

December 18, 2020

The Secretary  
BSE Limited  
Pheeroze Jeejeebhoy Towers  
Dalal Street, Fort  
Mumbai - 400 001  
Scrip Code: 531595

The Secretary  
National Stock Exchange of India Limited  
Exchange Plaza, 5<sup>th</sup> Floor  
Plot No- 'C' Block, G Block  
Bandra-Kurla Complex, Bandra (East)  
Mumbai – 400 051  
Scrip Code: CGCL

Sub: Disclosure under Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Analyst Meet Presentation

Dear Sir and Madam,

In terms of Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and further to our letter dated December 17, 2020 intimating the schedule of the virtual Analyst Meet to discuss 'Trends in Construction Financing' on December 18, 2020, we are furnishing herewith the presentation titled "*Construction Finance A Retail way of Doing Business*" to be made at the said Meet for your reference.

You are requested to kindly take the above information on records.

Thanking you,

Yours faithfully,  
for Capri Global Capital Limited



(Harish Kumar Agrawal)  
Senior Vice President & Company Secretary  
Membership No. A12549

**Capri Global Capital Limited**

(CIN: L65921MH1994PLC173469)

**Regd. Off:** 502, Tower A, Peninsula Business Park, Lower Parel, Mumbai – 400013.

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**CAPRI GLOBAL**  
CAPITAL LIMITED

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## **Construction Finance**

*A Retail Way of Doing Business*

**Dec 2020**

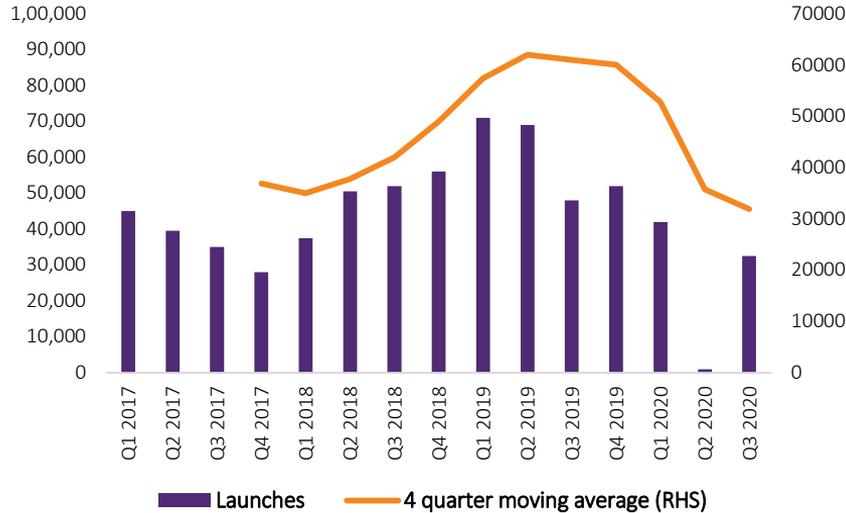
# Overview

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- Industry Update
  - Construction Finance Overview
  - Developer, Collections and Business Update
  - Monitoring Strategy leading to zero NPA's
  - Plans Going Forward

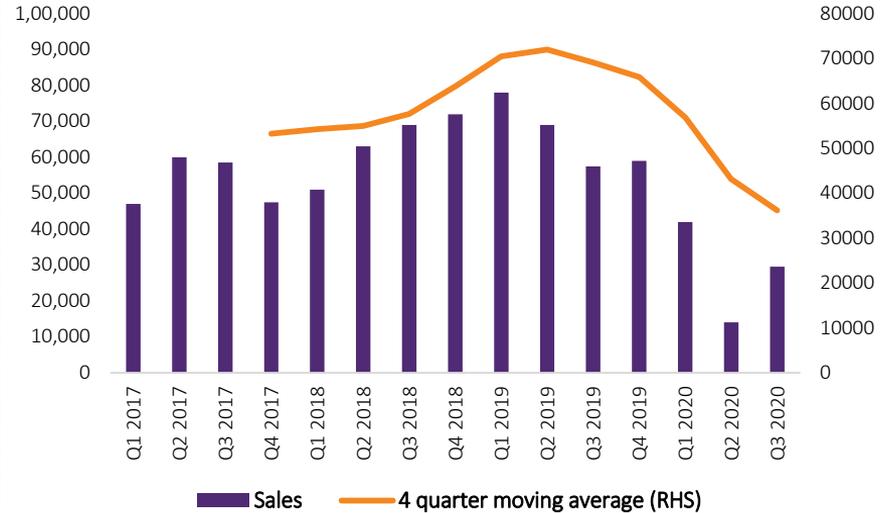
# Rising Housing Demand Post Unlocking

Source : Anarock (PAN India Data)

