

Capacite's Infraprojects (CAPACITE IN)

Rating: BUY | CMP: Rs144 | TP: Rs162

November 12, 2020

Q2FY21 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	131	1,371	1,638
EPS (Rs.)	13.4	1.9	20.2	24.1
Gr. (%)	(6.4)	(85.6)	949.2	19.5
DPS (Rs.)	1.1	0.2	2.4	2.9
Yield (%)	0.7	0.1	1.7	2.0
RoE (%)	10.3	1.4	13.7	14.5
RoCE (%)	12.1	4.3	14.5	15.0
EV/Sales (x)	0.7	0.9	0.6	0.5
EV/EBITDA (x)	4.0	6.2	3.6	3.0
PE (x)	10.8	75.0	7.1	6.0
P/BV (x)	1.1	1.0	0.9	0.8

Key Data

CAPE.BO | CAPACITE IN

52-W High / Low	Rs.228 / Rs.70
Sensex / Nifty	43,357 / 12,691
Market Cap	Rs.10bn/ \$ 131m
Shares Outstanding	68m
3M Avg. Daily Value	Rs.27.58m

Shareholding Pattern (%)

Promoter's	43.79
Foreign	7.20
Domestic Institution	22.08
Public & Others	26.93
Promoter Pledge (Rs bn)	0.73

Stock Performance (%)

	1M	6M	12M
Absolute	5.7	91.4	(33.7)
Relative	(1.1)	38.5	(38.3)

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Execution picking up, poised for strong growth

Quick Pointers:

- Construction activities resumed in all project sites with current labour force (10,000 workmen) already surpassing pre-covid levels.
- Higher EBITDAM at 21.5% driven by high-margin designing stage revenues and cost control measures. Expect margins in 16-17% range going ahead.
- Order book stands strong at Rs98.7bn (excluding Rs43.6bn MHADA orders) translating an order-book-to-sales ratio of 10.8x TTM revenues.

CAPACITE posted a decent set of results with revenues falling 55% YoY due to gradual recovery seen in labour availability in Q2 and overall prolonged impact of pandemic in MMR region. However, currently all project sites have commenced operations with cumulative labour force already above pre-covid levels. With its largest project CIDCO (Rs45bn) moving to full-fledged execution stage (with a peak potential monthly run-rate of Rs1bn in FY22), strong momentum in private sector order book, healthy collections (Rs3.6bn in Q2) and overall traction in the real estate sector (especially MMR), the company is poised for a strong H2FY21E and even stronger FY22E.

We believe that CAPACITE is well-positioned to gain traction driven by a) impressive execution track record with stable margins; b) healthy order book (Rs98.7bn as on 2QFY21, 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 a PE of 75x/ 7.1x FY21E/ FY22E earnings. We maintain BUY rating with TP of Rs162 (Same as earlier).

Muted revenues; cost rationalization boost margins: For Q2FY21, CAPACITE's revenues fell by 55.3% YoY to Rs1.8bn (PLe Rs2.1bn) as gradual pickup in execution witnessed with improving labour availability. EBITDA came in at Rs390mn (down 42% YoY), with EBITDAM coming in at 21.5% (above our estimate of 14%). Margins were higher owing to better revenue mix & several cost rationalization measures being undertaken. On bottom-line front, company posted a profit of Rs46mn (better than PLe loss of Rs90mn) driven by higher other income of Rs62mn (PLe Rs41mn) and better operating margins.

Robust order book; Sharp pickup expected in execution: Order book as at 2QFY21 stands strong at Rs98.7bn (excluding Rs43.6bn MHADA orders). This translates into an order-book-to-sales ratio of 10.8x TTM revenues. Public-Private sector ratio stands at 57%-43% respectively. Work commenced at 5 out of 7 sites of CIDCO project (Rs45bn), with sharp execution pickup from H2. MHADA orders of Rs22bn would also come into execution by end of FY21E. Gross debt as at 2QFY21 continues to remain low at Rs4.1bn against which company holds cash and cash equivalents of Rs3.5bn. Net D:E stands low at 0.14x.

