

Capacite's Infraprojects (CAPACITE IN)

Rating: BUY | CMP: Rs106 | TP: Rs162

August 12, 2020

Q1FY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	162		162	
Sales (Rs. m)	22,402	26,640	22,402	26,640
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,502	4,040	3,502	4,040
% Chng.	-	-	-	-
EPS (Rs.)	20.2	24.1	20.2	24.1
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	15,290	12,109	22,402	26,640
EBITDA (Rs. m)	2,567	1,806	3,502	4,040
Margin (%)	16.8	14.9	15.6	15.2
PAT (Rs. m)	910	149	1,374	1,636
EPS (Rs.)	13.4	2.2	20.2	24.1
Gr. (%)	(6.4)	(83.7)	824.9	19.1
DPS (Rs.)	1.1	0.2	2.4	2.9
Yield (%)	1.0	0.2	2.3	2.7
RoE (%)	10.3	1.6	13.7	14.5
RoCE (%)	12.2	4.3	14.8	15.2
EV/Sales (x)	0.5	0.7	0.5	0.4
EV/EBITDA (x)	2.9	4.8	2.9	2.4
PE (x)	7.9	48.6	5.3	4.4
P/BV (x)	0.8	0.8	0.7	0.6

Key Data

CAPE.BO | CAPACITE IN

52-W High / Low	Rs.246 / Rs.70
Sensex / Nifty	38,370 / 11,308
Market Cap	Rs.7bn/ \$ 97m
Shares Outstanding	68m
3M Avg. Daily Value	Rs.21.53m

Shareholding Pattern (%)

Promoter's	43.79
Foreign	5.90
Domestic Institution	23.84
Public & Others	26.47
Promoter Pledge (Rs bn)	0.53

Stock Performance (%)

	1M	6M	12M
Absolute	(4.6)	(41.8)	(51.1)
Relative	(9.0)	(36.9)	(52.1)

Viral Shah

viralshah@plindia.com | 91-22-66322250

Shivang Joshi

shivangjoshi@plindia.com | 91-22-66322391

Washout quarter as execution had ceased

Quick Pointers:

- Execution completely halted as large part of order book belongs to MMR and Pune region, severely impacted by Covid-19 pandemic.
- Construction activities resumed in 32 project sites (~90% of Order book) as at July'20, labour force availability back to 4,000 plus levels vs 600 in May'20.
- Order book stands strong at Rs103.9bn (excluding Rs43.6bn MHADA orders) translating into an order-book-to-sales ratio of 6.9x FY20 revenues.

CAPACITE reported a washout quarter with revenues falling over 94% YoY led by nationwide lockdown and severe impact of Covid-19 pandemic in MMR and Pune region, thereby restricting execution to pick-up. However, company resumed operations in 32 sites (~90% of OB) by end of July'20. On the labour availability front, company currently has ~4,000 workmen (vs ~9,200 pre-covid) with technicians already reaching pre-covid levels and expects to reach ~5,000 workmen by end of Aug'20 and ~7000 levels post-monsoon. With strong order book from marquee clients, company anticipates substantial ramp-up in execution from H2FY21 onwards.

We believe that CAPACITE is well-positioned to gain traction driven by a) impressive execution track record with stable margins; b) healthy order book (Rs103.9bn as on 1QFY21, excluding MHADA orders) c) lean balance sheet with healthy return ratios; d) strong management pedigree; and e) asset-light business model. At CMP, the stock trades at an EV of 4.8x/2.9x FY21E/FY22E EBITDA. We maintain BUY rating with TP of Rs162.

Execution ceased to pick-up; losses curtailed by managing costs: The company reported a 94.2% YoY decline in revenues to Rs237mn (PLe Rs363mn) as execution ceased completely, initially due to nationwide lockdown followed by severe impact of Covid-19 in MMR and Pune region which contributes major part of its order book. Company posted EBITDA loss of Rs235mn (PLe: loss of Rs262mn). On bottom-line front, company posted a loss of Rs424mn (against PLe: loss of Rs715mn) on the back of higher other income of Rs51mn (PLe Rs9mn) and lower depreciation (down 46% QoQ to Rs162mn vs PLe Rs314mn).

Resilient order book; Execution pickup would be key: Order book as at 1QFY21 stands strong at Rs103.9bn (excluding Rs43.6bn MHADA orders). This translates into an order-book-to-sales ratio of 6.9x FY20 revenues. Public - Private sector ratio stands at 55-45% respectively. Of the ~Rs47bn OB from private sector, Rs27bn pertains to large developers with strong balance sheet position while ~Rs7.5bn further private sector projects are classified as slow moving on which company expects clarity by end of 2QFY21E. Gross debt as at 1QFY21 continues to remain low at Rs3.5bn against which company holds cash and cash equivalents of Rs3.2bn. Net D:E stands low at 0.1x.

