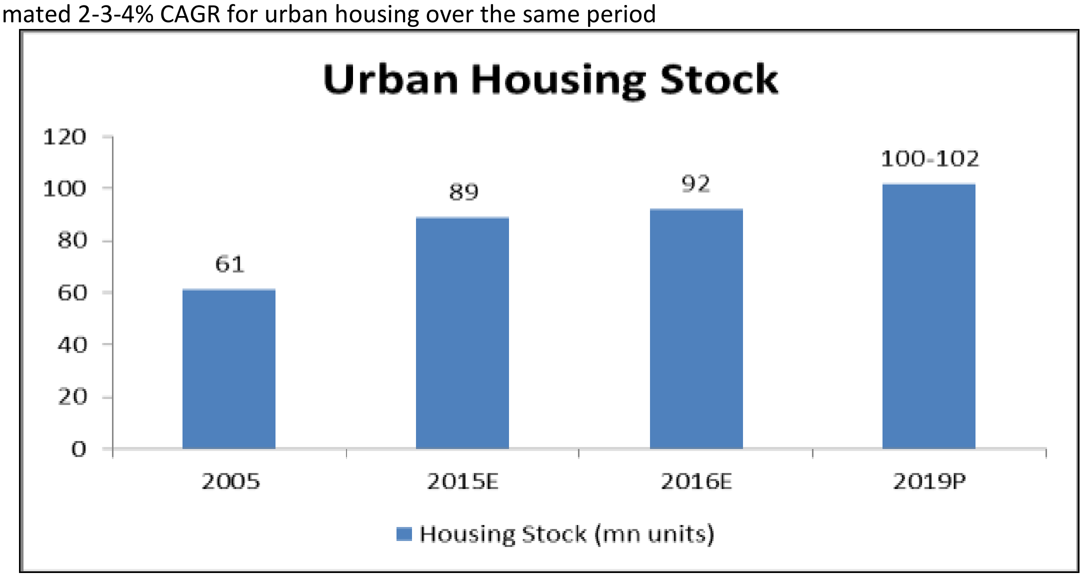
- **Projects awarded to lowest bidders, but execution skills crucial too**

Construction projects are awarded through competitive bidding as more domestic and international contractors have forayed into various infrastructure segments. The project is awarded to the lowest bidder. However, besides bidding qualifications, contractors also need to have strong project execution and technical skills to avoid cost and time overruns; National Highways Authority of India penalises contractors for delays.

Construction opportunity in certain selected sectors

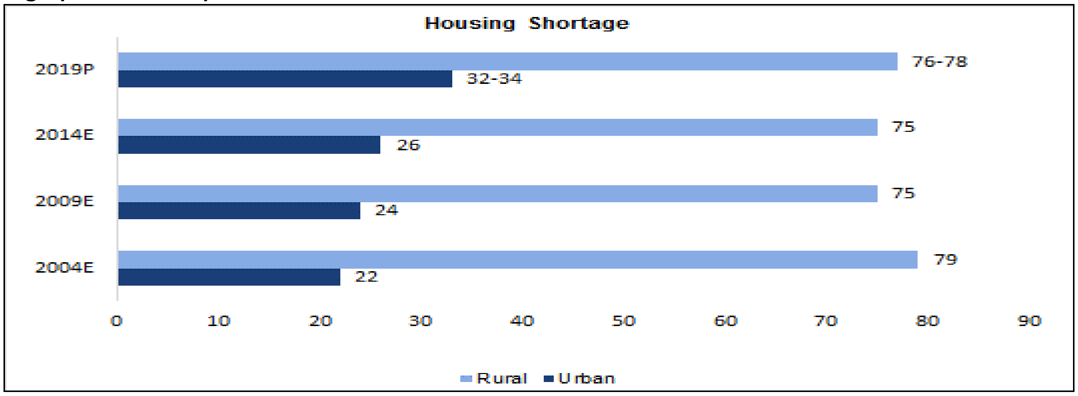
Urban housing

In India, urban housing stock was about 89 million units and rural stock was 179 million units as of 2015. Though a larger amount of rural housing stock is available, CRISIL estimates that the growth in rural housing stock will be at a CAGR of 1.7%-1.9% over 2016 to 2019, as compared to an estimated 2-3-4% CAGR for urban housing over the same period



The rise in urban housing shortage, which was higher than that in rural areas up to 2015, is expected to continue over 2014 to 2019, with urban housing stock shortage projected to expand faster at 4-5% CAGR vis-à-vis 1-2% CAGR recorded during 2004 to 2014.

Overall housing shortage (million units)



Residential real estate includes apartments, independent villas and row houses. CRISIL Research estimates 109 billion square feet ("**sq ft**") of planned (including current planned residential supply as well as expected launches in the next five years) residential real estate supply in urban areas. Demand will be driven by growing population and rapid urbanisation. India's population increased nearly 18% during 2001 to 2011 and is expected to grow another approximate 16% during 2011 to 2021, reaching 1.4 billion. On the other hand, a rise in the share of urban population from 28% in 2001 to about 31% in 2011 has also been spurring housing demand. Nearly 35-37% of Indians are likely to be urbanites by 2021, which is likely to be another positive. Favourable interest rates on home loans, passing of the Real Estate Regulatory Bill, 2015 and easing of FDI norms are also expected to be other kickers.

