

Capacite Infraprojects Ltd

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

Heavy Rainfall impacted Execution but Margins Improved

RATING	BUY
CMP	218
Price Target	250
Potential Upside	15%

Rating Change	↔
Estimate Change	↔
Target Change	↔

Stock Info

52wk Range H/L	295/156
Mkt Capital (Rs Cr)	1478
Free float (%)	22%
Avg. Vol 1M (,000)	52
No. of Shares (Cr)	7
Promoters Pledged %	0

FINANCIAL	Fig in Rs Cr		
	FY19	FY20E	FY21E
Net Sales	1798	1935	2675
EBITDA	251	305	407
EBIT	162	176	270
PAT	97	133	188
EPS (Rs)	14	20	28
EPS Gr (%)	22%	37%	42%
ROE	12%	14%	17%
ROCE	18%	17%	23%
BVPS	124	142	168
P/B (X)	1.9	1.4	1.2
P/E(x)	16.2	10.1	7.1

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2QFY20 Result update

- Company reported revenue of Rs 405 Cr, de-growth of 9% YoY on an account of slower execution due to heavy rainfall.
- EBITDA grew at 4% due to the reduction in construction cost and margin improved by 198 bps to 16.6%.
- PAT grew by 73% YoY on account of deferred tax adjustments and margin improved by 462 bps to 9.8%.
- Despite the liquidity crunch in the market, the company's collection remained strong at Rs 798 Cr in H1FY20 and Rs 383 Cr in Q2FY20. This shows the management control over working capital.
- Working capital remains stable at 68 days in H1FY20 compared to March 2019 level.
- Order inflow during the quarter stood at Rs 4520 Cr from City & Industrial Development Corporation (CIDCO) of Maharashtra. This order is for construction of approximately 21,346 dwelling units with a development of the commercial area and onsite infrastructure works at Navi Mumbai.
- The Order Book as of 30th September stood at Rs 11137 Cr (Private Sector - Rs 5739 Cr & Public Sector - Rs 5397 Cr).

Execution Slowdown but Margins Improved

Capacite has reported revenue of Rs 405 Cr, de growth of 9% YoY, below than our estimates. The execution was slowdown on account of heavy rainfall in Mumbai and MMR. Due heavy rainfall company has lost approximately 29 days of work, which result into revenue loss of Rs 75-80 Cr. Despite the lower revenue EBITDA margins has improved by 198 bps to 16.6% with growth of 4% YoY. Margin improvement was led by the 1) soft commodity prices 2) reduction in fixed cost by focused management approach and, 3) reduction in operational number of sites (reduce from to 48 sites from 56 site in August 2017).PAT grew by 73% to Rs 40 Cr on account of deferred tax adjustment. The PAT margins during quarter improved by 462 bps to 9.8%.

Strong and Diversified Order Book provides robust revenue visibility

During the quarter company has received one large order from the CIDCO of Rs 4520 Cr for construction of approximately 21,346 dwelling units with development of commercial area and onsite infrastructure works at Navi Mumbai. With this order, current order book is stands strong at Rs 11137 Cr ex. MHADA order. Now the order book is very well diversified in terms of client's profile. Public sector contribution has increased from mere 13% in FY19 to 48% in H1FY20. The increased contribution from public sector has also reduced the dependency over private residential players. Similarly company has also diversified the order book in terms of types of projects. Currently 17% orders are for Commercial and Institutional buildings. The diversified order book provides strong revenue visibility over 3-4 years. With the strong orders in hand, now management will be choosy in terms of new orders and will go for the selective projects. Company is focused on the government's commercial and residential projects.

View and Valuation

The execution during the quarter was impacted due to heavy rainfall but the company managed to improve its operating margins by 198 bps which reflects the efficiency. The strong and diversified order book along with the Management's cash flow focused growth strategy will help the company to grow sustainably going forward. We largely maintain our estimates and value CAPACITE at Rs 250 (9x FY21E EPS) and maintain BUY rating on the stock.

