

Industry
Bloomberg
BSE CODE

Eng. & Cons.
CAPACITE IN
540710

Projects Mobilization dented EBITDA Margin

RATING	BUY
CMP	225
Price Target	265
Potential Upside	18%

Rating Change	↔
Estimate Change	↓
Target Change	↓

Stock Info

52wk Range H/L	361/171
Mkt Capital (Rs Cr)	1523
Free float (%)	22%
Avg. Vol 1M (,000)	47.4
No. of Shares (Cr)	7
Promoters Pledged %	20

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4QFY19 Result update

- ❑ The Company registered a growth of 31% YoY on account of strong opening order book and healthy execution.
- ❑ EBITDA margin was down by 290bps to 13.5% due to projects mobilization of 4 super high rise buildings.
- ❑ The PAT grew by 16% YoY on account of lower depreciation and tax rate. The PAT margins during the quarter fell by 70 bps.
- ❑ During the quarter, the company has foreclosed 2 projects one from Radius group worth of Rs 106 Cr and another from Purvankara of Rs 119 Cr.
- ❑ The order inflow during the quarter stood at Rs 484 Cr from Municipal Corporation of Greater Mumbai, Health Infrastructure Cell. For FY19 order inflows were Rs 3637 Cr as against Rs 2722 Cr a growth of 34%.
- ❑ 50% of the Order wins from the Private sector during 4QFY19 are repeat order from existing client.
- ❑ The Order Book as of 31st March stood at Rs 7,177 Cr (Private Sector - Rs 6,262 Cr & Public Sector - Rs 915 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 is paying off the dividend. During the quarter company has suspended two projects (total worth Rs 230 Cr) as the clients are facing financial/liquidity crunch and do not progress on the projects which payment is delayed more than two months. Management's cautious and pro active approach towards sustainable growth without compromise the margin and cash flow is good strategy in current scenario. Last quarter company has received first ever order from Public sector and further management aims to increase order book mix to 20% from current level of 12%.

We reduce FY20E EPS by 4% to account lower margin. We value the stock at Rs 265 per share at 15x FY20E EPS and maintain BUY rating on the stock.

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	1155	1341	1798	2195	2488
EBITDA	204	204	251	319	362
EBIT	139	136	162	211	249
PAT	70	79	97	120	143
EPS (Rs)	17	12	14	18	21
EPS growth (%)	-80%	-32%	22%	23%	20%
ROE	23%	11%	12%	13%	13%
ROCE	38%	17%	18%	21%	22%
BVPS	74	110	124	140	158
P/B (X)	0.0	2.7	1.9	1.6	1.4
P/E(x)	0.0	25.8	16.2	12.7	10.6

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4QFY19 Results

Financials	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	QoQ%	FY18	FY19	YoY %
Net Sales	366	381	397	443	449	498	1%	1,336	1,788	33.8%
Other Income	8	9	8	10	9	10	-6%	24	37	51.4%
COGS	274	272	291	324	332	373	2%	966	1,320	36.7%
Employee Exp.	30	33	34	36	38	38	4%	117	146	25.3%
Other Exp.	13	14	17	18	18	20	0%	49	73	46.7%
Total Exp.	317	318	342	379	388	431	2%	1,132	1,539	35.9%
EBITDA	50	62	55	65	62	67	-4%	203	248	22.2%
Depreciation	13	27	19	26	20	25	-23%	67	89	32.4%
EBIT	37	36	37	39	42	42	9%	136	159	17.2%
Interest	10	11	10	12	12	15	-6%	40	49	23.6%
PBT	35	34	35	36	39	37	10%	121	147	22.0%
Tax	13	11	12	13	15	11	20%	42	52	23.2%
PAT	23	22	23	23	24	26	4%	79	96	21.4%

Strong revenue growth YoY, Project Mobilization dented EBITDA

During 4QFY19 company has registered revenue growth of 31% YoY to Rs 498 Cr on the back of strong order book and healthy execution. The EBITDA stood at Rs 67 Cr, up by 7% YoY, while the EBITDA margins were down by 290 bps YoY far lower than our expectation due to mobilization of Rs 1300 Cr of orders which was received in Q3FY19. Revenue from this will flow in from 1QFY20 and are high margin projects. PAT during the quarter stood at Rs 26 Cr registered a growth of 16% YoY on account of lower depreciation and tax rate. The PAT margins during the quarter were down by 70 bps. The Order Book at the end of the quarter stood at Rs 7177 Cr with private sector contributing Rs 6262 Cr and public sector Rs 915 Cr.

