

Capacite's Infraprojects (CAPACITE IN)

Rating: BUY | CMP: Rs210 | TP: Rs270

June 14, 2021

Q4FY21 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	270		270	
Sales (Rs. m)	20,623	26,745	23,007	26,640
% Chng.	(10.4)	0.4		
EBITDA (Rs. m)	3,155	4,262	3,586	4,218
% Chng.	(12.0)	1.0		
EPS (Rs.)	16.1	27.0	20.7	27.0
% Chng.	(22.2)	-		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	15,290	8,797	20,623	26,745
EBITDA (Rs. m)	2,567	1,365	3,155	4,262
Margin (%)	16.8	15.5	15.3	15.9
PAT (Rs. m)	910	15	1,095	1,834
EPS (Rs.)	13.4	0.2	16.1	27.0
Gr. (%)	(6.4)	(98.3)	7,048.4	67.4
DPS (Rs.)	1.1	0.0	1.9	3.2
Yield (%)	0.5	0.0	0.9	1.5
RoE (%)	10.3	0.2	11.2	16.6
RoCE (%)	12.1	3.8	15.1	19.3
EV/Sales (x)	1.0	1.7	0.8	0.7
EV/EBITDA (x)	5.8	11.1	5.1	4.1
PE (x)	15.6	929.6	13.0	7.8
P/BV (x)	1.5	1.5	1.4	1.2

Key Data

CAPE.BO | CAPACITE IN

52-W High / Low	Rs.230 / Rs.90	
Sensex / Nifty	52,552 / 15,812	
Market Cap	Rs.14bn/ \$ 194m	
Shares Outstanding	68m	
3M Avg. Daily Value	Rs.67.08m	

Shareholding Pattern (%)

Promoter's	43.79
Foreign	7.36
Domestic Institution	20.81
Public & Others	28.04
Promoter Pledge (Rs bn)	1.03

Stock Performance (%)

	1M	6M	12M
Absolute	10.5	11.5	98.2
Relative	2.5	(1.8)	27.4

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Healthy operating performance, lean bs

Quick Pointers

- Healthy quarterly revenues of Rs3.7bn (up 20% YoY); EBITDAM strong at 18% (above estimates) due to cost control measures & provision reversals.
- Order book stands strong at Rs87.2bn (excluding Rs43.6bn MHADA orders), translating an order-book-to-sales ratio of 9.9x trailing revenues.
- Gross debt reduced by Rs0.9bn sequentially to Rs2.9bn as at 4QFY21; Net D:E stands low at 0.14x.

Capacite reported a good set of numbers with marginal miss on revenues, while margins surprised positively. The company faced headwinds due to Covid second wave in Apr-May'21 across project sites, including its largest CIDCO project (worth Rs45bn) wherein sharp ramp-up stands deferred from earlier target of ~Rs1bn monthly run-rate by 4QFY22E to revised target of ~Rs0.7bn. However, labour availability is now improving and is expected to reach Mar'21 levels in one month. Liquidity position remains strong with lower debt levels (down Rs0.9bn in 4Q), reduction in debtors (by Rs1.1bn in FY21) and healthy collections (Rs4.1bn in Q4).

We believe that CAPACITE is well-positioned to gain traction driven by a) impressive execution track record with stable margins; b) healthy order book (Rs87.2bn as at 4QFY21, excluding MHADA orders) c) lean balance sheet with healthy return ratios; d) strong management pedigree; and e) asset-light business model. Owing to the impact of second wave of Covid, predominantly impacting the geographies of Capacite's projects, we have reduced our revenue/ earnings estimates for FY22 by 10.4%/ 22.2% while keeping FY23 estimates largely unchanged. At CMP, the stock trades at a PE of 12.8x/7.6x FY22E/23E earnings. Maintain 'BUY' rating with TP of Rs270 (Same as earlier).