## New Launches



## Sales Trend

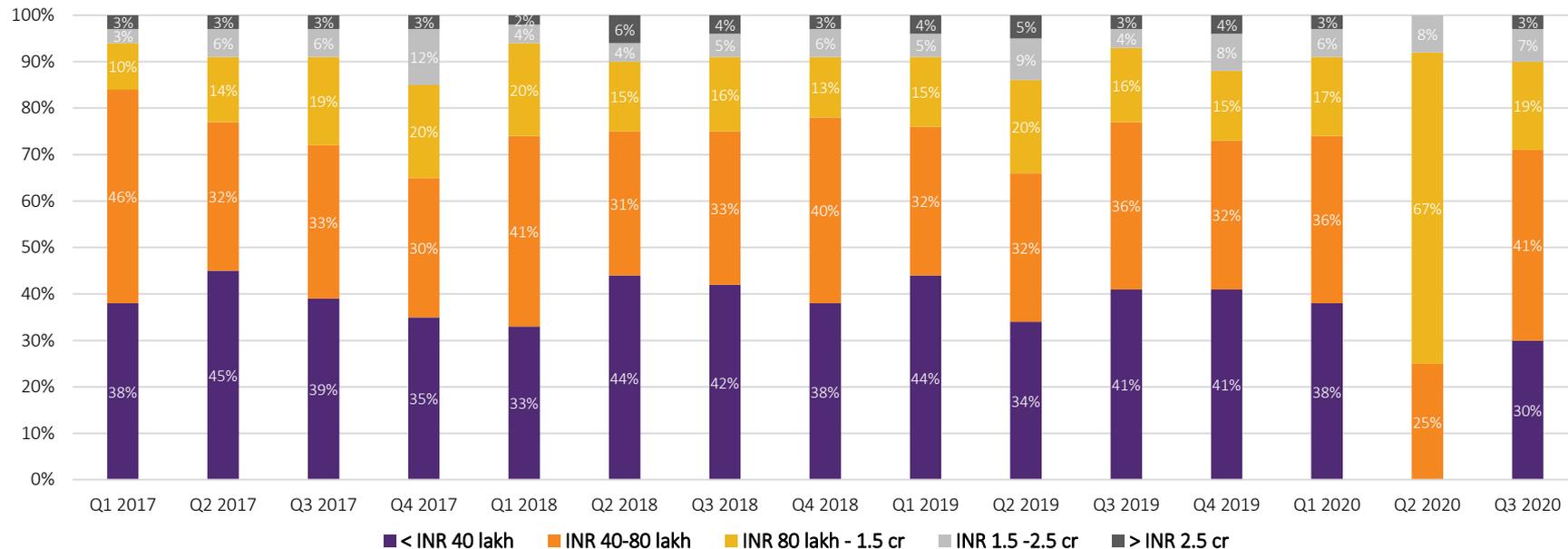


- Pandemic has forced people to work from home and increased the need for social distancing which has led to recovery in housing demand.
- Residential construction continues to face limiting factors, including higher costs and longer delivery times for building materials, an ongoing labour skills shortage, and concerns over regulatory cost burdens.
- Focus on new building and mivan construction technologies, digital business models, real estate automation, cloud-based solutions etc. are undergoing deeper exploration and adoption to accelerate project delivery and ensure property value optimization.

