

# Capacite's Infraprojects (CAPACITE IN)

Rating: BUY | CMP: Rs213 | TP: Rs270

February 12, 2021

## Q3FY21 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>270</b>		<b>270</b>	
Sales (Rs. m)	23,007	26,640	23,007	26,640
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,586	4,218	3,594	4,200
% Chng.	(0.2)	0.4	-	-
EPS (Rs.)	20.7	27.0	20.3	27.0
% Chng.	1.9	0.1	-	-

### Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	15,290	9,027	23,007	26,640
EBITDA (Rs. m)	2,567	1,346	3,586	4,218
Margin (%)	16.8	14.9	15.6	15.8
PAT (Rs. m)	910	15	1,407	1,834
EPS (Rs.)	13.4	0.2	20.7	27.0
Gr. (%)	(6.4)	(98.4)	9,404.5	30.3
DPS (Rs.)	1.1	0.0	2.5	3.2
Yield (%)	0.5	0.0	1.2	1.5
RoE (%)	10.3	0.2	14.2	16.2
RoCE (%)	12.1	3.7	16.1	16.8
EV/Sales (x)	1.0	1.6	0.8	0.7
EV/EBITDA (x)	5.9	11.0	5.1	4.1
PE (x)	15.9	975.9	10.3	7.9
P/BV (x)	1.6	1.6	1.4	1.2

### Key Data

### CAPEBO | CAPACITEIN

52-W High / Low	Rs.221 / Rs.70
Sensex / Nifty	51,544 / 15,163
Market Cap	Rs.14bn/ \$ 199m
Shares Outstanding	68m
3M Avg. Daily Value	Rs.80.24m

### Shareholding Pattern (%)

Promoter's	43.79
Foreign	7.42
Domestic Institution	22.34
Public & Others	26.45
Promoter Pledge (Rs bn)	0.94

### Stock Performance (%)

	1M	6M	12M
Absolute	16.9	99.9	16.4
Relative	12.3	48.8	(6.2)

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## Strong outlook with execution picking up

### Quick Pointers:

- Order book stands strong at Rs91.5bn (excluding Rs43.6bn MHADA orders) translating an order-book-to-sales ratio of 6x FY20 revenues.
- Strong bid pipeline of Rs406bn public sector & Rs250bn private sector projects over 6 months, with primary focus on affordable housing and hospital projects.
- With sharp uptick expected in CIDCO & other key projects, company guided FY22 revenues of over Rs20bn with EBITDAM in range of 17.5-18.5%.

**Capacite reported weak quarterly numbers with revenues coming in below our & street estimates. However, stringent cost control measures & better operational efficiencies led to positive surprise on margins front. Execution in its largest project CIDCO (Rs45bn) is picking up pace with revenues of Rs7.5-8bn expected in FY22E. On the back of huge order book, rising execution pace in CIDCO & other key private sector projects, strong liquidity position with healthy collections (Rs2.7bn in Q3) and overall traction in both affordable housing and private sector, management guided for FY22 revenues of over Rs20bn with EBITDAM of 17.5-18.5%.**

**We believe that CAPACITE is well-positioned to gain traction driven by a) impressive execution track record with stable margins; b) healthy order book (Rs91.5bn as at 3QFY21, excluding MHADA orders) c) lean balance sheet with healthy return ratios; d) strong management pedigree; and e) asset-light business model. Due to delays in getting clearances on certain projects and revised management guidance, we have reduced our FY21 EPS estimates from Rs2.3 to Rs0.2 while keeping FY22/23 estimates largely unchanged. At CMP, the stock trades at a PE of 10.3x/ 7.9x FY22E/ FY23E earnings. We maintain BUY rating with TP of Rs270 (Same as earlier).**

**Execution muted; Margins surprise positively:** For Q3FY21, CAPACITE's revenues fell by 24.5% YoY to Rs3.1bn (PLe Rs3.7bn) as execution was lower due to delayed availability of sites in its key projects. EBITDA fell 24.4% YoY to Rs546mn, with EBITDAM surprising positively at 17.9% (above our estimate of 15.8%). Margins were higher owing to stringent cost control measures and better operational efficiencies. On bottom-line, Adj PAT fell 35% YoY to Rs152mn (ahead of PLe Rs143mn). Profit was higher on the back of better operating margins and lower depreciation at Rs219mn (PLe Rs300mn) which fell 26% YoY.

