



COMPANY NAME	: <b>Capacit'e Infraprojects</b>
BSE Code	: <b>540710</b>
Time Duration	: <b>1 year</b>
CMF	: <b>₹340 (as on 15 Feb., 2018)</b>
Target Price	: <b>₹465</b>

The Mid Bridge for the month of February is Capacit'e Infraprojects Limited (CIL). Incorporated in 2012, it is a construction company promoted by first generation entrepreneurs and is engaged in construction of residential, commercial and institutional buildings. Further, it provides construction services for residential buildings, multi-level car parks, corporate office buildings, buildings for commercial purposes, buildings for educational and healthcare purposes.

The company's revenue has grown at a CAGR of 86.5% over FY15-17, while the net profit has grown at a CAGR of 139.4% over the same period. The company had come up with an IPO for raising Rs 400 crore in September 2017 and got listed on the BSE and NSE with premium of ~60% on its issue price. We see this company has huge growth potential on the back of strong order book, which has created revenue visibility for the next four years, stellar financial performance since inception, expansion in new geographical areas, high ROE, less debt-to-equity ratio and positive cash flows.

**Robust order book and repeat orders**

As on December 31, 2017, the company had an order book of Rs 5,240 crore. This order book is 4x the standalone revenue on TTM basis. Top 5 orders contribute 43% of the order book. Based on geographical presence, West India contributes 78.5%, South India contributes 17.3% and North India contributes 4.2%. Post December, the company has won two new orders worth Rs 247 crore from Kalpataru group and Wadhwa group. Thus, the total order book as of now is Rs 5,500 crore. This order book has generated revenue visibility for the next four years for the company. CIL has a good track record of completing projects within time and has helped the company to secure repeat orders from its reputed clients. Some of its clients include Kalpataru, Oberoi Constructions, Wadhwa group, Lodha group, Godrej Properties, Brigade Enterprises, and many more.

**Geographical expansion**

The company mainly operates in the Mumbai Metropolitan Region (MMR), the National Capital Region (NCR) and Bengaluru. Geographically, the company is spread in West zone that includes MMR and Pune, North zone that includes NCR and Patna, and South zone that includes Bengaluru, Chennai, Hyderabad, Kochi and Vijaywada. The company is now shifting its focus for

bidding and executing large number of projects from major cities in the South zone. Its planning to reduce concentration in some of the markets of MMR and expand in Ahmedabad, which has a huge growth potential. Some portion of the capital raised through IPO was intended to be used for bidding and expanding bigger projects.

**Use of modern technology and core assets**

The company is using modern technologies, including temperature-controlled concrete for mass pours, self-compacting free flow concrete for heavily reinforced pours and special concrete for vertical pumping in super high-rise and high-rise buildings. The company owns different types of system framework which it uses for meeting various construction needs of different types of buildings. This modern framework has reduced the construction cycle time of the company. In FY17, the company had net block of fixed assets worth Rs 254.5 crore, of which 83.94% constituted of core assets. This huge investment in core assets has enabled CIL to expand its execution capabilities and make further additions to its order book.

**Participation in government initiatives**

The government's recent initiative of 'Housing for All by 2022' has been supporting the activities of redevelopment of existing structures and promotion of affordable housing. Under this scheme, the government plans to construct 20 million houses by 2022. CIL is planning to bid for such new construction projects in major cities of India. In the recent Union budget, the government has allocated funds towards infrastructure development which includes development in education and healthcare sectors. For such sectors, construction of commercial and institutional buildings is required and the company is planning to bid for orders and enter into the public sector domain. If the company bags orders from the public sector, its order book will get stronger and its pace of growth will get faster.

**Stellar financial performance**

The company is quite a new player in the market as it was incorporated just five years back. But it has performed exceptionally well right from the beginning and has generated revenue of Rs 1157 cr within 4 years. Since past two years, it has maintained its EBITDA margin level at 13.5%. Its PAT margin has been at 5.5-6% from FY15 to FY17. CIL's debt-equity ratio has improved tremen-

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dously from 4x in FY14 to 0.5x in FY17, in spite of operating a high debt-based business. As on December 31, 2017, the debt-equity ratio further improved to 0.23x. Its net cash flows have turned positive over the past two years.

Its revenue for 9MFY18 grew by 16.4% YoY from Rs 833 cr to Rs 970 cr. The growth in revenue was below expectation, as contracts were renegotiated post implementation of GST. The EBITDA for the period grew by 12.2% YoY to Rs 156 cr as against Rs 139 cr in 9MFY17. The EBITDA margin stood at 16.4% for the

period. Its PAT increased by 33% YoY from Rs 42 cr to Rs 56 cr.

#### Valuation

The company is trading at TTM P/E of 34.48x with TTM EPS of Rs 10.21. It has delivered ROE and ROCE of 29.8% and 37.1%, respectively, for FY17. As compared to its peers, CIL has delivered higher returns which shows that it is an investor-friendly company. We see that in the six months post listing, the stock price has currently corrected and is trading at the level of the listing price. We see a potential upside of 37% from the current level with target price of Rs 465 over a period of one year.

#### Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201703	201603	201503	201403	201303
Net Sales	1125.08	802.10	505.17	173.50	2.61
Total Income	1139.95	814.97	512.19	174.80	3.03
Total Expenditure	974.88	702.38	445.94	158.72	4.97
PBIDT	165.07	112.59	66.25	16.09	-1.94
PAT	69.32	43.57	30.77	5.05	-2.32
Dividend %	5.00	20.00			
Adj. EPS(Rs)	17.20	75.68	62.25	12.55	-7.74

#### Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201712	201709	Q on Q Var%	201612	Y on Y Var%
Net Sales	366.50	322.22	13.74	316.38	15.84
Total Expenditure	316.82	274.31	15.50	270.76	17.01
PBIDT (Excl OI)	49.67	47.91	3.68	45.63	8.87
PAT	22.69	17.59	28.99	16.16	40.37
PBIDTM% (Excl OI)	13.55	14.87	-8.88	14.42	-6.03
PBIDTM%	15.74	15.63	0.70	15.59	0.96
PATM%	6.19	5.46	13.37	5.11	21.14
Adj. EPS(Rs)	3.34	2.59	28.96	4.01	-16.71

