

Capacite Infraprojects Ltd

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

Collection remain strong despite Challenging Environment

RATING	BUY
CMP	188
Price Target	209
Potential Upside	11%

Rating Change	↔
Estimate Change	↔
Target Change	↔

Stock Info

52wk Range H/L	295/156
Mkt Capital (Rs Cr)	1279
Free float (%)	22%
Avg. Vol 1M (,000)	71
No. of Shares (Cr)	7
Promoters Pledged %	0

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	1798	1730	2411
EBITDA	251	290	377
EBIT	162	176	253
PAT	97	120	158
EPS (Rs)	14	18	23
EPS Gr (%)	22%	23%	32%
ROE	12%	13%	14%
ROCE	18%	17%	22%
BVPS	124	140	162
P/B (X)	1.9	1.3	1.2
P/E(x)	16.2	10.7	8.1

Research Analyst

SANDIP JABUANI

sandip.jabuani@narnolia.com

+91-22-62701228

3QFY20 Result update

- Revenue was down by the 10% YoY to Rs 405 Cr despite the strong order book. The Execution was mainly impacted on account of NGT issues in Delhi NCR and extended monsoon in Mumbai & MMR.
- Despite the lower revenue, EBITDA margin has expanded by 400 bps as company is handing over some projects which are completed. Usually, margins are higher at the time of handing over the sites.
- Operational number of sites has come down to 42 from 62 in December 2017 and it will further come down to 40 by the March 2020.
- Depreciation during the quarter was higher by 50% due to impact of Ind AS 116. Due to higher depreciation and lower other income, PAT was down by 2% YoY to Rs 23 Cr.
- Collection from clients remained strong and company has collected Rs 591 Cr so far in Q3FY20 and Rs 1389 Cr for 9MFY20 which is higher than revenue numbers.
- Company's order book is Rs 10820 Cr (ex. MAHADA project of Rs 4355 Cr) which is 6.3x of TTM revenue.

Muted Revenue growth in 9MFY20, Execution likely to pick up

Revenue growth in the 9NFY20 remained muted and revenue for the full year FY20 will be flat. Currently Rs 5000 Cr worth of projects are under mobilization stage and likely to commence execution from the Q1 of next financial year. Data center project of BSNL and MCGM orders completed the mobilization in Q3FY20 which is expected to pick up the execution pace during the current quarter and will be at its peak in next year. Similarly, CIDCO project which was get awarded at the end of the Q2FY20 is under mobilization stage and awarding authority has handed over 4 locations out of 7. The remaining location will made available by the March 2020 and execution will start thereafter. The Private residential projects are bit slowly amidst to the challenging environment and we expect it will go relatively slow.

Collection remain strong despite Challenging Environment

Execution was impacted in 9MFY20 due to multiple reasons but the collection from the client continues remain strong. Collection for the quarter Q3FY20 is Rs 591 Cr and for the 9MFY20 is Rs 1389 Cr which is higher than the 9MFY20 revenue of Rs 1221 Cr. Company's continuous focus on the cash flow management is resulted into strong collection. Company is continuously monitoring the projects and terminates the work on the projects which will face cash flow issue. Management will not compromise or sacrifice its balance sheet strength just to add top line growth.

View and Valuation

Revenue performance in the first 9 months of the year remained muted and revenue growth for the full year FY20 will remain flat or 3-4% down as the majority of the orders are at mobilization stage. However, execution in FY21 is expected to improve as the large public sector orders start contributing in revenue. Management's conservative approach towards the working capital/Cash management and not to compromise the balance sheet strength just to add revenue, ensure the sustainable growth level in the long run. We maintain our FY21E EPS estimates and value the stock at Rs 209 (9x FY21E EPS) with BUY rating.

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

3QFY20 Results

Financials	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	QoQ%	Fig in Rs Cr		
							9MFY19	9MFY20	YoY %
Net Sales	449	498	411	405	405	-1%	1,290	1,221	-5.3%
Other Income	9	10	7	8	5	21%	27	20	-27.6%
COGS	332	373	288	284	278	-1%	947	851	-10.2%
Employee Exp.	38	38	35	35	35	1%	108	105	-2.7%
Other Exp.	18	20	18	19	19	1%	53	56	6.3%
Total Exp.	388	431	341	338	333	-1%	1,108	1,012	-8.7%
EBITDA	62	67	70	67	72	-4%	181	209	15.2%
Depreciation	20	25	25	29	30	18%	64	84	30.6%
EBIT	42	42	45	38	42	-16%	117	125	6.7%
Interest	12	15	15	15	16	0%	34	46	35.6%
PBT	39	37	37	31	31	-16%	110	99	-10.6%
Tax	15	11	13	(9)	8	-169%	41	12	-71.6%
PAT	24	26	24	40	23	67%	70	87	25.0%