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2QFY20 Results

Financials	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	QoQ%	Fig in Rs Cr		
								H1FY19	H1FY20	YoY %
Net Sales	397	443	449	498	411	405	-17%	841	853	1.5%
Other Income	8	10	9	10	7	8	-30%	18	7	-61.6%
COGS	291	324	332	373	288	284	-23%	615	625	1.6%
Employee Exp.	34	36	38	38	35	35	-8%	71	73	3.7%
Other Exp.	17	18	18	20	18	19	-7%	35	40	14.6%
Total Exp.	342	379	388	431	341	338	-21%	721	739	2.5%
EBITDA	55	65	62	67	70	67	4%	120	115	-4.2%
Depreciation	19	26	20	25	25	29	1%	44	16	-64.8%
EBIT	37	39	42	42	45	38	6%	75	99	31.7%
Interest	10	12	12	15	15	15	-1%	22	32	42.0%
PBT	35	36	39	37	37	31	0%	71	74	4.6%
Tax	12	13	15	11	13	(9)	18%	25	26	0.8%
PAT	23	23	24	26	24	40	-8%	46	49	6.8%

Concall Highlights

- Execution was lower due to heavy rainfall.
- Maintained EBITDA margin guidance in the range of 15.7-16.8%.
- Collection for the H1FY20 is Rs 798 Cr.
- Company has received Rs 4520 Cr of order form CIDCO. Of the total 7 locations, 3 locations have been handed over to the company and balance 4 locations will be hand over by 10th Dec. Advance of Rs 90 Cr has been received and another Rs 150 Cr is expected to come in by month end.
- Drawing has been submitted to IIT and it will take 10-15 days to received approval and execution will start by Mid December.
- Rs 45-50 Cr of Ahuja project will be added back to the order book of 3QFY20 and has received Rs 8 Cr towards it.
- Rs 300 Cr of Radius project is still suspended and will take call post analyzing the financials of the company. Rs 6-7 Cr has been received towards outstanding receivables.
- By the year end operational project site will come down to 37 from 48 sites as on 30st Sep 2019.
- Company will be focusing on Government projects.
- Capex for 2QFY20 was Rs 39.5 Cr for core assets. Total capex for FY20 is expected to be Rs 75 Cr excluding Rs 15 Cr of Capex for CIDCO project. Total Capex for CIDCO project over period of 2-5 years will be Rs 115 Cr.
- Company on its own is qualified for Public sector projects worth up to Rs 4000 Cr and Rs 400-450 Cr Hospital projects.
- Of the total unbilled revenue, Rs 234 Cr is the uncertified work and Rs 250 Cr is WIP.
- CIDOC has received another approval from Central Government to construct 131000 houses with the value of Rs 25-26k Cr. Pre qualification documents are awaited.
- Of the total receivables Rs 1 Cr is from Public sector rest is from Private sector for which payment will start form December 2019.