**Healthy order book; Sharp pickup expected in execution:** Order book as at 3QFY21 is strong at Rs91.5bn (excluding Rs43.6bn MHADA projects), translating into an order-book-to-sales ratio of 6x FY20 revenues. Public-Private sector ratio stands at 60%-40% respectively. Bid pipeline is strong with the company planning to bid for Rs406bn public sector and Rs250bn private sector projects in the coming six months. Sharp execution pickup is expected in the CIDCO project (Rs45bn) with all seven sites now mobilized. Gross debt reduced by Rs0.4bn QoQ and continues to remain low at Rs3.7bn against which company holds cash and cash equivalents of Rs2.4bn. Net D:E stands low at 0.15x.

**Exhibit 1 : Quarterly Financials (Standalone): Stringent cost control measures lead to positive margins surprise**

Y/e March (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY gr. (%)	QoQ gr. (%)	9MFY21	9MFY20	YoY gr. (%)
Revenue	4,049	3,072	237	1,813	3,058	(24.5)	68.7	5,108	12,215	(58.2)
Total Revenues	4,049	3,072	237	1,813	3,058	(24.5)	68.7	5,108	12,215	(58.2)
Expenditure	3,327	2,596	472	1,423	2,512	(24.5)	76.5	4,406	10,124	(56.5)
as % of sales	82.2	84.5	199.3	78.5	82.1			86.3	82.9	
Consumption of RM	2,784	2,132	193	1,078	2,073	(25.5)	92.2	3,345	8,508	(60.7)
as % of sales	68.7	69.4	81.6	59.5	67.8			65.5	69.7	
Employee Cost	352	316	150	175	218	(38.1)	24.5	543	1,055	(48.6)
as % of sales	8.7	10.3	63.4	9.6	7.1			10.6	8.6	
Other expenditure	192	149	129	169	221	15.4	30.5	519	561	(7.5)
as % of sales	4.7	4.8	54.2	9.3	7.2			10.2	4.6	
EBITDA	723	476	-235	390	546	(24.4)	39.9	701	2,091	(66.5)
Depreciation	298	301	162	257	219	(26.4)	(14.5)	638	841	(24.1)
EBIT	424	175	-397	134	327	(23.0)	144.4	63	1,250	(94.9)
Other Income	49	56	51	62	53	8.7	(14.9)	167	198	(15.7)
Interest	162	184	203	135	174	7.7	28.9	513	461	11.2
PBT	311	47	-549	61	206	(34.0)	237.9	-283	987	(128.6)
Total Tax	77	9	-125	15	53	(30.6)	247.7	-57	116	(148.8)
Adjusted PAT	235	38	-424	46	152	(35.2)	234.5	-226	871	(126.0)
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	235	38	-424	46	152	(35.2)	234.5	-226	871	(126.0)
Extra ordinary items	0	0	0	0	0	-	-	0	0	-
Reported PAT	235	38	-424	46	152	(35.2)	234.5	-226	871	(126.0)
Adjusted EPS	3.5	0.6	(6.2)	0.7	2.2	(35.2)	234.5	(3.3)	12.8	(126.0)
						bps	bps			bps
EBIDTA	17.8	15.5	(99.3)	21.5	17.9	2	-367	13.7	17.1	-339
EBIT	10.5	5.7	(167.5)	7.4	10.7	20	331	1.2	10.2	-900
EBT	7.7	1.5	(231.6)	3.4	6.7	-97	337	(5.5)	8.1	-1,361
PAT	5.8	1.2	(178.8)	2.5	5.0	-82	247	(4.4)	7.1	-1,155
Effective Tax rate	24.6	18.6	22.8	25.2	25.9	129	74	20.0	11.8	828

Source: Company, PL

**Exhibit 2 : Key Assumptions**

(Rs mn)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Order inflow	27,220	32,926	48,360	19,511	34,540	39,325
Revenues	13,411	17,976	15,290	9,027	23,007	26,640
Order book	56,820	71,770	1,04,840	1,15,324	1,26,856	1,39,542
Execution cycle (%)	27%	28%	17%	8%	19%	20%
Ob to sales (x)	4.2	4.0	6.9	12.8	5.5	5.2