# Affordable Housing Segment Makes a Comeback

Source : Anarock (PAN India Data)

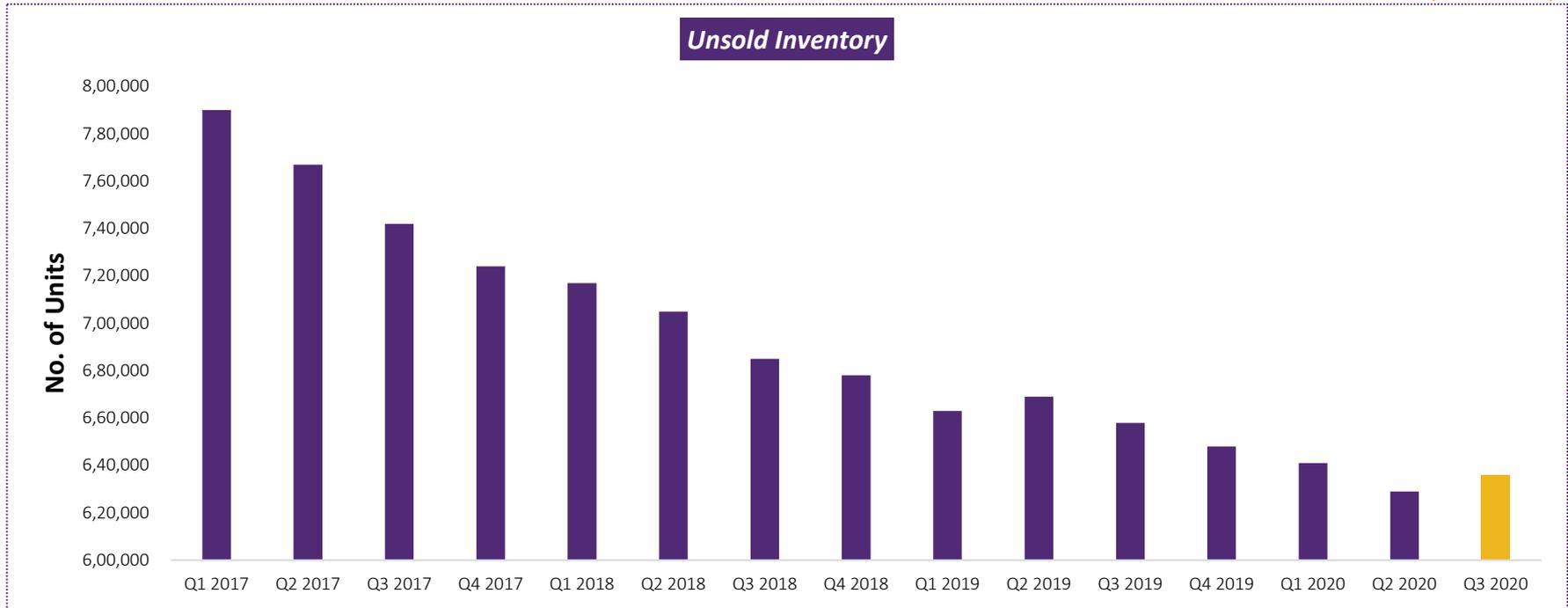
**Budget Segmentation of Supply**



- India's urbanization rate is projected to shoot up by 55-60 per cent in the next 10-15 years and the nation will need over 75 million homes, with the bulk of the demand coming from the affordable housing segment.
- However, we are seeing a shift from smaller developers to bigger established brands; mid segment seeing some traction lately.
- Continuous reduction in interest rates has also prompted more people towards the affordable housing market.

# Inventory Level Decrease Dramatically Over Last 3-4 Years

Source : Anarock (PAN India Data)



- Housing demand is strong entering 2021, however the coming year will see housing affordability challenges as inventory remains on a downward trend and construction costs are rising.
- Buyer traffic will remain strong given favourable demographics, a shifting geography of housing demand to lower-density markets and historically low interest rates even though prices across the real estate market are expected to go up further in 2021.

# Industry Issues of the Past

- Siphoning of Money
- Project Money Diversion to buy more land
- Meeting project deadlines, delivering the project on time
- Late Payment, Poor Cashflow Management and Insufficient financial resources
- Defaults and Bankruptcies of firms like DHFL, IL&FS, Reliance Capital etc

# Our Learnings have Reaped in Huge Benefits



Small and granular ticket size lending to our developers aiding in near zero NPAs



Presence for the CF business is in the cities where there is a good demand for affordable and mid-segment housing, where approvals are in place



Cash Flow backed disbursements and smaller ticket size to keep the portfolio more granular



Developers which are second rung and have a good track record



Sole lenders to the developers meaning entire cashflow security mapping is to us, and developer doesn't get to deal favourably with some other lender



