

## ISSUE DETAIL :

|                         |   |
|-------------------------|---|
| Type                    | 100% Book Building  |
| Issue Size              | Rs. 400 Crore   |
| Offer Price             | *Rs (245 - 250 ) / Share  |
| Min App Size            | 60 Shares   |
| Issue Open              | 13-Sep-17   |
| Issue Close             | 15-Sep-17   |
| Shares Offer            | 1.60 Cr.  |
| Face Value              | Rs 10   |
| Lead Mgrs               | Axis Capital Ltd , IIFL Holdings Ltd , Vivro Financial Services Private Ltd |
| Listing                 | BSE, NSE  |
| Registrar               | Karvy Computershare Pvt Ltd   |
| Market Cap (Post Issue) | 1697.3  |

## No of shares ( Post & Pre Issue)

|                          |            |
|--------------------------|------------|
| Noof Shares(Pre Issue)   | 518,91,497 |
| Offer for Sale           |            |
| Fresh Issue made         | 16000000   |
| Noof Shares (Post Issue) | 67891497   |

## Bid allocation pattern

|                   |     |
|-------------------|-----|
| QIB               | 50% |
| Non-Institutional | 15% |
| Retail            | 35% |

## COMPANY OVERVIEW:

Capacit'e Infraprojects is a Mumbai based which was incorporated in Aug 2012. The company has a niche operating play with specialized focus on Residential, Commercial and Institutional buildings in metro cities across India. Capacit'e Infra provide end-to-end construction services for residential buildings, multilevel car parking, corporate office buildings and buildings for educational, hospitality and healthcare purposes.

Capacit'e Infra primarily operates in Mumbai, NCR and Bangaluru. The list of clients include Lodha Group, Rustomjee, Godrej Properties Limited, Prestige Estates and Oberoi Constructions. Capacit'e has 51 ongoing projects. The order book consist of 96% residential, 3% commercial and 1% institutional projects.

Capacit'e Infra owns equipment that is required throughout the lifetime of a project including formwork, cranes, hoists, concrete pumps and boom placers. Company have over 1,688 employees and 10,678 contract workers across all its projects.

## OBJECTS OF ISSUE:

- ☒ Rs 250 crore Funding working capital requirements.
- ☒ Rs. 51 crore Funding purchase of capital assets (system formwork )
- ☒ General corporate purposes

## Investor Holding in Capacit'e Infraprojects

| Investor Name             | Share     | % stake |
|---------------------------|-----------|---------|
| Paragon Partners          | 81,36,303 | 15.70%  |
| NewQuest Capital Partners | 66,17,254 | 12.80%  |
| Infina Finance            | 12,65,439 | 2.40%   |

\*\* Paragon is a private equity (PE) venture of Siddharth Parekh, the son of HDFC chairman Deepak Parekh

## Industry Outlook

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 this period is expected to be in the range of 23-24 trillion, i.e. growth will be at CAGR of 10-12%. 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.

Some of the key initiatives that are expected to be the growth drivers in the upcoming years are affordable housing, Pradhan Mantri Awas Yojana- Housing for All by 2022, Smart Cities Mission, Slum rehabilitation and many more.

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## RECOMMENDATION :

Capacit'e Infraprojects Ltd is being offered at 2.1 times FY18E P/b post IPO issue at FY18E Roe of 12.5% ( pre IPO Roe of ~23%). We recommend SUBSRIIBE on the following grounds:

- Efficient Business Model- Subcontracting of real estate- Residential projects which ensures lesser volatility in terms of QoQ Sales
- Large Order Book of Rs 4600 Cr ( 4x FY17 Turnover)
- Marquee clients like the Lodha Group, The Wadhwa Group, Godrej Properties Limited, Transcon Developers Private Limited, Ahuja Constructions and Puravankara Projects Limited assures Consistent order book and improved revenue visibility
- Stable Margins and improving Working capital requirement