Source: Company, PL

## Concall Highlights

- The company indicated strong visibility on public sector projects, mainly affordable housing and hospitals space. Bid pipeline looks strong, with the company targeting to bid for Rs406bn public sector projects (55% Residential, 25% healthcare & 20% institutional) and Rs250bn private sector projects in the coming 6 months.
- Increased traction in Real estate sector (especially MMR & Pune) on the back of softening interest rates and reduced stamp duty have led to increased inquiries and new launches lining up.
- Order book as at 3QFY21 stands strong at Rs91.5bn (excluding Rs43.6bn MHADA orders) translating into OB-to-sales ratio of 6x FY20 revenues. Top 10 clients in public sector (CIDCO, MCGM) and marquee private sector names (Lodha, Godrej, Raymond, Oberoi, Brookfield, K Raheja, etc) make up ~80% of the total order book. Further details of the order book are as follows:
  - Of total order book, the Residential segment contributes 24%, Commercial & Institutional 19% and balance 57% are mixed-use projects. Public - Private sector ratio stands at 60-40 respectively.
  - During Q3, two slow-moving projects worth Rs4.2bn were removed from the order book. The entire OB of Rs91.5bn is currently active.
  - The order book is insulated from the rising commodity prices with 98% of the OB being completely pass through.
  - The company targets Inflows of over Rs30bn in FY22E.
- For CIDCO project (worth Rs45bn), the company is now mobilized on all seven sites and execution is picking up pace. The project is expected to have a monthly run-rate of over Rs500-550mn in 1QFY22E and would be reaching over Rs1bn per month by 4QFY22E.
- Large part of MHADA projects would move into execution towards end of FY21E. With height of rehab buildings raised from 22 to 40 storeys and consequent number of buildings coming down, timeline of completion is reduced from 8 years to 5 years.
- On the back of sharp uptick expected in CIDCO project and strong execution in other projects, management guided for FY22E revenues of over Rs20bn with EBITDAM expected in the range of 17.5-18.5%.
- Gross debt as at 3QFY21 reduced by Rs0.4bn sequentially and remains low at Rs3.7bn against which company holds cash (including fixed deposits) of Rs2.4bn. Net D:E stands low at 0.15x.
- With robust collections of Rs2.7bn in Q3, debtors (including retention) have come down to Rs4.8bn (vs Rs4.9bn QoQ) while creditors increased to Rs3.7bn (vs Rs3.3bn QoQ).
- Company incurred capex of Rs400mn in 9MFY21 and plans to incur ~850mn for CIDCO project over CY21-22E.