Rising migration to urban areas is expected to put pressure on available housing stock. CRISIL Research expects urban housing shortage to rise at a faster pace than rural shortage over the next five years due to lack of developable land for housing projects, lack of affordable housing options and poor infrastructure. Affordability also plays a role, as potential demand is not met when prices of existing vacant units are unaffordable. The following chart demonstrates that overall housing shortage in million units

Commercial and retail real estate

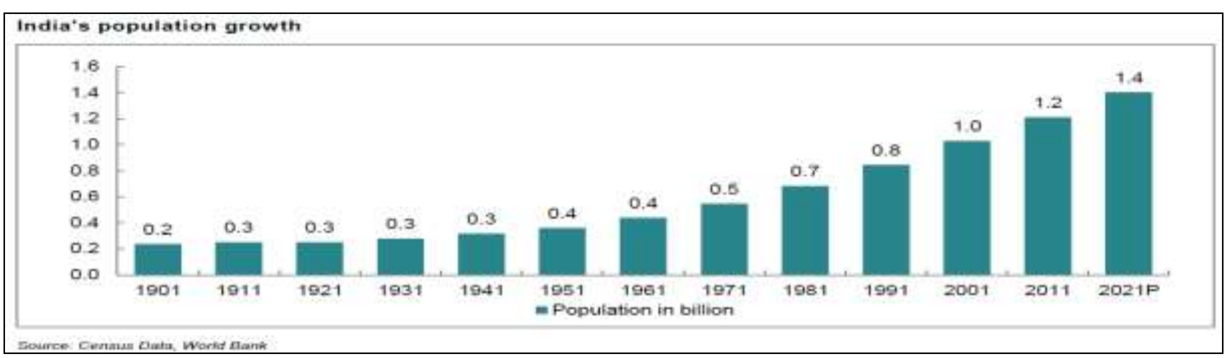
CRISIL Research estimates that commercial and retail real estate segments will together offer a construction opportunity of 301 million sq ft. The commercial office space market has evolved significantly in the last 10-15 years, in line with a changing business environment. Growth in service sectors, especially IT-ITeS and banking, financial services and insurance ("**BFSI**"), has been the key contributor to the office space landscape. At present, developers have planned commercial office space supply of around 241 million sq ft across India. CRISIL Research believes that a healthy growth in the services sector, government initiatives like Make in India and the performance of e-commerce firms and start-ups will help drive demand for commercial office space in the short-to-medium term.

The retail real estate market primarily originated in Tier I cities and subsequently expanded to Tier II cities, with leading players continuing to plan shopping malls in these locations. Around 60 million sq ft of retail space has been planned across India. Growth in the retail real estate segment is expected to be driven by increasing population, urbanisation, rise in disposable incomes, better purchasing power of the growing middle class and their consumerist aspirations, in addition to policy decisions, such as allowing FDI in retail.

Reasons for growth in urban housing and commercial real estate requirements

Urban population

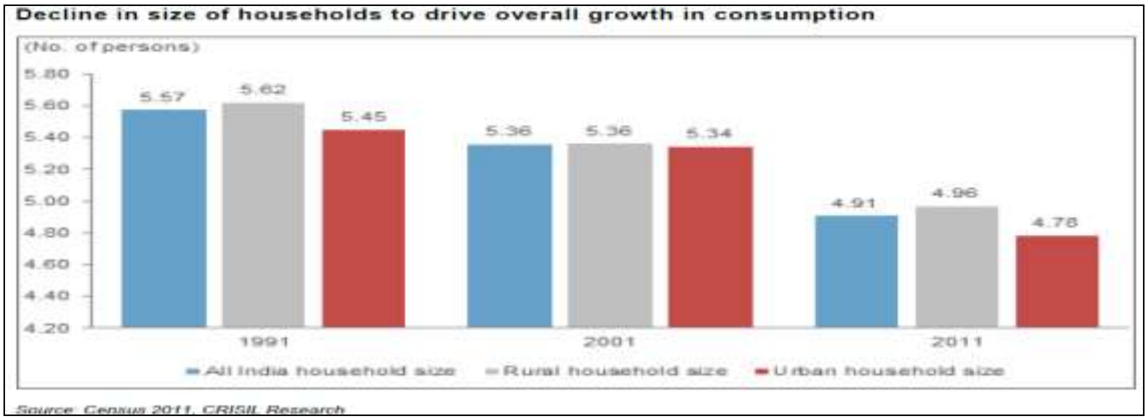
As per Census 2011, India's total population was about 1.2 billion and comprised nearly 246 million households. The population increased nearly 18% during 2001-2011 and is expected to grow another approximate 16% during 2011-2021 to 1.4 billion. Such growth will increase demand for housing.



Urbanisation provides an impetus to urban housing demand, as migrants from rural areas look for living spaces in cities/ towns. The share of urban population in total population has been consistently rising over years, increasing from 28% in 2001 to about 31% in 2011, spurring housing demand along. Nearly 35-37% of the population is expected to live in urban areas by 2021, which should drive demand for urban housing.

Nuclearisation of families

Nuclearisation is the creation of multiple families out of a large joint family, wherein each family lives in a separate house, while the ancestral house may be retained, partitioned, or sold. Nuclearisation in urban areas is driven by changing lifestyles, social/cultural attitudes and increased mobility of labour in search of better opportunities. In the recent past, the number of nuclear families as a percentage of total household population has increased. The average size of an Indian household has come down to 4.91 in 2011, from 5.57 in 1991.



Healthy growth in services sector

Demand for office space is directly linked to a swelling labour force, which, in turn, depends on economic growth. An economic slowdown forces companies to curb expansion plans, thereby lowering demand for office space. Over 2003-04 to 2013-14, fuelled by robust growth in the services sector, India's GDP clocked a compound annual growth rate ("**CAGR**") of 7.5% to Rs. 57 trillion from Rs. 28 trillion. Services remained the largest contributor to GDP (at 60%) in 2013-14.

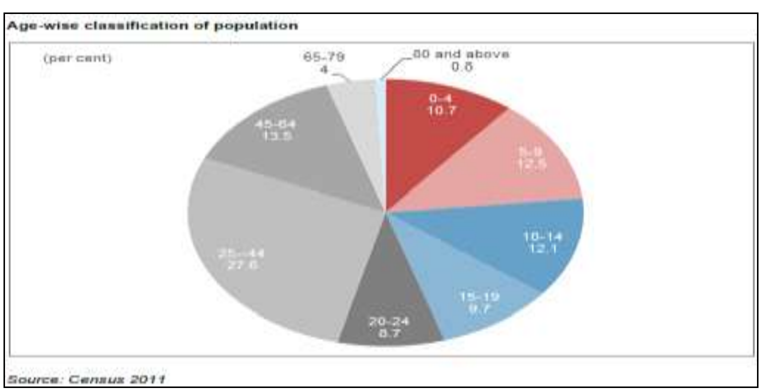
After a lull in 2008-09 amid a slowdown in the global economy, India saw growth revive in 2010-11, only to take another hit in 2012-13. GDP growth fell to a decadal low of 4.5% in 2012-13 as manufacturing and agriculture came up short, though the services sector grew at a stable at 6.5% compared with 6.2% the previous fiscal. Services growth looked up further in 2013-14 and 2014-15, to 7.8% and 10.3%, respectively and the sector's performance and contribution to GDP will remain a key driver for office space demand.

