




# CAPACITE INFRAPROJ LTD

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

## Lower Workforce availability impacted Execution but Collection remains Strong

<b>RATING</b>	<b>BUY</b>
<b>CMP</b>	<b>218</b>
<b>Price Target</b>	<b>252</b>
<b>Potential Upside</b>	<b>16%</b>

<b>Rating Change</b>	
<b>Estimate Change</b>	
<b>Target Change</b>	

### Stock Info

52wk Range H/L	295/171
Mkt Capital (Rs Cr)	1480
Free float (%)	22%
Avg. Vol 1M (,000)	50
No. of Shares (Cr)	7
Promoters Pledged %	0

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	1798	2060	2497
EBITDA	251	314	367
EBIT	162	206	242
PAT	97	123	142
EPS (Rs)	14	18	21
EPS Gr (%)	22%	26%	16%
ROE	12%	13%	13%
ROCE	18%	20%	21%
BVPS	124	140	159
P/B (X)	1.9	1.9	1.7
P/E(x)	16.2	15.0	13.0

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### 1QFY20 Result update

- ❑ The Revenue growth is flat to 3% YoY on an account of slower execution due to non-availability of workforce during general election period.
- ❑ The operating margin is 17%, improvement of 290 bps. Margin in Q1FY19 was impacted due to higher mobilization expenses on new projects.
- ❑ The PAT grew by 5% YoY on account of higher depreciation and interest cost. The depreciation and Interest cost was higher on account of the implication of IND AS 116.
- ❑ Capacite has suspended order worth Rs 465 Cr for the further construction on account of funding issue facing by the developers of the projects.
- ❑ The order inflow during the quarter stood at Rs 724 Cr. 2 order worth Rs 325 Cr from Private sector clients for construction of commercial & residential buildings at Mumbai, Maiden order from Raymond Limited (Realty Division) worth Rs 229 Cr and Rs 170 Cr from Alyssum Developers Pvt. Ltd.
- ❑ 21% of the Order wins from the Private sector during 1QFY20 are repeat orders from an existing client.
- ❑ The Order Book as of 30th June stood at Rs 7018 Cr (Private Sector - Rs 6113 Cr & Public Sector - Rs 905 Cr).

### Slower Execution dented Revenue

1QFY20 revenue growth was 3% YoY to Rs 411 Cr on account of slower execution due to non availability of workforce during general election period. The EBIDTA stood at Rs 70 Cr, up by 27% YoY and the EBITDA margins were up by 301 bps YoY. PAT during the quarter stood at Rs 24 Cr registered a growth of 5% YoY on account of higher depreciation and interest cost. The PAT margins during the quarter were up by 10 bps.

### Cautious approach to maintain sustainable growth

Despite the tough market situation company has able to collect Rs 415 Cr which is equivalent to the revenue of the quarter. Collection for the last year was also robust at Rs 1745 Cr as against revenue of Rs 1825 Cr. Post IL&FS and NBFC crisis, company has adopted cautious approach towards the financially trapped clients. Management stops the work where payment is delayed more than the 15-20 days of the billing cycle. During the quarter company has stopped the work on Rs 400 Cr of order; outstanding order value is Rs 265 Cr and suspended another order value of Rs 200 Cr, construction is yet to start. The management's cautious approach towards the cash flow management will provide sustained growth going ahead.

### View and Valuation

The execution during the quarter was impacted due to lower availability of the workforce which has improved now. Despite the tuff market condition company's collection remain robust. The Management's cash flow focused growth strategy and marquee clientele will help the company to grow sustainably going forward. But the real estate market continues to remain under pressure due to the NBFC crisis and lower demand in the market. We have reduced our Revenue estimates for FY20/21 by 7/4%. Considering the market outlook, we have also reduce the valuation multiple. Now, we value CAPACITE at Rs 252 (12x FY21E EPS) and maintain BUY rating on the stock.

