

June 19, 2020

Q4FY20 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	67		67	
Sales (Rs. m)	28,286	36,251	30,087	37,181
% Chng.	(6.0)	(2.5)		
EBITDA (Rs. m)	2,587	3,614	2,746	3,634
% Chng.	(5.8)	(0.6)		
EPS (Rs.)	2.3	6.7	3.4	6.7
% Chng.	(32.1)	(0.2)		

Key Financials - Consolidated

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	31,651	28,607	28,286	36,251
EBITDA (Rs. m)	3,171	2,956	2,587	3,614
Margin (%)	10.0	10.3	9.1	10.0
PAT (Rs. m)	832	847	398	1,149
EPS (Rs.)	4.8	4.9	2.3	6.7
Gr. (%)	(20.7)	1.8	(53.1)	189.0
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	10.2	8.2	3.7	10.0
RoCE (%)	17.6	13.0	9.8	15.0
EV/Sales (x)	0.4	0.4	0.4	0.4
EV/EBITDA (x)	4.0	3.5	4.3	3.5
PE (x)	10.2	10.1	21.4	7.4
P/BV (x)	0.8	0.8	0.8	0.7

Key Data

ITCM.BO | ITCE IN

52-W High / Low	Rs.111 / Rs.26
Sensex / Nifty	34,732 / 10,244
Market Cap	Rs.9bn/ \$ 112m
Shares Outstanding	172m
3M Avg. Daily Value	Rs.19.43m

Shareholding Pattern (%)

Promoter's	46.64
Foreign	6.79
Domestic Institution	25.44
Public & Others	21.13
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	46.8	2.7	(52.5)
Relative	27.6	23.2	(46.5)

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Strong execution momentum continues

Quick Pointers:

- Revenues for 4QFY20 grew 25% to Rs7.4bn (PLe Rs5.2bn), led by strong execution momentum in key projects.
- The company has written off unbilled revenue and receivables for a marine project pertaining to IL&FS group to the tune of Rs409mn in 4QFY20.
- ITCE's order book stands healthy at ~Rs117.4bn, translating into a healthy order-book-to-sales ratio of 4.1x trailing revenues

ITCE's posted strong operating performance in 4QFY20 led by robust execution (up 25% YoY) resulting into stellar EBITDA margins of 11.4%. In a phased manner, the company has commenced operations at its major project-sites and is currently operating at 50-55% efficiency. However, execution is taking a hit as only 50% of labour (8,500 vs 18,500) is available. Further, due to Covid-19 and nationwide lockdown, the execution for Rs40-45bn projects pertaining to some of its clients have been delayed to 3QFY21 (vs earlier expectation of 1Q). Given a strong balance sheet and cash flow position, the company has not availed any moratorium on its loans.

ITD Cementation (ITCE) is a dominant player in the urban infra space with a MNC parentage. We remain positive on the company given it's a) healthy and diversified order book (Rs117.4bn as on 4QFY20) b) strong execution capabilities c) lean balance sheet (D/E of 0.4x) d) advanced technology and skilled labour derived from the strong MNC parentage. At CMP, the stock trades at a P/E of 21.4x/7.4x on FY21E/FY22E EPS and is trading at an EV of 4.3x/3.5x FY21E/FY22E EBITDA. We maintain BUY rating on the stock with a TP of Rs67.

Strong execution with healthy operating margins: ITCE's 4QFY20 revenues grew 25% YoY to Rs7.4bn (above PLe Rs5.2bn) led by strong execution in its key projects and low base effect. EBITDA came in at Rs842mn with EBITDA margins at 11.4% (above PL & street estimates of 9-9.5%) due to better operational efficiencies. Profitability took a hit as Rs409mn worth unbilled revenues and receivable from IL&FS were written off during 4Q. Adjusting to the write off, Adj PAT came in at Rs355mn (PLE of Rs145mn).