Exhibit 1: Quarterly Financials (Standalone): Complete halt in execution result in negligible revenues for the quarter

Y/e March (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY gr. (%)	QoQ gr. (%)	FY20	FY19	YoY gr. (%)
Revenue	4,112	4,053	4,049	3,072	237	(94.2)	(92.3)	15,287	17,876	(14.5)
Total Revenues	4,112	4,053	4,049	3,072	237	(94.2)	(92.3)	15,287	17,876	(14.5)
Expenditure	3,415	3,382	3,327	2,596	472	(86.2)	(81.8)	12,720	15,391	(17.4)
as % of sales	83.0	83.4	82.2	84.5	199.3			83.2	86.1	
Consumption of RM	2,881	2,843	2,784	2,132	193	(93.3)	(90.9)	10,640	13,204	(19.4)
as % of sales	70.1	70.1	68.7	69.4	81.6			69.6	73.9	
Employee Cost	349	354	352	316	150	(57.0)	(52.4)	1,370	1,462	(6.2)
as % of sales	8.5	8.7	8.7	10.3	63.4			9.0	8.2	
Other expenditure	184	185	192	149	129	(30.1)	(13.7)	710	725	(2.1)
as % of sales	4.5	4.6	4.7	4.8	54.2			4.6	4.1	
EBITDA	697	671	723	476	-235	NA	NA	2,567	2,485	3.3
Depreciation	248	294	298	301	162	(34.9)	(46.3)	1,142	890	28.3
EBIT	449	377	424	175	-397	NA	NA	1,425	1,595	(10.6)
Other Income	67	81	49	56	51	(23.9)	(8.6)	254	369	(31.2)
Interest	150	150	162	184	203	35.9	10.4	645	491	31.3
PBT	367	309	311	47	-549	NA	NA	1,034	1,473	(29.8)
Total Tax	129	-89	77	9	-125	NA	NA	125	517	(75.8)
Adjusted PAT	238	398	235	38	-424	NA	NA	909	956	(4.9)
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	238	398	235	38	-424	NA	NA	909	956	(4.9)
Extra ordinary items	0	0	0	0	0	-	-	0	0	-
Reported PAT	238	398	235	38	-424	NA	NA	909	956	(4.9)
Adjusted EPS	3.5	5.9	3.5	0.6	(6.2)	NA	NA	13.4	14.1	(4.9)
						bps	bps			bps
EBIDTA	17.0	16.6	17.8	15.5	(99.3)	-11,622	-11,476	16.8	13.9	289
EBIT	10.9	9.3	10.5	5.7	(167.5)	-17,841	-17,319	9.3	8.9	40
EBT	8.9	7.6	7.7	1.5	(231.6)	-24,054	-23,315	6.8	8.2	-147
PAT	5.8	9.8	5.8	1.2	(178.8)	-18,459	-18,005	5.9	5.3	60
Effective Tax rate	35.1	(28.9)	24.6	18.6	22.8	-1,225	418	12.1	35.1	-2,302

Source: Company, PL

Exhibit 2: Key Assumptions

Y/e March (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Order inflow	27,220	32,926	48,360	22,593	33,934	39,325
Revenues	13,411	17,976	15,290	12,109	22,402	26,640
Order book	56,820	71,770	1,04,840	1,15,324	1,26,856	1,39,542
Execution cycle (%)	27%	28%	0%	11%	19%	20%
Ob to sales (x)	4.2	4.0	6.9	9.5	5.7	5.2

