Capacit'e Infraprojects Ltd

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

Strong Revenue growth,higher Depreciation and Tax dented bottom line growth

RATING	BUY
CMP	209
Price Target	264
Potential Upside	26%

Rating Change	⟺
Estimate Change	↓
Target Change	⟺

3QFY19 Result update

- The Company registered a growth of 22.6% YoY on account of healthy execution which was in line with our estimates of 24% growth.
- The EBITDA during the quarter went up by 24% YoY in line with the revenue while the EBITDA margins went up by 20bps to 13.8% though it was below our expectation of 15%.
- The PAT growth during the quarter was muted at 5% YoY on account of higher depreciation levels which rose 58% YoY to Rs 20 Cr. The PAT margins during the quarter fell by 90 bps.
- The working capital levels improved during the quarter backed by the efficient collections. The working capital days including retention stood at 81 days as compared to 89 days as of Q4FY18.
- The order inflow during the quarter stood at Rs 1346 Cr it includes order from Oberoi Realty of Rs 705 Cr, for construction of 5 towers for Oberoi Garden City- Phase 3 project. Company is L1 in one of the order from public sector worth Rs 456 Cr.
- The Order Book as of 31st December 2018 is Rs 7,519 Cr (Private Sector - Rs 7,086 Cr & Public Sector - Rs 433 Cr)
- 77% of the Order wins from the Private sector during Q3 FY19 are repeat order from existing client.

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 is paying off the dividend. During the quarter company has received its first ever order from Public sector and standing L1 in another one project. Now with this, order book is diversified into Private and Public sector and public sector contribution stands at 11%. Management aims to increase it to 25% going ahead. Management's continues efforts to bring down working capital days have resulted into reduction of working capital days from 89 days to 81 days including retention money. Though, the increasing exposure to public projects may stretch working capital levels going ahead.

We have factored in lower than expected EBITDA margin in our estimates and lower down FY20E EPS estimates by 6%. We continue to maintain our BUY rating on the stock but reduce our target price to Rs. 264 per share at 14x FY20E EPS.

Stock Info

52wk Range H/L	171/372
Mkt Capital (Rs Cr)	1421
Free float (%)	22%
Avg. Vol 1M (,000)	35.3
No. of Shares (Cr)	7
Promoters Pledged %	0

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	853	1155	1341	1809	2307
EBITDA	115	204	204	266	342
EBIT	99	139	136	171	223
PAT	49	70	79	99	128
EPS (Rs)	85	17	12	15	19
EPS growth (%)	31%	-80%	-32%	24%	30%
ROE	29%	23%	11%	12%	14%
ROCE	43%	38%	17%	19%	22%
BVPS	296	74	110	123	140
P/B (X)	0.0	0.0	2.7	1.7	1.5
P/E(x)	0.0	0.0	25.8	14.4	11.1

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3Q FY 19 Results

Financials	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	QoQ%	9MFY18	9MFY19	YoY %
Net Sales	322	366	381	397	443	449	11%	955	1,290	35.1%
Other Income	2	8	9	8	10	9	17%	16	27	76.1%
COGS	235	274	272	291	324	332	12%	694	947	36.5%
Employee Exp.	29	30	33	34	36	38	7%	84	108	28.9%
Other Exp.	11	13	14	17	18	18	2%	36	53	48.5%
Total Exp.	274	317	318	342	379	388	11%	814	1,108	36.2%
EBITDA	48	50	62	55	65	62	17%	141	181	28.8%
Depreciation	14	13	27	19	26	20	40%	40	54	33.1%
EBIT	34	37	36	37	39	42	6%	101	106	5.7%
Interest	10	10	11	10	12	12	28%	29	30	3.8%
PBT	26	35	34	35	36	39	2%	87	95	9.7%
Tax	9	13	11	12	13	15	4%	31	33	7.0%
PAT	18	23	22	23	23	24	1%	56	63	11.2%

Strong revenue growth YoY, higher Depreciation and Tax dented bottom line:

