

November 12, 2020

Q2FY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	67		67	
Sales (Rs. m)	36,251	41,300	36,251	41,300
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,614	4,458	3,614	4,458
% Chng.	-	-	-	-
EPS (Rs.)	6.7	10.0	6.7	10.0
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	28,607	28,286	36,251	41,300
EBITDA (Rs. m)	2,956	2,587	3,614	4,458
Margin (%)	10.3	9.1	10.0	10.8
PAT (Rs. m)	847	399	1,148	1,710
EPS (Rs.)	4.9	2.3	6.7	10.0
Gr. (%)	1.8	(52.9)	187.8	49.0
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	8.2	3.7	10.0	13.2
RoCE (%)	12.8	9.6	14.7	17.4
EV/Sales (x)	0.4	0.4	0.3	0.3
EV/EBITDA (x)	3.6	4.3	3.5	2.8
PE (x)	10.1	21.5	7.5	5.0
P/BV (x)	0.8	0.8	0.7	0.6

Key Data

ITCM.BO | ITCE IN

52-W High / Low	Rs.70 / Rs.26
Sensex / Nifty	43,357 / 12,691
Market Cap	Rs.9bn/ \$ 115m
Shares Outstanding	172m
3M Avg. Daily Value	Rs.96.9m

Shareholding Pattern (%)

Promoter's	46.64
Foreign	8.49
Domestic Institution	21.29
Public & Others	23.58
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.6)	46.0	(11.0)
Relative	(6.9)	5.6	(17.1)

Viral Shah

viralshah@plindia.com | 91-22-66322250

Shivang Joshi

shivangjoshi@plindia.com | 91-22-66322391

Rise in provisions impact profitability

Quick Pointers:

- Strong revival in order book execution and labour availability lead to beat in revenues to Rs5.5bn.
- Margins surprise negatively mainly due to excess provisions made for impact of Covid led additional costs across its projects.
- OB at ~Rs119.2bn as on 2QFY21 (~5x TTM revenues); further bagged Rs11.4bn project in Oct'20 and is L-1 in orders worth ~Rs5bn.

ITD cementation reported operational losses during the quarter despite healthy execution as the company made provisions of expected losses on account of extended timelines and additional costs due to the pandemic, (and not unlikely to be compensated by the clients). However, execution witnessed sharp pick-up on the back of labour availability approaching pre-covid levels. With operational efficiency across projects likely to normalize by 4QFY21, recent projects (Rs30bn) entering execution stage, robust order inflows and strong bid pipeline, execution momentum is expected to be strong in H2FY21.

ITD Cementation (ITCE) is a dominant player in urban infra space with an MNC parentage. We remain positive on the company given it's a) healthy and diversified order book (Rs119.2bn as at 2QFY21) b) strong execution capabilities c) lean balance sheet (D/E of 0.6x) d) advanced technology and skilled labour derived from the strong MNC parentage. At CMP, the stock trades at a P/E of 21.5x/ 7.5x 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 (Same as earlier).

Improving execution; Covid-led additional provisioning drive losses: ITCE's 2QFY21 revenues fell 22% YoY to Rs5.5bn (PL of Rs5bn) on the back of rising labour availability in its key projects. At EBITDA level, company posted a loss of Rs14mn (PL of Rs347mn) with EBITDAM falling to a tragic -0.3% (PL of 7%) as the company assessed and accounted for loss provisions pertaining to additional costs and extended timelines of project completion due to the pandemic (for which compensation from clients is unlikely). On the bottom line front, ITCE reported a loss of Rs497mn (PL of Rs162mn profit).

Healthy diversified Order Book; Robust order inflows: With projects worth Rs10.5bn bagged during the quarter, order book as at 2QFY21 stands strong at Rs119.2bn (excluding Rs11.4bn projects awarded post Sep'20 and L-1 orders of Rs4.9bn). This translates into a healthy order-book-to-sales ratio of 5x trailing revenues, providing comfortable revenue visibility over next 2-3 years. The order book mix comprises of Urban Infra/MRTS/Airports (~40%), Marine Structures (~27%), Irrigation (~19%), Buildings (~8%) and other projects (~6%). Awarding momentum is expected to remain strong with projects of over Rs200bn in the bid pipeline. Consolidated gross debt have gone up sequentially to Rs5.5bn from Rs4.5bn in 1QFY21.