Cautious approach to maintain sustainable growth

Due to recent NBFC issues, company has adopted cautious approach towards the financially trapped clients. To encounter this company has decided to suspend the 2 projects, one from Radius group worth of Rs 106 Cr and another from Purvankara of Rs 119 Cr. However Purvankara was foreclosed due to commercial problem and not financial hence company will continue to work on balance two projects of Purvankara. Company has received all the outstanding dues from Radius while retention money from Purvankara is outstanding and expected to receive shortly. Additionally, company stopped work if payments get delayed more than two months. Cautious and pro active approach of management will result into sustainable growth without impacting its margins and cash flows.

Diversification of Order book

Company's order book is majorly from private sector while public contributes a small portion. Hence the company is focusing on diversifying its risk by increasing share of orders from Public sector. In last quarter company has started taking orders from Public sector and expects to increase Public sector share going ahead. Company target to receive new orders worth Rs 1800-2000 Cr in FY20 and most of it will be from Public sector as the management is target to increase order book mix from current level of 12% to 20%. This will help company to diversify the risk and dependency on private sector.

Concall Highlights

➤ Top risks for Business

- Quality of Clients after NBFC issues due to IL&FS Crisis
- Collections
- Project which has outstanding payment for more than 2 months will be suspended.
- H2FY19 was a challenging year due to liquidity crises in NBFC sector. Uncertified bills are Rs 126 Cr.
- Company has foreclosed projects with Radius Sumer of Rs 106 Cr and another with Purvankara of Rs 119 Cr. Rs 120 Cr of projects is under final billing. Post providing these adjustments order book stand at Rs 7177 Cr for FY19. Purvankara has been foreclosed due to commercial issue while company will continue to do 2 more projects for them. Also outstanding amount from Radius has been received but retention money from Purvankara is still outstanding.
- In FY19, order inflow stood at Rs 3626 Cr of which 50% were repeat orders. In 4QFY19 received an order from MCGM, Health Infrastructure Cell for proposed development of hospital worth Rs 484 Cr.
- Out of the order received in 3QFY19 for 8 super high rise buildings, 4 buildings have been fully mobilisation. Revenue from these projects will flow in firm 1QFY19 with higher EBITDA margin. EBITDA margin is expected to be 15.7-16.3% in FY20 since margins are cost to complete and project cost are non speculative therefore not impacted by increase or decrease of material prices.
- Order book at the end of FY20 will be 2.8-3 times of revenue and to achieve this order inflow of Rs 2000 Cr is expected in FY20. However management has always out bitten its words.
- Client's quality and geography will drive order booking philosophy. About 18-20% at the end of FY20 order book will be from Public sector which will led to higher inflow from Public sector. Company will continue to bid for West part of Mumbai in Mumbai Development Plan 2034.
- Latest order from Oberoi is for super high residential tower of Rs 230 Cr (excluding taxes) in Oberoi skycity complex (addition of 2 towers to earlier project) and Raheja is commercial complex at Worli of Rs 100 Cr excluding taxes and excluding steel & concrete)
- In SPV with TATA project, TATA Projects is the financial leader and will be tying bank facility limits. For first 2 years of project, there will be no bank facility required by SPV but in 5th or 6th year pick requirement could be of Rs 500 Cr. Share of Capacite in SPV is 37.1% and EBITDA from this SPV will be 15%.
- MAHDA project is on schedule with completion of designing phase and expected to start physical execution by the end of May.
- Outstanding retention is Rs 130 Cr and mobilisation advances is Rs 212 (including Rs 61 Cr of Material Advance) as on FY19.
- Rs 61 Cr of Material advance received from clients resulted in increase in 12 days of Debtor level in FY19 has been netted off against Debtors in April 2019 as against March 2019.
- Receivable days for FY20 will be 55-56 days. Net working capital days will be 55-56 days in FY20.
- Total debt for FY20 will be Rs 168 Cr excluding bill discounting.
- Finance cost of Rs 49 Cr includes Rs 20.85 Cr of bank interest on CC, term loans and processing fees, Rs 10.05 Cr is commission and balance is bank charges.
- CapEx toward core assets stood at Rs 89 Cr in FY19. CapEx in FY20 will be Rs 75 Cr.