During Q3FY19 company has registered healthy Revenue growth of 23% YoY to Rs 449 Cr on the back of strong order book and healthy execution. The EBIDTA for Q3FY19 stood at Rs 62 Cr, up by 24% YoY in line with revenue, while the EBITDA margins increased by 20 bps YoY but it was lower than our expectation. PAT during the quarter stood at Rs 24 Cr registered a muted growth of 5% YoY on account of higher depreciation and tax levels. Depreciation was higher on account of amortization of site establishment and tax rate was higher at 39.3% v/s 36% on account of deferred tax. The PAT margins during the quarter were down by 90 bps. During the quarter company has received first ever orders from Public sector. Capacite has bagged two orders worth Rs.335 Cr and Rs.98 from BSNL and Institute of Chemical Technology respectively. Additionally, Company is L1 in Public sector order for Rs. 456 Cr which is not included in the Order Book. The Order Book at the end of the quarter stood at Rs 7519 Cr with private sector contributing Rs 7086 Cr and public sector Rs 433 Cr.

Robust Revenue growth visibility backed by Strong Order Book

Company currently has a Strong order book of Rs 7519 Cr with private sector contributing Rs 7086 Cr and public Sector Rs 433 Cr. Out of the current order book company has started work on all the projects except for a project with Wadhwa group where a company is in the designing phase. The MHADA order worth Rs 4357 Cr in design phase and work at ground level is expected to start from March 2019 with revenues to start flowing in from FY20. Public sector currently contributes 6% to the companies Order Book excluding L1 order worth Rs 456 Cr (including L1 it would take the contribution from public sector to 11%).Management expects going forward the Private and Public sector to contribute in the ratio of 75:25 respectively to the total Order book.

Continues improvement in working capital

The Company is improving it working capital over the last one year with working capital days including retention standing at 81 days at the end of 9MFY18 as compared to 89 days in FY18. The company is confident of improvements in working capital levels with efficient collections and replacement of Bank guarantee with retention money. Though, the increasing exposure to public projects may lead to little stretch in working capital levels. Further, the company do not carried out work on projects where payment is gets delayed by more than two months as per internal policy framework. Company has been affected due to ongoing NBFC liquidity crunch but do not expect further impact as none of the client's projects is dependent on NBFC financing. The total collections for 9MFY19 stood at Rs 1279 Cr.

Concall Highlights

- The depreciation and amortization levels fall QoQ was on account of new projects being started hence the amortization expense is on lower levels.
- The Company will remain focused on institutional building, the residential segment as far as government projects are concerned which is in line which companies approach the private sector. The company sees strong bid pipeline in both the public and private sector and believes we might see an order mix of 75:25 for private and public respectively.
- Out of the current Order Book, the company has started work on all the projects except for a project with WADWA group where a company is in the designing phase.
- The total collection during the 9MFY19 1279 Cr, the NBFC crisis affected the company otherwise revenue would have been much higher.
- Neither the Company nor any of its clients are facing the effects of liquidity crisis going in the industry as none of the client of company has taken finance from DHFL.
- The Company is confident its net working capital will improve as the company will not work for a client where payments are delayed for more than two months or delayed beyond a point.
- The higher tax levels during the quarter were the result of the deferred tax.
- Company is confident of achieving the full year revenue target on the back of strong order book.
- The gross debt as of Q3FY19 stands at Rs 259 Cr, The cash in hand stand at 253.6 Cr.
- The MHADA work is in designing in advance stage for phase 1 of transit camp and work at ground level would start from March FY19, The SPV would be issuing the guarantee for advance payment within the next week, the revenues to set in from next financial year.
- The company has maintained the EBITDA margin guidance if 15.7%-16.5% for the full year.
- The Lodha order consists barely 1% of the total order book
- The total bank guarantee issued is Rs 500 Cr and contingent liability has been provided on that part also the total LC stands at Rs 170 Cr.
- The retention money as of Q3FY19 stands at Rs 130 Cr.
- The Capex spend on core assets for 9MFY19 stood at Rs 50 Cr out of which Plant and machinery are Rs 14 Cr and balance is Aluminum foam work. The Capex guidance FY19 stands at Rs 75 Cr.
- Company has suspended one order worth Rs 114 Cr in November from the Radius group as it is facing issue on financing front. As proactive step management has decided not to proceed with the work.