Healthy execution; Margins surprise positively: For Q4FY21, CAPACITE's revenues grew by 20% YoY to Rs3.7bn (PLe Rs3.9bn) as pickup in execution was marginally lower than anticipated. EBITDA came in at Rs664mn (up 39.4% YoY), with EBITDAM witnessing an expansion of 249bps YoY surprising positively at 18% (above our estimate of 16.5%), on the back of stringent cost rationalization measures, reversal of provisions of ~Rs90mn and lower ECL provisions due to healthy collections. On bottom-line front, company posted a profit of Rs244mn (ahead of PLe Rs228mn) led by better operating margins and higher other income at Rs121mn (PLe Rs50mn) which was up 115% YoY/ 128% QoQ.

Healthy order book; Strong bid pipeline: Order book as at 4QFY21 is strong at Rs87.2bn (excluding Rs43.6bn MHADA projects), translating into an order-book-to-sales ratio of 9.9x FY21 revenues. Public:Private sector ratio stands at 62%:38% respectively. Bid pipeline remains strong with projects worth over Rs450bn, of which the company focuses on healthcare projects (Rs120bn) and other public and private sector projects aggregating to ~Rs110bn (mainly affordable housing and high-rise segment). Gross debt saw a reduction of Rs0.9bn sequentially and remains low at Rs2.9bn as at 4QFY21. Net D:E stands low at 0.14x.

Exhibit 1: Quarterly Financials (Standalone): Healthy margins led by cost control measures & provision reversals

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY gr. (%)	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Revenue	3,072	237	1,813	3,058	3,690	20.1	20.7	8,797	15,287	(42.5)
Total Revenues	3,072	237	1,813	3,058	3,690	20.1	20.7	8,797	15,287	(42.5)
Expenditure	2,596	472	1,423	2,512	3,026	16.5	20.5	7,432	12,720	(41.6)
as % of sales	84.5	199.3	78.5	82.1	82.0			84.5	83.2	
Consumption of RM	2,132	193	1,078	2,073	2,662	24.9	28.4	6,022	10,640	(43.4)
as % of sales	69.4	81.6	59.5	67.8	72.2			68.4	69.6	
Employee Cost	316	150	175	218	260	(17.5)	19.6	788	1,370	(42.5)
as % of sales	10.3	63.4	9.6	7.1	7.1			9.0	9.0	
Other expenditure	149	129	169	221	103	(30.6)	(53.2)	623	710	(12.3)
as % of sales	4.8	54.2	9.3	7.2	2.8			7.1	4.6	
EBITDA	476	-235	390	546	664	39.4	21.6	1,365	2,567	(46.8)
Depreciation	301	162	257	219	264	(12.4)	20.2	902	1,142	(21.0)
EBIT	175	-397	134	327	400	128.6	22.5	463	1,425	(67.5)
Other Income	56	51	62	53	121	114.7	127.5	288	254	13.4
Interest	184	203	135	174	190	3.1	9.1	703	645	9.0
PBT	47	-549	61	206	331	602.7	61.0	48	1,034	(95.3)
Total Tax	9	-125	15	53	87	891.4	63.3	30	125	(75.6)
Adjusted PAT	38	-424	46	152	244	536.7	60.2	18	909	(98.0)
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	38	-424	46	152	244	536.7	60.2	18	909	(98.0)
Extra ordinary items	0	0	0	0	0	-	-	0	0	-
Reported PAT	38	-424	46	152	244	536.7	60.2	18	909	(98.0)
Adjusted EPS	0.6	(6.2)	0.7	2.2	3.6	536.7	60.2	0.0	13.4	(100.0)
Margins (%)						bps	bps			bps
EBIDTA	15.5	(99.3)	21.5	17.9	18.0	249	14	15.5	16.8	-128
EBIT	5.7	(167.5)	7.4	10.7	10.8	515	16	5.3	9.3	-406
EBT	1.5	(231.6)	3.4	6.7	9.0	743	225	0.5	6.8	-622
PAT	1.2	(178.8)	2.5	5.0	6.6	536	163	0.2	5.9	-575
Effective Tax rate	18.6	22.8	25.2	25.9	26.3	765	38	63.2	12.1	5,110