Healthy diversified order book, strong bid pipeline: As on 4QFY20, ITCE's order book stands at ~Rs117.4bn (excluding L-1 orders of Rs6.7bn). This translates into a healthy order-book-to-sales ratio of 4.1x trailing revenues providing comfortable revenue visibility over next two-three years. The order book mix comprises Urban Infra/MRTS (~35%), Marine Structures (~26%), Irrigation (~21%), Buildings (~9%), Airports (~7%) and others projects (~2%). The company has a strong bid pipeline of ~Rs240bn, of which it has already bid for 3 contracts in JNPT worth Rs35-40bn. Consolidated gross debt came down to Rs4.7bn as at 4QFY20 from ~Rs5bn in 3QFY20.

Exhibit 1: Quarterly Financials (Consolidated): Strong execution with stable margins lift profitability

Y/e March (Rs mn)	Q5FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY gr. (%)	QoQ gr. (%)	FY20	FY19	YoY gr. (%)
Revenue	5,899	7,046	7,091	7,073	7,396	25.4	4.6	28,607	31,651	(27.7)
Total Revenues	5,899	7,046	7,091	7,073	7,396	25.4	4.6	28,607	31,651	(27.7)
Expenditure	5,903	6,301	6,362	6,433	6,554	11.0	1.9	25,651	28,480	(27.9)
<i>as % of sales</i>	<i>100.1</i>	<i>89.4</i>	<i>89.7</i>	<i>90.9</i>	<i>88.6</i>			<i>89.7</i>	<i>90.0</i>	
Consumption of RM	3,948	4,377	4,331	4,329	4,489	13.7	3.7	17,526	18,683	(25.0)
<i>as % of sales</i>	<i>66.9</i>	<i>62.1</i>	<i>61.1</i>	<i>61.2</i>	<i>60.7</i>			<i>61.3</i>	<i>59.0</i>	
Employee Cost	757	828	947	918	769	1.6	(16.2)	3,463	3,981	(30.4)
<i>as % of sales</i>	<i>12.8</i>	<i>11.8</i>	<i>13.4</i>	<i>13.0</i>	<i>10.4</i>			<i>12.1</i>	<i>12.6</i>	
Other expenditure	1,197	1,096	1,085	1,186	1,296	8.2	9.3	4,663	5,816	(35.9)
<i>as % of sales</i>	<i>20.3</i>	<i>15.6</i>	<i>15.3</i>	<i>16.8</i>	<i>17.5</i>			<i>16.3</i>	<i>18.4</i>	
EBITDA	(4)	745	729	640	842	NA	NA	2,956	3,171	(25.4)
Depreciation	186	232	237	243	253	35.6	4.2	965	824	(6.4)
EBIT	(190)	513	492	398	589	NA	NA	1,991	2,346	(32.1)
Other Income	74	17	11	10	8	(89.0)	(17.9)	46	243	(85.0)
Interest	279	309	315	328	353	26.5	7.8	1,305	1,243	(16.0)
PBT	(395)	220	188	80	244	NA	NA	732	1,346	(56.5)
Total Tax	(30)	111	22	42	(12)	(58.2)	(129.3)	163	513	(74.6)
PAT before Minority	(366)	109	166	38	256	NA	NA	569	833	(45.4)
(Profit)/loss from JV's/Ass/MI	13	60	51	68	99	-	-	278	(1)	
PAT after MI	(353)	169	217	106	355	NA	NA	847	832	(18.5)
Extra ordinary items	-	-	-	-	(409)	-	-	(409)	-	NA
Reported PAT	(353)	169	217	106	(55)	NA	NA	438	832	(57.9)
Adjusted EPS	(2.1)	1.0	1.3	0.6	(0.3)	NA	NA	2.5	4.8	(58.0)
	Q5FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	bps	bps	FY20	FY19	bps
EBIDTA	(0.1)	10.6	10.3	9.1	11.4	1,144	233	10.3	10.0	31
EBIT	(3.2)	7.3	6.9	5.6	8.0	1,118	234	7.0	7.4	(45)
EBT	(6.7)	3.1	2.7	1.1	3.3	999	216	2.6	4.3	(170)
PAT	(6.0)	2.4	3.1	1.5	(0.7)	524	(224)	1.5	2.6	(110)
Effective Tax rate	7.5	50.4	11.9	52.9	(5.1)	(1,256)	(5,796)	22.3	38.1	(1,582)