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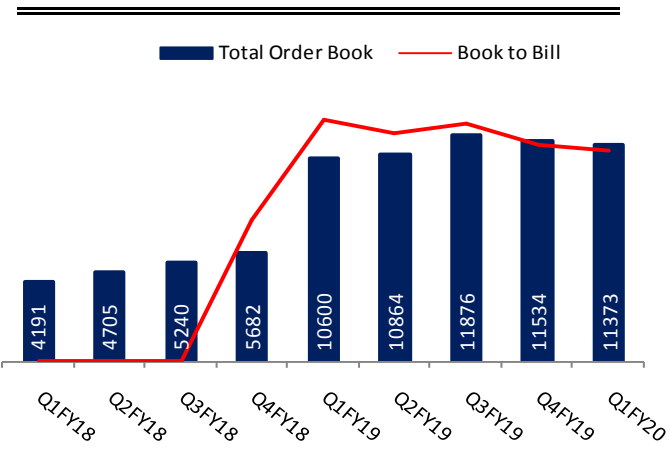
## 1QFY20 Results

Financials	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	QoQ%	Fig in Rs Cr		
								FY18	FY19	YoY %
Net Sales	381	397	443	449	498	411	11%	1,341	1,798	34.0%
Other Income	9	8	10	9	10	7	4%	24	36	48.9%
COGS	272	291	324	332	373	288	12%	971	1,334	37.4%
Employee Exp.	33	34	36	38	38	35	0%	117	146	25.3%
Other Exp.	14	17	18	18	20	18	12%	50	66	33.0%
Total Exp.	318	342	379	388	431	341	11%	1,137	1,546	36.0%
EBITDA	62	55	65	62	67	70	8%	204	251	23.3%
Depreciation	27	19	26	20	25	25	24%	67	89	32.4%
EBIT	36	37	39	42	42	45	1%	136	162	18.9%
Interest	11	10	12	12	15	15	29%	40	49	23.2%
PBT	34	35	36	39	37	37	-7%	121	149	23.5%
Tax	11	12	13	15	11	13	-30%	42	52	23.2%
PAT	22	23	23	24	26	24	9%	79	97	23.6%

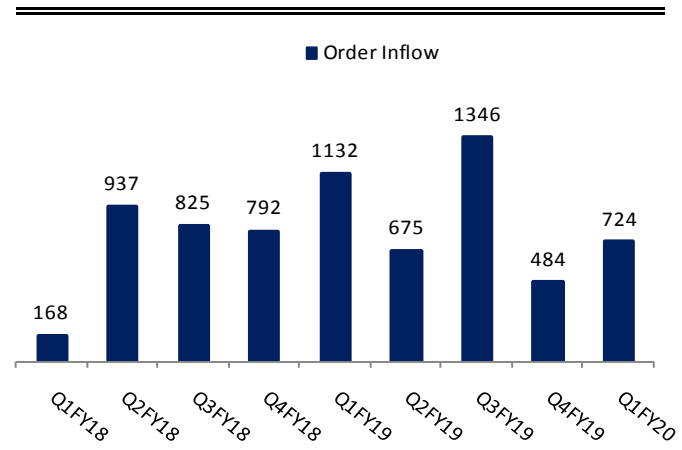
### Concall Highlights

- Execution was lower due to non availability of workforce on account of general election.
- EBITDA margin is expected to be in the range of 15.7-16.8%.
- Collection for the Q1FY20 is Rs 415 Cr.
- Interest cost has increased due to bill discounting and bank guaranty charges.
- 21% of the order inflows were repeat orders.
- Company has a policy to suspend work if client fails to make payment post grace days of 15-20 days. During the quarter company has suspended total work of Rs 465 Cr. The one project worth Rs 200 Cr was not yet start.
- Company is waiting for result from CIDCO bid.
- MHADA work has started at site level and will take 8-9 years to complete.
- BSNL Project is not impacted due to BSNL financial position as the project is directly funded through DRDO and BSNL is just the implementing agency. The payment is directly received from DRDO in escrow account.
- For FY20 company expects 2.8-3.2 times forward order book of FY21 revenue i.e. orders inflow of Rs 3000 Cr.
- Capex for Q1FY20 was Rs 20 Cr for core assets. Total capex for FY20 is expected to be Rs 75 Cr.
- Company on its own is qualified for Public sector projects worth up to Rs 4000 Cr and Rs 400-450 Cr Hospital projects.
- BDD chawl revenue of Rs 300 Cr is not booked due to Ind AS 115 & 116. Will be booked post clarification for auditors.
- Company is not looking for entering into other segments and focus is on only current segment.