Exhibit 1: Quarterly Financial (Consolidated): Loss provision due to Covid lead to loss at EBITDA level in the quarter

Y/e March (Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY gr. (%)	QoQ gr. (%)	1HFY21	1HFY20	YoY gr. (%)
Revenue	7,091	7,073	7,396	3,994	5,527	-22.1	38.4	9,521	14,138	-46.1
Total Revenues	7,091	7,073	7,396	3,994	5,527	-22.1	38.4	9,521	14,138	-46.1
Expenditure	6,362	6,433	6,554	3,699	5,541	-12.9	49.8	9,240	12,664	-41.6
<i>as % of sales</i>	<i>89.7</i>	<i>90.9</i>	<i>88.6</i>	<i>92.6</i>	<i>100.3</i>			<i>97.0</i>	<i>89.6</i>	
Consumption of RM	4,331	4,329	4,489	2,035	3,433	-20.7	68.7	5,468	8,708	-49.8
<i>as % of sales</i>	<i>61.1</i>	<i>61.2</i>	<i>60.7</i>	<i>51.0</i>	<i>62.1</i>			<i>57.4</i>	<i>61.6</i>	
Employee Cost	947	918	769	848	868	-8.3	2.4	1,716	1,775	-22.7
<i>as % of sales</i>	<i>13.4</i>	<i>13.0</i>	<i>10.4</i>	<i>21.2</i>	<i>15.7</i>			<i>18.0</i>	<i>12.6</i>	
Other expenditure	1,085	1,186	1,296	816	1,240	14.3	52.1	2,056	2,181	-24.6
<i>as % of sales</i>	<i>15.3</i>	<i>16.8</i>	<i>17.5</i>	<i>20.4</i>	<i>22.4</i>			<i>21.6</i>	<i>15.4</i>	
EBITDA	729	640	842	296	-14	-101.9	NA	282	1,474	-84.7
Depreciation	237	243	253	245	270	13.8	10.2	514	469	-12.3
EBIT	492	398	589	51	-284	-157.7	NA	-233	1,005	-118.5
Other Income	11	10	8	39	19	71.4	-50.9	58	28	67.4
Interest	315	328	353	331	328	4.0	-0.9	659	624	-15.5
PBT	188	80	244	-241	-593	-415.2	NA	-833	408	-263.2
Total Tax	22	42	-12	-59	-54	-341.8	-8.9	-113	133	-167.8
PAT before Minority	166	38	256	-182	-539	-425.0	NA	-720	275	-309.6
(Profit)/loss from JV's/Ass/MI	51	68	99	12	41	0.0	0.0	54	111	
PAT after MI	217	106	355	-170	-497	-329.1	NA	-667	386	-238.1
Extra ordinary items	0	0	-409	0	0	0.0	0.0	0	0	NA
Reported PAT	217	106	-55	-170	-497	-329.1	NA	-667	386	-238.1
Adjusted EPS	1.3	0.6	-0.3	-1.0	-2.9	-329.1	NA	-3.9	2.2	-238.1
						bps	bps			bps
EBIDTA	10.3	9.1	11.4	7.4	-0.3	-1053	-766	3.0	10.4	-747
EBIT	6.9	5.6	8.0	1.3	-5.1	-1207	-641	-2.4	7.1	-955
EBT	2.7	1.1	3.3	-6.0	-10.7	-1337	-469	-8.8	2.9	-1164
PAT	3.1	1.5	-0.7	-4.2	-9.0	-1206	-475	-7.0	2.7	-974
Effective Tax rate	11.9	52.9	-5.1	24.6	9.1	-276	-1546	13.6	32.7	-1911

Source: Company, PL

Exhibit 2: Key Assumptions

Rs mn	CY17	15FY19	FY20	FY21E	FY22E	FY23E
Order inflow	29,902	56,444	46,113	34,158	48,581	54,863
Revenues	20,605	31,651	28,607	28,286	36,251	41,300
Order book	75,132	99,925	1,17,431	1,23,303	1,35,633	1,49,196
Execution cycle (%)	29%	36%	0%	24%	28%	29%
Ob to sales (x)	3.6	3.2	4.1	4.4	3.7	3.6