Source: Company, PL

Concall Highlights

- Revenues declined 94.2% YoY to Rs237mn in 1QFY21 as execution ceased completely, initially due to nationwide lockdown followed by severe impact of Covid-19 in MMR and Pune region which contributes most of its order book.
- Order book as at 1QFY21 stands strong at Rs103.9bn (excluding Rs43.6bn MHADA orders). This translates into an order-book-to-sales ratio of 6.9x FY20 revenues. Top 10 clients including PWD, CIDCO in public sector and Lodha group, Godrej group, Raymond, Oberoi Group, Brookfield, etc. in the private sector constitute ~78% of the total order book. Further details of the order book are as follows:
 - Of total order book, the residential segment contributes ~27% of the order book, 20% is contributed by commercial and institutional segment and the balance 53% are mixed-use projects. Further, High-Rise and Super High-Rise Buildings constitute ~27% of the order book. Public - Private sector ratio stands at 55-45% respectively.
 - For the CIDCO project (worth Rs45bn), work has already commenced on five out of the total seven project sites and work in balance sites is expected to start within the next 1-2 months. The project offers healthy working capital support as the company has already received ~Rs3.4bn mobilization advance (7.5% of project value).
 - Of the ~Rs47bn OB from private sector, Rs27bn pertains to large developers with strong balance sheet position. Company is in discussion with clients for projects worth Rs7.5bn which have been classified as slow moving. Company expects to seek clarity on those projects by Q2FY21E.
- Company has already commenced execution at 32 major project sites which constitute over 90% of the Order book. Company expects substantial ramp-up in execution from H2FY21E onwards.
- On the labour availability, technicians available with the company have already reached pre-covid levels, however workmen have reduced from ~9200 pre-covid levels to current levels of ~4000. Company expects to reach 5000 levels by end of Aug'20 and pre-covid levels post monsoon.
- Gross debt as at 1QFY21 continues to remain low at Rs3.5bn against which company holds cash (including fixed deposits) of Rs3.2bn. Net D:E stands low at 0.1x.
- Company expects to incur a cumulative Capex of ~Rs1bn over FY21E & FY22E, major part of which would be for CIDCO project.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	15,290	12,109	22,402	26,640
YoY gr. (%)	(14.9)	(20.8)	85.0	18.9
Cost of Goods Sold	6,576	5,086	10,081	12,254
Gross Profit	8,714	7,023	12,321	14,386
Margin (%)	57.0	58.0	55.0	54.0
Employee Cost	1,370	1,439	1,583	1,741
Other Expenses	712	484	1,120	1,332
EBITDA	2,567	1,806	3,502	4,040
YoY gr. (%)	2.2	(29.6)	93.9	15.3
Margin (%)	16.8	14.9	15.6	15.2
Depreciation and Amortization	1,142	1,256	1,376	1,496
EBIT	1,425	550	2,126	2,544
Margin (%)	9.3	4.5	9.5	9.5
Net Interest	645	642	783	943
Other Income	254	291	493	586
Profit Before Tax	1,034	199	1,836	2,187
Margin (%)	6.8	1.6	8.2	8.2
Total Tax	123	50	462	550
Effective tax rate (%)	11.9	25.2	25.2	25.2
Profit after tax	911	149	1,374	1,636
Minority interest	-	-	-	-
Share Profit from Associate	0	-	-	-
Adjusted PAT	910	149	1,374	1,636
YoY gr. (%)	(6.4)	(83.7)	824.9	19.1
Margin (%)	6.0	1.2	6.1	6.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	910	149	1,374	1,636
YoY gr. (%)	(6.4)	(83.7)	824.9	19.1
Margin (%)	6.0	1.2	6.1	6.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	910	149	1,374	1,636
Equity Shares O/s (m)	68	68	68	68
EPS (Rs)	13.4	2.2	20.2	24.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	9,469	10,469	11,469	12,469
Tangibles	9,469	10,469	11,469	12,469
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,880	4,136	5,513	7,009
Tangibles	2,880	4,136	5,513	7,009
Intangibles	-	-	-	-
Net fixed assets	6,589	6,333	5,957	5,460
Tangibles	6,589	6,333	5,957	5,460
Intangibles	-	-	-	-
Capital Work In Progress	48	86	86	86
Goodwill	-	-	-	-
Non-Current Investments	722	195	349	413
Net Deferred tax assets	(387)	(387)	(387)	(387)
Other Non-Current Assets	1,126	545	896	1,066
Current Assets				
Investments	-	-	-	-
Inventories	1,041	1,161	2,148	2,555
Trade receivables	4,726	4,645	5,524	6,569
Cash & Bank Balance	2,629	2,499	1,998	3,397
Other Current Assets	1,025	1,211	1,792	2,131
Total Assets	23,645	20,125	24,619	28,656
Equity				
Equity Share Capital	679	679	679	679
Other Equity	8,580	8,714	9,923	11,363
Total Network	9,259	9,393	10,602	12,042
Non-Current Liabilities				
Long Term borrowings	1,054	1,054	1,054	1,054
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,838	2,838	3,838	4,838
Trade payables	5,599	3,815	4,910	5,839
Other current liabilities	5,509	2,639	3,828	4,496
Total Equity & Liabilities	23,645	20,125	24,619	28,656