Source: Company, PL

Exhibit 2: Key Assumptions

Rs mn	FY18	FY19	FY20	FY21	FY22E	FY23E
Order inflow	27,220	32,926	48,360	-8,843	33,703	36,773
Revenues	13,411	17,976	15,290	8,797	20,623	26,745
Order book	56,820	71,770	1,04,840	87,200	1,00,280	1,10,308
Execution cycle (%)	27%	28%	17%	0%	22%	25%
Ob to sales (x)	4.2	4.0	6.9	9.9	4.9	4.1

Source: Company, PL

Concall Highlights

- The company indicated strong awarding momentum with projects worth over Rs450bn in the bid pipeline in FY22. Of the same, company would be primarily focusing on healthcare projects worth Rs120bn and other public and private sector projects aggregating to ~Rs110bn (mainly in affordable housing and high-rise segments).
- In 4QFY21, company's revenues grew 20% YoY to Rs3.7bn with execution picking up across project sites.
 - EBITDA margins came in strong at 18% (up 249bps YoY) on the back of stringent cost rationalisation measures, reversal of provisions of ~Rs90mn and lower ECL provisions due to healthy collections.
- Order book as at 4QFY21 stands strong at Rs87.2bn (excluding Rs43.6bn MHADA orders) translating to OB-to-sales ratio of 9.9x TTM revenues. Marquee clients in public sector (CIDCO, MCGM) and marquee private sector names (Oberoi, Lodha, Piramal Group, Godrej, Raymond, Brookfield, K Raheja, etc) make up ~75% of the total order book. Further details of the order book are as follows:
 - Of total order book, Residential segment contributes 22%, Commercial & Institutional 18% and balance 60% are mixed-use projects. Public:Private sector ratio stands at 62:38 respectively.
 - The order book continues to be insulated from the rising commodity prices with almost OB having complete pass-through clauses.
- The second wave of Covid deferred sharp ramp-up for CIDCO project (worth Rs45bn) which is now expected to have monthly run rate of ~Rs300mn in Q2, ~Rs500mn in Q3 and ~Rs700mn in 4QFY22E (against the earlier target of reaching monthly run-rate of ~Rs1bn in 4QFY22E).
- Gross debt saw a reduction of Rs0.9bn sequentially and remains low at Rs2.9bn as at 4QFY21, against which company holds cash of Rs1.6bn. Net D:E stands low at 0.14x.
- With strong collections of Rs4.1bn in 4Q, debtors (including retention) came down to Rs3.7bn (vs Rs4.8bn QoQ) while creditors increased to Rs4.2bn (vs Rs3.7bn QoQ).
- On the Capex front, company plans to incur ~Rs750-800mn for CIDCO project, mainly during FY22E.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	15,290	8,797	20,623	26,745
YoY gr. (%)	(14.9)	(42.5)	134.4	29.7
Cost of Goods Sold	6,576	3,569	8,765	11,366
Gross Profit	8,714	5,228	11,858	15,378
Margin (%)	57.0	59.4	57.5	57.5
Employee Cost	1,370	788	867	954
Other Expenses	712	623	1,444	1,872
EBITDA	2,567	1,365	3,155	4,262
YoY gr. (%)	2.2	(46.8)	131.1	35.1
Margin (%)	16.8	15.5	15.3	15.9
Depreciation and Amortization	1,142	902	1,233	1,355
EBIT	1,425	463	1,922	2,907
Margin (%)	9.3	5.3	9.3	10.9
Net Interest	645	703	768	857
Other Income	254	288	309	401
Profit Before Tax	1,034	48	1,464	2,451
Margin (%)	6.8	0.5	7.1	9.2
Total Tax	123	30	368	617
Effective tax rate (%)	11.9	63.2	25.2	25.2
Profit after tax	911	18	1,095	1,834
Minority interest	-	-	-	-
Share Profit from Associate	0	(2)	-	-
Adjusted PAT	910	15	1,095	1,834
YoY gr. (%)	(6.4)	(98.3)	7,048.4	67.4
Margin (%)	6.0	0.2	5.3	6.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	910	15	1,095	1,834
YoY gr. (%)	(6.4)	(98.3)	7,048.4	67.4
Margin (%)	6.0	0.2	5.3	6.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	910	15	1,095	1,834
Equity Shares O/s (m)	68	68	68	68
EPS (Rs)	13.4	0.2	16.1	27.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	9,248	10,205	11,205	12,205
Tangibles	9,248	10,205	11,205	12,205
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,659	3,561	4,793	6,148
Tangibles	2,659	3,561	4,793	6,148
Intangibles	-	-	-	-
Net fixed assets	6,589	6,644	6,412	6,057
Tangibles	6,589	6,644	6,412	6,057
Intangibles	-	-	-	-
Capital Work In Progress	48	60	86	86
Goodwill	-	-	-	-
Non-Current Investments	722	1,092	1,048	1,355
Net Deferred tax assets	(387)	(347)	(347)	(347)
Other Non-Current Assets	1,126	1,416	1,650	2,140
Current Assets				
Investments	-	-	-	-
Inventories	1,041	1,004	1,978	3,297
Trade receivables	4,726	3,673	4,520	5,129
Cash & Bank Balance	2,629	1,562	1,797	1,158
Other Current Assets	1,025	1,238	1,856	2,407
Total Assets	23,645	22,451	24,812	29,251
Equity				
Equity Share Capital	679	679	679	679
Other Equity	8,580	8,609	9,573	11,187
Total Network	9,259	9,288	10,252	11,866
Non-Current Liabilities				
Long Term borrowings	1,362	875	875	875
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,838	1,615	2,615	3,615
Trade payables	5,599	4,226	3,390	4,396
Other current liabilities	5,200	6,101	7,333	8,152
Total Equity & Liabilities	23,645	22,451	24,812	29,251

