

Capacite Infraprojects

In-line performance

Whilst CIL missed our revenue/EBIDTA estimates by 12/11%, EBITDA margin outperformance led to in-line APAT. Despite multiple headwinds (urban areas were the worst hit by COVID-19, large exposure to real estate sector), CIL execution is gradually recovering towards normalcy with the company guiding for Rs 20bn+ of revenue and 17.5-18.5% EBITDA margins (including other income). The uptick in private real estate (~40% of order book) and government push on health/housing (~60% of order book) augurs well for the overall growth outlook and order bookings (we believe Rs 30bn FY22E inflow guidance is conservative). CIL expects NWC to improve further as share of low NWC CIDCO projects execution ramps up. Given execution ramp-up and increase in share of Government orders, CIL is well-placed for re-rating. We retain our estimates and roll forward our valuation to Mar-23E. Maintain BUY with Rs 320/sh target price vs. Rs 293/sh earlier.

- **Strong comeback during 3QFY21:** Revenues: Rs 3bn (-24.5% YoY, +68.7% QoQ, 12% miss). EBITDA stood at Rs 546mn (-24.4% YoY, +39.9% QoQ, 12% miss). EBITDA margin at 17.9% (+2bps YoY, -367bps QoQ, 20bps beat). Interest cost at Rs 174mn (+7.7% YoY, +28.9% QoQ). APAT: Rs 152mn (-35% YoY, ~3.3x 2QFY21, in-line), lower-than-expected interest cost and higher other income resulted in in-line APAT.
- **Positive guidance on balance sheet strengthening, NWC and debt reduction:** CIL expects to reduce gross debt to Rs 2.6bn (pre-COVID levels) by 1QFY22 vs Rs 3.7bn (-Rs 400mn QoQ) in 3QFY21. This may be driven by conversion of CC limits to LC limits. NWC is expected to stabilise in line with historical trend at ~70-72days. CIL has removed all slow-moving orders and is carrying Rs 600mn of ECL provisions in the books already. The current order book of Rs 91.5bn is an active one. Residential order book has Tier 1 clients like Oberoi, Godrej, Brigade, CIDCO, BSNL, K Raheja, and Brookfield and, hence, we believe NWC will reduce as share in mix of these clients increases. CIL remains focused on maintaining optimal debtor/creditor mix. Gross D/E has improved QoQ from 0.5x to 0.4x.
- **Order book mix tilts towards government (Rs 55.3bn, 60% order book) execution ramps up, augurs well:** CIL has ramped up government share in the order backlog to 60% vs near zero over the past two years on expectations of limited opportunities of order inflow from Tier 1 developers and likely pain in the sector, given NBFC crisis. Now with real estate recovery, market share gains for organised players and pick-up in government ordering, CIL stands to gain. The company has indicated about Rs 400bn of government bid pipeline and Rs 260bn on the private side. Given this backdrop, ~Rs 30bn order inflow guidance for FY22E seems conservative. Other segments like the Metro project depot and BDD Chawl will add incrementally to the overall order book.

Financial Summary (Standalone)

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Revenues	3,058	4,049	(24.5)	1,813	68.7	15,287	9,608	23,651	29,713
EBITDA	546	723	(24.4)	390	39.9	2,567	1,491	3,713	4,665
APAT	152	235	(35.2)	46	234.5	757	30	1,349	2,086
Diluted EPS (Rs)	2.2	3.5	(35.2)	0.7	234.5	11.1	0.4	19.9	30.7
P/E (x)						19.1	479.7	10.7	6.9
EV/EBIDTA (x)						5.8	9.6	4.0	3.0
RoE (%)						8.6	0.3	13.7	18.1

Source: Company, HSIE Research

BUY

CMP (as on 12 Feb 2021)	Rs 213
Target Price	Rs 320
NIFTY	15,163

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 293	Rs 320
EPS change %	FY21E FY22E FY23E	- - -

KEY STOCK DATA

Bloomberg code	CAPACITE IN
No. of Shares (mn)	68
MCap (Rs bn) / (\$ mn)	14/199
6m avg traded value (Rs mn)	28
52 Week high / low	Rs 221/70

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	44.5	99.9	16.4
Relative (%)	25.6	65.6	(7.6)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	43.79	43.79
FIs & Local MFs	22.03	21.34
FPIs	7.24	7.42
Public & Others	26.94	27.45
Pledged Shares	7.36	7.36

Source : BSE

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Disclosure:

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