Rising income levels

Rising disposable incomes and a larger share of households in higher income brackets have driven up consumers' overall spending power. These trends have, in turn, altered consumption patterns, thereby driving the retail real estate segment's growth.

Huge working age population

India's workforce in the age group of 15-54 years is the largest consumer/ spender as far as the retailing industry is concerned. As per Census 2011, more than 50% of India's total population falls in this group, indicating how significantly this segment weighs on consumer spending. A rise in literacy levels (to 74% in 2011 from 64% in 2001) is also an aiding factor.



Trends and forecast of growth in housing loan financing
Increasing urbanisation and the government's focus on affordable housing sector are expected to lift the housing finance market over the next five years. The widening reach of private financiers will lead to higher finance penetration. CRISIL Research forecasts finance penetration in urban areas to increase between 2015-16 and 2020-21. Housing loan disbursements are expected to increase at 14-15% CAGR over the next two years (2015-16 to 2017-18), as disposable incomes rise, prices stabilise in major markets and interest rates decline.

Other factors driving disbursements include:
- Low current mortgage penetration
- Rising focus on affordable housing projects, and
- Faster loan sanctions in 2015-16 and 2016-17.

The retail housing finance outstanding loan portfolio is projected to expand at 13-14% CAGR from Rs. 12.4 trillion in 2015-16 to Rs. 16.2 trillion in 2017-18.

Favourable interest rates on housing finance
Interest rates on housing loans were very high up to 2013-14, and started easing in 2014-15. Since January 2015, the RBI has cut its policy rate by 150 basis points (as of November 2016). This southward shift in rates is expected to increase absorption of residential units.

Tax incentives
Further, some of the tax incentives offered by the government to incentivise and promote the purchase of residential real estate, include:

Interest subvention scheme: In June 2015, the Cabinet Committee on Economic Affairs approved a proposal to increase the interest subsidy to 6.5% for housing loans of up to Rs. 6 lakh for economically weaker section and lower income group beneficiaries, in a bid to boost affordable housing through credit-linked subsidy component under its mission to provide housing for all by 2020. That means, of the interest rate of 10.50%, beneficiaries will now have to bear only 4%.

Interest-deduction limit increased for affordable housing: The Union Budget for 2016-17 increased the interest-deduction limit under Section 80EE of the Income-Tax Act, 1961, from Rs. 100,000 to Rs. 150,000 for first-time home buyers (applicable only on loans not exceeding Rs. 35 lakh for houses costing less than Rs. 50 lakh and sanctioned between April 1, 2016 and March 31, 2017) for the duration of the home loan. This should boost demand for homes priced in that bracket. Currently, approximately 40% of the upcoming supply in 10 major cities tracked by CRISIL Research is priced under Rs. 50 lakh per unit. In Tier II and Tier III cities is expected to be even higher.

Recent Government measures
The Real Estate (Regulation and Development) Act, 2016 ("RERD Act")
One of the recent measures undertaken by the Government, which is expected to have a widespread impact on the construction industry and the real estate sector as a whole is the passage of the RERD 2016. The RERD Act contemplates the setting up of a regulator for the real estate sector to protect the interest of buyers. CRISIL Research also expects that it will also level the field for real estate developers. CRISIL Research estimates that the overall impact of the RERD Act will include improving buyer confidence and boosting demand for residential real estate.

The RERD Act incorporates mandatory disclosure clauses, which CRISIL Research estimates would provide greater clarity on the project standards and timelines for completion. For developers, while the RERD Act implies stricter regulatory control, CRISIL Research estimates that the RERD Act will also translate into better demand, as buyer confidence improves. In terms of supply, delays in handover of projects are likely to decline as clauses mentioned in the RERD Act mandate strong commitment from developers to complete projects as per schedule.

Further, the RERD Act has made it mandatory for developers of real estate projects to deposit 70% of the amount realized from the allottees in an escrow account to cover land and construction costs. By ensuring that developers do not divert funds meant for a particular project to their other projects, the RERD Act seeks to curb delays in project completion, due to shortage of funds. The RERD Act also protects buyers against project delays by requiring that developers refund the amount paid along with interest in the event of a delay. CRISIL Research expects these factors to ensure timely completion and handover of projects to the buyers.

While the RERD Act has been passed by the Centre, it will have to be cleared and implemented by the states/Union Territories ("**UTs**"). The intensity of the impact of the RERD Act will only become clear based on what clauses and provisions the states/UTs adopt and reject.

Growth drivers for the future

Housing demand in India has been supported by better economic growth, availability of finance and growing population. Accordingly, some of the key initiatives that are expected to growth drivers in the near future, include:

Affordable Housing

While RBI defines the segment based on the overall ticket size and the size of the home loan, MHUPA defines the segment based on the area of apartments. As per the RBI, affordable housing is defined as houses of values up to Rs. 6.5 million located in the six major cities namely Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad and houses of values upto Rs. 5 million located in cities other than the above six major cities. On the other hand, MHUPA defines affordable housing as houses having carpet area of 21-27 sq. m. for EWS or carpet area of 28-60 sq. m. for LIG and having a price range of a maximum of 5 times the annual income of the household.

Pradhan Mantri Awas Yojana- Housing for All by 2022

Housing for All by 2022, also known as the Pradhan Mantri Awas Yojana ("**PMAY**"), was launched on 25th June, 2015 in New Delhi. It envisages the construction of about two crore houses in the country from 2015 to 2022, for the homeless and for people belonging to the economically weaker section ("**EWS**") and low-income group ("**LIG**") categories.