Exhibit: Net Working capital days

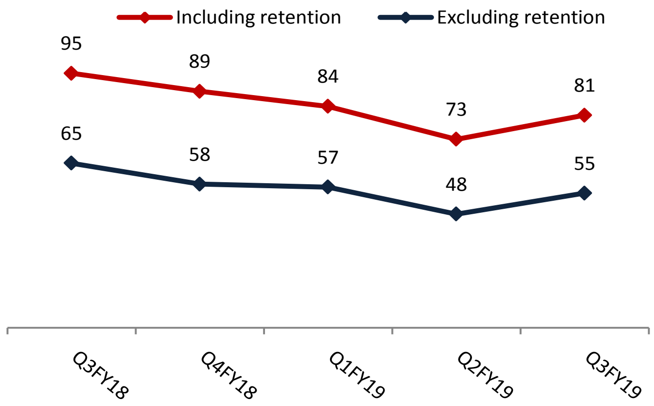


Exhibit: Project Split

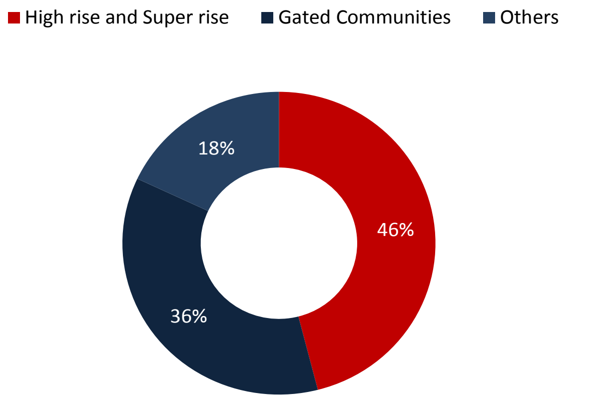
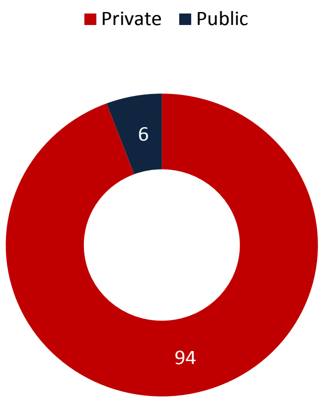


Exhibit: Client Split



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**	**1,809**	**2,307**
Change (%)		*1105%*	*159%*	*54%*	*35%*	*16%*	*35%*	*28%*
EBITDA	**(3)**	**15**	**63**	**115**	**204**	**204**	**266**	**342**
Change (%)		-579%	331%	82%	78%	0%	31%	28%
Margin (%)	**-17%**	**7%**	**11%**	**13%**	**18%**	**15%**	**15%**	**15%**
Depr & Amor.	0	2	9	16	65	67	95	119
EBIT	***(3)***	***12***	***54***	***99***	***139***	***136***	***171***	***223***
Int. & other fin. Cost	*1*	*4*	*15*	*32*	*42*	*40*	*50*	*61*
Other Income	*1*	*2*	*7*	*7*	*11*	*24*	*33*	*32*
EBT	**(3)**	**11**	**46**	**74**	**107**	**121**	**155**	**194**
Exp Item	-	-	-	-	-	-	-	-
Tax	**1**	**7**	**14**	**26**	**37**	**42**	**56**	**66**
Minority Int & P/L share of Ass.	-	-	-	-	(1)	1	-	-
Reported PAT	**(4)**	**4**	**32**	**49**	**70**	**80**	**99**	**128**
Adjusted PAT	***(4)***	***4***	***32***	***49***	***70***	***80***	***99***	***128***
Change (%)		NA	679%	52%	43%	14%	24%	30%
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	767	880
Networth	6	22	56	171	299	748	835	948
Debt	10	83	105	174	165	187	239	299
Other Non Cur Liab	6	85	143	117	136	144	144	144
Total Capital Employed	17	105	161	345	464	935	1,074	1,247
Net Fixed Assets (incl CWIP)	6	88	169	297	332	410	395	356
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	526	487
Inventory	7	46	118	164	181	224	302	385
Debtors	10	86	152	287	368	419	565	720
Cash & Bank	20	56	40	36	50	324	313	404
Other Curr Assets	9	31	48	83	119	240	332	423
Curr Assets	45	219	357	570	718	1,207	1,512	1,947
Creditors	16	89	183	308	318	447	545	695
Provisons	0	0	1	3	2	18	24	31
Other Curr Liab	14	45	49	114	170	189	259	329
Curr Liabilities	30	134	232	425	490	655	828	1,055
Net Curr Assets	15	85	125	146	228	553	684	892
Total Assets	54	324	538	889	1,109	1,734	2,038	2,434

