

# Capacite Infraprojects

## Execution pick-up to drive rerating

CIL reported a revenue of Rs 1.8bn, an 18% miss on our estimates. PAT was broadly in line owing to higher EBITDA margin (21.5%). About Rs 100mn EBITDA delta came from CIDCO project design revenue booking. Margins are expected to revert to ~17-18%. We believe that the worst is over for CIL as we foresee MoM/QoQ execution ramp-up. CIL is well-placed for cyclical recovery on the back of robust order backlog (6.4x FY20 revenue). The order book is well balanced between Public/Private at 55:45. The balance sheet is stable, labour availability has improved to ~100%, and all sites have restarted. 2/7 of the remaining sites of the CIDCO project (43% of order book) have been handed over. We maintain BUY with Rs 213/sh target price.

- **~40% QoQ execution ramp-up led to profit beat:** Revenues: Rs 1.8bn (-55% YoY, ~7.6x 1QFY21, 18% miss). EBITDA stood at Rs 390mn (2% miss). EBITDA margin at 21.5% (+199 bps YoY) was higher on account of a greater design-related part in revenue recognised, as well as cost control. Interest cost declined to Rs 135mn (BG commission of Rs 35mn reversed). Consequently, RPAT came in at Rs 46mn (-89% YoY, vs. our estimate of Rs 11mn); slight APAT beat was led by lower interest cost.
- **Labour situation back to normal, execution to normalise by 4QFY21:** Labour is now at pre-COVID, while execution efficiency continues to ramp up gradually. 100% of the sites are now operational, and momentum will pick up significantly from 3QFY21. Collection for 2QFY21 stood at Rs 3.6bn (vs Rs 0.83/3.1bn in 1QFY21/4QFY20), while debtors too came down by Rs 1.3bn QoQ to Rs 4.9bn. FY22E will return to ~20%+ revenue CAGR trajectory.
- **CIDCO project (Rs 45bn, 43% order book) execution ramps up, augurs well:** CIL has been handed over all seven sites. Rs 430mn revenue was recognised in 2Q from the project. Work has started on 5/7 sites with 6<sup>th</sup> site execution to start this month and 7<sup>th</sup> site by next month. CIL is likely to furnish BGs for the last tranche of Rs 1.2bn mobilisation advance. Rs ~1.2bn Capex is being planned for this project to be spread over the next 18 months. CIL will also incur Rs 1.5-2bn of Capex on site establishment expenses in CIDCO project over the next four years. Meaningful contribution from CIDCO is expected from 4QFY21. Overall monthly execution run rate is expected to be over Rs ~1bn from 1QFY22.
- **Balance sheet stable despite an increase in debt:** Gross debt has increased to Rs 4.3bn (Rs 1.5bn part conversion of LC to CC in 1QFY21 of which Rs 1bn is outstanding) vs Rs 3.5bn QoQ, gross D/E stood at 0.52x vs 0.4x QoQ. CIL is focusing on collections and has seen improvement in 2QFY21. No major ECL provisioning is envisaged for private order backlogs. CIL has Tier 1 clients like Oberoi, Godrej, Brigade, CIDCO, BSNL, K Raheja, and Brookfield and, hence, we believe NWC will reduce as execution picks up, with an enhanced focus on reducing debtor/creditor payment cycles.

### Financial Summary (Standalone)

YE March (Rs mn)	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Revenues	1,813	4,053	(55.3)	237	664.9	15,287	12,108	20,783	25,968
EBITDA	390	671	(41.8)	(235)	(265.9)	2,567	1,669	3,263	4,077
APAT	46	398	(88.6)	(424)	(110.7)	757	36	1,048	1,679
Diluted EPS (Rs)	0.7	5.9	(88.6)	(6.2)	(110.7)	11.1	0.5	15.4	24.7
P/E (x)						12.9	269.9	9.3	5.8
EV/EBITDA (x)						4.0	5.7	2.9	2.2
RoE (%)						8.6	0.4	10.8	15.2

Source: Company, HSIE Research

## BUY

CMP (as on 12 Nov 2020)	Rs 144
Target Price	Rs 213
NIFTY	12,691

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 213	Rs 213
EPS change %	FY21E FY22E FY23E	- - -

### KEY STOCK DATA

Bloomberg code	CAPACITE IN
No. of Shares (mn)	68
MCap (Rs bn) / (\$ mn)	10/131
6m avg traded value (Rs mn)	12
52 Week high / low	Rs 228/70

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	35.7	91.4	(33.7)
Relative (%)	22.7	53.2	(41.1)

### SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	43.79	43.79
FIs & Local MFs	10.11	22.03
FPIs	5.90	7.24
Public & Others	40.20	26.94
Pledged Shares	7.36	7.36

Source : BSE

**Parikshit D Kandpal, CFA**  
 parikshitd.kandpal@hdfcsec.com  
 +91-22-6171-7317

**Rohan Rustagi**  
 rohan.rustagi@hdfcsec.com  
 +91-22-3021-7355

**Chintan Parikh**  
 chintan.parikh@hdfcsec.com  
 +91-22-3021-7330

**Disclosure:**

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

**Disclaimer:**

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from 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. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (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.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

**HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600**

**HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193**

**HDFC securities**
**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,  
 Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  
 Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)