Source: Company, PL

Exhibit 2: Key Assumptions

Rs mn	CY16	CY17	15FY19	FY20	FY21E	FY22E
Order inflow	43,169	29,902	56,444	46,113	34,158	48,581
Revenues	29,377	20,605	31,651	28,607	28,286	36,251
Order book	65,835	75,132	99,925	1,17,431	1,23,303	1,35,633
Execution cycle (%)	50%	29%	36%	0%	24%	28%
Ob to sales (x)	2.2	3.6	3.2	4.1	4.4	3.7

Source: Company, PL

Concall Highlights

- For 4QFY20, the company reported a revenue growth of 25% YoY to Rs7.4bn (PLe Rs5.2bn) due to lower base and EBITDA margins strong at 11.4% due to better operational efficiencies.
- During the quarter, company had written off Rs409mn worth unbilled revenues and receivables from IL&FS (pertaining to a marine project) on account of non-recoverability.
- The company has a healthy order book of ~ Rs117.4bn (excluding L-1 orders of ~Rs6.7bn) as of 4QFY20, translating into a robust order book-to-sales ratio of 4.1x trailing construction revenues. The order book mix comprises Urban Infra/MRTS (~35%), Marine Structures (~26%), Irrigation (~21%), Buildings (~9%), Airports (7%) and others (2%).
 - Rs40-45bn projects which were in advance stage of mobilisation & revenue contributions were expected from 1QFY21E; however, they are now expected to pick-up pace only from 3QFY21E. Such projects include Bangalore Underground Metro (Rs16bn), Delhi CWPDP project (Rs10bn) and IRCON projects in West Bengal (Rs17bn).
 - Mumbai metro project have been progressing well, with ~50% of work accomplished by 4QFY20. With the completion of critical activities, management expects margins expansion in the project, going forward.
 - On Kolkata Metro project, company restarted the tunnel boring work post court order by end of Feb'20 and achieved 70% completion by Mar'20. Currently work is on hold, however the company expects to restart this project by end of June '20.
- Management expects order momentum to be strong with order pipeline of ~Rs240bn, of which company has already bid for 3 contracts in JNPT worth Rs35-40bn.
- In a phased manner, construction activities have been restarted in major projects post relaxation in lockdown towards end of April '20 and are currently operating at ~50-55% efficiency level.
- Labour availability continues to be a drag on execution with labour force coming down from ~18000 labourers in Mar '20 to below 50% levels in May'20 at~8500.
- Consolidated gross debt have come sequentially to Rs4.7bn from ~Rs5bn in 3QFY20, with a comfortable D-E level of 0.4x. Further company has not availed moratorium on its loans.
- The company is making efforts to control the fixed costs which are currently in the range of Rs400-450mn per month.
- The company incurred a capex of ~Rs1.2bn in FY20 and guided it to be in range Rs750-800mn for FY21E, however owing to uncertain economic scenario, management might defer the capex plans.