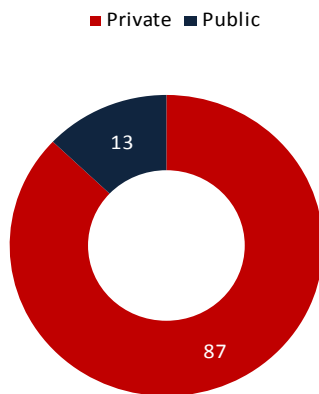
**Exhibit: Total Order Book**



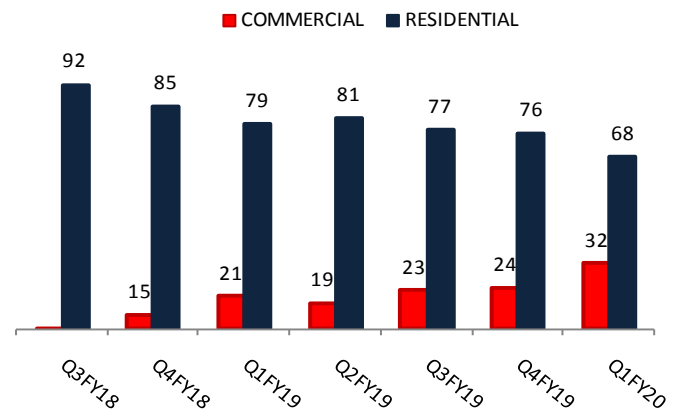
**Exhibit: Order Inflow**



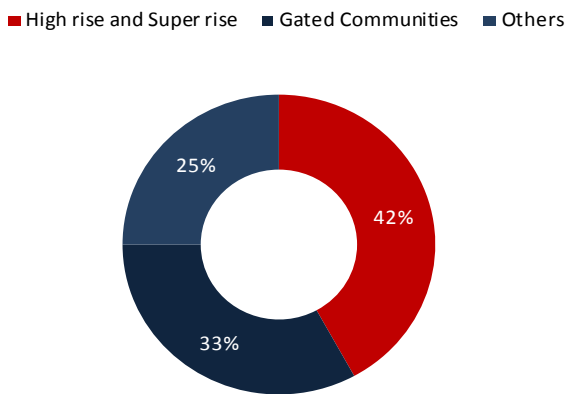
**Exhibit: Client Split**



**Exhibit: Order Book Segmental Split (%)**



**Exhibit: Project Split**



## Financial Details

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	214	556	853	1,155	1,341	1,798	2,060	2,497
Change (%)	1105%	159%	54%	35%	16%	34%	15%	21%
<b>EBITDA</b>	<b>15</b>	<b>63</b>	<b>115</b>	<b>204</b>	<b>204</b>	<b>251</b>	<b>314</b>	<b>367</b>
Change (%)	-579%	331%	82%	78%	0%	23%	25%	17%
Margin (%)	7%	11%	13%	18%	15%	14%	15%	15%
Depr & Amor.	2	9	16	65	67	89	108	125
<b>EBIT</b>	<b>12</b>	<b>54</b>	<b>99</b>	<b>139</b>	<b>136</b>	<b>162</b>	<b>206</b>	<b>242</b>
Int. & other fin. Cost	4	15	32	42	40	49	52	58
Other Income	2	7	7	11	24	36	31	32
<b>EBT</b>	<b>11</b>	<b>46</b>	<b>74</b>	<b>107</b>	<b>121</b>	<b>149</b>	<b>185</b>	<b>216</b>
Exp Item	-	-	-	-	-	-	-	-
Tax	7	14	26	37	42	52	62	73
Minority Int & P/L share of Ass.	-	-	-	(1)	1	(0)	-	-
<b>Reported PAT</b>	<b>4</b>	<b>32</b>	<b>49</b>	<b>70</b>	<b>80</b>	<b>97</b>	<b>123</b>	<b>142</b>
<b>Adjusted PAT</b>	<b>4</b>	<b>32</b>	<b>49</b>	<b>70</b>	<b>80</b>	<b>97</b>	<b>123</b>	<b>142</b>
Change (%)	NA	679%	52%	43%	14%	22%	26%	16%
Margin(%)	2%	6%	6%	6%	6%	5%	6%	6%

