

CAPACITE INFRAPROJECTS LTD.

Industry
Bloomberg
BSE Code
NSE Code

Con. & Eng.
CAPACITE IN
540710
CAPACITE

11 August 2018

RATING	BUY
CMP	281
Price Target	387
Previous Target	387
Potential Upside	38%

Stock Info

52wk Range H/L	247/437
Mkt Capital (Rs Cr)	1908
Free float (%)	22%
Avg. Vol 1M (,000)	544
No. of Shares (Crore)	6,78
Promoters Pledged %	0%

Strong execution coupled with robust order inflow

Key Highlights

- Capacite Infra is mainly operates into building space. Company's current order book comprises 79% residential and 21% commercial projects compared to 98% residential and just 2% commercial in FY17. Management has seen some good opportunity in commercial space but residential continue to drive the growth.
- With large redevelopment projects of Rs.11744 Cr (in JV) company has entered into government projects and diversified its client portfolio.
- Healthy execution track record and strong relationship with its marquee client has paying off the dividend. Company has reported strong order inflow from private players of Rs.1132 Cr, 95% is repeat orders.

1Q FY19 Result:

Capacite has posted strong set of numbers where as revenue has up by 49% YoY to Rs.397 Cr v/s our expectation of Rs.341 Cr on back of strong execution. Company has started work on 4 new projects. EBITDA during the quarter was up by 27% YoY to Rs.55 Cr compared to Rs.43 Cr in same period last year. However EBITDA margin has come down by 200 bps as the company has started work on 4 new projects. Lower Interest cost as % of sales and lower tax outgo has offset some impact of lower EBITDA and PAT M% is just down by 30 bps. Order Inflow from private players has increased to from Rs.168 Cr to Rs.1132 Cr. Order book as on 30th June stands at Rs.6243 Cr (Excl. 11744 Cr in JV).

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 has paying off the dividend. 95% of the order inflow in Q1FY19 is from existing marquee clients. So this will not only ensures order book growth but also improves the quality. With entry into government projects we expect strong order book growth going ahead. Replacement of retention money with bank guarantee will further improve working capital cycle. We have anticipated 24/31% CAGR growth in Revenue/PAT over FY18-20 with EBITDA margin in range of 15.3-16.5%.

We continue to like growth story of the company and maintain our BUY rating on the stock with target price of Rs.387 (19x FY20 EPS).

KEY FINANCIAL/VALUATIONS	FY15	FY16	FY17	FY18	FY19E	FY20E
Net Sales	556	853	1155	1341	1700	2058
EBITDA	63	115	204	204	255	314
EBIT	54	99	139	136	169	230
PAT	32.0	49	70	79	100	138
EPS (Rs)	65	85	17	12	15	20
EPS growth (%)	5.3	31%	-80%	-32%	25%	39%
ROE	0.6	29%	23%	11%	12%	14%
ROCE	0.5	43%	38%	17%	19%	23%
BVPS	114	297	74	110	123	141
P/B (X)	0.0	0.0	0.0	2.7	2.3	2.0
P/E(x)	0.0	0.0	0.0	25.8	19.2	13.8

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1QFY19 Results :- Better than expectation

Financials	1QFY18	2QFY18	3QFY18	4QFY18	1FY19	YoY %	QoQ%	FY17	FY18	YoY %
Net Sales	266	322	366	381	397	49.4%	4.3%	1,155	1,341	16.1%
Other Income	5	2	8	9	8	65.8%	-5.5%	11	24	129.7%
COGS	185	235	274	272	291	57.0%	6.9%	814	971	19.2%
Emp. Exp.	25	29	30	33	34	35.9%	4.8%	90	117	30.1%
Other Exp.	12	11	13	14	17	41.0%	25.1%	47	50	6.3%
Total Exp.	223	274	317	318	342	53.7%	7.5%	951	1,137	19.6%
EBITDA	43	48	50	62	55	27.2%	-11.8%	204	204	-0.3%
EBITDA M (%)	16%	15%	14%	16%	14%			18%	15%	
Depreciation	14	14	13	27	19	37.1%	-31.0%	65	67	2.8%
EBIT	30	34	37	36	37	22.7%	2.8%	139	136	-1.7%
Intreset	10	10	10	11	10	2.6%	-8.2%	42	40	-5.8%
Except. Item	-	-	-	-	-			-	-	
PBT	25	26	35	34	35	38.9%	4.1%	107	121	12.8%
Tax	9	9	13	11	12	34.6%	9.1%	37	42	14.5%
PAT	16	18	23	22	23	41.3%	1.6%	70	79	11.9%
PAT %	6%	5%	6%	6%	6%			6%	6%	