# Construction Finance – Product Overview

## *Product Focus*

- Cash Flow Backed / Asset Backed Financing
- Good promoter track record and project location
- Sanction Ticket between INR 10 crores to INR 25 crores for a tenor of 1 to 4 years

## *Geographical Spread – 4 Regions*

- North Zone – NCR, Jaipur
- Gujarat – Ahmedabad, Surat
- Maharashtra - Mumbai, Pune
- South Zone - Bangalore, Hyderabad, Vijayawada, Chennai

## *Team Structure*

- Business, Credit, Monitoring departments headed by CF Head
- Each Zone is headed by well experienced Zonal Heads supported by business and credit resources
- Central - Credit / Risk team, Legal team, Internal Audit team, Monitoring team
- Total team strength across CF vertical – Business Head, Business Development 7, Local Credit/ Support 12, Central Credit 7, Monitoring 12.

# Construction Finance – Credit Appraisal Overview

## *Selection Criteria*

### Promoter / Group

- Strong promoters having project completion history along with ongoing projects
- Previous / existing borrowing track record
- Satisfactory net worth

### Project

- Affordable and marketable location
- Mortgage rights and Approval status
- Cash flow visibility in near future

## *Credit Appraisal and Due Diligence*

- 3 levels of independent appraisal – Business stage, Local Credit, Central Credit stage and IC Committee stage
- Promoter meeting and site visits
- CIBIL check, litigation search, social media search, Hunter, Cubic Tree, Watch out Investor etc.
- Valuation and Legal due diligence, Internal Audit of sales, Micro market analysis, RERA check
- Internal Risk Rating Model
- First and Exclusive charge on security
- Promoters to be Co-Obligors
- Satisfactory physical security cover and cashflow cover

# Construction Finance – Risk Management Overview

## *IC approval and Documentation*

- Detailed IC note proposed by local credit, reviewed by central credit and recommended by Credit Head to IC Committee for approval
- Execution of facility documents vetted by inhouse legal team
- Detailed compliance check prior to disbursement

## *Monitoring*

- Strong monitoring team of 11 employees headed by Associate Director
- Cash Flow Analysis
- Sales Milestone Analysis
- Collection Analysis
- Escrow Account Analysis
- Escrow Account Management
- Site Visit Reports & Construction Progress
- Issuance of NOC
- Unit Wise Mapping

# Regular Monitoring Leading to ~NIL NPAs

## Early Warning Signals through

- Site Inspection Reports
- Cashflow Analysis Reports
- Account Conduct Reports
- Overdue Reports
- EMI Servicing Report etc.

## Compliances and Milestone Tracking

- Follow-up for timely submission of Monthly MIS and MIS analysis.
- Ensuring that all the collections are routed in the Designated A/c.
- Monitoring of Construction, Sales & Collection milestones.
- Maintenance of Insurance Tracker

## CF Monitoring Processes & Activities

## Monitoring Cashflows & Security

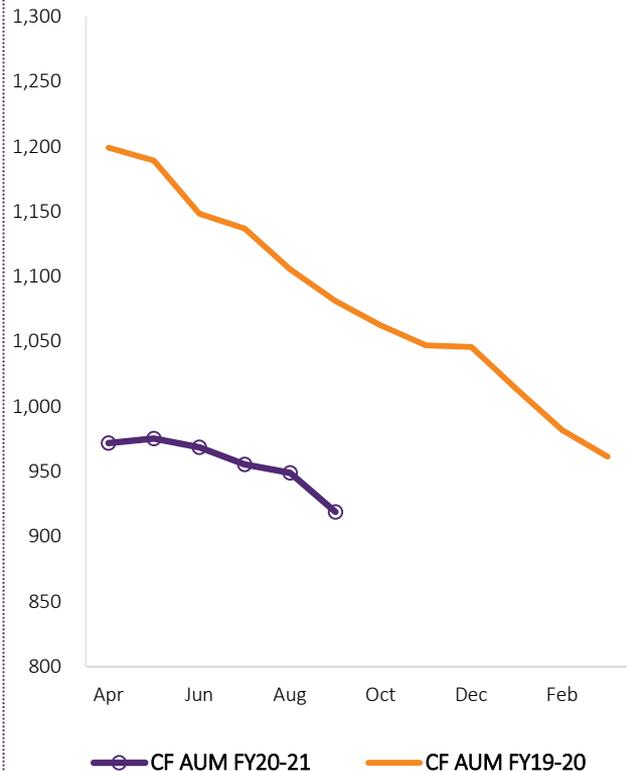
- Timely recovery of Monthly Dues.
- Collections vis-à-vis Escrow Sweeps & D.F.T.'s.
- Tracking and Recovering Deficits.
- Monitoring revision in Sweep Ratio's & stipulated M.S.P. rate p.s.f.t.
- Releasing of NOC's/No Dues Letter only upon upfront recovery deficit/ dues.

