February 12, 2021

Result Report Q3 FY21 | Sector: Infrastructure

Capacite InfraProjects

BUY	CMP Rs213	Target Rs251	Upside 18%

Execution set to improve - BUY

Our View

The strong pick up in execution in key private sector projects and increasing contribution from CIDCO project would drive execution going forward. Margins are likely to stay elevated with strong cost control and economies of scale flowing in. With execution expected to pick up faster than expected, we increase our estimates for FY22. We roll forward our estimates to FY23 and retain our BUY rating on the stock for target price of Rs.251 (8x FY23 EPS). We believe the strategy to focus on Balance sheet control and managing receivables would augur well for the Company.

Conference Call takeaways

- ✓ The softening of interest rates and reduction in stamp duty of properties in Maharashtra benefited the key regions ie Mumbai (MMR) and Pune. This paved the way for the buyer's interest. Good demand pickup was seen in the residential and commercial projects. The company continues to focus on the projects with heathy cashflow, strong balance sheet, cash flow, execution in public sector order where working capital is good.
- ✓ The orderbook stands at Rs.91.5 bn with ~100% of sites under execution. Around three projects were suspended from the order book during the quarter. The Oberoi mall project and Neelkanth Phase 2 were removed for Order book as they were slow moving and would be redesigned and renegotiated. A Kalpaturu project was suspended due to nonpayment of pending dues on time.
- ✓ Public Order Book stood at Rs 55.3 bn (60%) while Private Order Book was at Rs 36.2bn (40%). Marquee Client Groups constitute over 80% of the Total Order Book. MHADA orderbook stands at Rs.43.6 bn. The Residential and Commercial formed 24%/19% of the orderbook while Mix use formed 57%.
- ✓ The company has guided for Rs.20bn revenue in FY22 on the back of strong orderbook and rampup in ongoing projects. CIDCO is expected to contribute ~Rs.8 bn during FY22 out of the Rs.20 bn target topline. Expects to receive the order inflow of Rs.30 bn in FY22. The company expects Margins at ~17%-18.5% (incl other income).
- ✓ The company continues to focus on 7 geographies in the Affordable housing projects segment. The company has good visibility in the hospital and affordable housing segment for the next 6 months. The tenders that can be bid on the public sector side stands at Rs.406bn and Rs. 260bn on the private sector side. Hospital projects forms a decent portion of the project pipeline.
- ✓ **CIDCO:** Expects billing to start amounting Rs.550 mn/month in Q1, Rs.650 mn a month in Q2, Rs800-900 mn a month in Q3 and Rs1 bn+ a month from Q4. This is achievable as all the sites are mobilized. In the seventh site of CIDCO, 30 buildings have been handed over. The bill for the design has been paid. On the 8th location, the client has given one portion to the company and another to the competitor. ~20,000 houses may come up in April/May.
- ✓ **JJ Hospital project:** The blueprint has been approved and payment has been received. Site is mobilized. Expects revenue of Rs.1.5-1.6bn in FY22.
- ✓ **BDD project:** The government has issued the circular to speed up the project where height of the rehab building will be doubled to 44 storey from 22 storey.

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- **Other Details:** (1) The debtor levels at the government project levels are at 45-50 days which is better than the private sector (2) The company expects RoE and RoCE to improve in coming years (3) 98% of the orderbook has 100% passthrough, thus margins will not be affected despite sharp price increase in steel and other raw materials. (4) The debt now stands at Rs. 3.71bn and net debt at Rs. 1.71bn. The debt levels will remain similar to FY20 levels or will reduce despite strong orderbook. The company targets to be gross debt free by June 2023 (5) Capex: Did Rs400 mn in 9M FY21

Capacite InfraProjects Q3 FY21 results review:

- Capacite InfraProjects reported topline de-growth of 25% yoy (to Rs.3.05 bn) which was marginally below our estimates of Rs.3.2 bn. With better labor availability, the execution has drastically improved over Q2 FY21.
- Operating margin remained stable at 17.9% during Q3 FY21 (17.8% in Q3 FY20). This was in-line with our estimate of 18% OPM.
- PAT de-grew 35% yoy to Rs.152 mn during the quarter.
- Order book at the end of Q3 FY21 stood at ~Rs.91 bn.
- During the quarter, the company won a repeat order worth Rs.1.48 bn from Raymond Ltd.

Exhibit 1: Result table (Standalone)

Y/e 31 Mar (Rs m)	Q3 FY21	Q3 FY20	yoy(%)	Q2 FY21	qoq (%)
Revenue	3,058	4,049	(24.5)	1,813	68.7
Operating Profit	546	723	(24.4)	390	39.9
OPM(%)	17.9	17.8	2 bps	21.5	-367 bps
Other Income	53	49	8.7	62	(14.9)
Depreciation	(219)	(298)	(26.4)	(257)	(14.5)
Interest	(174)	(162)	7.7	(135)	28.9
PBT	206	311	(34.0)	61	237.9
Tax	(53)	(77)	(30.6)	(15)	247.7
Adjusted PAT	152	235	(35.2)	46	234.5

Exhibit 2: Financial Summary (Standalone)

Y/e 31 Mar (Rs m)	FY20	FY21E	FY22E	FY23E
Revenues	15,287	9,636	22,091	30,578
yoy growth (%)	(14.4)	(37.0)	129.3	38.4
Operating profit	2,567	1,335	3,407	4,825
OPM (%)	16.8	13.9	15.4	15.8
Reported PAT	909	(86)	1,293	2,133
Adjusted PAT	909	(86)	1,293	2,133
yoy growth (%)	(4.9)	NA	NA	65.0
EPS (Rs)	13.4	(1.3)	19.0	31.4
P/E (x)	15.8	NA	11.1	6.7
EV/EBITDA (x)	5.7	10.1	4.8	3.6
Debt/Equity (x)	0.3	0.3	0.3	0.3
RoE (%)	10.3	(0.9)	13.2	18.6

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