Healthy execution- Robust Revenue

Capacite continue to post strong numbers backed by healthy execution across the projects. Revenue was up by 49% YoY to Rs.397 Cr compared to Rs.266 Cr in same period last year. During the quarter company has started work on 4 new projects. EBITDA margin was down to 13.9% from 16.9% on account of higher operating expense. Operating expenses was high due to initial phase of new projects. However for the full year margin will remain in range of 15.7-16.3%. Erosion in EBITDA margin has offset by lower interest and tax. Interest cost as % of sales has come down to 2.46% from 3.58% on account of improvement in working capital days.

Strategic entry into Government sector

During the quarter company has bagged its first order from government. Capacite infra along with Tata projects and CITIC Construction Co. has emerged successful bidder for the redevelopment of the BDD Chawls in Mumbai for the total projects cost of Rs.11744 Cr and Capacite share is 37.1%. It is pure EPC contract and will carry out in 8 years. Based on this project, Capacite is eligible to bid for other government projects as well. Healthy execution track record and strong relationship with its marquee client has paying off the dividend. Company has reported strong order inflow from private players of Rs.1132 Cr, 95% is repeat orders.

Improvement in working capital cycle

From last couple of quarter net working capital days has keep on increasing due to GST, retention money and some other reasons. In Q1FY19 working capital cycle has shown downturn on account of reduction in debtors days. NWC days has improved from 89 days in last quarter to 84 days in Q1FY19. Management is in process to replace retention money with bank guarantee. This will also led to further reduction in NWC days.

Concall Highlights:-

- ✓ Housing sales has surged by 25% during the quarter and new launches in Mumbai have up by 128%.
- ✓ NWC days has improved to 84 days from 89 days in last quarter on account of reduction in debtors days.
- ✓ Do not required capex for DBB redevelopment project. 2% mobilization advances facility is also available.
- ✓ Lower EBITDA margin during the quarter as the company has started 4 new projects.
- ✓ Started design part of BDD projects and execution will carry out over next 8 years.
- ✓ Management expect 25% CAGR revenue growth over 2-3 years with EBITDA margin in range of 15.7-16.5%
- ✓ Depreciation will be 77-81 Cr for FY19.

Financials Details

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	18	214	556	853	1,155	1,341	1,700	2,058
Change (%)		1105%	159%	54%	35%	16%	27%	21%
EBITDA	(3)	15	63	115	204	204	255	314
Change (%)		-579%	331%	82%	78%	0%	25%	23%
Margin (%)	-17%	7%	11%	13%	18%	15%	15%	15%
Depr & Amor.	0	2	9	16	65	67	85	84
EBIT	(3)	12	54	99	139	136	169	230
Int. & other fin. Cost	1	4	15	32	42	40	39	44
Other Income	1	2	7	7	11	24	24	24
EBT	(3)	11	46	74	107	121	154	210
Exp Item	-	-	-	-	-	-	-	-
Tax	1	7	14	26	37	42	55	71
Min. Int & P/L share of Ass.	-	-	-	-	(1)	1	-	-
Reported PAT	(4)	4	32	49	70	80	100	138
Adjusted PAT	(4)	4	32	49	70	80	100	138
Change (%)		NA	679%	52%	43%	14%	25%	39%
Margin(%)	-20%	2%	6%	6%	6%	6%	6%	7%