Source: Company, PL

Concall Highlights

- Awarding momentum expected to remain strong with projects of over Rs200bn in the bid pipeline (Urban-Infra Rs100bn, Marine Rs30bn and Industrial Rs30bn).
- In 2QFY21, company's revenues fell 22% YoY to Rs55bn with company posting losses at EBITDA level of Rs14mn and net loss of Rs497mn.
 - Operational losses are primarily due to assessment and accounting for loss provisions pertaining to additional costs and extended timelines of project completion due to the pandemic (and not likely to be compensated by the clients).
- The company has a healthy order book of Rs119.6bn as at 2QFY21 (excluding Rs11.4bn project bagged after Sep'20 and L-1 orders of Rs4.9bn), translating order book-to-sales ratio of 5x trailing revenues.
 - The order book mix comprises Urban Infra/MRTS/Airports (~40%), Marine Structures (~27%), Irrigation (~19%), Buildings (~8%) and others (~6%).
 - Company bagged four projects worth Rs10.5bn during Q2: Vizhinjam port (Rs4.1bn), Kolkata metro (Rs2.9bn), Steel bridge in UP (Rs2.5bn) and LPG Jetty in Krishnapatanam port (Rs0.6bn).
 - Further company bagged a marine project: Seabird (Rs11.4bn) after Sep'20 and is L-1 in two projects worth Rs4.9bn: High Court building in WB (Rs3.8bn) and marine project in Mumbai port (Rs1.1bn).
- Recent projects worth ~Rs30bn from the OB are in initial stages of mobilization would start contributing to revenues only from Q4FY21.
- Labour availability has been rising gradually and already reached pre-covid levels. Management expects efficiency of operations at project sites to be back to pre-covid levels by start of 4QFY21.
- Consolidated gross debts increased sequentially to ~Rs5.5bn from ~Rs4.5bn in 1QFY21 with D:E of 0.6x. Net debt stands at ~Rs3.4bn.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	28,607	28,286	36,251	41,300
YoY gr. (%)	(9.6)	(1.1)	28.2	13.9
Cost of Goods Sold	10,656	10,183	13,594	15,488
Gross Profit	17,951	18,103	22,657	25,813
Margin (%)	62.8	64.0	62.5	62.5
Employee Cost	3,463	3,636	3,818	4,009
Other Expenses	4,663	5,092	6,525	7,434
EBITDA	2,956	2,587	3,614	4,458
YoY gr. (%)	(6.8)	(12.5)	39.7	23.4
Margin (%)	10.3	9.1	10.0	10.8
Depreciation and Amortization	965	1,076	1,155	1,263
EBIT	1,991	1,511	2,459	3,195
Margin (%)	7.0	5.3	6.8	7.7
Net Interest	1,305	1,347	1,399	1,452
Other Income	46	368	471	537
Profit Before Tax	323	532	1,531	2,280
Margin (%)	1.1	1.9	4.2	5.5
Total Tax	163	133	383	570
Effective tax rate (%)	50.6	25.0	25.0	25.0
Profit after tax	159	399	1,148	1,710
Minority interest	-	-	-	-
Share Profit from Associate	278	-	-	-
Adjusted PAT	847	399	1,148	1,710
YoY gr. (%)	1.8	(52.9)	187.8	49.0
Margin (%)	3.0	1.4	3.2	4.1
Extra Ord. Income / (Exp)	(409)	-	-	-
Reported PAT	438	399	1,148	1,710
YoY gr. (%)	(47.4)	(8.8)	187.8	49.0
Margin (%)	1.5	1.4	3.2	4.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	438	399	1,148	1,710
Equity Shares O/s (m)	172	172	172	172
EPS (Rs)	4.9	2.3	6.7	10.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	8,693	9,693	10,693	11,693
Tangibles	8,693	9,693	10,693	11,693
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,454	3,530	4,685	5,948
Tangibles	2,454	3,530	4,685	5,948
Intangibles	-	-	-	-
Net fixed assets	6,238	6,163	6,008	5,745
Tangibles	6,238	6,163	6,008	5,745
Intangibles	-	-	-	-
Capital Work In Progress	49	86	86	86
Goodwill	-	-	-	-
Non-Current Investments	81	62	42	47
Net Deferred tax assets	20	20	20	20
Other Non-Current Assets	1,491	1,556	1,813	2,065
Current Assets				
Investments	-	-	-	-
Inventories	2,894	3,100	3,476	3,960
Trade receivables	5,851	6,587	7,449	8,486
Cash & Bank Balance	2,814	2,729	1,287	1,763
Other Current Assets	8,752	8,910	11,238	12,803
Total Assets	31,037	32,049	35,059	39,126
Equity				
Equity Share Capital	172	172	172	172
Other Equity	10,354	10,753	11,901	13,611
Total Network	10,526	10,925	12,073	13,783
Non-Current Liabilities				
Long Term borrowings	500	500	500	500
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	4,441	4,641	4,841	5,041
Trade payables	6,567	6,200	6,952	7,921
Other current liabilities	8,995	9,775	10,685	11,873
Total Equity & Liabilities	31,037	32,049	35,059	39,126