The scheme will be implemented in three phases:
Phase 1 – April 2015 to March 2017 to cover 100 cities selected from states/urban territories
Phase 2 – April 2017 to March 2019, to cover additional 200 cities
Phase 3 – April 2019 to March 2022, to cover all other remaining cities

Smart Cities Mission

In June 2015, MoUD laid down the operational guidelines for formulation, approval and execution of projects under the Smart Cities Mission. The mission aims at driving economic growth and improving the quality of life of people by enabling local area development and harnessing technology. The core infrastructure elements in a smart city would include adequate water supply, assured electricity, sanitation, efficient public transport, affordable housing, robust IT connectivity and digitisation, etc. The mission will cover 100 cities (distributed among states and union territories) over five years (2015-16 to 2019-20). Central assistance for the mission will be used only for infrastructure projects that have larger public benefit.

As of December 2016, the government has announced 60 cities under the scheme for development of which 13 cities are to be developed on fast track basis. Implementation to start from fiscal 2017, investments worth Rs. 760 billion are lined up in the first 33 smart cities. Construction based activities to consume major share of funding. Projects like real estate development, roads, water supply and sanitation are the major parts of development in these cities.

Slum rehabilitation

The Slum Rehabilitation Act, 1995 was passed by the government of the Indian state Maharashtra to protect the rights of slum dwellers and promote the development of slum areas. Slum rehabilitation projects are classified into (i) in-situ slum redevelopment projects, (ii) in-situ slum upgradation projects and (iii) slum resettlement projects. Slum redevelopment and upgradation projects involve redevelopment or improvement of existing slum areas by providing proper access, dwelling units, open spaces and other basic services to the slum dwellers on land on which the slum exists. Resettlement projects, involve relocation and settlement of slum dwellers from the existing slums to alternative sites with provision of dwelling space, basic civic and infrastructural services.

Current scenario

CRISIL Research estimates 10.9 billion sq. ft. (including current planned residential supply as well as expected launches in the next five years) potential opportunity for construction in urban residential real estate with seven major cities to account for nearly 27% of upcoming urban housing supply.

Ahmedabad, Bengaluru, Chennai, Hyderabad, National Capital Region ("**NCR**"), the Mumbai Metropolitan Region ("**MMR**") and Pune are expected to account for nearly 27% of the planned supply of urban housing in India. Of the above cities, the NCR has the lion's share of 33% while the MMR and Bengaluru follow at 21% and 16%, respectively. Robust existing infrastructure, upcoming projects and commercial development drive demand for these cities and also make them attractive to developers.

Trend: Rising urbanization, increasing urban housing demand giving rise to high rises in large cities

Indian metro cities have seen the advent of and the rise of tall buildings in the last decade or so as an answer to the housing demands of a burgeoning population. The share of urban population has been constantly rising over the years as more people migrate from rural areas to cities in search of better employment opportunities. This has spurred the demand for housing in urban areas. Large metro cities like Mumbai MMR, NCR and Bengaluru have seen higher migration as they have developed into financial/ IT-ITeS hubs.

Cities have been expanding in order to accommodate increasing populations and also the demand for housing as land within the city limits becomes harder to get by and more expensive. Large metro cities have also become home to a rising skyline with many High Rises (buildings with seven or more floors) and Super High Rises (buildings with forty or more floors) coming up here in order to meet the demand for housing within the city.

Building High Rises and Super High Rises have also enabled real estate developers to accommodate more families in the same piece of land and also provide open spaces like gardens, play areas and parking lots.

Certain other sectors

Educational services

Investment in India's educational services space is expected to grow rapidly over 2015-16 to 2019-20, catalysed by growing demand for better education, the entry of private players and a favourable regulatory climate. CRISIL Research expects Rs. 5.8 trillion to be ploughed into the sector over 2015-16 to 2019-20. CRISIL Research expects a little more than 80% of this investment to happen in the K-12 segment, owing to widespread inclination towards private education, easy scalability, consistently high demand, and the government's target of 100% K-12 GER. Higher education, which is likely to draw the remaining, is short on both human resources as well as acceptability. Hence, it will attract measured investment even from the public sector.

Healthcare

India has a population of 1.2 billion as of Census 2011. With a bed density of around thirteen beds per 10,000 population (as per World Health Statistics 2014 from WHO), India lags the global median of 27 beds per 10,000 population by a long shot. This underlines the huge market potential in the healthcare space. CRISIL Research believes that in the next four years India will add another 115,000 to 125,000 hospital beds underlining a fairly good opportunity for construction in the healthcare space. According to CRISIL Research, around 66 million sq ft of hospital supply is planned across India in the medium term, with the 7 major cities (mentioned above) accounting for 20-22% of the total supply. NCR alone contributes one fourth of the upcoming hospital space in seven major cities.

Factors influencing availability of funds to developers

In the last few years, some private equity funds have entered or have increased their involvement in the development of real estate projects. While some of them have purchased real estate assets (mainly commercial and retail), others have invested in real estate projects at the project level and have become involved in the development of the real estate projects in addition to investing in them. This gives them an opportunity to improve their earnings from the projects for their investors. Also by getting involved in the development of the project either directly or via a joint venture, the PE fund gets more control over the planning and execution of the project and is in a better position to deal with tough market conditions. PE funds also would get an advantage of earning revenues for a longer horizon with the help of rental earnings.

A few examples of PE funds entering into development of real estate projects and/or getting involved at project level are as follows:
FIRE Luxur Developers Pvt. Ltd., a joint venture company of the FIRE Capital Private Equity Fund, is involved in the development of township projects across six cities in India in Indore, Nagpur, Ahmedabad, Bengaluru, Chennai and Jaipur. Similarly, Brookfield Asset Management acquired India Office Parks in Gurgaon in 2014, a 10 million sq. ft office space within a special economic zone ("**SEZ**"). Along with the acquisition, it also developed an additional 6 million sq. ft office space in the same project. The company has leveraged its global tenant relationships and leased out office spaces in the project. . The Blackstone Group, a global private equity fund has acquired commercial spaces across Bengaluru, Mumbai, Pune and Noida in the last few years. Recently Blackstone Group also set up a wholly owned subsidiary, Nexus Malls, to own and manage shopping centres in India. In June 2010, Tishman Speyer commissioned its first building in Asia, at the WaveRock project in Hyderabad, which is an IT/ITeS SEZ project. **REITs**

A Real Estate Investment Trust ("**REIT**") is a trust that owns and finances income-producing real estate. Modelled after the concept of mutual funds, REITs allow investors to invest in real estate the same way they invest in other industries by purchasing stock. Similar to the way shareholders benefit by owning stocks in other corporations, the unit holders of a REIT earn a share of the rental income produced through real estate investment, without actually having to go out and buy or finance properties. REITs are a way for individual investors to invest in real estate. REITs typically pay out almost all of their taxable income as dividends to investors.