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	31,651	28,607	28,286	36,251
YoY gr. (%)	53.6	(9.6)	(1.1)	28.2
Cost of Goods Sold	11,956	10,656	10,183	13,594
Gross Profit	19,695	17,951	18,103	22,657
Margin (%)	62.2	62.8	64.0	62.5
Employee Cost	3,981	3,463	3,636	3,818
Other Expenses	5,816	4,663	5,092	6,525
EBITDA	3,171	2,956	2,587	3,614
YoY gr. (%)	16.8	(6.8)	(12.5)	39.7
Margin (%)	10.0	10.3	9.1	10.0
Depreciation and Amortization	824	965	1,079	1,156
EBIT	2,346	1,991	1,508	2,458
Margin (%)	7.4	7.0	5.3	6.8
Net Interest	1,243	1,305	1,346	1,397
Other Income	243	46	368	471
Profit Before Tax	1,346	323	530	1,532
Margin (%)	4.3	1.1	1.9	4.2
Total Tax	513	163	133	383
Effective tax rate (%)	38.1	50.6	25.0	25.0
Profit after tax	833	159	398	1,149
Minority interest	-	-	-	-
Share Profit from Associate	(1)	278	-	-
Adjusted PAT	832	847	398	1,149
YoY gr. (%)	(12.2)	1.8	(53.1)	189.0
Margin (%)	2.6	3.0	1.4	3.2
Extra Ord. Income / (Exp)	-	(409)	-	-
Reported PAT	832	438	398	1,149
YoY gr. (%)	14.0	(47.4)	(9.1)	189.0
Margin (%)	2.6	1.5	1.4	3.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	832	438	398	1,149
Equity Shares O/s (m)	172	172	172	172
EPS (Rs)	4.8	4.9	2.3	6.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	6,896	8,805	9,805	10,805
Tangibles	6,896	8,805	9,805	10,805
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,601	2,566	3,645	4,801
Tangibles	1,601	2,566	3,645	4,801
Intangibles	-	-	-	-
Net fixed assets	5,294	6,238	6,160	6,004
Tangibles	5,294	6,238	6,160	6,004
Intangibles	-	-	-	-
Capital Work In Progress	73	49	86	86
Goodwill	-	-	-	-
Non-Current Investments	30	81	62	42
Net Deferred tax assets	52	20	20	20
Other Non-Current Assets	1,359	1,491	1,556	1,813
Current Assets				
Investments	-	-	-	-
Inventories	2,461	2,894	3,100	3,476
Trade receivables	4,396	5,851	6,587	7,449
Cash & Bank Balance	1,087	2,814	2,202	763
Other Current Assets	1,794	8,752	8,910	11,238
Total Assets	25,921	31,037	31,520	34,531
Equity				
Equity Share Capital	172	172	172	172
Other Equity	10,037	10,354	10,752	11,901
Total Network	10,209	10,526	10,924	12,072
Non-Current Liabilities				
Long Term borrowings	279	166	166	166
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	5,044	4,441	4,641	4,841
Trade payables	5,592	6,567	6,200	6,952
Other current liabilities	4,828	9,329	9,581	10,491
Total Equity & Liabilities	25,921	31,037	31,520	34,531