Exhibit 1: Quarterly Financials (Standalone): Cost control measures with some execution pickup boosts profitability

Y/e March (Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY gr. (%)	QoQ gr. (%)	1HFY21	1HFY20	YoY gr. (%)
Revenue	4,053	4,049	3,072	237	1,813	(55.3)	664.9	2,050	8,165	(74.9)
Total Revenues	4,053	4,049	3,072	237	1,813	(55.3)	664.9	2,050	8,165	(74.9)
Expenditure	3,382	3,327	2,596	472	1,423	(57.9)	201.2	1,895	6,797	(72.1)
as % of sales	83.4	82.2	84.5	199.3	78.5			92.4	83.2	
Consumption of RM	2,843	2,784	2,132	193	1,078	(62.1)	457.7	1,272	5,725	(77.8)
as % of sales	70.1	68.7	69.4	81.6	59.5			62.0	70.1	
Employee Cost	354	352	316	150	175	(50.6)	16.3	325	703	(53.8)
as % of sales	8.7	8.7	10.3	63.4	9.6			15.9	8.6	
Other expenditure	185	192	149	129	169	(8.6)	31.7	298	369	(19.3)
as % of sales	4.6	4.7	4.8	54.2	9.3			14.5	4.5	
EBITDA	671	723	476	-235	390	(41.8)	(265.9)	155	1,368	(88.7)
Depreciation	294	298	301	162	257	(12.7)	58.8	418	542	(22.9)
EBIT	377	424	175	-397	134	(64.5)	(133.7)	-263	826	(131.9)
Other Income	81	49	56	51	62	(23.5)	21.4	114	149	(23.7)
Interest	150	162	184	203	135	(9.8)	(33.6)	338	299	13.1
PBT	309	311	47	-549	61	(80.3)	(111.1)	-488	675	(172.3)
Total Tax	-89	77	9	-125	15	(117.2)	(112.2)	-110	39	(378.9)
Adjusted PAT	398	235	38	-424	46	(88.6)	(110.7)	-378	636	(159.5)
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	398	235	38	-424	46	(88.6)	(110.7)	-378	636	(159.5)
Extra ordinary items	0	0	0	0	0	-	-	0	0	-
Reported PAT	398	235	38	-424	46	(88.6)	(110.7)	-378	636	(159.5)
Adjusted EPS	5.9	3.5	0.6	(6.2)	0.7	(88.6)	(110.7)	(5.6)	9.4	(159.5)
						bps	bps			bps
EBIDTA	16.6	17.8	15.5	(99.3)	21.5	498	12,079	7.6	16.8	-919
EBIT	9.3	10.5	5.7	(167.5)	7.4	-193	17,486	(12.8)	10.1	-2,296
EBT	7.6	7.7	1.5	(231.6)	3.4	-426	23,497	(23.8)	8.3	-3,208
PAT	9.8	5.8	1.2	(178.8)	2.5	-730	18,131	(18.5)	7.8	-2,624
Effective Tax rate	(28.9)	24.6	18.6	22.8	25.2	5,407	236	22.5	5.8	1,668