This SEBI approved regulations will provide an additional channel to real estate developers for raising funds and monetizing their operational assets, improving their liquidity position, in addition to improving the operational transparency. This will mainly benefit developers who have considerable exposure to lease income. REITs are beneficial not only to the investors but also to the industry as they provide the developer or a PE fund an additional avenue to exit thereby providing them the desired liquidity. It will boost the liquidity situation of cash-starved developers, which are struggling to find funds for their construction activities.

Key Concerns

CIL's business is manpower intensive and it is dependent on the supply and availability of a sufficient pool of contract labourers from sub-contractors at its project locations: CIL's business is manpower intensive and is dependent on the availability of a sufficient pool of contract labour from its sub-contractors to execute its construction projects. The number of contract labourers employed by it varies from time to time based on the nature and extent of work contracted to it and the availability of contract labour. CIL may not be able to secure the required number of contractual labourers required for the timely execution of its projects for a variety of reasons including possibility of disputes with sub-contractors, strikes, less competitive rates to its sub-contractors as compared to its competitors or changes in labour regulations that may limit availability of contractual labour. As of May 31, 2017, CIL had 10,035 contract labourers across all its projects. It cannot be assured that disruptions in its business will not be experienced if there are strikes, work stoppages, disputes or other problems with sub-contractors or contract labourers deployed at its projects. This may adversely affect the business and cash flows and results of operations. If CIL's labour sub-contractors do not complete their obligations in a timely and satisfactory manner, or if it is unable to set off payments made towards statutory requirements against dues to its sub-contractors, its costs could increase and its reputation, business, cash flows and results of operations could be adversely affected.

CIL may be subject to liability claims or claims for damages or termination of contracts with its clients for failure to meet project milestones or defective work: CIL is a construction company providing construction services in Residential, Commercial and Institutional buildings. Its contracts contain provisions that subject it to liquidated damages for delays in completion of project milestones attributable to it, which are often specified as a fixed percentage of the contract value, subject to certain customary exceptions. During the construction period as well as the defect notification period after the completion of construction, CIL is usually required to remedy construction defects at its own risk and costs. In addition to monetary penalties, any such failure to meet project schedules or defective work may subject it to adverse reputational impact. The client may also be entitled to terminate the agreement in the event of delay in completion of the work if the delay is not on account of any of the agreed exceptions. In addition to the risk of termination by the client, delays in completion of construction may result in cost overruns, lower or no returns on capital and reduced revenue for the client thus impacting the project's performance, which in turn may adversely impact the reputation, cash flows, results of operations and profitability. Any such penalties may adversely impact CIL's reputation, profitability, financial position, cash flows, results of operations and future prospectus.

CIL face certain risks relating to its reliance on sub-contractors and third parties for supply of raw materials, non-Core Assets and for providing certain services in the construction of projects: CIL is dependent on third party suppliers for its raw materials such as ready mix concrete and reinforcement steel. Discontinuation of production/supply by these suppliers or a failure of these suppliers to adhere to the delivery schedule or the required quality or quantity and absence or lack of alternatives in market could hamper CIL's schedules and therefore affect its business and results of operations. This dependence may also adversely affect the availability of key materials at reasonable prices thus affecting its margins and may have an adverse effect on the business, cash flows, results of operations and financial condition. Currently, CIL also provide MEP, finishing and interior services through its third party arrangements. The third party service providers engaged to provide certain services in relation to the projects may not be able to complete their respective scope of work on time, within budget or to the required specifications and standards. In light of the above, deficiencies in quality, non-performance of obligations or delays by vendors, may lead to consequent delays in project execution or completion or interim or permanent termination of contracts by its clients, which may have an adverse effect on its business, results of operations, financial condition and goodwill

Dependent on the availability of and prices of steel and ready-mix concrete: The key raw materials required for CIL's business are reinforcement steel and ready-mix concrete. It is dependent on third party suppliers for its raw materials including ready mix concrete and reinforcement steel. Discontinuation of production/supply by these suppliers or a failure of these suppliers to adhere to the delivery schedule or the required quality and quantity or lack of alternatives in market could hamper its schedules and therefore affect the business and results of operations. This dependence may also adversely affect the availability of key materials at reasonable prices thus affecting CIL's margins and may have an adverse effect on its business, results of operations and financial condition. It cannot be assured that a particular supplier will continue to supply the required components or raw materials to it in the future. Any change in the supplying pattern of raw materials could adversely affect the business and cash flows. Though it takes its client's approval for any raw materials sourced from vendors, including rates and quantities, there can be no guarantee that such increased costs will be successfully passed on to its clients. Any failure to pass on increased costs of raw materials to its clients in future, may require to be borne by CIL which in turn may adversely affect its business, cash flows and results of operations.

Projects awarded from certain clients contribute significant portion of Order Book and the loss of such clients could adversely affect the business, cash flows, results of operations and financial condition*:* Projects awarded from certain clients contribute a significant portion of CIL's Order Book. As at May 31, 2017, projects awarded by its top five clients, based on its Order Book represented 38.73% of its Order Book.

Further, as at May 31, 2017, its top 10 clients contributed 59.69% of its Order Book. It cannot be assured that it maintain the historical levels of project orders from these clients or that it will be able to find new clients in case it lose any of them. Furthermore, major events affecting its clients, such as adverse market conditions, regulatory changes, adverse cash flows, change of management, mergers and acquisitions by clients could adversely impact the business. In addition, its clients may also be entitled to terminate the agreement in the event of delay in completion of the work if the delay is not on account of any of the agreed exceptions. While, CIL's current projects from its top five clients may not account for significant portion of its net revenues in the future, there can be no assurance that the loss of any of its clients would not have an adverse effect on its business, cash flows, reputation, results of operations and financial condition.