## Competitive Strengths

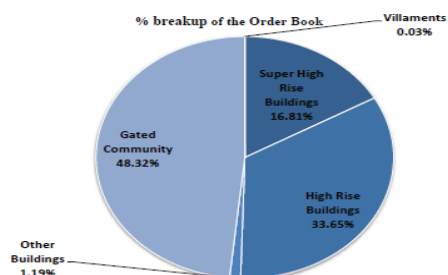
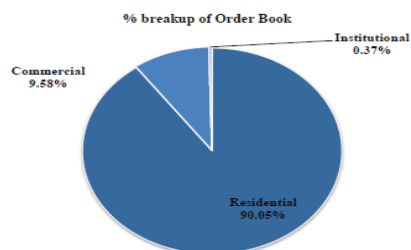
- ✓ Capacit'e has undertaken projects across various segments in Residential, Commercial and Institutional buildings. As of May 2017, an Order Book aggregating to Rs 46024 with projects spread across major regions in India, including the MMR, NCR, Pune, Hyderabad, Bengaluru, Chennai, Kochi and Vijaywada which is ~4x consolidated revenue from operations for FY17. Order book consists of construction of 12 Super High Rise, 23 High Rise, 6 Other Buildings, 14 Gated Communities and 1 Villament.
- ✓ The primary focus of business is on the construction of Residential, Commercial and Institutional buildings. This focussed business approach has enabled 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
- ✓ Company expand in the mass housing segment . With the announcement of recent government initiatives such as "Housing for All by 2022", which are aimed at redevelopment of existing structures with participation from private developers and promotion of affordable housing, Capacit'e remain the key beneficiary as it has significant potential for building construction services.
- ✓ Company expand presence in cities with high growth potential . Company has ongoing projects in MMR, NCR, Bengaluru, Chennai, Hyderabad and Pune all of which are regions with high growth potential. Company intend to increase presence in these locations by bidding for and securing new projects, including securing repeat orders from existing clients
- ✓ Capacit'e has 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 and High Rise Buildings. The implementing a variety of technology options available to them in construction of buildings allows them to reduce construction times.

## COMPETITIVE RISKS

- ✓ The business is manpower intensive and Capacit'e dependent on the supply and availability of a sufficient pool of contract labourers from sub-contractors at project locations. Unavailability or shortage of such a pool of contract labour or any strikes, work stoppages, increased wage demands by workmen or changes in regulations governing contractual labour may have an adverse impact on cash flows and results of operations.
- ✓ Company may be subject to liability claims or claims for damages or termination of contracts with clients for failure to meet project milestones or defective work, which may adversely impact profitability, cash flows, results of operations and reputation.
- ✓ Company dependent on the availability of and prices of steel and ready-mix concrete. Any lack of availability of or upward fluctuations in the price of steel and ready-mix concrete or ability to pass on any increased costs of raw materials to clients may have a material adverse effect on business, cash flows, results of operations and financial condition
- ✓ Company clients operate in a highly regulated environment, and existing and new laws, regulations and government policies affecting the sector in which they operate could adversely affect business, financial condition and results of operations. Any failure to obtain licenses and approvals by clients, could adversely affect to business, financial condition and results of operations
- ✓ Capacit'e may not be successful in implementing strategies, such as expanding in the mass housing segment, bidding for projects on a design-build basis or capitalizing on changes to the construction industry due to implementation of the RERD (Real Estate Regulations and Development Act,2016). Hence it remains the key risk to the business.

## Break-up of Order Book as at May 31, 2017:

| Category of building | Project No. | Contract Value ( Cr.) | Order Book ( Cr.) | % of the total Order Book |
|----------------------|-------------|-----------------------|-------------------|---------------------------|
| Residential          | 50          | 6,076.47              | 4,144.48          | 90.05%                    |
| Commercial           | 5           | 636.50                | 440.78            | 9.58%                     |
| Institutional        | 1           | 60.92                 | 17.22             | 0.37%                     |
| <b>Total</b>         | <b>56</b>   | <b>677.39</b>         | <b>4,602.48</b>   | <b>100.00%</b>            |