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>15,290</b>	<b>9,027</b>	<b>23,007</b>	<b>26,640</b>
YoY gr. (%)	(14.9)	(41.0)	154.9	15.8
Cost of Goods Sold	6,576	3,611	10,353	11,988
Gross Profit	8,714	5,416	12,654	14,652
Margin (%)	57.0	60.0	55.0	55.0
Employee Cost	1,370	1,028	1,131	1,244
Other Expenses	712	812	1,495	1,732
<b>EBITDA</b>	<b>2,567</b>	<b>1,346</b>	<b>3,586</b>	<b>4,218</b>
YoY gr. (%)	2.2	(47.6)	166.4	17.6
Margin (%)	16.8	14.9	15.6	15.8
Depreciation and Amortization	1,142	871	1,237	1,360
<b>EBIT</b>	<b>1,425</b>	<b>475</b>	<b>2,349</b>	<b>2,858</b>
Margin (%)	9.3	5.3	10.2	10.7
Net Interest	645	672	790	868
Other Income	254	217	322	461
<b>Profit Before Tax</b>	<b>1,034</b>	<b>20</b>	<b>1,880</b>	<b>2,451</b>
Margin (%)	6.8	0.2	8.2	9.2
Total Tax	123	5	473	617
Effective tax rate (%)	11.9	25.2	25.2	25.2
<b>Profit after tax</b>	<b>911</b>	<b>15</b>	<b>1,407</b>	<b>1,834</b>
Minority interest	-	-	-	-
Share Profit from Associate	0	-	-	-
<b>Adjusted PAT</b>	<b>910</b>	<b>15</b>	<b>1,407</b>	<b>1,834</b>
YoY gr. (%)	(6.4)	(98.4)	9,404.5	30.3
Margin (%)	6.0	0.2	6.1	6.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>910</b>	<b>15</b>	<b>1,407</b>	<b>1,834</b>
YoY gr. (%)	(6.4)	(98.4)	9,404.5	30.3
Margin (%)	6.0	0.2	6.1	6.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	910	15	1,407	1,834
<b>Equity Shares O/s (m)</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>68</b>
<b>EPS (Rs)</b>	<b>13.4</b>	<b>0.2</b>	<b>20.7</b>	<b>27.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>9,248</b>	<b>10,248</b>	<b>11,248</b>	<b>12,248</b>
Tangibles	9,248	10,248	11,248	12,248
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>2,659</b>	<b>3,530</b>	<b>4,767</b>	<b>6,127</b>
Tangibles	2,659	3,530	4,767	6,127
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>6,589</b>	<b>6,718</b>	<b>6,481</b>	<b>6,121</b>
Tangibles	6,589	6,718	6,481	6,121
Intangibles	-	-	-	-
Capital Work In Progress	48	86	86	86
Goodwill	-	-	-	-
Non-Current Investments	722	148	358	413
Net Deferred tax assets	(387)	(387)	(387)	(387)
Other Non-Current Assets	1,126	406	920	1,066
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	1,041	866	2,206	2,555
Trade receivables	4,726	3,462	5,673	6,569
Cash & Bank Balance	2,629	3,875	1,458	3,166
Other Current Assets	1,025	903	1,841	2,131
<b>Total Assets</b>	<b>23,645</b>	<b>19,037</b>	<b>25,051</b>	<b>29,086</b>
<b>Equity</b>				
Equity Share Capital	679	679	679	679
Other Equity	8,580	8,593	9,832	11,446
<b>Total Network</b>	<b>9,259</b>	<b>9,272</b>	<b>10,511</b>	<b>12,124</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,362	1,362	1,362	1,362
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,838	2,838	3,838	4,838
Trade payables	5,599	2,844	5,043	5,839
Other current liabilities	5,200	2,334	3,910	4,535
<b>Total Equity &amp; Liabilities</b>	<b>23,645</b>	<b>19,037</b>	<b>25,051</b>	<b>29,086</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,034	20	1,880	2,451
Add. Depreciation	1,142	871	1,237	1,360
Add. Interest	-	-	-	-
Less Financial Other Income	254	217	322	461
Add. Other	573	672	790	868
Op. profit before WC changes	2,748	1,563	3,908	4,678
Net Changes-WC	1,153	400	(4,893)	(1,265)
Direct tax	368	5	473	617
<b>Net cash from Op. activities</b>	<b>3,534</b>	<b>1,958</b>	<b>(1,458)</b>	<b>2,796</b>
Capital expenditures	(2,647)	(1,037)	(1,000)	(1,000)
Interest / Dividend Income	216	-	-	-
Others	(339)	-	-	-
<b>Net Cash from Invt. activities</b>	<b>(2,769)</b>	<b>(1,037)</b>	<b>(1,000)</b>	<b>(1,000)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	758	1,000	1,000	1,000
Dividend paid	(82)	(1)	(169)	(220)
Interest paid	(663)	(672)	(790)	(868)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>13</b>	<b>326</b>	<b>41</b>	<b>(88)</b>
<b>Net change in cash</b>	<b>777</b>	<b>1,247</b>	<b>(2,417)</b>	<b>1,708</b>
Free Cash Flow	881	920	(2,458)	1,796

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	13.4	0.2	20.7	27.0
CEPS	30.2	13.0	38.9	47.0
BVPS	136.4	136.6	154.8	178.6
FCF	13.0	13.6	(36.2)	26.5
DPS	1.1	0.0	2.5	3.2
<b>Return Ratio(%)</b>				
RoCE	12.1	3.7	16.1	16.8
ROIC	13.7	3.9	13.4	15.4
RoE	10.3	0.2	14.2	16.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.1	0.0	0.4	0.3
Net Working Capital (Days)	45	110	111	111
<b>Valuation(x)</b>				
PER	15.9	975.9	10.3	7.9
P/B	1.6	1.6	1.4	1.2
P/CEPS	7.0	16.3	5.5	4.5
EV/EBITDA	5.9	11.0	5.1	4.1
EV/Sales	1.0	1.6	0.8	0.7
Dividend Yield (%)	0.5	0.0	1.2	1.5

