

CAPACITE INFRAPROJ LTD

Industry Eng. & Cons.
Bloomberg CAPACITE IN
BSE CODE 540710

Strong Revenue growth coupled with Healthy Margins

RATING	BUY
CMP	212
Price Target	350
Potential Upside	65%

Rating Change	↔
Estimate Change	↔
Target Change	↔

Stock Info

52wk Range H/L	171.10/437.40
Mkt Capital (Rs Cr)	1445
Free float (%)	22%
Avg. Vol 1M (,000)	68.8
No. of Shares	7
Promoters Pledged %	0

Research Analyst

SANDIP JABUANI

sandip.jabuani@narnolia.com

+91-22-62701228

KETAN MEHROTRA

ketan.mehrotra@narnolia.com

+91-22-62701222

Key Highlights -

- During the quarter company has acquired another marquee client Piramal Group and secured order worth Rs.561 Cr. Other order is from Radius group of Rs.114 Cr, taking the total inflow to Rs. 675 Cr for Q2FY19.
- The order book has around 30% on finishing term which could help in getting better margin, The Super high rise gives the company maximum margins, The Super high rise project contribute 23-24% of overall Order Book
- The Net Working capital Days (Including Retention) stood at 73 days showing a significant improvement from 84 days in Q1 FY19. Similarly, Net Working capital Days (Excluding Retention) is 48 days which was previously at 57 days during Q1 FY19.
- As part of Management strategy, Company is diversifying its order book within the building space viz Metro station and Airport building. During the quarter company had bagged small order worth Rs.34 Cr from Mumbai Metro.

2Q FY19 Results-

The company had a very healthy quarter witnessing a revenue growth of 38% YoY on account of healthy execution which is in line with our estimates. Capacite has reported revenue of Rs.443 Cr v/s our estimates of Rs.406 Cr. Further the EBIDTA has also increased 35% YoY boosted by strong revenue growth, depreciation during the quarter rose by 82% YoY on account of increase in amortization of on-site establishment. The PAT growth was 31% YoY. The order book during the quarter stood at Rs.6507 Cr with growth of 38%YoY, while the order inflow stood at Rs 675 Cr.

View and Valuation

Capacite infra is in sweet spot to capitalize growing opportunities in building space. Healthy execution track record and strong relationship with its marquee client has paying off the dividend. During the quarter company has added another marquee client in its clientele. Now with diversifying order book within the building space will end up dependency on residential building projects. Management's continues efforts to bring working capital days down has resulted into reduction of working capital days from 84 days to 73 days including retention money.

We largely maintain our estimates for FY20 and value stock at Rs.350 (17x FY20 EPS). Maintain Buy rating on the stock.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	853	1155	1341	1775	2195
EBITDA	115	204	204	269	335
EBIT	99	139	136	166	238
PAT	49	70	79	92	140
EPS (Rs)	85	17	12	14	21
EPS growth (%)	31%	-80%	-32%	15%	52%
ROE	29%	23%	11%	11%	15%
ROCE	43%	38%	17%	19%	24%
BVPS	296	74	110	122	140
P/B (X)	0.0	0.0	2.7	1.7	1.5
P/E(x)	0.0	0.0	25.8	15.8	10.4

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

2Q FY 19 Results
In line Result
Strong Revenue Growth

Financials	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	YoY %	QoQ%	H1FY18	H1FY19	YoY %
Net Sales	322	366	381	397	443	38%	11%	588	841	42.9%
Other Income	2	8	9	8	10	300%	17%	7	18	142.3%
COGS	235	274	272	291	324	38%	12%	420	615	46.4%
Employee Exp.	29	30	33	34	36	27%	7%	54	71	31.2%
Other Exp.	11	13	14	17	18	66%	2%	23	35	52.6%
Total Exp.	274	317	318	342	379	38%	11%	497	721	45.1%
EBITDA	48	50	62	55	65	35%	17%	91	120	31.2%
Depreciation	14	13	27	19	26	82%	40%	28	44	60.3%
EBIT	34	37	36	37	39	15%	6%	63	75	18.5%
Intreset	10	10	11	10	12	27%	28%	19	22	14.9%
Except.Item	-	-	-	-	-			-	-	
PBT	26	35	34	35	36	37%	2%	52	71	37.8%
Tax	9	13	11	12	13	48%	4%	18	25	
PAT	18	23	22	23	23	31%	1%	34	46	35.8%