## Order Book as on May 31, 2017 by Geographic regions

| Zone         | Project No. | Contract Value ( Cr.) | Order Book ( Cr.) | % of the total Order |
|--------------|-------------|-----------------------|-------------------|----------------------|
| West Zone    | 33          | 4,458.95              | 3,259.91          | 70.83%               |
| North Zone   | 8           | 898.12                | 291.27            | 6.33%                |
| South Zone   | 15          | 1,416.82              | 1,051.29          | 22.84%               |
| <b>Total</b> | <b>56</b>   | <b>6,773.89</b>       | <b>4,602.48</b>   | <b>100.00%</b>       |

## Order Book as of May 31, 2017 by type of construction

| Category of building | Project No. | Contract Value ( Cr.) | Order Book ( Cr.) | % of the total Order |
|----------------------|-------------|-----------------------|-------------------|----------------------|
| Super High Rise      | 12          | 1,422.09              | 773.77            | 16.81%               |
| High Rise            | 23          | 2,072.20              | 1,548.65          | 33.65%               |
| Other Buildings      | 6           | 157.05                | 54.66             | 1.19%                |
| Gated Community      | 14          | 3,095.37              | 2,223.93          | 48.32%               |
| Villament            | 1           | 27.10                 | 1.47              | 0.03%                |
| <b>Total</b>         | <b>56</b>   | <b>6,773.82</b>       | <b>4,602.48</b>   | <b>100%</b>          |