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	1,345	323	530	1,532
Add. Depreciation	824	965	1,079	1,156
Add. Interest	1,243	1,305	1,346	1,397
Less Financial Other Income	243	46	368	471
Add. Other	(28)	-	-	-
Op. profit before WC changes	3,385	2,592	2,955	4,085
Net Changes-WC	(4,169)	3,006	(1,251)	(2,944)
Direct tax	(557)	(163)	(133)	(383)
Net cash from Op. activities	(1,341)	5,435	1,571	758
Capital expenditures	(1,248)	(1,884)	(1,037)	(1,000)
Interest / Dividend Income	63	-	-	-
Others	(146)	-	-	-
Net Cash from Inv. activities	(1,331)	(1,884)	(1,037)	(1,000)
Issue of share cap. / premium	3,312	-	-	-
Debt changes	437	(715)	200	200
Dividend paid	(83)	-	-	-
Interest paid	(1,231)	(1,305)	(1,346)	(1,397)
Others	-	196	-	-
Net cash from Fin. activities	2,435	(1,824)	(1,146)	(1,197)
Net change in cash	(237)	1,727	(612)	(1,439)
Free Cash Flow	(2,731)	3,551	534	(242)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	4.8	4.9	2.3	6.7
CEPS	9.6	10.5	8.6	13.4
BVPS	59.4	61.3	63.6	70.3
FCF	(15.9)	20.7	3.1	(1.4)
DPS	-	-	-	-
Return Ratio(%)				
RoCE	17.6	13.0	9.8	15.0
ROIC	11.9	7.9	8.6	11.8
RoE	10.2	8.2	3.7	10.0
Balance Sheet				
Net Debt : Equity (x)	0.4	0.2	0.2	0.4
Net Working Capital (Days)	93	64	79	90
Valuation(x)				
PER	10.2	10.1	21.4	7.4
P/B	0.8	0.8	0.8	0.7
P/CEPS	5.1	4.7	5.8	3.7
EV/EBITDA	4.0	3.5	4.3	3.5
EV/Sales	0.4	0.4	0.4	0.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	7,046	7,091	7,073	7,396
YoY gr. (%)	7.9	14.3	10.4	25.4
Raw Material Expenses	2,663	2,741	2,730	2,521
Gross Profit	4,383	4,350	4,343	4,875
Margin (%)	62.2	61.3	61.4	65.9
EBITDA	745	729	640	842
YoY gr. (%)	(13.6)	(6.7)	(24.9)	(23,696.2)
Margin (%)	10.6	10.3	9.1	11.4
Depreciation / Depletion	232	237	243	253
EBIT	513	492	398	589
Margin (%)	7.3	6.9	5.6	8.0
Net Interest	309	315	328	353
Other Income	17	11	10	8
Profit before Tax	220	188	80	244
Margin (%)	3.1	2.7	1.1	3.3
Total Tax	111	22	42	(12)
Effective tax rate (%)	50.4	11.9	52.9	(5.1)
Profit after Tax	109	166	38	256
Minority interest	-	-	-	-
Share Profit from Associates	60	51	68	99
Adjusted PAT	169	217	106	355
YoY gr. (%)	(41.5)	(20.7)	(68.7)	(200.5)
Margin (%)	2.4	3.1	1.5	4.8
Extra Ord. Income / (Exp)	-	-	-	(409)
Reported PAT	169	217	106	(55)
YoY gr. (%)	(41.5)	(20.7)	(68.7)	(84.5)
Margin (%)	2.4	3.1	1.5	(0.7)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	169	217	106	(55)
Avg. Shares O/s (m)	172	172	172	172
EPS (Rs)	1.0	1.3	0.6	2.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-20	BUY	67	33
2	12-Feb-20	BUY	80	62
3	03-Jan-20	BUY	80	58
4	23-Dec-19	BUY	80	47

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	836
2	Ahluwalia Contracts (India)	Accumulate	264	142
3	Apar Industries	BUY	587	368
4	Ashoka Buildcon	BUY	147	56
5	Bharat Electronics	Hold	89	70
6	BHEL	Hold	34	31
7	Capacite's Infraprojects	BUY	168	75
8	Container Corporation of India	Accumulate	595	572
9	Cummins India	BUY	472	370
10	Engineers India	BUY	83	67
11	GE T&D India	Hold	91	86
12	H.G. Infra Engineering	BUY	259	164
13	IRB Infrastructure Developers	BUY	127	53
14	ITD Cementation India	BUY	67	33
15	J.Kumar Infraprojects	BUY	340	185
16	Kalpataru Power Transmission	BUY	261	193
17	KEC International	BUY	295	197
18	KNR Constructions	BUY	305	197
19	Larsen & Toubro	BUY	1,192	955
20	NCC	BUY	83	23
21	PNC Infratech	BUY	205	94
22	Power Grid Corporation of India	BUY	205	160
23	Sadbhav Engineering	BUY	128	25
24	Siemens	BUY	1,402	1,049
25	Thermax	Accumulate	855	705
26	Triveni Turbine	BUY	83	68
27	Voltamp Transformers	BUY	1,244	1,020

PL's Recommendation Nomenclature (Absolute Performance)

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



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