Financial Details

Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	(3)	11	46	74	106	122	155	194
(inc)/Dec in Working Capital	8	31	(16)	(121)	(50)	(98)	(157)	(103)
Non Cash Op Exp	0	2	9	16	65	67	95	119
Int Paid (+)	1	4	15	32	42	40	50	61
Tax Paid	1	5	12	16	24	24	56	66
others	(1)	(2)	(4)	(2)	(5)	(18)	-	-
CF from Op. Activities	4	41	37	(17)	136	85	86	205
(inc)/Dec in FA & CWIP	*(4)*	*(84)*	*(73)*	*(80)*	*(112)*	*(141)*	*(80)*	*(80)*
Free Cashflow	*(0)*	*(43)*	*(36)*	*(97)*	*23*	*(56)*	*6*	*125*
(Pur)/Sale of Inv	*(17)*	*(39)*	*13*	*3*	*(7)*	*(288)*	*0*	*(13)*
others	*0*	*1*	*4*	*6*	*4*	*22*	-	-
CF from Inv. Activities	*(21)*	*(122)*	*(55)*	*(71)*	*(120)*	*(414)*	*(80)*	*(93)*
inc/(dec) in NW	*9*	*12*	*2*	*63*	*20*	*1*	-	-
inc/(dec) in Debt	*11*	*75*	*28*	*63*	*(26)*	*(2)*	*52*	*52*
Int. Paid	*(0)*	*(4)*	*(15)*	*(31)*	*(42)*	*(39)*	*(50)*	*(61)*
Div Paid (inc tax)	-	-	-	-	-	*(3)*	*(12)*	*(15)*
others	-	-	-	*(2)*	*(26)*	-	-	-
CF from Fin. Activities	*19*	*84*	*15*	*92*	*(9)*	*330*	*(10)*	*(16)*
Inc(Dec) in Cash	*2*	*2*	*(3)*	*4*	*7*	*2*	*(4)*	*96*
Add: Opening Balance	-	*2*	*4*	*1*	*4*	*11*	*324*	*313*
Closing Balance	*2*	*4*	*1*	*5*	*11*	*13*	*320*	*409*

Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	-58%	19%	57%	29%	23%	11%	12%	14%
ROCE	-37%	17%	48%	43%	38%	17%	19%	22%
Asset Turnover	0.33	0.66	1.03	0.96	1.04	0.77	0.89	0.95
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	110	110
Int Coverage	(6)	3	4	3	3	3	3	4
P/E	-	-	-	-	-	26	14	11
Price / Book Value	-	-	-	-	-	3	2	1
EV/EBITDA	6	(0)	0	0	0	10	5	4
FCF per Share	(0)	(43)	(36)	(97)	23	(56)	6	125
Div Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.7%	0.9%

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