Source: Company, PL

Exhibit 2: Key Assumptions

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

- Company commenced operations at all its project sites with labour force currently at ~10,000 workmen, having already surpassed the pre-covid levels.
- Company indicated that real estate in MMR region is gaining significant traction, with Oct'20 witnessing multi-year high monthly sales. Commercial real estate too is eyeing robust growth with renewed interest of institutional investors and developers pushing for faster execution.
- Order book as at 2QFY21 stands strong at Rs98.7bn (excluding Rs43.6bn MHADA orders). This translates an order-book-to-sales ratio of 10.8x TTM revenues. Top 10 clients including PWD, CIDCO in public sector and Lodha group, Godrej group, Raymond, Oberoi Group, Brookfield, K Raheja, etc. in the private sector constitute ~80% of the total order book. Further details of the order book are as follows:
 - Of total order book, the residential segment contributes ~24%, 20% is contributed by commercial and institutional segment and the balance 56% are mixed-use projects. Public - Private sector ratio stands at 57-43% respectively.
 - For CIDCO project (worth Rs45bn), all seven sites have been handed over to the company. Work has already commenced on five sites and balance sites are expected to start in next month. The project is expected have a monthly run-rate of over Rs200mn in Q3 and would be reaching upto Rs1bn per month in FY22E.
 - During the quarter, one non-moving project of Rs3bn was removed from the order book.
- Further, company expects Rs22bn of MHADA projects to move to execution towards end of FY21E.
- Company saw strong improvement in cash collection which stood at Rs3.6bn during the quarter (vs Rs0.8bn/ Rs3.1bn in Q1FY21/ 4QFY20) of which Rs0.8bn pertains to recovery of old dues.
- Gross debt as at 2QFY21 continues to remain low at Rs4bn against which company holds cash (including fixed deposits) of Rs3.5bn. Net D:E stands low at 0.14x.
- Debtors (including retention) have come down sequentially by Rs1.2bn to Rs4.9bn while creditors have come down by Rs1.3bn QoQ to Rs3.3bn. Going ahead, working capital cycle is expected to contract further with debtor days expected to go down to 45 days by end of FY21 (vs current levels of 75 days).
- Company expects to incur a cumulative Capex of ~Rs1bn over FY21E-22E, major part of which would be for CIDCO project (Rs850-900mn).

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	1,250	1,372	1,494
EBIT	1,425	556	2,130	2,546
Margin (%)	9.3	4.6	9.5	9.6
Net Interest	645	672	790	942
Other Income	254	291	493	586
Profit Before Tax	1,034	175	1,833	2,189
Margin (%)	6.8	1.4	8.2	8.2
Total Tax	123	44	461	551
Effective tax rate (%)	11.9	25.2	25.2	25.2
Profit after tax	911	131	1,371	1,638
Minority interest	-	-	-	-
Share Profit from Associate	0	-	-	-
Adjusted PAT	910	131	1,371	1,638
YoY gr. (%)	(6.4)	(85.6)	949.2	19.5
Margin (%)	6.0	1.1	6.1	6.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	910	131	1,371	1,638
YoY gr. (%)	(6.4)	(85.6)	949.2	19.5
Margin (%)	6.0	1.1	6.1	6.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	910	131	1,371	1,638
Equity Shares O/s (m)	68	68	68	68
EPS (Rs)	13.4	1.9	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	9,248	10,248	11,248	12,248
Tangibles	9,248	10,248	11,248	12,248
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,659	3,909	5,281	6,776
Tangibles	2,659	3,909	5,281	6,776
Intangibles	-	-	-	-
Net fixed assets	6,589	6,339	5,967	5,473
Tangibles	6,589	6,339	5,967	5,473
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	2,815	2,307	3,706
Other Current Assets	1,025	1,211	1,792	2,131
Total Assets	23,645	20,447	24,938	28,976
Equity				
Equity Share Capital	679	679	679	679
Other Equity	8,580	8,698	9,905	11,346
Total Network	9,259	9,377	10,583	12,025
Non-Current Liabilities				
Long Term borrowings	1,362	1,362	1,362	1,362
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	5,200	2,668	3,857	4,525
Total Equity & Liabilities	23,645	20,447	24,938	28,976

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,034	175	1,833	2,189
Add. Depreciation	1,142	1,250	1,372	1,494
Add. Interest	-	-	-	-
Less Financial Other Income	254	291	493	586
Add. Other	573	672	790	942
Op. profit before WC changes	2,748	2,097	3,995	4,626
Net Changes-WC	1,153	(1,144)	(3,087)	(1,537)
Direct tax	368	44	461	551
Net cash from Op. activities	3,534	909	447	2,538
Capital expenditures	(2,647)	(1,037)	(1,000)	(1,000)
Interest / Dividend Income	216	-	-	-
Others	(339)	-	-	-
Net Cash from Invst. 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)	(13)	(165)	(197)
Interest paid	(663)	(672)	(790)	(942)
Others	-	-	-	-
Net cash from Fin. activities	13	315	45	(139)
Net change in cash	777	186	(508)	1,399
Free Cash Flow	881	(129)	(553)	1,538