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	1,034	46	1,464	2,451
Add. Depreciation	1,142	902	1,233	1,355
Add. Interest	-	-	-	-
Less Financial Other Income	254	288	309	401
Add. Other	573	734	768	857
Op. profit before WC changes	2,748	1,682	3,464	4,663
Net Changes-WC	1,153	(830)	(1,935)	(3,608)
Direct tax	368	82	368	617
Net cash from Op. activities	3,534	770	1,160	438
Capital expenditures	(2,647)	(1,118)	(1,026)	(1,000)
Interest / Dividend Income	216	151	-	-
Others	(339)	(255)	-	-
Net Cash from Invt. activities	(2,769)	(1,221)	(1,026)	(1,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	758	147	1,000	1,000
Dividend paid	(82)	-	(131)	(220)
Interest paid	(663)	(673)	(768)	(857)
Others	-	-	-	-
Net cash from Fin. activities	13	(527)	101	(78)
Net change in cash	777	(978)	235	(639)
Free Cash Flow	881	(355)	134	(562)

Source: Company Data, PL Research

Key Financial Metrics

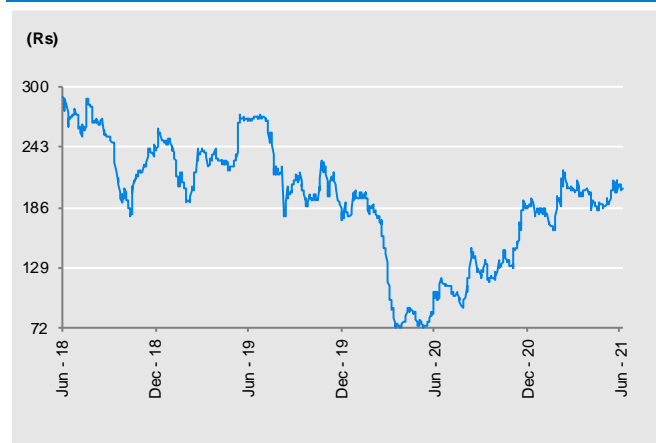
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	13.4	0.2	16.1	27.0
CEPS	30.2	13.5	34.3	47.0
BVPS	136.4	136.8	151.0	174.8
FCF	13.0	(5.2)	2.0	(8.3)
DPS	1.1	0.0	1.9	3.2
Return Ratio(%)				
RoCE	12.1	3.8	15.1	19.3
ROIC	13.7	1.6	13.1	15.7
RoE	10.3	0.2	11.2	16.6
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.2	0.3
Net Working Capital (Days)	45	58	57	82
Valuation(x)				
PER	15.6	929.6	13.0	7.8
P/B	1.5	1.5	1.4	1.2
P/CEPS	6.9	15.5	6.1	4.5
EV/EBITDA	5.8	11.1	5.1	4.1
EV/Sales	1.0	1.7	0.8	0.7
Dividend Yield (%)	0.5	0.0	0.9	1.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	237	1,813	3,058	3,690
YoY gr. (%)	(94.2)	(55.3)	(24.5)	20.1
Raw Material Expenses	97	517	1,279	1,676
Gross Profit	140	1,296	1,779	2,013
Margin (%)	59.2	71.5	58.2	54.6
EBITDA	(235)	390	546	664
YoY gr. (%)	(133.7)	(41.8)	(24.4)	39.4
Margin (%)	(99.3)	21.5	17.9	18.0
Depreciation / Depletion	162	257	219	264
EBIT	(397)	134	327	400
Margin (%)	(167.5)	7.4	10.7	10.8
Net Interest	203	135	174	190