## Other Miscellaneous Activities

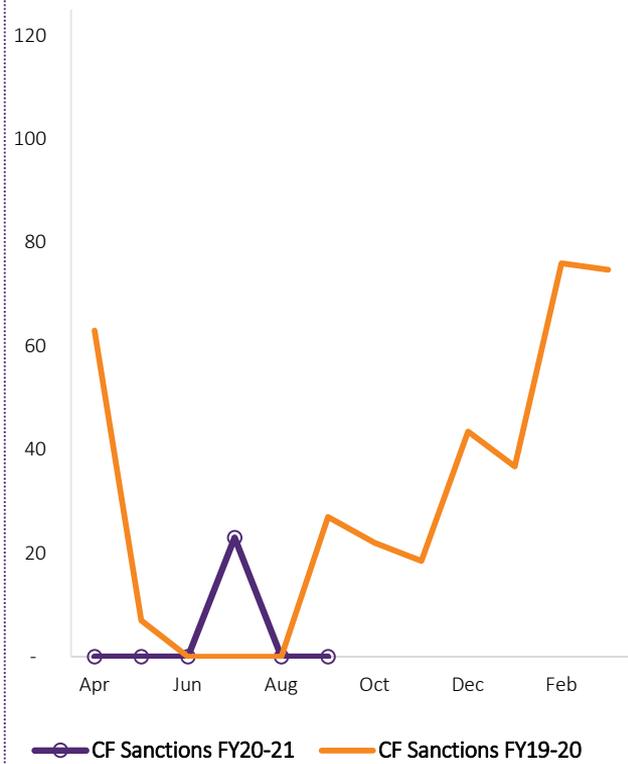
- Maintenance & Provision of CF Information to various departments.
- Addressing, Resolving Audit Queries.
- Guiding borrowers to enhance compliance levels.
- Submission of CIC information etc.

# Going Slow Even Before the COVID Pandemic Hit Us

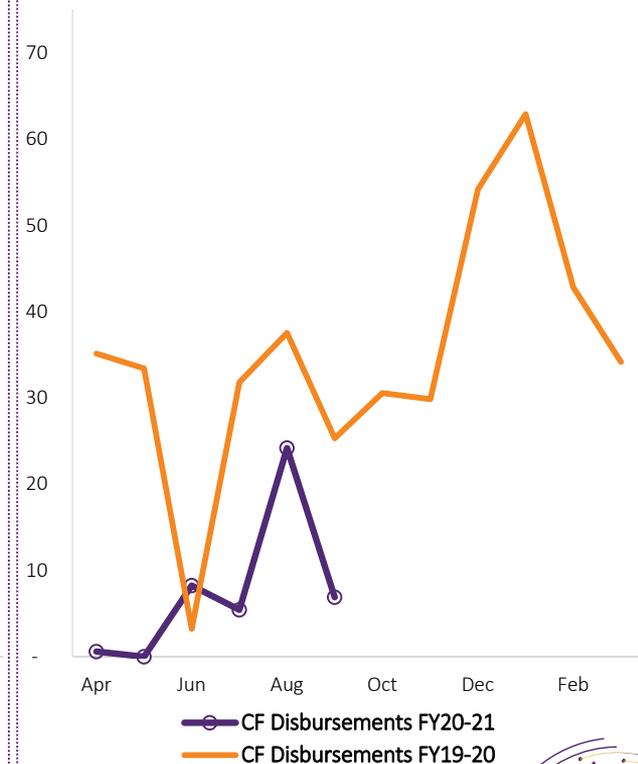
### AUM Trend (INR Cr)