Exhibit: Order Book Segmental Split (%)

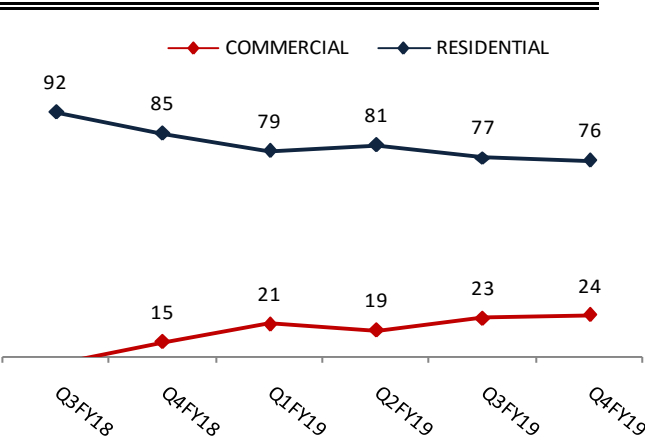


Exhibit: Project Split

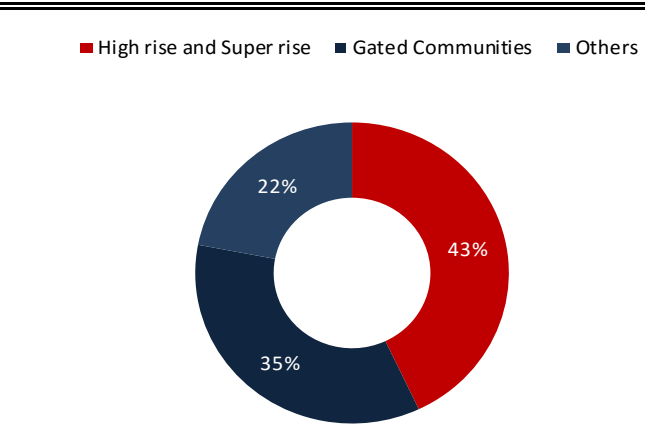
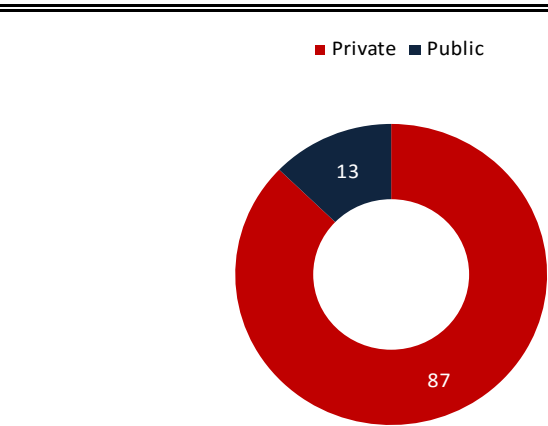


Exhibit: Client Split



Financial Details

Income Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	214	556	853	1,155	1,341	1,798	2,195	2,488
Change (%)	1105%	159%	54%	35%	16%	34%	22%	13%
EBITDA	15	63	115	204	204	251	319	362
Change (%)	-579%	331%	82%	78%	0%	23%	27%	13%
Margin (%)	7%	11%	13%	18%	15%	14%	15%	15%
Depr & Amor.	2	9	16	65	67	89	108	114
EBIT	12	54	99	139	136	162	211	249
Int. & other fin. Cost	4	15	32	42	40	49	60	62
Other Income	2	7	7	11	24	36	30	30
EBT	11	46	74	107	121	149	181	217
Exp Item	-	-	-	-	-	-	-	-
Tax	7	14	26	37	42	52	62	74
Minority Int & P/L share of Ass.	-	-	-	(1)	1	(0)	-	-
Reported PAT	4	32	49	70	80	97	120	143
Adjusted PAT	4	32	49	70	80	97	120	143
Change (%)	NA	679%	52%	43%	14%	22%	23%	20%
Margin(%)	2%	6%	6%	6%	6%	5%	5%	6%