Exhibit: Total Order Book

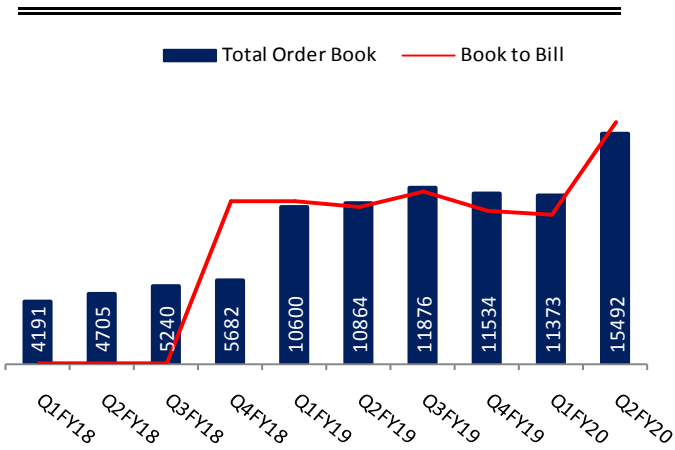


Exhibit: Order Inflow

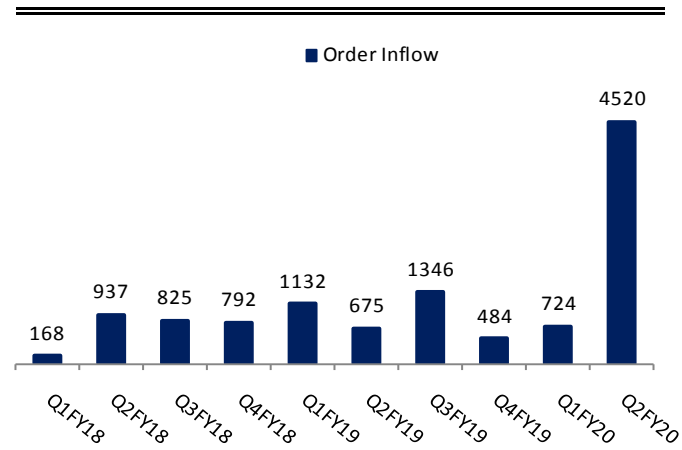


Exhibit: Client Split

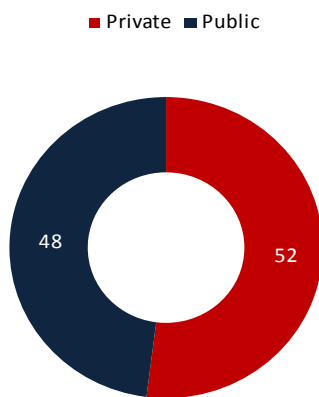


Exhibit: Order Book Segmental Split (%)

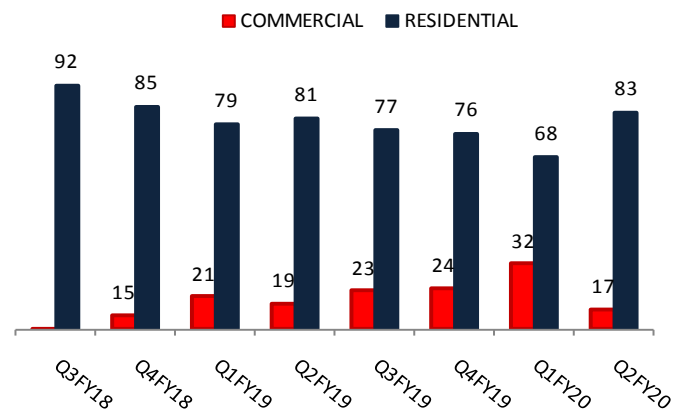
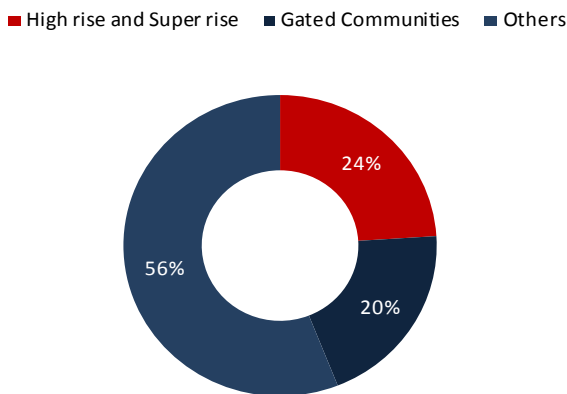


Exhibit: Project Split



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	1,935	2,675
Change (%)	1105%	159%	54%	35%	16%	34%	8%	38%
EBITDA	15	63	115	204	204	251	305	407
Change (%)	-579%	331%	82%	78%	0%	23%	21%	33%
Margin (%)	7%	11%	13%	18%	15%	14%	16%	15%
Depr & Amor.	2	9	16	65	67	89	128	137
EBIT	12	54	99	139	136	162	176	270
Int. & other fin. Cost	4	15	32	42	40	49	66	71
Other Income	2	7	7	11	24	36	50	53
EBT	11	46	74	107	121	149	160	252
Exp Item	-	-	-	-	-	-	-	-
Tax	7	14	26	37	42	52	27	63
Minority Int & P/L share of Ass.	-	-	-	(1)	1	(0)	-	-
Reported PAT	4	32	49	70	80	97	133	188
Adjusted PAT	4	32	49	70	80	97	133	188
Change (%)	NA	679%	52%	43%	14%	22%	37%	42%
Margin(%)	2%	6%	6%	6%	6%	5%	7%	7%