Concall Highlights

- Execution was impacted during the quarter on account of NGT issue in Delhi NCR (38-40 Cr revenue loss) and extended monsoon in Mumbai MMR (50-55 Cr revenue loss).
- Company will not sacrifice the balance sheet strength in order to increase revenue. Company continues to follow stringent framework and will stop the execution on the project which are facing cash flow issues.
- Currently Rs 5000 Cr of orders out of total order book of Rs 10820 Cr is under mobilization and will start contributing in revenue from next financial year.
- Margin has improved as the company is handing over certain projects and at the time of handing over the project site margin is tend to be high. EBITDA margin will be 15.7-16.5% going ahead.
- Unbilled revenue is Rs 520 Cr at the end of the 31st December 2019 and Rs 220 Cr out of it are billed and under certification.
- Gross Debt is at Rs 285 Cr and it will remain at this level by the year end.
- In the December 2017 operational sites are 63 which has come down to 42 and it will come down to 40 by the March 2020.
- **Order Pipeline**
 - In the budget government is focused on to build Data centers, Construction of Hospitals, Medical college needs to attach with district hospital and development of 100 airports by 2024.
 - Order pipeline in commercial side is strong and on the residential side only branded players will drive the new launches. The pipeline from Institutional building is strong in the North part of the country and Rs 2000 Cr of hospital projects are likely to come up. Huge demand of IT Park in South India from existing clients.
 - Company will only accept order from the existing clients or from the clients which has the same level of quality as the existing clients have.
- **Update on CIDCO project**
 - As on 31st December 2019, 4 locations out of 7 locations has handed over to the company and remaining location will be made available by the 31st March 2020 as per contract. This project will be execute over next 3 financial year start from 1st April 2020.
 - First tranches of mobilization advances on the CIDCO project has received and it is interest free. Mobilization advances of Rs 220 Cr is likely to receive in Q4FY20.
 - Certain revenue from design and for the basic engineering is expected to book in Q4FY20 but the actual execution will start from next year.
 - Capex for the CIDCO project is likely to be Rs 110 Cr in FY21.
- **Update on MAHADA Projects**
 - Received the clearance to start with Transit camp and execution will start in next 10-15 days. Transit camp will be 22 storied of 3 towers. MAHADA has signed up with the 12000 tenet and move them out in the transit camp by the 31st March 2020. Once it will completed

Exhibit: Total Order Book

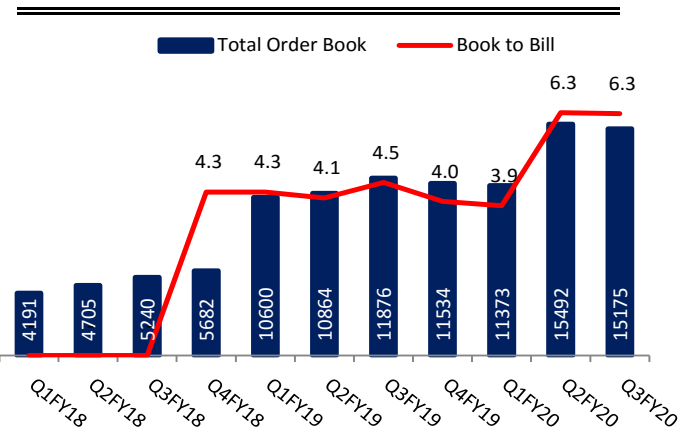


Exhibit: Order Inflow

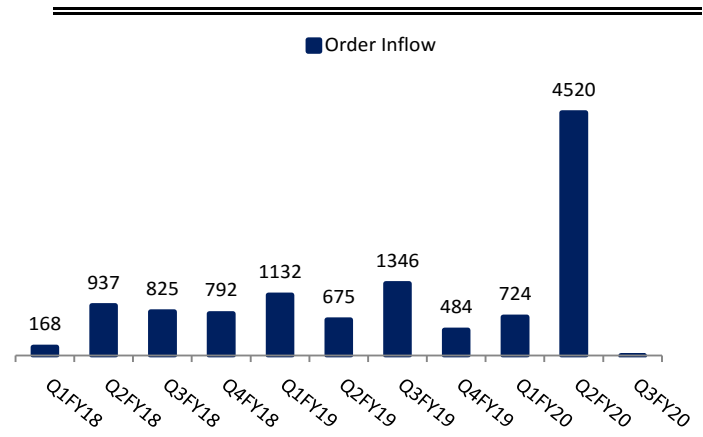


Exhibit: Client Split

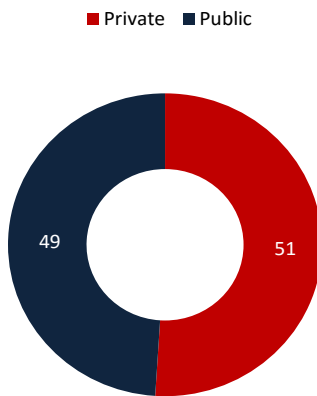


Exhibit: Order Book Segmental Split (%)

