

# ITD Cementation

## Gradual recovery shaping up

While ITD saw robust execution (Rs 7.9bn, +12%/+43% YoY/QoQ, 13% beat), margins have still not normalised to pre-COVID levels (9%, -9/+922 bps YoY/QoQ, vs 10.8% HSIE est.). Labour availability has fully normalised. Order backlog is robust at Rs 130bn (4.5x FY20 revenue), aided by FYTD21 order wins of Rs ~40bn. Although consolidated net debt (Rs 4.4bn vs Rs 3.4bn at 2QFY21) has increased QoQ, the balance sheet remains robust at 0.4x net D/E, as cash utilisation has gone up. We maintain BUY on ITD with an unchanged target price of Rs 106/sh, (1) given large order book (~4.5x FY20 revenue), (2) strong balance sheet and (3) supportive valuation (6.1x FY23E EPS). No change in our financial estimates.

- Good QoQ recovery, margins still subdued:** Revenues: Rs 7.9bn (+12%/+43% YoY/QoQ, 13% beat). EBITDA: Rs 710mn (+10.8% YoY, vs loss of Rs 14 mn in 2QFY21, 3.5% miss). EBITDA margin: 9% (-9/+922 bps YoY/QoQ, vs 10.8% est.). Interest cost came in at Rs 343mn, growth of 4.7%/4.7% YoY/QoQ. APAT: Rs 300mn (+184% YoY, vs loss of Rs 497mn QoQ and est. of Rs 163mn). APAT beat led by higher share of PAT from associates at Rs 213mn (vs Rs 68/41mn YoY/QoQ, est. of Rs 41mn) as tunneling works of Mumbai and Kolkata metro UG projects got completed.
- Brief segmental update: 3 Underground (UG) MRTS projects** – (1) Mumbai Metro tunneling complete and station work is in full swing, (2) Kolkata Metro has seen a full turnaround post 2019 fiasco, and by Jun-21, the entire tunneling will be complete, and (3) Bengaluru Metro – 9-10% of the work done, main tunneling work to start from Apr-21. **3 Elevated projects:** (1) Nagpur Metro work will be done in 2-3 months, (2) Kolkata Metro is also progressing well, and (3) Bangalore Metro will take a year to complete (88% completed); 1 of the total 4 jobs is delayed. **Marine:** Myanmar project is now facing some delays due to local issues and operating at ~50-60% efficiency (20% done), while other projects are at various stages of completion and progressing well.
- Order book strong at Rs ~130n:** Order inflow during the quarter stood at Rs 11.4bn, taking the order book as on 3QFY21 to Rs 120bn. Post 3Q, it has further won two orders totaling Rs 5.3bn. The current order book gives revenue visibility for more than four years, based on FY20 revenue, and three years, based on envisaged execution. Basis management commentary, the current bid pipeline is at Rs 160-200bn. JNPT marine projects bidding has been delayed by 9-12 months toward 3QFY22E.
- Balance sheet comfortable:** ITD's consolidated net debt increased to Rs ~4.4bn, ~0.4x (vs Rs 3.35/1.8bn at 2QFY21/FY20-end) due to mobilisation of new orders. While gross debt has remained at similar levels, cash utilisation has gone up. Debt might inch downwards as it receives mobilisation advances due for a few projects. ITD expects Capex intensity to remain at the same level despite the rise in the order book.

### Quarterly/annual financial summary

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	7,917	7,073	11.9	5,527	43.2	28,607	25,521	35,762	42,914
EBITDA	710	640	10.8	(14)	(5,124.8)	2,956	2,052	4,012	4,900
APAT	300	106	183.7	(497)	(160.4)	848	(23)	1,528	1,985
Diluted EPS (Rs)	2.1	0.7	183.7	(3.4)	(160.4)	5.9	(0.2)	10.6	13.7
P/E (x)						8.5	NM	4.7	3.6
EV / EBITDA (x)						4.1	6.0	3.3	2.4
RoE (%)						8.2	(0.2)	13.5	15.3

Source: Company, HSIE Research, Consolidated financials

## BUY

CMP (as on 15 Feb 2021)	Rs 70
Target Price	Rs 106
NIFTY	15,315

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 106	Rs 106	
EPS %	FY21E	FY22E	FY23E
	-	-	-

### KEY STOCK DATA

Bloomberg code	ITCE IN
No. of Shares (mn)	172
MCap (Rs bn) / (\$ mn)	12/165
6m avg traded value (Rs mn)	68
52 Week high / low	Rs 81/26

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	36.0	58.7	15.3
Relative (%)	16.5	21.0	(11.1)

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	46.64	46.64
FIs & Local MFs	21.29	20.54
FPIs	8.49	10.63
Public & Others	23.58	22.19
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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