May not be able to realise the amounts reflected in Order Book which may materially and adversely affect the business, prospects, reputation, profitability, financial condition and results of operation*:* As of May 31, 2017, CIL's Order Book was Rs. 46,024.76 million. Future earnings related to the performance of projects in the order book may not be realized and although the projects in the order book represent business that is considered firm, cancellations or scope or schedule adjustments may occur. Delays in the completion of a project can lead to clients delaying or refusing to pay the amount, in part or full, that it expects to be paid in respect of such project. Even relatively short delays or surmountable difficulties in the execution of a project could result in its failure to receive, on a timely basis or at all, all payments due to it on a project. Any delay, reduction in scope, cancellation, execution difficulty, payment postponement or payment default in regard to CIL's order book projects or any other incomplete projects, or disputes with clients in respect of any of the foregoing, could adversely affect the cash flow position, revenues and earnings

CIL's projects and revenues are geographically concentrated in the Mumbai Metropolitan Region ("MMR"), National Capital Region ("NCR") and Bengaluru*:* CIL's operations and revenues are geographically concentrated in the MMR. Its projects in MMR accounted for 62.50% of the Order Book as at May 31, 2017. It also has projects in NCR and Bengaluru, which accounted for 10.77%, 6.32% and 4.75% of the Order Book as at May 31, 2017, respectively. Its business is, therefore, significantly dependent on the general economic and market conditions in these locations in which it operates, in particular, the MMR, NCR and Bengaluru and respective state and local government policies relating to the building construction industry. Any adverse regulatory development in these areas or any developments that make construction and real estate projects economically less profitable, the growth of CIL's business, financial condition, cash flows and results of operations could suffer.

CIL's clients operate in a highly regulated environment*:* The real estate industry in India is heavily regulated by the central, state and local governmental authorities. CIL must comply with extensive and complex regulations affecting the processes of construction. These regulations impose on it additional compliance requirements and costs, which may adversely affect the business, financial condition and results of operations. Changes in the regulatory framework with regard to the real estate industry, including future government policies and changes in laws and regulations in India may adversely affect the business of CIL's clients and may impact its ability to do business in its existing and target markets. Particularly, any additional approvals or compliances required to be obtained by CIL's clients may delay continuation and/or completion of projects awarded to it, which in turn may delay the ability to complete the work as per the time schedules agreed to with the client

Required to obtain approvals for operations: CIL is primarily required to obtain regulatory approvals, licenses, registrations and permissions for all of its projects in relation to engaging workmen under the CLRA Act and registration under the BOCW Act. These approvals, licenses, registrations and permissions are required from a range of central and state governments and their departments. In addition, some of the regulatory approvals, licenses, registrations and permissions required for operating its business expire from time to time. It cannot be assured that it will be able to obtain all regulatory approvals, licenses, registrations and permissions that it may require in the future, or receive renewals of existing or future approvals, licenses, registrations and permissions in the time frames required for its operations or at all, which could adversely affect its business, financial condition and results of operations. If CIL fails to meet the prescribed environmental, health and safety requirements, it may also be subject to administrative, civil and criminal proceedings by Government authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against it as well as orders that could limit or halt its operations. Clean-up and remediation costs, as well as damages, payment of fines or other penalties, other liabilities and related litigation, could adversely affect CIL's cash flows, business, prospects, financial condition and results of operations.

Experienced rapid growth in the past few years and if CIL is unable to sustain or manage its growth, cash flows, results of operations and financial condition may be adversely affected*:* Owing to CIL's relatively limited operating history and lower base for comparison of financial metrics, it has experienced significant growth in the past four years. For FY2017, it had Rs. 11,659.69 million of total revenue, as compared to Rs. 2,165.82 million for the FY 2014 on consolidated basis. Its operations has also grown significantly over the last four fiscal years. As on May 31, 2017, it had 56 projects across India. As its operations becomes more mature, it may not be able to sustain its rates of growth, due to a variety of reasons including a higher base for comparison of financial metrics, increased price competition for construction services, non-availability of raw materials, lack of management availability or a general slowdown in the economy. A failure to sustain growth may have an adverse effect on CIL's business, its cash flows, results of operations and financial condition. Further, as it scale-up its operations, CIL may not be able to execute its operations efficiently, which may result in delays, increased costs and lower quality. It cannot be assured that its future performance or growth strategy will be successful. Its failure to manage its growth effectively may have an adverse effect on its prospects, results of operations and financial condition.

CIL's operations are subject to physical hazards and similar risks that could expose it to liabilities, loss in revenues and increased expenses: While construction companies, including CIL, conduct general site inspections during the course of bidding for projects, there are always unanticipated or unforeseen risks that may come up due to adverse weather conditions, geological conditions, specification changes made by its clients and other reasons. Additionally, its operations are subject to hazards inherent in providing construction services, such as risk of extreme vertical heights, fires, mechanical or equipment failure, work accidents, including hazards that may cause injury and loss of life, severe damage to and destruction of property and equipment, and environmental damage. CIL's policy of covering these risks through contractual limitations of liability, indemnities and insurance may not always be effective and this may have a material adverse effect on its reputation, business, financial condition and results of operation. If these hazards materialise, they can cause personal injury and loss of life, catastrophic damage or destruction of property and equipment as well as environmental damage, which could result in a suspension of operations and the imposition of civil or criminal liabilities which could disrupt its business operations and adversely affect results of operations, financial condition and reputation

CIL has substantial working capital requirements and may require additional financing to meet working capital requirements in the future: The nature of CIL's business requires significant amounts towards working capital requirements. In many cases, large amounts of its working capital are required to finance the purchase of raw materials or payments of wages. Further, substantial amounts of its working capital may get temporarily locked-up in terms of work-in-progress or dues owed to it by its debtors, which may take significant amounts of time to become available for use again. Its working capital requirements may increase if the payment terms in its agreements include reduced advance payments or longer payment schedules. These factors may result, in increases in the amount of its receivables and short-term borrowings. There can be no assurance that CIL will able to improve or reduce its working capital cycle or that such working capital cycle will not increase. Continued increase in working capital requirements without adequate availability of financing may have an adverse effect on its cash flows, financial condition and results of operations. Further, CIL's working capital requirements are based on management estimates, which are in turn subject to certain assumptions. Any change or cost escalation can significantly increase the cost of the objects of the Issue.

