

19th November 2024

Capacite Infraprojects Ltd. – BUY

CMP : Rs. 368
Target Price : Rs. 471
Upside : ~28%
Stop Loss : Rs. 315(Closing basis)

Investment Thesis

- **Capacite Infraprojects Ltd (CAPACITE)** has been consistently reporting robust financials with Revenue / EBIT growth of 33% / 82% YoY in Q1FY25 to Rs. 569.8 Crs. / 93.2Crs. respectively. PAT grew 180% in the same period to 53.4 Crs. This is corroborated through strong execution capabilities by providing full spectrum of services and focusing exclusively on building construction that has seen the company executing over 60+ projects spread across MMR, Chennai, Bengaluru, NCR, Hyderabad.
- Strong order book of Rs. 8,828 crs as of June 30,2024, with order inflow of Rs. 2,009 crs. and order backlog of Rs. 9,011 crs. CAPACITE boasts a marquee clientele from both spectrums of private and public including Godrej, Raymond, Lodha providing repeat orders. Order book size over the past few years has expanded significantly, although number of projects under execution has reduced, resulting in higher revenue contribution per project site.
- Raymonds command the highest contribution to the order book with Rs. 1500 crs worth of order out of which Rs. 700cr has already been executed. Lodha has provided a 4th repeat order to CAPACITE with a project in Worli. CAPACITE has acquired M3M as their new client winning orders worth Rs. 550 crs. in Noida. From the Public sector end, the clientele include MHADA, telecom through BSNL escrow, and recently added IOCL as their new client. Public sector projects command higher margins.
- CAPACITE reported long-term debt of Rs. 126 cr in Q1FY25, alongwith short-term debt of Rs. 210 Cr. for the same period. Over time, the gross debt has reduced significantly from Rs. 370 Crs in FY23 to Rs. 336 crs. in Q1FY25.
- CAPACITE has shown improvement in WC days by reducing it by 17 days leading to a shorter execution time.

Financials

- CAPACITE reported Revenue/EBITDA/PAT CAGR of 20%/27%/65% from FY22-FY24. Management further guided for a 25% growth. Increase in the share of public sector projects resulted in an uptick in the margins which stood at 19.4% vs 18.2% in Q4FY24.

Particulars	FY21	FY22	FY23	FY24	FY25E
Revenue* (Rs in Crs)	879.72	1339.83	1798.59	1931.64	2414.55
EBITDA*(Rs in Crs)	136.24	217.79	357.15	334.05	422.55
Adj. PAT * (Rs in Crs)	-27.26	34.62	91.07	90.01	132.80
Adj. EPS (Rs.) *	NA	5.10	13.41	10.64	15.70
PE Multiple (x)	NA	72.13	27.42	34.56	30.00
RoE (%)	NA	3.59%	8.58%	5.93%	8.05%

Stock Data

Market Cap (Rs. Crs)	3,088
Market Cap (\$ Mn)	367.11
Shares O/S (in Mn)	84.6
Avg. Volume (3 month)	20,98,334.80
52-Week Range (Rs.)	415 / 208

Shareholding Pattern

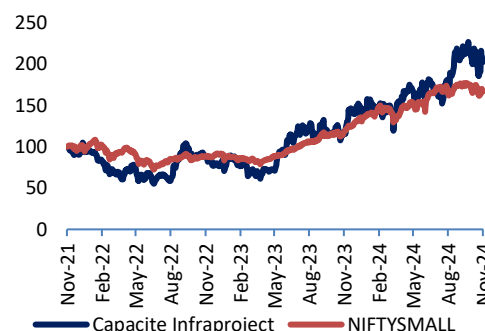
Promoters	31.69
FIIIs	14.29
Institutions	7.24
Others (incl. body corporate)	46.78

Key Ratios

Div Yield	0.00%
TTM PE	20x
ROE	9.48%
TTM EPS (Rs.)	Rs. 19.0

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	(3.7%)	23.5%	70.2%
NIFTYSMALL	(1.9%)	13.0%	30.1%



- Q1FY25 saw an increase in Cash PAT of 71% YoY, standing at Rs. 73.3 Crs. with Cash PAT margin at 11.7%.
- CAPACITE also saw a massive increase in the EPS for Q1FY25 at Rs. 6.3 vs Rs. 2.8 in Q1FY24, a leap of 125% YoY.
- Gross D/E at comfortable levels of 0.21x as on March 2024. Net debt ratio healthy at 0.06x as on June 30, 2024 vs 0.05x as on March 31, 2024. This reduction in debt further allows CAPACITE to improve profitability and operational efficiency further.

