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 6th site execution to start this month and 7th 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.

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Financial Summary (Standalone)

<table>
<thead>
<tr>
<th>YE March (Rs mn)</th>
<th>2QFY21</th>
<th>2QFY20 YoY (%)</th>
<th>1QFY21</th>
<th>QoQ (%)</th>
<th>FY20</th>
<th>FY21E</th>
<th>FY22E</th>
<th>FY23E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenues</td>
<td>1,813</td>
<td>4,053 (55.5)</td>
<td>237</td>
<td>664.9</td>
<td>15,287</td>
<td>12,108</td>
<td>20,783</td>
<td>25,968</td>
</tr>
<tr>
<td>EBITDA</td>
<td>390</td>
<td>671 (41.8)</td>
<td>(235)</td>
<td>265.9</td>
<td>2,567</td>
<td>1,669</td>
<td>3,263</td>
<td>4,077</td>
</tr>
<tr>
<td>APAT</td>
<td>46</td>
<td>398 (88.6)</td>
<td>(424)</td>
<td>(110.7)</td>
<td>757</td>
<td>36</td>
<td>1,048</td>
<td>1,679</td>
</tr>
<tr>
<td>Diluted EPS (Rs)</td>
<td>0.7</td>
<td>5.9 (88.6)</td>
<td>(6.2)</td>
<td>(110.7)</td>
<td>11.1</td>
<td>0.5</td>
<td>15.4</td>
<td>24.7</td>
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<tr>
<td>P/E (x)</td>
<td>12.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>269.9</td>
<td>9.3</td>
<td>5.8</td>
</tr>
<tr>
<td>EVERBITDA (x)</td>
<td>4.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5.7</td>
<td>2.9</td>
<td>2.2</td>
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<tr>
<td>RoE (%)</td>
<td>8.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.4</td>
<td>10.8</td>
<td>15.2</td>
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Source: Company, HSIE Research

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<table>
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<tr>
<th>BUY</th>
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<tr>
<td>CMP (as on 12 Nov 2020)</td>
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<tr>
<td>Target Price</td>
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<tr>
<td>NIFTY</td>
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KEY CHANGES

<table>
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<tr>
<th>OLD</th>
<th>NEW</th>
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<tbody>
<tr>
<td>Rating</td>
<td>BU</td>
</tr>
<tr>
<td>Price Target</td>
<td>Rs 213</td>
</tr>
<tr>
<td>EPS change</td>
<td>FY21E</td>
</tr>
<tr>
<td>%</td>
<td>-</td>
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KEY STOCK DATA

<p>| |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Bloomberg code</td>
</tr>
<tr>
<td>No. of Shares (mn)</td>
</tr>
<tr>
<td>MCap (Rs bn) / ($ mn)</td>
</tr>
<tr>
<td>6m avg traded value (Rs mn)</td>
</tr>
<tr>
<td>Week high / low</td>
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STOCK PERFORMANCE (%)

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<tbody>
<tr>
<td>3M</td>
</tr>
<tr>
<td>Absolute (%)</td>
</tr>
<tr>
<td>Relative (%)</td>
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SHAREHOLDING PATTERN (%)

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<tbody>
<tr>
<td>Promoters</td>
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<tr>
<td>FIs &amp; Local MFs</td>
</tr>
<tr>
<td>FPIs</td>
</tr>
<tr>
<td>Public &amp; Others</td>
</tr>
<tr>
<td>Pledged Shares</td>
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</tbody>
</table>

Source: BSE

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