Other Income	51	62	53	121
Profit before Tax	(549)	61	206	331
Margin (%)	(231.6)	3.4	6.7	9.0
Total Tax	(125)	15	53	87
Effective tax rate (%)	22.8	25.2	25.9	26.3
Profit after Tax	(424)	46	152	244
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(424)	46	152	244
YoY gr. (%)	(277.9)	(88.6)	(35.2)	536.7
Margin (%)	(178.8)	2.5	5.0	6.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(424)	46	152	244
YoY gr. (%)	(277.9)	(88.6)	(35.2)	536.7
Margin (%)	(178.8)	2.5	5.0	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(424)	46	152	244
Avg. Shares O/s (m)	68	68	68	68
EPS (Rs)	(6.2)	0.7	2.2	3.6

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-21	BUY	270	199
2	12-Feb-21	BUY	270	213
3	07-Jan-21	BUY	270	180
4	11-Dec-20	BUY	270	188
5	12-Nov-20	BUY	162	144
6	08-Oct-20	BUY	162	120
7	12-Aug-20	BUY	162	106
8	07-Jul-20	BUY	162	111
9	19-Jun-20	BUY	162	114

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,337	1,388
2	Ahluwalia Contracts (India)	BUY	384	293
3	Apar Industries	BUY	696	524
4	Ashoka Buildcon	BUY	160	96
5	Bharat Electronics	Accumulate	110	131
6	BHEL	Hold	34	49
7	Capacite's Infraprojects	BUY	270	199
8	Container Corporation of India	Hold	607	634
9	Cummins India	Hold	796	772
10	Engineers India	BUY	129	84
11	GE T&D India	Hold	122	119
12	H.G. Infra Engineering	BUY	476	333
13	IRB Infrastructure Developers	BUY	179	106
14	ITD Cementation India	BUY	97	83
15	J.Kumar Infraprojects	BUY	272	177
16	Kalpataru Power Transmission	BUY	448	382
17	KEC International	Accumulate	420	383
18	KNR Constructions	Accumulate	253	227
19	Larsen & Toubro	BUY	1,604	1,416
20	NCC	BUY	111	83
21	PNC Infratech	BUY	295	256
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	BUY	115	63
24	Siemens	Accumulate	2,101	2,064
25	Thermax	Accumulate	1,559	1,455
26	Triveni Turbine	BUY	98	102
27	Voltamp Transformers	BUY	1,466	1,058

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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