### Balance sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	9	5	8	44	68	68	68	68
Reserves	13	51	163	256	680	775	883	1,008
Networth	22	56	171	299	748	843	951	1,076
Debt	83	105	174	165	187	236	262	305
Other Non Cur Liab	85	143	117	136	144	177	177	177
Total Capital Employed	105	161	345	464	935	1,079	1,213	1,382
Net Fixed Assets (incl CWIP)	88	169	297	332	410	545	572	609
Non Cur Investments	5	5	0	0	0	0	0	0
Other Non Cur Asst	17	11	22	36	116	173	173	173
Non Curr Assets	105	180	319	368	526	718	746	783
Inventory	46	118	164	181	224	91	104	126
Debtors	86	152	287	368	419	533	611	741
Cash & Bank	56	40	36	50	324	193	248	258
Other Curr Assets	31	48	83	119	240	515	590	715
Curr Assets	219	357	570	718	1,207	1,333	1,554	1,914
Creditors	89	183	308	318	447	534	612	741
Provisions	0	1	3	2	18	22	25	30
Other Curr Liab	45	49	114	170	189	240	273	363
Curr Liabilities	134	232	425	490	655	795	910	1,134
Net Curr Assets	85	125	146	228	553	538	644	780
Total Assets	324	538	889	1,109	1,734	2,051	2,300	2,697

## Financial Details

### Cash Flow

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	11	46	74	106	122	149	185	216
(inc)/Dec in Working Capital	31	(16)	(121)	(50)	(98)	(167)	(52)	(52)
Non Cash Op Exp	2	9	16	65	67	89	108	125
Int Paid (+)	4	15	32	42	40	49	52	58
Tax Paid	5	12	16	24	24	52	62	73
others	(2)	(4)	(2)	(5)	(18)	-	-	-
CF from Op. Activities	41	37	(17)	136	85	68	231	273
(inc)/Dec in FA & CWIP	(84)	(73)	(80)	(112)	(141)	(224)	(135)	(162)
Free Cashflow	(43)	(36)	(97)	23	(56)	(156)	96	111
(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)	(236)
inc/(dec) in NW	12	2	63	20	1	-	-	-
inc/(dec) in Debt	75	28	63	(26)	(2)	39	39	26
Int. Paid	(4)	(15)	(31)	(42)	(39)	(49)	(52)	(58)
Div Paid (inc tax)	-	-	-	-	(3)	-	(15)	(17)
others	-	-	(2)	(26)	-	-	-	-
CF from Fin. Activities	84	15	92	(9)	330	(10)	(41)	(32)
Inc(Dec) in Cash	2	(3)	4	7	2	(130)	55	5
Add: Opening Balance	2	4	1	4	11	324	193	248
Closing Balance	4	1	5	11	13	193	248	253

### 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%	20%	21%
Asset Turnover	0.66	1.03	0.96	1.04	0.77	0.88	0.90	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	15	13
Price / Book Value	-	-	-	-	3	2	2	2
EV/EBITDA	(0)	0	0	0	10	6	6	5
FCF per Share	(106)	(72)	(169)	6	(8)	(23)	14	16
Div Yield	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.7%	0.8%

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