CIL is subject to counterparty credit risk and any delay in receiving payments or non-receipt of payments may adversely impact the results of operations: There is no guarantee that CIL will accurately assess the creditworthiness of its clients. Macroeconomic conditions, at a national level such as rise in the amount of stressed assets held by banks in India and at a global level, potential credit crisis in the global financial system, could also result in financial difficulties for its clients, including limited access to the credit markets, insolvency or bankruptcy. Such conditions could cause its clients to delay payment, request modifications of their payment terms, or default on their payment obligations to it, all of which could increase its receivables. Timely collection of dues from clients also depends on CIL's ability to complete its contractual commitments and subsequently bill for and collect from its clients. CIL received its payments on periodical billing basis, typically on a monthly cycle or based on milestone achievements according to the terms of its agreements with its clients which directly affects its cash flows. CIL's trade receivables constitute a significant portion of its total revenue, being 29.95%, 32.01%, 27.08% and 39.92% for Fiscals 2017, 2016, 2015 and 2014, respectively. It, therefore, face the risk associated with timely receipt of trade receivables. Any increase in the receivable cycles or defaults in receipt of payments from clients may strain its working capital limits sanctioned by lenders and may result in increase in the associated interest costs. Failure to maintain receivables cycle within acceptable limits could have an adverse impact on CIL's cash flows, financial condition and business.

CIL operates in a highly competitive market: CIL operates its businesses in an intensely competitive and highly fragmented environment. It faces significant competition in its business from a large number of integrated Indian real estate development and construction companies as well as standalone construction companies. The extent of the competition it faces in a potential project depends on a number of factors, such as the sector, the size and type of project, the complexity and location of the project and its reputation. Increasing competition could result in price volatility, which could cause CIL's business, financial condition and results of operations to be adversely affected. Given the fragmented nature of the Indian building construction industry, it often does not have adequate information about the projects its competitors are constructing. As it seeks to diversify its regional focus, it may face competition from existing competitors as well as local construction companies, who may have better market understanding and reputation in such geographies. Some of its competitors in the Residential, Commercial and Institutional projects construction business are larger than CIL in terms of order book, revenue, number of projects, geographical spread and may have access to greater financial resources. They may also benefit from greater economies of scale and operating efficiencies. Competitors may also, whether through consolidation or growth, be in a better position to compete for challenging integrated projects. It cannot be assured that it will compete effectively with its competitors in the future, and any failure to compete effectively may have an adverse effect on its business prospects, financial condition and results of operations.

Business is subject to seasonal weather and other fluctuations that may affect cash flows and business operations: CIL's business and operations are affected by seasonal weather factors, which may require the evacuation of personnel, suspension or curtailment of operations, resulting in damage to construction sites or delays in the delivery of materials. Its operations are also adversely affected by difficult working conditions during the monsoon season, because of heavy rains particularly impacting the construction works up to ground level and heavy winds impacting the works particularly at heights. This may result in reduction of its productivity. Further, revenues recorded in the second quarter of CIL's financial year between July to September are traditionally less compared to revenues recorded during the rest of its financial year. As a result, its revenues and profits may vary significantly during different financial periods, and certain periods are not indicative of its financial position for the year. Such fluctuations may adversely affect CIL's revenues, cash flows, results of operations and financial conditions.

If the Indian real estate market weakens leading to a slowdown in construction activities, CIL's business, financial condition and results of operations may be adversely affected: CIL's business is primarily focussed on the provision of construction services for various types of buildings. Its business is therefore heavily dependent on the performance of the real estate market in India, particularly in the regions in which it operates or intends to operate in and could be adversely affected if real estate market conditions deteriorate. The real estate market in India has, in the past, been adversely affected by economic developments outside India. An industry-wide softening of demand for property resulted from a lack of consumer confidence, decreased affordability, decreased availability of mortgage financing, and large supplies of resale and new inventories. Economic turmoil may have other unforeseen consequences, leading to uncertainty about future conditions in the real estate market. Any recurrence of the downturn may have an adverse effect on the Indian real estate market, and consequently lead to a significant downturn in the construction industry, which may adversely impact CIL's business, financial condition and results of operations.

Certain members of Promoter Group and Group Companies including one of its former Group Companies has been granted the right to use trade name: Certain members of CIL's Promoter Group and its Group Companies has been granted the right to use its trade name. Further, Capacite Structures Limited, an *erstwhile* Group Company, in terms of a letter of consent dated January 13, 2017 issued by the Company, has also been granted the right to use its brand name 'Capacite'. There can be no assurances that such companies including Capacite Structures Limited, will continue to use its brand name in good faith or that it will be able to continue to use its trade name on a continued basis in the future, including in the event of any dispute. Failure to protect or defend its intellectual property right, including its trade name, may lead to a loss of irs market reputation and goodwill and may adversely impact the ability to secure new orders in the future

Obsolescence, destruction, theft, breakdowns of Core Assets or failures to repair or maintain the same may adversely affect the business, cash flows, financial condition and results of operations. CIL owns the Core Assets used in its operations and possess a fleet of modern construction equipment including formwork. To maintain its capability to undertake large and complex projects, it seeks to purchase equipment built with the latest technologies and knowhow and keep them readily available for its construction activities through careful and periodic repairs and maintenance. However, it cannot be assured that it will be immune from the associated operational risks such as the obsolescence of its Assets, destruction, theft or major equipment breakdowns or failures or delays to repair or maintain Core Assets, which may result in their unavailability, project delays, cost overruns and even defaults under its contracts. Obsolescence, destruction, theft or breakdowns of its major equipment may significantly increase equipment purchase cost and the depreciation of equipment, as well as change the way CIL's management estimates the useful life of its equipment. CIL may experience significant price increases due to supply shortages, inflation, transportation difficulties or unavailability of bulk discounts. Such obsolescence, destruction, theft, breakdowns, repair or maintenance failures or price increases may not be adequately covered by the insurance policies availed by CIL and may have an adverse effect its business, cash flows, financial condition and results of operations.