Strong Order book resulted into Healthy Revenue Growth

Capacite has come up with strong revenue growth of 38% YoY to Rs.443 Cr compared to Rs.322 Cr. The key contributors to the revenue were Tata Trust, Oberoi reality, Godrej property and Wadwa Group projects. EBITDA margin remained flat YoY to 14.6%, where as absolute EBITDA gone up by 35% YoY to Rs.65 Cr. Depreciation during the quarter rose by 82% YoY on account of increase in amortization of on-site establishment. The PAT during the quarter was up by 31% YoY. The net working capital days during the quarter have come down to 73 days from 84 days in Q1FY19 (Including Retention) on account of higher collection and reduction in retention amount. During the quarter company has acquired another marquee client Piramal Group and secured orders worth Rs.561 Cr. Other order is from Radius group of Rs.114 Cr, taking the total inflow to Rs. 675 Cr for Q2FY19. Order book stands at Rs. 6507 Cr which is 4.1x TTM revenue.

Diversifying Order Book

As part of Management strategy, Company is diversifying its order book within the building space viz Metro station and Airport building. During the quarter company has bid for Metro station projects. However company was not able to secure large project but ending with small order of Rs.34 Cr for Mumbai metro. Further, company is working on Airport projects and expects to start bidding in next couple of quarters. Large capex plan of Rs.175/300 bn for up gradation of Airports and Greenfield airports are on government's agenda. Diversification of order book will end dependency of residential building projects.

Concall Highlights

- ❑ Residential sales during H1FY19 for the industry as a whole stood at over 64000 Units as compared to previous years full year's sales of 96000 units. Bangalore and Mumbai was the major contributor to new residential launches. The new Residential launches in Mumbai stood at 9100 units.
- ❑ Net debt still stands at 0 , The management does not see foresee any problems in terms of collection momentum Since very clients of the company has exposure to NBFC however company would consider the case and look at the conditions prevailing in next few week.
- ❑ The company looks at gross exposure less interest free advances so that company is aware of given exposure to any given client at any given time, if the company does not certify the bill for more than two months company stops work, to safe guard its interest in terms of any contract, With RERA in place now it becomes bit easy.
- ❑ The company is looking to bid at present taking into consideration factors like client quality and margins involved as the order book at present is very robust.
- ❑ Increase in other financial assets is because of the uncertified bills as on the date of signing of audit limited review.
- ❑ Capex for the BDD chawl project will be from FY21, The project will have little revenues in FY19 as designing is going on, FY20 should see the Revenues of Rs 300 Cr at SPV level.
- ❑ Projects which contributed broadly to the revenues were Tata Trust Oberoi reality, Godrej property, Wadwa Group in H1FY19.

Financial Details

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	18	214	556	853	1,155	1,341	1,775	2,195
Change (%)		1105%	159%	54%	35%	16%	32%	24%
EBITDA	(3)	15	63	115	204	204	269	335
Change (%)		-579%	331%	82%	78%	0%	32%	25%
Margin (%)	-17%	7%	11%	13%	18%	15%	15%	15%
Depr & Amor.	0	2	9	16	65	67	103	97
EBIT	(3)	12	54	99	139	136	166	238
Int. & other fin. Cost	1	4	15	32	42	40	39	51
Other Income	1	2	7	7	11	24	20	24
EBT	(3)	11	46	74	107	121	147	212
Exp Item	-	-	-	-	-	-	-	-
Tax	1	7	14	26	37	42	55	72
Minority Int & P/L share of Ass.	-	-	-	-	(1)	1	-	-
Reported PAT	(4)	4	32	49	70	80	92	140
Adjusted PAT	(4)	4	32	49	70	80	92	140
Change (%)		NA	679%	52%	43%	14%	15%	52%
Margin(%)	-20%	2%	6%	6%	6%	6%	5%	6%