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>Net Revenue</b>	<b>3,072</b>	<b>237</b>	<b>1,813</b>	<b>3,058</b>
YoY gr. (%)	(38.3)	(94.2)	(55.3)	(24.5)
Raw Material Expenses	1,483	97	517	1,279
Gross Profit	1,590	140	1,296	1,779
Margin (%)	51.7	59.2	71.5	58.2
<b>EBITDA</b>	<b>476</b>	<b>(235)</b>	<b>390</b>	<b>546</b>
YoY gr. (%)	(28.9)	(133.7)	(41.8)	(24.4)
Margin (%)	15.5	(99.3)	21.5	17.9
Depreciation / Depletion	301	162	257	219
<b>EBIT</b>	<b>175</b>	<b>(397)</b>	<b>134</b>	<b>327</b>
Margin (%)	5.7	(167.5)	7.4	10.7
Net Interest	184	203	135	174
Other Income	56	51	62	53
<b>Profit before Tax</b>	<b>47</b>	<b>(549)</b>	<b>61</b>	<b>206</b>
Margin (%)	1.5	(231.6)	3.4	6.7
Total Tax	9	(125)	15	53
Effective tax rate (%)	18.6	22.8	25.2	25.9
<b>Profit after Tax</b>	<b>38</b>	<b>(424)</b>	<b>46</b>	<b>152</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>38</b>	<b>(424)</b>	<b>46</b>	<b>152</b>
YoY gr. (%)	(85.2)	(277.9)	(88.6)	(35.2)
Margin (%)	1.2	(178.8)	2.5	5.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>38</b>	<b>(424)</b>	<b>46</b>	<b>152</b>
YoY gr. (%)	(85.2)	(277.9)	(88.6)	(35.2)
Margin (%)	1.2	(178.8)	2.5	5.0
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>38</b>	<b>(424)</b>	<b>46</b>	<b>152</b>
Avg. Shares O/s (m)	68	68	68	68
<b>EPS (Rs)</b>	<b>0.6</b>	<b>(6.2)</b>	<b>0.7</b>	<b>2.2</b>

Source: Company Data, PL Research

**Price Chart**

**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-21	BUY	270	180
2	11-Dec-20	BUY	270	188
3	12-Nov-20	BUY	162	144
4	08-Oct-20	BUY	162	120
5	12-Aug-20	BUY	162	106
6	07-Jul-20	BUY	162	111
7	19-Jun-20	BUY	162	114
8	07-Apr-20	BUY	168	75

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs.)	Share Price (Rs.)
1	ABB	Reduce	1,195	1,423
2	Ahluwalia Contracts (India)	BUY	288	263
3	Apar Industries	BUY	543	373
4	Ashoka Buildcon	BUY	160	105
5	Bharat Electronics	Accumulate	110	132
6	BHEL	Hold	34	39
7	Capacite's Infraprojects	BUY	270	180
8	Container Corporation of India	BUY	561	467
9	Cummins India	Hold	546	666
10	Engineers India	BUY	115	73
11	GE T&D India	Hold	86	132
12	H.G. Infra Engineering	BUY	311	219
13	IRB Infrastructure Developers	BUY	157	116
14	ITD Cementation India	BUY	67	64
15	J.Kumar Infraprojects	BUY	260	188
16	Kalpitaru Power Transmission	BUY	437	336
17	KEC International	Accumulate	402	360
18	KNR Constructions	BUY	336	337
19	Larsen & Toubro	BUY	1,526	1,361
20	NCC	BUY	111	90
21	PNC Infratech	BUY	295	245
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	BUY	87	64
24	Siemens	Accumulate	1,516	1,633
25	Thermax	Accumulate	1,008	1,207
26	Triveni Turbine	BUY	98	88
27	Voltamp Transformers	BUY	1,283	1,254

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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