The RERD Act has been enacted to establish an authority for regulation and promotion of the real estate sector: The success of CIL's business depends greatly on its ability to effectively implement its business and strategies. While the RERD Act has been enacted to establish an authority for regulation and promotion of the real estate sector, there is ambiguity regarding its applicability and that it would not be applicable to CIL. However, if applicable CIL will have to comply with the provisions which may affect the processes of construction and may impose additional compliance requirements which could result in additional costs inturn adversely affecting CIL's business, financial condition and results of operations.

Certain members of Promoter Group has encumbered their Equity Shares with certain third parties: Members of CIL's Promoter Group, M/s. Asutosh Trade Links and Katyal Merchandise Private Limited, has encumbered 10,080,000 Equity Shares that represents 19.43% of the total outstanding Equity Shares. These Equity Shares has been pledged or encumbered in favour of the lender JM Financial as security for a term loan of Rs. 300 million granted by JM Financial to the Company. Any default under the agreements pursuant to which these Equity Shares have been pledged will entitle the pledgee to enforce the pledge over these Equity Shares. If this happens, the shareholding of the members of its Promoter Group may be diluted and it may face certain impediments in taking decisions on certain key, strategic matters. As a result, CIL may not be able to conduct its business or implement its strategies as currently planned, which may adversely affect the business and prospects.

There are regulatory restrictions currently in effect for grant of development permission / intimation of disapproval ("IOD") on new projects in Mumbai: By way of an order dated February 29, 2016, in the matter of Municipal Corporation of Greater Mumbai vs. Pandurang Patil & another ("**February Order**"), the Bombay High Court has prohibited the issue of development permission, IOD, or commencement certificates by the Municipal Corporation of Greater Mumbai ("**MCGM**") or the Maharashtra Government on applications or proposals submitted from March 1, 2016 for construction of new buildings for residential or commercial use including malls, hotels and restaurants till the MCGM is compliant with certain prior directions in relation to processing and disposal of municipal solid waste. The above restrictions do not apply to buildings proposed to be constructed for hospitals or educational institutions, proposals for repairs/reconstruction of existing buildings which do not involve use of any additional FSI in addition to the FSI already consumed or to certain types of redevelopment projects. Further, there can be no assurance that courts or other governmental authorities will not impose similar restrictions on grant of development permissions or impose additional restrictions or conditions for grant of development permissions in the future. Delays in or inability to obtain required regulatory permissions for commencement of future projects by CIL's clients may consequently prevent it from being able to source new projects in the MMR, which may adversely impact the business, prospects, profitability and results of operations.

Profit & Loss

Rs in million

Particulars	FY17	FY16	FY15	FY14
Revenue from Operations	11570.4	8532.9	5557.0	2142.6
Other Income	89.3	69.6	68.8	23.2
Total Income	11659.7	8602.5	5625.8	2165.8
Total Expenditure	9990.7	7386.3	4926.0	1996.3
Cost of materials consumed	5218.6	4743.7	3297.8	1303.5
(Increase)/ decrease in construction work-in-progress	-297.4	-1005.3	-477.1	-278.2
Construction expenses	3610.5	2514.3	1391.0	528.1
Employee benefits expense	984.4	731.7	505.8	287.2
Other expenses	474.6	402.0	208.5	155.7
PBIDT	1669.0	1216.2	699.8	169.6
Interest	421.4	316.0	147.3	35.7
PBDT	1247.6	900.2	552.6	133.9
Depreciation	181.5	156.8	91.4	24.7
PBT	1066.1	743.4	461.1	109.1
Tax (incl. DT & FBT)	369.5	255.0	140.7	68.0
Tax	338.0	216.7	91.7	40.9
Deferred Tax	31.4	38.3	49.0	27.1
Reported Profit After Tax	696.6	488.4	320.5	41.1
EPS (Rs.)	16.0	62.8	64.8	4.8
Equity	436.1	77.7	49.4	85.5
Face Value	10	10	10	10
OPM (%)	13.7	13.4	11.4	6.8
PATM (%)	6.0	5.7	5.8	1.9

Source: RHP

Balance Sheet:

Rs in million

Particulars	FY17	FY16	FY15	FY14
Equity & Liabilities				
Shareholders Funds	**2996.5**	**1710.2**	**564.0**	**217.5**
Share Capital	436.1	77.7	49.4	85.5
Reserves and surplus	2560.4	1632.5	514.6	132.0
Minority Interest	24.3	18.9	18.8	14.8
Non-Current Liabilities	**2145.2**	**1794.5**	**1993.1**	**1328.9**
Long-term borrowings	673.3	607.5	567.4	483.6
Deferred tax liabilities	288.2	115.1	76.8	27.8
Other long-term liabilities	1159.2	1059.3	1342.9	815.6
Long-term provisions	24.4	12.7	6.0	1.9
Current Liabilities	**5474.5**	**5232.8**	**2802.8**	**1683.3**
Short-term borrowings	547.0	984.8	478.3	345.7
total outstanding dues of creditors other than micro enterprises and small enterprises	3206.7	3093.4	1830.9	889.8
Other current liabilities	1685.3	1064.1	486.8	445.4

Short term provisions	35.5	90.5	6.9	2.3
Total Equity & Liabilities	**10640.4**	**8756.4**	**5378.6**	**3244.5**
Assets				
Non-Current Assets	**3148.0**	**2629.0**	**1804.0**	**1053.1**
Property, Plant and Equipment	**2524.6**	**2305.3**	**1672.6**	**873.3**
Tangible assets	20.6	20.2	19.9	3.9
Capital Work in progress	67.3	83.3	0.0	3.3
Goodwill on consolidation	0.4	0.0	0.0	0.0
Non-current investments	0.9	0.9	50.9	50.0
Loans and Advances	231.2	107.3	36.9	97.2
Trade receivables	156.0	0.0	0.0	0.0
Other non-current assets	146.9	112.0	23.7	25.3
Current Assets	**7492.5**	**6127.5**	**3574.6**	**2191.4**
Investments	4.1	0.0	0.0	0.7
Inventories	2602.0	2211.4	1177.3	463.5
Trade receivables	3336.4	2753.3	1523.3	864.5
Cash and bank balances	519.5	373.3	398.9	555.2
Loans and Advances	683.2	725.4	423.3	283.0
Other current assets	347.2	64.2	51.9	24.5
Total Assets	**10640.4**	**8756.4**	**5378.6**	**3244.5**

Source: RHP

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