Balance sheet

Fig in Rs Cr

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	897	1,069
<i>Networth</i>	22	56	171	299	748	843	965	1,137
<i>Debt</i>	83	105	174	165	187	236	363	437
<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	1,327	1,574
<i>Net Fixed Assets (incl CWIP)</i>	88	169	297	332	410	545	569	614
<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	743	788
<i>Inventory</i>	46	118	164	181	224	91	98	136
<i>Debtors</i>	86	152	287	368	419	533	574	794
<i>Cash & Bank</i>	56	40	36	50	324	193	225	246
<i>Other Curr Assets</i>	31	48	83	119	240	515	695	960
<i>Curr Assets</i>	219	357	570	718	1,207	1,333	1,592	2,136
<i>Creditors</i>	89	183	308	318	447	534	575	794
<i>Provisions</i>	0	1	3	2	18	22	23	32
<i>Other Curr Liab</i>	45	49	114	170	189	240	233	345
<i>Curr Liabilities</i>	134	232	425	490	655	795	831	1,172
<i>Net Curr Assets</i>	85	125	146	228	553	538	761	964
<i>Total Assets</i>	324	538	889	1,109	1,734	2,051	2,335	2,923

Financial Details

Cash Flow

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	11	46	74	106	122	149	160	252
(inc)/Dec in Working Capital	31	(16)	(121)	(50)	(98)	(147)	(192)	(182)
Non Cash Op Exp	2	9	16	65	67	89	128	137
Int Paid (+)	4	15	32	42	40	49	66	71
Tax Paid	5	12	16	24	24	43	27	63
others	(2)	(4)	(2)	(5)	(18)	(26)	-	-
CF from Op. Activities	41	37	(17)	136	85	70	135	215
(inc)/Dec in FA & CWIP	(84)	(73)	(80)	(112)	(141)	(224)	(153)	(182)
Free Cashflow	(43)	(36)	(97)	23	(56)	(154)	(18)	33
(Pur)/Sale of Inv	(39)	13	3	(7)	(288)	151	0	-
others	1	4	6	4	22	35	35	-
CF from Inv. Activities	(122)	(55)	(71)	(120)	(414)	(16)	(152)	(182)
inc/(dec) in NW	12	2	63	20	1	-	-	-
inc/(dec) in Debt	75	28	63	(26)	(2)	19	19	127
Int. Paid	(4)	(15)	(31)	(42)	(39)	(49)	(66)	(71)
Div Paid (inc tax)	-	-	-	-	(3)	(8)	(11)	(16)
others	-	-	(2)	(26)	-	-	-	-
CF from Fin. Activities	84	15	92	(9)	330	(38)	50	(13)
Inc(Dec) in Cash	2	(3)	4	7	2	17	32	20
Add: Opening Balance	2	4	1	4	11	13	193	225
Closing Balance	4	1	5	11	13	30	225	245

Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	19%	57%	29%	23%	11%	12%	14%	17%
ROCE	17%	48%	43%	38%	17%	18%	17%	23%
Asset Turnover	0.66	1.03	0.96	1.04	0.77	0.88	0.83	0.92
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	3	4
P/E	-	-	-	-	26	16	10	7
Price / Book Value	-	-	-	-	3	2	1	1
EV/EBITDA	(0)	0	0	0	10	6	4	3
FCF per Share	(106)	(72)	(169)	6	(8)	(23)	(3)	5
Div Yield	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	0.7%	1.0%

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