Key Business Highlights

- CAPACITE is mostly involved in the EPC industry and offers turnkey solutions for urban infrastructure, specialised buildings, high-rises, super-high-rises, and housing. Leading Indian government and real estate organisations use the company's services. CAPACITE is mostly involved in the EPC industry and offers turnkey solutions for urban infrastructure, specialised buildings, high-rises, super-high-rises, and housing. Leading Indian government and real estate organisations use the company's services.
- CIDCO, MHADA, MCGM, Oberoi's, CIDCO, Raymond Limited, K Raheja Corp with GIC Singapore, and Phoenix Market City with Canadian Pension Fund are just a few of the company's clients in the public and private sectors.
- The company has completed numerous high-profile projects around the nation, including in the South Zone (Bengaluru, Chennai, Hyderabad, Kochi, and Vijayawada), North Zone (NCR, Varanasi), and West Zone (Mumbai Region, Pune). Among the well-known projects are The Park by Lodha, Sattva Salarpuria Cadenza, Brigade Group's World Trade Centre in Chennai, Tata Trusts' Cancer Hospital, Four Seasons, Piramal-Mahalaxmi, and others.
- One of its wholly-owned subsidiaries is CIPL-PPSL-Yongnam Joint Venture Constructions Private Limited. Two project-specific associate companies, TCC Constructions Private Limited and TPL-CIL Constructions LLP, were established to carry out the MHADA-awarded project for the renovation of BDD Chawls in Worli, Mumbai. Together with its current stake, the Co. invested and purchased a 40% stake in Captech Technologies Private Limited during FY21, making it an associate business.
- Completed more than 60 projects in various areas with success during the brief 12-year operational period. holds the record for the quickest hospital building in Limca.

Valuation

CAPACITE is trading at a PE of 17.4x against the industry standard of 29.4x signalling undervaluation. Furthermore, CAPACITE is trading at an EV/EBITDA of 7.9x against median of 5.1x. Overall, given the growth prospects of CAPACITE as well as a robust revenue recognition through their order book, we believe that the company has huge room for value unlocking and can provide greater returns in the long run

Therefore, in light of above, we ascribe a **BUY** rating for **CAPACITE** with a **target price** of **Rs.471.00**, translating to an **upside** of **~29%**.

Risk & Concern

- High Debt industry with moderate entry to barrier. CAPACITE has to consistently look to maintain their debt levels.
- Labour unavailability can be an issue at times which can impact the execution capability.

Graphs & Charts

Figure 1: Net Sales Trend (Rs. In Crs)

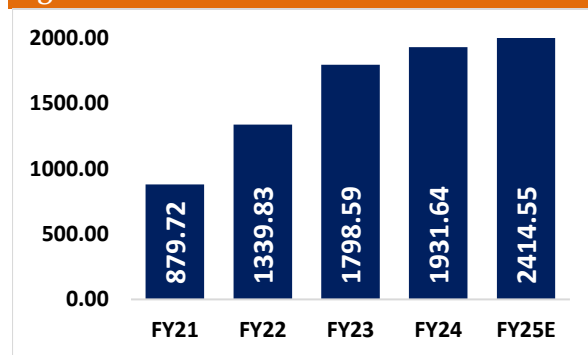


Figure 2: EBITDA & EBITDA Margin Trend

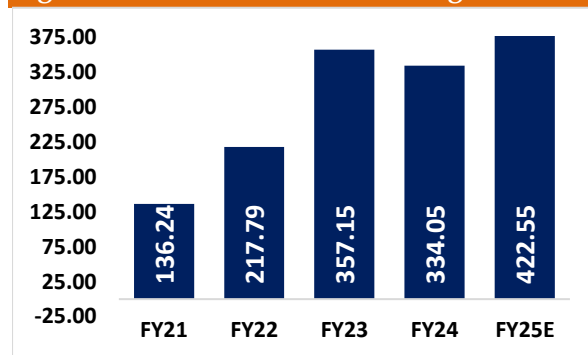


Figure 3: Order Backlog (Inr in Crs.)

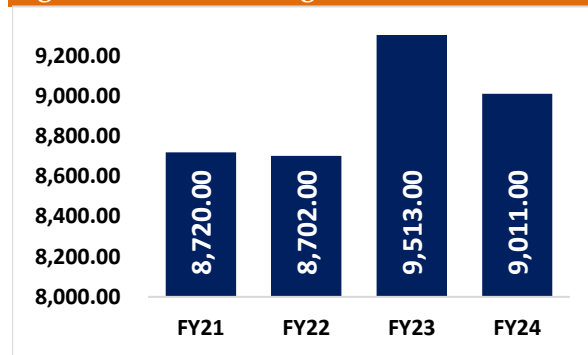
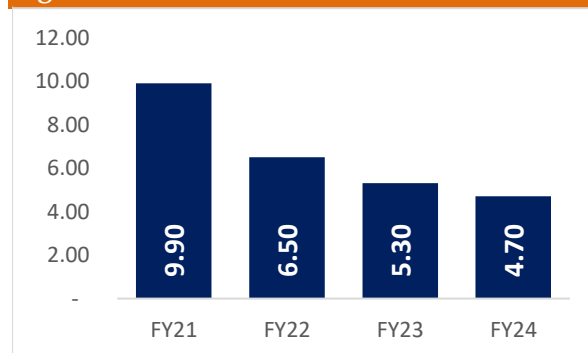


Figure 4: Order Book – To – Sales Ratio



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