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	13.4	1.9	20.2	24.1
CEPS	30.2	20.3	40.4	46.1
BVPS	136.4	138.1	155.9	177.1
FCF	13.0	(1.9)	(8.1)	22.7
DPS	1.1	0.2	2.4	2.9
Return Ratio(%)				
RoCE	12.1	4.3	14.5	15.0
ROIC	13.7	4.1	12.9	14.3
RoE	10.3	1.4	13.7	14.5
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.3	0.2
Net Working Capital (Days)	45	124	111	111
Valuation(x)				
PER	10.8	75.0	7.1	6.0
P/B	1.1	1.0	0.9	0.8
P/CEPS	4.8	7.1	3.6	3.1
EV/EBITDA	4.0	6.2	3.6	3.0
EV/Sales	0.7	0.9	0.6	0.5
Dividend Yield (%)	0.7	0.1	1.7	2.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	4,049	3,072	237	1,813
YoY gr. (%)	(9.9)	(38.3)	(94.2)	(55.3)
Raw Material Expenses	1,685	1,483	97	517
Gross Profit	2,364	1,590	140	1,296
Margin (%)	58.4	51.7	59.2	71.5
EBITDA	723	476	(235)	390
YoY gr. (%)	16.9	(28.9)	(133.7)	(41.8)
Margin (%)	17.8	15.5	(99.3)	21.5
Depreciation / Depletion	298	301	162	257
EBIT	424	175	(397)	134
Margin (%)	10.5	5.7	(167.5)	7.4
Net Interest	162	184	203	135
Other Income	49	56	51	62
Profit before Tax	311	47	(549)	61
Margin (%)	7.7	1.5	(231.6)	3.4
Total Tax	77	9	(125)	15
Effective tax rate (%)	24.6	18.6	22.8	25.2
Profit after Tax	235	38	(424)	46
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	235	38	(424)	46
YoY gr. (%)	(1.7)	(85.2)	(277.9)	(88.6)
Margin (%)	5.8	1.2	(178.8)	2.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	235	38	(424)	46
YoY gr. (%)	(1.7)	(85.2)	(277.9)	(88.6)
Margin (%)	5.8	1.2	(178.8)	2.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	235	38	(424)	46
Avg. Shares O/s (m)	68	68	68	68
EPS (Rs)	3.5	0.6	(6.2)	0.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-20	BUY	162	120
2	12-Aug-20	BUY	162	106
3	07-Jul-20	BUY	162	111
4	19-Jun-20	BUY	162	114
5	07-Apr-20	BUY	168	75
6	11-Feb-20	BUY	262	188
7	03-Jan-20	BUY	292	200
8	23-Dec-19	BUY	292	183

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	880	894
2	Ahluwalia Contracts (India)	BUY	288	231
3	Ashoka Buildcon	BUY	147	64
4	Bharat Electronics	Hold	99	94
5	BHEL	Hold	34	28
6	Capacite's Infraprojects	BUY	162	120
7	Container Corporation of India	BUY	468	378
8	Cummins India	Accumulate	472	434
9	Engineers India	BUY	104	64
10	GE T&D India	Hold	86	86
11	H.G. Infra Engineering	BUY	259	186
12	IRB Infrastructure Developers	BUY	152	112
13	ITD Cementation India	BUY	67	50
14	J.Kumar Infraprojects	BUY	176	105
15	Kalpataru Power Transmission	BUY	296	251
16	KEC International	Accumulate	339	338
17	KNR Constructions	BUY	305	257
18	Larsen & Toubro	BUY	1,284	935
19	NCC	BUY	83	36
20	PNC Infratech	BUY	219	167
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	52
23	Siemens	BUY	1,402	1,275
24	Thermax	Accumulate	798	790
25	Triveni Turbine	BUY	85	69
26	Voltamp Transformers	BUY	1,283	1,032

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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