## Financials Snap Shot

| Income Statement              |       |       |        |        | Key Ratios                              |        |        |         |        |
|-------------------------------|-------|-------|--------|--------|---|--------|--------|---------|--------|
| Rs in Crores                  |       |       |        |        |   |        |        |         |        |
| Y/E March                     | FY14  | FY15  | FY16   | FY17   | Y/E March                               | FY14   | FY15   | FY16    | FY17   |
| Revenue from Operation        | 214   | 556   | 853    | 1,157  | EPS                                     | 0.61   | 4.73   | 7.20    | 10.27  |
| Change (%)                    |       | 159%  | 54%    | 36%    | Book Value Per share                    | 3.43   | 8.60   | 25.50   | 44.55  |
| Total Operating Expense       | 200   | 493   | 739    | 999    | Valuation(x)                            |        |        |         |        |
| EBITDA                        | 15    | 63    | 115    | 158    | P/E ( Upper Band )                      | 412.31 | 52.89  | 34.71   | 24.33  |
| Change (%)                    |       | 331%  | 82%    | 38%    | P/E ( Lower Band )                      | 404.06 | 51.84  | 34.01   | 23.85  |
| Margin (%)                    | 7%    | 11%   | 13%    | 14%    | Price / Book Value                      | 72.96  | 29.08  | 9.80    | 5.61   |
| Dep & Amortization            | 2     | 9     | 16     | 18     | EV                                      | 1724   | 1762   | 1819    | 1767   |
| EBIT                          | 12    | 54    | 99     | 140    | EV/Sales                                | 8.05   | 3.17   | 2.13    | 1.53   |
| Interest & other finance cost | 4     | 15    | 32     | 42     | EV/EBITDA                               | 117.84 | 27.92  | 15.86   | 11.19  |
| Other Income                  | 2.3   | 6.9   | 7.0    | 8.9    | Profitability Ratios                    |        |        |         |        |
| EBT                           | 11    | 46    | 74     | 107    | RoE                                     | 17.7%  | 55.0%  | 28.2%   | 23.1%  |
| Tax                           | 7     | 14    | 26     | 37     | RoCE                                    | 52.34% | 92.58% | 57.25%  | 46.29% |
| Reported PAT                  | 4     | 32    | 49     | 70     | Liquidity Ratios                        |        |        |         |        |
| Change (%)                    |       | 679%  | 52%    | 43%    | Net Debt/Equity                         | 3.57   | 1.79   | 0.92    | 0.40   |
| Margin(%)                     | 2%    | 6%    | 6%     | 6%     | Interest Coverage Ratio                 | 3.41   | 3.66   | 3.13    | 3.32   |
|                               |       |       |        |        | Current Ratio                           | 0.61   | 0.65   | 0.69    | 0.66   |
| Balance Sheet                 |       |       |        |        | Cash Flow Statement                     |        |        |         |        |
| Rs in Crores                  |       |       |        |        | Rs in Crores                            |        |        |         |        |
| Y/E March                     | FY14  | FY15  | FY16   | FY17   | Y/E March                               | FY14   | FY15   | FY16    | FY17   |
| Share Capital                 | 9     | 5     | 8      | 44     | PBT                                     | 11     | 46     | 74      | 107    |
| Reserves                      | 13    | 51    | 163    | 256    | Adjustments                             |        |        |         |        |
| Minority Interest             | 1.48  | 1.88  | 2      | 2      | Depreciation and amortization           | 2      | 9      | 16      | 18     |
| Networth                      | 23.23 | 58.28 | 172.91 | 302.08 | Finance cost                            | 4      | 15     | 32      | 42     |
| Non Current Liabilities       |       |       |        |        | Sundry balance written off              | -      | -      | (0)     | (1)    |
| Long term borrowing           | 48.4  | 56.7  | 60.7   | 67.3   | Provision for doubtful debts            | -      | -      | 3       | 3      |
| Short term borrowing          | 35    | 48    | 98     | 55     | Interest income                         | (2)    | (4)    | (5)     | (7)    |
| Total Borrowing               | 82.9  | 104.6 | 159.2  | 122.0  | Unrealized foreign exchange (gain)      | -      | -      | 0       | (0)    |
| Other long term liabilities   | 82    | 134   | 106    | 116    | Operating profit beforeWC               |        |        |         |        |
| Deferred tax liability        | 3     | 8     | 12     | 29     | Trade receivables                       | 73     | 94     | 126     | 11     |
| Long term Provision           | 0.2   | 0.6   | 1.3    | 2.4    | Other current / non current liabilities | 98.5   | 35.6   | 14.2    | 54.67  |
| Current Liabilities           |       |       |        |        | Provisions                              | 0      | 1      | 1       | 2      |
| Trade payables                | 89    | 183   | 309    | 321    | Loans and advances                      | (24)   | (7)    | (33)    | 2      |
| Other current liabilities     | 45    | 49    | 106    | 169    | Inventories                             | (40)   | (71)   | (103)   | (39)   |
| Short Term Provision          | 0     | 1     | 9      | 4      | Trade receivables (including retent     | (76.6) | (65.9) | (125.7) | (76.7) |
| Total Liabilities             | 324   | 538   | 876    | 1,064  | Other current / Non Current assets      | (1)    | (3)    | (1)     | (30)   |
| Fixed Asset                   | 93    | 174   | 241    | 261    | Cash flow from operations               |        |        |         |        |
| Loans and Advances            | 10    | 4     | 11     | 23     | Direct taxes paid                       | 5      | 12     | 16      | 24     |
| Other non current assets      | 3     | 2     | 11     | 30     | Cash flow from operations               |        |        |         |        |
| Non Current Assets            | 105   | 180   | 263    | 315    | Net cash flow investing activities      | (122)  | (55)   | (71)    | (47)   |
| Inventories                   | 46    | 118   | 221    | 260    | Net cash flow financing activities      | 84     | 15     | 92      | (7)    |
| Trade Receivable              | 86    | 152   | 275    | 334    | Net increase/(decrease) in cash         | 2      | (3)    | 4       | 7      |
| Cash & Cash equivalent        | 56    | 40    | 37     | 52     | Cash at the beginning of year           | 2      | 4      | 1       | 5      |
| Loans and Advances            | 28    | 42    | 73     | 68     | Cash at the end of year                 | 4      | 1      | 5       | 12     |
| Other Current assets          | 2     | 5     | 6      | 35     |   |        |        |         |        |
| Total Asset                   | 324   | 538   | 876    | 1,064  |   |        |        |         |        |