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	323	532	1,531	2,280
Add. Depreciation	965	1,076	1,155	1,263
Add. Interest	1,305	1,347	1,399	1,452
Less Financial Other Income	46	368	471	537
Add. Other	-	-	-	-
Op. profit before WC changes	2,592	2,955	4,085	4,995
Net Changes-WC	2,673	(723)	(2,945)	(1,697)
Direct tax	(163)	(133)	(383)	(570)
Net cash from Op. activities	5,102	2,099	758	2,727
Capital expenditures	(1,772)	(1,037)	(1,000)	(1,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(1,772)	(1,037)	(1,000)	(1,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(382)	200	200	200
Dividend paid	-	-	-	-
Interest paid	(1,305)	(1,347)	(1,399)	(1,452)
Others	196	-	-	-
Net cash from Fin. activities	(1,490)	(1,147)	(1,199)	(1,252)
Net change in cash	1,839	(86)	(1,442)	476
Free Cash Flow	3,329	1,061	(242)	1,727

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	4.9	2.3	6.7	10.0
CEPS	10.5	8.6	13.4	17.3
BVPS	61.3	63.6	70.3	80.2
FCF	19.4	6.2	(1.4)	10.1
DPS	-	-	-	-
Return Ratio(%)				
RoCE	12.8	9.6	14.7	17.4
ROIC	7.7	8.7	11.9	14.4
RoE	8.2	3.7	10.0	13.2
Balance Sheet				
Net Debt : Equity (x)	0.2	0.2	0.3	0.3
Net Working Capital (Days)	68	77	88	91
Valuation(x)				
PER	10.1	21.5	7.5	5.0
P/B	0.8	0.8	0.7	0.6
P/CEPS	4.7	5.8	3.7	2.9
EV/EBITDA	3.6	4.3	3.5	2.8
EV/Sales	0.4	0.4	0.3	0.3
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	7,073	7,396	3,994	5,527
YoY gr. (%)	10.4	25.4	(43.3)	(22.1)
Raw Material Expenses	2,730	2,521	866	1,750
Gross Profit	4,343	4,875	3,129	3,777
Margin (%)	61.4	65.9	78.3	68.3
EBITDA	640	842	296	(14)
YoY gr. (%)	(24.9)	(23,696.2)	(60.3)	(101.9)
Margin (%)	9.1	11.4	7.4	(0.3)
Depreciation / Depletion	243	253	245	270
EBIT	398	589	51	(284)
Margin (%)	5.6	8.0	1.3	(5.1)
Net Interest	328	353	331	328
Other Income	10	8	39	19
Profit before Tax	80	244	(241)	(593)
Margin (%)	1.1	3.3	(6.0)	(10.7)
Total Tax	42	(12)	(59)	(54)
Effective tax rate (%)	52.9	(5.1)	24.6	9.1
Profit after Tax	38	256	(182)	(539)
Minority interest	-	-	-	-
Share Profit from Associates	68	99	12	41
Adjusted PAT	106	355	(170)	(497)
YoY gr. (%)	(68.7)	(200.5)	(200.2)	(329.1)
Margin (%)	1.5	4.8	(4.2)	(9.0)
Extra Ord. Income / (Exp)	-	(409)	-	-
Reported PAT	106	(55)	(170)	(497)
YoY gr. (%)	(68.7)	(84.5)	(200.2)	(329.1)
Margin (%)	1.5	(0.7)	(4.2)	(9.0)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	106	(55)	(170)	(497)
Avg. Shares O/s (m)	172	172	172	172
EPS (Rs)	0.6	2.1	(1.0)	(2.9)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-20	BUY	67	50
2	17-Sep-20	BUY	67	52
3	07-Jul-20	BUY	67	52
4	19-Jun-20	BUY	67	50
5	07-Apr-20	BUY	67	33
6	12-Feb-20	BUY	80	62
7	03-Jan-20	BUY	80	58
8	23-Dec-19	BUY	80	47

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	880	894
2	Ahluwalia Contracts (India)	BUY	288	231
3	Ashoka Buildcon	BUY	147	64
4	Bharat Electronics	Hold	99	94
5	BHEL	Hold	34	28
6	Capacite's Infraprojects	BUY	162	120
7	Container Corporation of India	BUY	468	378
8	Cummins India	Accumulate	472	434
9	Engineers India	BUY	104	64
10	GE T&D India	Hold	86	86
11	H.G. Infra Engineering	BUY	259	186
12	IRB Infrastructure Developers	BUY	152	112
13	ITD Cementation India	BUY	67	50
14	J.Kumar Infraprojects	BUY	176	105
15	Kalpataru Power Transmission	BUY	296	251
16	KEC International	Accumulate	339	338
17	KNR Constructions	BUY	305	257
18	Larsen & Toubro	BUY	1,284	935
19	NCC	BUY	83	36
20	PNC Infratech	BUY	219	167
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	52
23	Siemens	BUY	1,402	1,275
24	Thermax	Accumulate	798	790
25	Triveni Turbine	BUY	85	69
26	Voltamp Transformers	BUY	1,283	1,032

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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