Balance sheet

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<i>Share Capital</i>	9	5	8	44	68	68	68	68
<i>Reserves</i>	13	51	163	256	680	775	880	1,006
<i>Networth</i>	22	56	171	299	748	843	948	1,074
<i>Debt</i>	83	105	174	165	187	236	275	282
<i>Other Non Cur Liab</i>	85	143	117	136	144	177	177	177
<i>Total Capital Employed</i>	105	161	345	464	935	1,079	1,224	1,356
<i>Net Fixed Assets (incl CWIP)</i>	88	169	297	332	410	545	572	601
<i>Non Cur Investments</i>	5	5	0	0	0	0	0	0
<i>Other Non Cur Asst</i>	17	11	22	36	116	173	173	173
<i>Non Curr Assets</i>	105	180	319	368	526	718	746	774
<i>Inventory</i>	46	118	164	181	224	91	111	126
<i>Debtors</i>	86	152	287	368	419	533	651	738
<i>Cash & Bank</i>	56	40	36	50	324	193	232	239
<i>Other Curr Assets</i>	31	48	83	119	240	515	629	713
<i>Curr Assets</i>	219	357	570	718	1,207	1,333	1,623	1,889
<i>Creditors</i>	89	183	308	318	447	534	652	739
<i>Provisions</i>	0	1	3	2	18	22	26	30
<i>Other Curr Liab</i>	45	49	114	170	189	240	290	362
<i>Curr Liabilities</i>	134	232	425	490	655	795	968	1,131
<i>Net Curr Assets</i>	85	125	146	228	553	538	655	759
<i>Total Assets</i>	324	538	889	1,109	1,734	2,051	2,369	2,664

Financial Details

Cash Flow

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	11	46	74	106	122	149	181	217
(inc)/Dec in Working Capital	31	(16)	(121)	(50)	(98)	(167)	(79)	(24)
Non Cash Op Exp	2	9	16	65	67	89	108	114
Int Paid (+)	4	15	32	42	40	49	60	62
Tax Paid	5	12	16	24	24	52	62	74
others	(2)	(4)	(2)	(5)	(18)	-	-	-
CF from Op. Activities	41	37	(17)	136	85	68	208	295
(inc)/Dec in FA & CWIP	(84)	(73)	(80)	(112)	(141)	(224)	(135)	(142)
Free Cashflow	(43)	(36)	(97)	23	(56)	(156)	73	153
(Pur)/Sale of Inv	(39)	13	3	(7)	(288)	(0)	0	(74)
others	1	4	6	4	22	-	-	-
CF from Inv. Activities	(122)	(55)	(71)	(120)	(414)	(188)	(135)	(216)
inc/(dec) in NW	12	2	63	20	1	-	-	-
inc/(dec) in Debt	75	28	63	(26)	(2)	39	39	39
Int. Paid	(4)	(15)	(31)	(42)	(39)	(49)	(60)	(62)
Div Paid (inc tax)	-	-	-	-	(3)	-	(14)	(17)
others	-	-	(2)	(26)	-	-	-	-
CF from Fin. Activities	84	15	92	(9)	330	(10)	(34)	(72)
Inc(Dec) in Cash	2	(3)	4	7	2	(130)	39	7
Add: Opening Balance	2	4	1	4	11	324	193	232
Closing Balance	4	1	5	11	13	193	232	239

Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	19%	57%	29%	23%	11%	12%	13%	13%
ROCE	17%	48%	43%	38%	17%	18%	21%	22%
Asset Turnover	0.66	1.03	0.96	1.04	0.77	0.88	0.93	0.93
Debtor Days	147	100	123	116	114	108	108	108
Inv Days	79	77	70	57	61	18	18	18
Payable Days	152	120	132	101	122	108	108	108
Int Coverage	3	4	3	3	3	3	4	4
P/E	-	-	-	-	26	16	13	11
Price / Book Value	-	-	-	-	3	2	2	1
EV/EBITDA	(0)	0	0	0	10	6	5	4
FCF per Share	(106)	(72)	(169)	6	(8)	(23)	11	23
Div Yield	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.8%	0.9%

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