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,034	199	1,836	2,187
Add. Depreciation	1,142	1,256	1,376	1,496
Add. Interest	-	-	-	-
Less Financial Other Income	254	291	493	586
Add. Other	573	642	783	943
Op. profit before WC changes	2,748	2,097	3,995	4,626
Net Changes-WC	1,153	(1,482)	(3,087)	(1,537)
Direct tax	368	50	462	550
Net cash from Op. activities	3,534	565	446	2,538
Capital expenditures	(2,647)	(1,037)	(1,000)	(1,000)
Interest / Dividend Income	216	-	-	-
Others	(339)	-	-	-
Net Cash from Inv. activities	(2,769)	(1,037)	(1,000)	(1,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	758	1,000	1,000	1,000
Dividend paid	(82)	(15)	(165)	(196)
Interest paid	(663)	(642)	(783)	(943)
Others	-	-	-	-
Net cash from Fin. activities	13	343	52	(139)
Net change in cash	777	(130)	(501)	1,399
Free Cash Flow	881	(473)	(554)	1,538

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	13.4	2.2	20.2	24.1
CEPS	30.2	20.7	40.5	46.1
BVPS	136.4	138.3	156.2	177.4
FCF	13.0	(7.0)	(8.2)	22.7
DPS	1.1	0.2	2.4	2.9
Return Ratio(%)				
RoCE	12.2	4.3	14.8	15.2
ROIC	13.9	4.0	12.8	14.3
RoE	10.3	1.6	13.7	14.5
Balance Sheet				
Net Debt : Equity (x)	0.0	0.1	0.3	0.2
Net Working Capital (Days)	38	125	111	112
Valuation(x)				
PER	7.9	48.6	5.3	4.4
P/B	0.8	0.8	0.7	0.6
P/CEPS	3.5	5.1	2.6	2.3
EV/EBITDA	2.9	4.8	2.9	2.4
EV/Sales	0.5	0.7	0.5	0.4
Dividend Yield (%)	1.0	0.2	2.3	2.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	4,053	4,049	3,072	237
YoY gr. (%)	(8.5)	(9.9)	(38.3)	(94.2)
Raw Material Expenses	1,767	1,685	1,483	97
Gross Profit	2,286	2,364	1,590	140
Margin (%)	56.4	58.4	51.7	59.2
EBITDA	671	723	476	(235)
YoY gr. (%)	3.9	16.9	(28.9)	(133.7)
Margin (%)	16.6	17.8	15.5	(99.3)
Depreciation / Depletion	294	298	301	162
EBIT	377	424	175	(397)
Margin (%)	9.3	10.5	5.7	(167.5)
Net Interest	150	162	184	203
Other Income	81	49	56	51
Profit before Tax	309	311	47	(549)
Margin (%)	7.6	7.7	1.5	(231.6)
Total Tax	(89)	77	9	(125)
Effective tax rate (%)	(28.9)	24.6	18.6	22.8
Profit after Tax	398	235	38	(424)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	398	235	38	(424)
YoY gr. (%)	72.8	(1.7)	(85.2)	(277.9)
Margin (%)	9.8	5.8	1.2	(178.8)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	398	235	38	(424)
YoY gr. (%)	72.8	(1.7)	(85.2)	(277.9)
Margin (%)	9.8	5.8	1.2	(178.8)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	398	235	38	(424)
Avg. Shares O/s (m)	68	68	68	68
EPS (Rs)	5.9	3.5	0.6	(6.2)

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-20	BUY	162	111
2	19-Jun-20	BUY	162	114
3	07-Apr-20	BUY	168	75
4	11-Feb-20	BUY	262	188
5	03-Jan-20	BUY	292	200
6	23-Dec-19	BUY	292	183

Analyst Coverage Universe

s	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	913
2	Ahluwalia Contracts (India)	BUY	264	215
3	Ashoka Buildcon	BUY	147	64
4	Bharat Electronics	Hold	99	97
5	BHEL	Hold	34	41
6	Capacite's Infraprojects	BUY	162	111
7	Container Corporation of India	BUY	468	386
8	Cummins India	BUY	472	411
9	Engineers India	BUY	104	73
10	GE T&D India	Hold	71	82
11	H.G. Infra Engineering	BUY	259	200
12	IRB Infrastructure Developers	BUY	139	114
13	ITD Cementation India	BUY	67	52
14	J.Kumar Infraprojects	BUY	176	102
15	Kalpataru Power Transmission	BUY	261	258
16	KEC International	BUY	333	294
17	KNR Constructions	BUY	305	215
18	Larsen & Toubro	BUY	1,192	917
19	NCC	BUY	83	33
20	PNC Infratech	BUY	205	151
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	49
23	Siemens	BUY	1,402	1,159
24	Thermax	Accumulate	798	760
25	Triveni Turbine	BUY	83	64
26	Voltamp Transformers	BUY	1,244	1,132

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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