Balance sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	3	9	5	8	44	68	68	68
Reserves	3	13	51	163	256	680	761	884
Networth	6	22	56	171	299	748	829	952
Debt	10	83	105	174	165	187	222	282
Other Non Cur Liab	6	85	143	117	136	144	144	144
Total Capital Employed	17	105	161	345	464	935	1,051	1,234
Net Fixed Assets (incl CWIP)	6	88	169	297	332	410	387	370
Non Cur Investments	0	5	5	0	0	0	0	0
Other Non Cur Asst	2	17	11	22	36	116	131	131
Non Curr Assets	8	105	180	319	368	526	518	501
Inventory	7	46	118	164	181	224	296	367
Debtors	10	86	152	287	368	419	554	686
Cash & Bank	20	56	40	36	50	324	298	360
Other Curr Assets	9	31	48	83	119	240	326	403
Curr Assets	45	219	357	570	718	1,207	1,546	1,911
Creditors	16	89	183	308	318	447	592	692
Provisions	0	0	1	3	2	18	24	29
Other Curr Liab	14	45	49	114	170	189	254	313
Curr Liabilities	30	134	232	425	490	655	870	1,034
Net Curr Assets	15	85	125	146	228	553	677	877
Total Assets	54	324	538	889	1,109	1,734	2,064	2,412

Financial Details

Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	(3)	11	46	74	106	122	147	212
(inc)/Dec in Working Capital	8	31	(16)	(121)	(50)	(98)	(93)	(114)
Non Cash Op Exp	0	2	9	16	65	67	103	97
Int Paid (+)	1	4	15	32	42	40	39	51
Tax Paid	1	5	12	16	24	24	55	72
others	(1)	(2)	(4)	(2)	(5)	(18)	-	-
CF from Op. Activities	4	41	37	(17)	136	85	141	173
(inc)/Dec in FA & CWIP	(4)	(84)	(73)	(80)	(112)	(141)	(80)	(80)
Free Cashflow	(0)	(43)	(36)	(97)	23	(56)	61	93
(Pur)/Sale of Inv	(17)	(39)	13	3	(7)	(288)	(72)	(24)
others	0	1	4	6	4	22	-	-
CF from Inv. Activities	(21)	(122)	(55)	(71)	(120)	(414)	(152)	(104)
inc/(dec) in NW	9	12	2	63	20	1	-	-
inc/(dec) in Debt	11	75	28	63	(26)	(2)	35	35
Int. Paid	(0)	(4)	(15)	(31)	(42)	(39)	(39)	(51)
Div Paid (inc tax)	-	-	-	-	-	(3)	(11)	(17)
others	-	-	-	(2)	(26)	-	-	-
CF from Fin. Activities	19	84	15	92	(9)	330	(16)	(7)
Inc(Dec) in Cash	2	2	(3)	4	7	2	(26)	62
Add: Opening Balance	-	2	4	1	4	11	324	298
Closing Balance	2	4	1	5	11	13	298	360

Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	-58%	19%	57%	29%	23%	11%	11%	15%
ROCE	-37%	17%	48%	43%	38%	17%	19%	24%
Asset Turnover	0.33	0.66	1.03	0.96	1.04	0.77	0.86	0.91
Debtor Days	203	147	100	123	116	114	114	114
Inv Days	139	79	77	70	57	61	61	61
Payable Days	319	152	120	132	101	122	122	115
Int Coverage	(6)	3	4	3	3	3	4	5
P/E	-	-	-	-	-	26	16	10
Price / Book Value	-	-	-	-	-	3	2	2
EV/EBITDA	6	(0)	0	0	0	10	5	4
FCF per Share	(0)	(43)	(36)	(97)	23	(56)	61	93
Div Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.6%	1.0%

Disclosures: Narnolia Financial Advisors Ltd.* (NFAL) (FormerlyMicrosec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300002407 valid till 01.12.2020. NFALis engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, it's associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and it's associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Terms & Conditions: This report has been prepared by NFAL and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances.The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors.Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

*The name of the Company has been changed from "Microsec Capital Limited" to "Narnolia Financial Advisors Limited" pursuant to change of control. The change in name has been duly effected in the records of the Registrar of Companies (ROC). The application for fresh registration in the new name of "Narnolia Financial Advisors Limited" pursuant to change of control is under process with SEBI.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.
Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300002407, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFIRegistered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited-MCX/NCDEX Commodities Broker: INZ000051636 || Narnolia Velox Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited-IRDA Licensed Direct Insurance Broker (Life & Non-Life) License No.134 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL)and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances.The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors.Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.