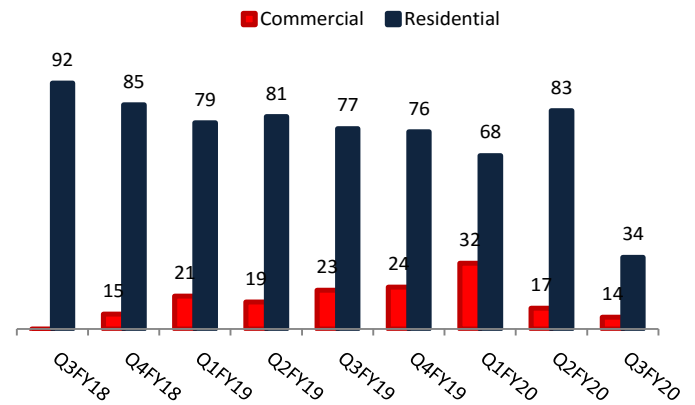
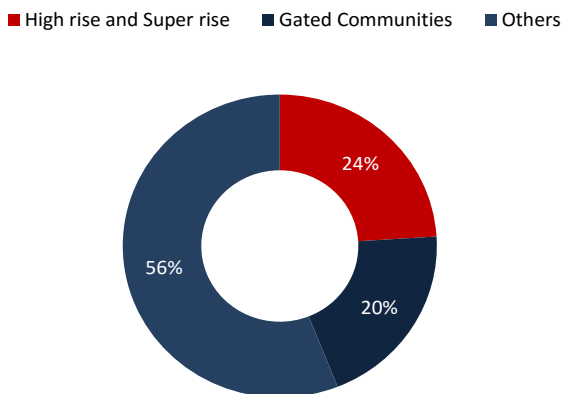


Exhibit: Project Split



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	1,730	2,411
Change (%)	1105%	159%	54%	35%	16%	34%	-4%	39%
EBITDA	15	63	115	204	204	251	290	377
Change (%)	-579%	331%	82%	78%	0%	23%	16%	30%
Margin (%)	7%	11%	13%	18%	15%	14%	17%	16%
Depr & Amor.	2	9	16	65	67	89	115	124
EBIT	12	54	99	139	136	162	176	253
Int. & other fin. Cost	4	15	32	42	40	49	63	71
Other Income	2	7	7	11	24	36	27	29
EBT	11	46	74	107	121	149	140	211
Exp Item	-	-	-	-	-	-	-	-
Tax	7	14	26	37	42	52	20	53
Minority Int & P/L share of Ass.	-	-	-	(1)	1	(0)	-	-
Reported PAT	4	32	49	70	80	97	120	158
Adjusted PAT	4	32	49	70	80	97	120	158
Change (%)	NA	679%	52%	43%	14%	22%	23%	32%
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	885	1,029
<i>Networth</i>	22	56	171	299	748	843	953	1,097
<i>Debt</i>	83	105	174	165	187	236	330	438
<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	1,283	1,535
<i>Net Fixed Assets (incl CWIP)</i>	88	169	297	332	410	545	583	641
<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	756	814
<i>Inventory</i>	46	118	164	181	224	91	88	122
<i>Debtors</i>	86	152	287	368	419	533	513	715
<i>Cash & Bank</i>	56	40	36	50	324	193	225	263
<i>Other Curr Assets</i>	31	48	83	119	240	515	621	866
<i>Curr Assets</i>	219	357	570	718	1,207	1,333	1,447	1,966
<i>Creditors</i>	89	183	308	318	447	534	514	716
<i>Provisions</i>	0	1	3	2	18	22	21	29
<i>Other Curr Liab</i>	45	49	114	170	189	240	209	324
<i>Curr Liabilities</i>	134	232	425	490	655	795	744	1,069
<i>Net Curr Assets</i>	85	125	146	228	553	538	703	897
<i>Total Assets</i>	324	538	889	1,109	1,734	2,051	2,203	2,780

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	140	211
(inc)/Dec in Working Capital	31	(16)	(121)	(50)	(98)	(147)	(134)	(156)
Non Cash Op Exp	2	9	16	65	67	89	115	124
Int Paid (+)	4	15	32	42	40	49	63	71
Tax Paid	5	12	16	24	24	43	20	53
others	(2)	(4)	(2)	(5)	(18)	(26)	-	-
CF from Op. Activities	41	37	(17)	136	85	70	163	197
(inc)/Dec in FA & CWIP	(84)	(73)	(80)	(112)	(141)	(224)	(153)	(182)
Free Cashflow	(43)	(36)	(97)	23	(56)	(154)	10	15
(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	94
Int. Paid	(4)	(15)	(31)	(42)	(39)	(49)	(63)	(71)
Div Paid (inc tax)	-	-	-	-	(3)	(8)	(10)	(13)
others	-	-	(2)	(26)	-	-	-	-
CF from Fin. Activities	84	15	92	(9)	330	(38)	22	23
Inc(Dec) in Cash	2	(3)	4	7	2	17	32	38
Add: Opening Balance	2	4	1	4	11	13	193	225
Closing Balance	4	1	5	11	13	30	225	263

Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	19%	57%	29%	23%	11%	12%	13%	14%
ROCE	17%	48%	43%	38%	17%	18%	17%	22%
Asset Turnover	0.66	1.03	0.96	1.04	0.77	0.88	0.79	0.87
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	11	8
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)	1	2
Div Yield	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	0.7%	0.9%

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVeloX Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.