### Sanctions Trend

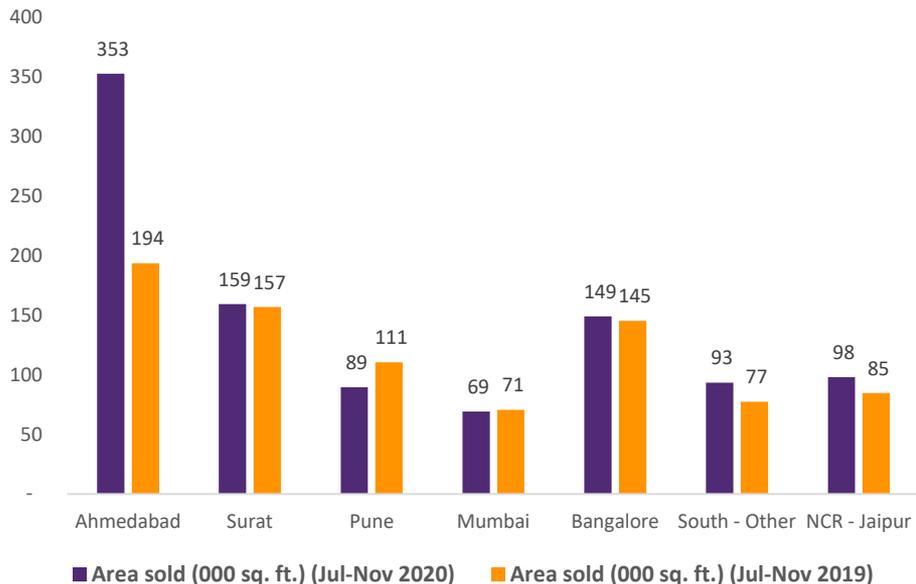


### Disbursements Trend (INR Cr)

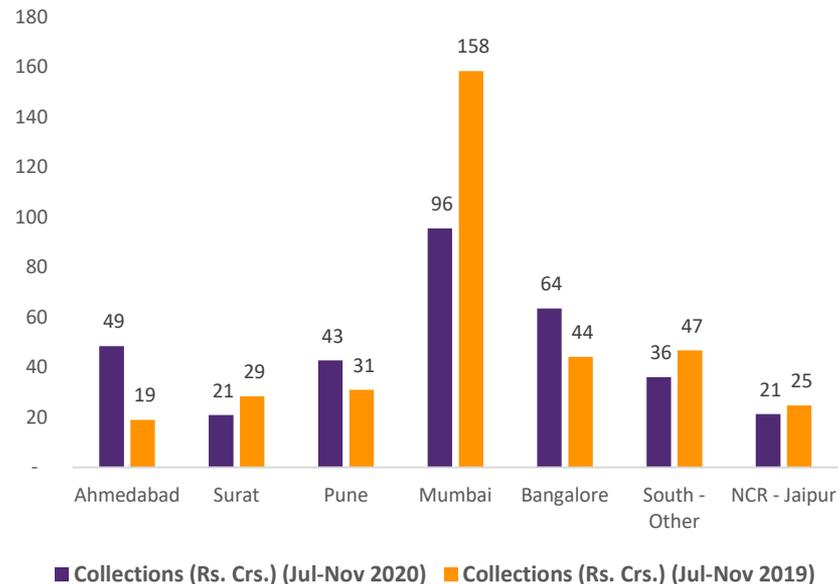


# Demand for Projects Finance Back to Pre Covid Levels

**Area Sold (000 Sq.Ft)**



**Project Sales Collection (Rs in Crs)**



# Plans Going Forward

## *Maintain portfolio level and its quality*

- CF Portfolio peaked out in Mar-19 at INR 1200 crores and since then its been a continuous reduction due to;
  - IL&FS crisis – Oct-2018
  - Maintaining balance of CF Book vis a vis overall AUM.
  - Liquidity crisis – May-19
  - Pandemic – Mar-20
- Current portfolio stands at INR 918 crores (end of Q2 FY21) and we expect to have a watchful approach going forward on fresh sanctions.
- Team have already started scouting for new business in the market. All the micro market locations have been activated.
- For the next four months (Mar-21) target is to ensure that the portfolio stays around similar levels.
- All the accounts where we feel there could be potential issues are identified and continuous engagement with the Clients are in place to address quality concerns



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**Thank you**