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	3	9	5	8	44	68	68	68
Reserves	3	13	51	163	256	680	768	889
Networth	6	22	56	171	299	748	836	957
<i>Debt</i>	10	83	105	159	165	187	210	232
Other Non Cur Liab	6	85	143	119	136	144	144	144
<i>Total Capital Employed</i>	17	105	161	330	464	935	1,045	1,189
<i>Net Fixed Assets (incl CWIP)</i>	6	88	169	241	332	410	406	402
<i>Non Cur Investments</i>	0	5	5	0	0	0	0	0
<i>Other Non Cur Asst</i>	2	17	11	22	36	116	86	86
Non Curr Assets	8	105	180	263	368	526	492	488
Inventory	7	46	118	221	181	224	326	395
<i>Debtors</i>	10	86	152	275	368	419	443	536
<i>Cash & Bank</i>	20	56	40	37	50	324	361	406
Other Curr Assets	9	31	48	79	119	240	221	268
<i>Curr Assets</i>	45	219	357	613	718	1,207	1,423	1,700
Creditors	16	89	183	309	318	447	396	451
<i>Provisions</i>	0	0	1	9	2	18	23	28
Other Curr Liab	14	45	49	106	170	189	311	375
Curr Liabilities	30	134	232	425	490	655	730	854
Net Curr Assets	15	85	125	188	228	553	694	846
Total Assets	54	324	538	876	1,109	1,734	1,915	2,188

Financials Details

Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18*	FY19E	FY20E
PBT	(3)	11	46	74	107	121	154	210
(inc)/Dec in Working Capital	8	31	(16)	(121)	(76)	(67)	(1)	(84)
Non Cash Op Exp	0	2	9	16	18	67	85	84
Int Paid (+)	1	4	15	32	42	40	39	44
Tax Paid	1	5	12	16	24	42	55	71
others	(1)	(2)	(4)	(2)	(5)	-	-	-
CF from Op. Activities	4	41	37	(17)	62	118	223	183
(inc)/Dec in FA & CWIP	(4)	(84)	(73)	(80)	(47)	(145)	(81)	(81)
Free Cashflow	(0)	(43)	(36)	(97)	15	(26)	141	102
(Pur)/Sale of Inv	(17)	(39)	13	3	(8)	(0)	(72)	(24)
others	0	1	4	6	8	-	-	-
CF from Inv. Activities	(21)	(122)	(55)	(71)	(47)	(145)	(153)	(105)
inc/(dec) in NW	9	12	2	63	60	412	-	-
inc/(dec) in Debt	11	75	28	63	(23)	22	22	22
Int. Paid	(0)	(4)	(15)	(31)	(42)	(42)	(39)	(44)
Div Paid (inc tax)	-	-	-	-	(2)	(10)	(12)	(17)
others	-	-	-	(2)	(1)	-	-	-
CF from Fin. Activities	19	84	15	92	(7)	382	(29)	(39)
Inc/Dec) in Cash	2	2	(3)	4	7	356	41	40
Add: Opening Balance	-	2	4	1	5	50	324	361
Closing Balance	2	4	1	5	12	406	365	401

* FY18 numbers are estimated

Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	-58%	19%	57%	29%	23%	11%	12%	14%
ROCE	-37%	17%	48%	43%	38%	17%	19%	23%
Asset Turnover	0.33	0.66	1.03	0.97	1.04	0.77	0.89	0.94
Debtor Days	203	147	100	118	116	114	95	95
Inv Days	139	79	77	95	57	61	70	70
Payable Days	319	152	120	132	101	122	85	80
Int Coverage	(6.09)	3.41	3.66	3.13	3.28	3.42	4.33	5.22
P/E	-	-	-	-	-	26	19	14
Price / Book Value	-	-	-	-	-	3	2	2
EV/EBITDA	6	(0)	0	0	0	10	8	6
FCF per Share	(0)	(43)	(36)	(97)	15	(26)	141	102
Div Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.5%	0.7%

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