

ITD CEMENTATION LTD

CONSTRUCTION

ITD Cementation in its Q1CY17 posted revenue of Rs.523cr vs Rs.973.2 cr in Q1CY16 this was due to weak execution which resulted in lower revenue from JNPT project of just Rs.60 cr vs Rs.260cr in Q4CY16. Delayed execution at Haldia and other projects was owing to delayed permission which impacted the company's revenue billed for this quarter. EBITDA of the company was at Rs.76cr in Q1CY17 vs Rs.83cr in Q1CY16. EBITDA margins were higher at 14.5% in Q1CY17 vs 8.48% in Q1CY16 on account of write back of provisions made in earlier years. The Delhi metro JV losses for Q1CY17 were at Rs.16.8cr vs Rs.10cr Q4CY16 this will be behind ITD now as the residual Delhi metro order is just Rs.32.5 cr. This will further boost the EBITDA margins for the company.

With fresh order inflows of Rs3000cr in YTD CY17 including Rs2400cr for 4 elevated Bengaluru Metro packages (LoA received, execution to commence in Q3CY17), ITD's order book stands of Rs.9000cr which provides good revenue visibility for CY18-19E.

We are positive on the company with its strong order book, improving margins & strengthened balance sheet. On the execution front, the management is confident to ramp-up the execution in the coming quarter. With this development, we revise our rating to buy on ITD with a target price of Rs.202.

17 MAY 2017 /

Quarterly Update

BUY

Target Price: Rs 202

CMP	: Rs .170
Potential Upside	: 19%
Relative to Sector	: Positive

MARKET DATA

No. of Shares	: 15.5cr
FV (Rs)	: 1
Market Cap	: Rs.2637cr
52-week High / Low	: Rs.193/ Rs.118
Avg. Daily vol. (6mth)	: 212079 shares
Bloomberg Code	: ITCE IN
Reuters Code	: ITCM.NS
BSE Code	: 509496
NSE Code	: ITDCEM

Key Highlights

- Strong margins make up for weak execution:** ITD Cementation in its Q1CY17 posted revenue of Rs.523cr vs Rs.973.2 cr in Q1CY16 due to weak execution which resulted in lower revenue from JNPT project of just Rs.60 cr vs Rs.260cr in Q4CY16. EBITDA of the company was at Rs.76cr in Q1CY17 vs Rs.83cr in Q1CY16. EBITDA margins were higher at 14.5% in Q1CY17 vs 8.48% in Q1CY16 this was on account of write back of provisions made in earlier years. The management guides the margins to sustain in 9-10% range going forward as it has high margin orders & the JV losses will be behind.
- Order book at Rs.9000cr YTD CY17 :** ITD's order book is at Rs6600cr as of March 2017, this includes Rs1130cr of Mumbai Metro 3 order. The company has recently received LoA of 4 elevated Bengaluru Metro packages of Rs.2400cr which takes the companies order book to Rs.9000cr, the execution of this order starts in Q3CY17. This strong order book of Rs.9000cr gives revenue visibility of 3x CY16 revenue for FY18E-FY19E. The management has guided for a revenue of Rs.3300cr for CY17 at the risk of weak execution. Management expects L1 orders of Rs.1700cr of Udangudi jetty to get converted in coming quarters and has guided for fresh order inflows target of Rs6000cr for CY17 . The bid pipeline includes: a) upcoming metro rail projects in Pune, DMRC Phase IV, b) a port project in Egypt along with DP World, c) Bandra-Versova sea link and d) Mumbai Trans Harbour Link. ITD had guided for CY17 revenue growth of 8-10% and 9-10% EBITDA margins.
- Focus shift on execution than margins:** With insignificant residual JV losses expected henceforth, EBITDA margins expansions, healthy order book & lean balance sheet we see ITD's performance to improve in the coming quarters. The company has balance sheet now with a D/E of 0.2x Q1CY17 vs 0.5x Q1CY16. As the JNPT order is in its last leg and increased management focus on execution front, we expect the company to post good numbers in the coming quarters. With this development we revise our rating to buy on ITD with a target price of Rs.202.

FINANCIAL SUMMARY (Consolidated)

Y/E March	Sales (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)
2015	3,071	(59)	(3.8)	(22.6)	-	(11.0)	12.1
2016	3,089	48	3.1	(185.2)	-	9.4	18.7
2017E	3,317	95	6.0	93.5	28	14	20
2018E	3,751	154	9.6	60	17	19	25
2019E	4,152	179	11.2	16	15	18	25

Source: Company and Axis Direct Research

	CY16	CY17E	CY18E	CY19E
Order Inflow	4,500	4000	5000	5000
Revenue	3089	3317	3751	4152
% growth YoY	(1.4)	10.0	13.08	10.69
EBITDA %	6.8	8	9.23	9.3

PRICE PERFORMANCE



Results Update

(Rs. cr)	Quarter ended					12 months ended			
	Mar-17	Mar-16	% Chg	Dec-16	% Chg	CY16	CY17E	CY18E	CY19E
Total sales	523.4	973.2	-46	729.9	-28	3,089	3,317	3,751	4152
EBIDTA	76	82.5	-8	55.5	37	210	265	349	386
Other income	7.45	4.72	58	9.17	-19	25.2	23	24	25
PBIDT	83.45	87.22	-4	64.67	29	235.1	288	373	411
Depreciation	14	10.9	28	11.87	18	44.9	48	52	58
Interest	20.86	25	-17	27.2	-23	116.5	100	95	90
PBT	48.59	51.32	-5	25.6	90	74	140	226	263
Tax	16.67	12.79	30	12.65	32	25.5	45	72	84
PAT	31.92	38.53	-17	12.95	146	48	95	154	179
Adjusted PAT	30.72	38.53	-20	12.95	137	48	95	154	179
Extra ordinary item	-16.76	-16.62	1	0					
Other comprehensive income	0	2.07	-100	0					
Reported PAT	13.96	23.98	-42	12.95	8				
No. of shares diluted(cr)	16	16		16		16	16	16	16
EBIDTA margin (%)	14.52	8.48	604bps	7.60	692bps	6.8	8	9.3	9.3
PBIDT margin (%)	15.94	8.96	698bps	8.86	708bps	7.6	8.7	9.9	10
Adj. EPS (Rs)	0.9	1.5	-40	0.8	12.50	3.1	6.0	9.6	11.2

Source: Company, Axis Direct Research.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, Poonam Darade, MBA (Finance), author/s and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We (Research Analyst) also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associate does not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period.

Any holding in stock – No

5. ASL has not received any compensation from the subject company in the past twelve months. ASL has not been engaged in market making activity for the subject company.
6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:
 - i. Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;
 - ii. Managed or co-managed public offering of the securities from the subject company of this research report and / or;
 - iii. Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

Term& Conditions:

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12-18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

Disclaimer:

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

Copyright in this document vests with Axis Securities Limited.

Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (west), Mumbai-400070,
Tel No. - 18002100808/022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, Pandurang Budhkar Marg, Worli,
Mumbai - 400 025. Compliance Officer: Anand Shaha, Email: compliance.officer@axisdirect.in, Tel No: 022-42671582.