

ITD Cementation India (ITCE IN)

Rating: BUY | CMP: Rs83 | TP: Rs97

June 1, 2021

Q4FY21 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	97		97	
Sales (Rs. m)	34,493	41,330	36,251	41,300
% Chng.	(4.9)	0.1		
EBITDA (Rs. m)	3,448	4,461	3,795	4,458
% Chng.	(9.2)	0.1		
EPS (Rs.)	5.8	9.7	6.8	9.7
% Chng.	(14.6)	(0.2)		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	28,607	27,277	34,493	41,330
EBITDA (Rs. m)	2,956	2,129	3,448	4,461
Margin (%)	10.3	7.8	10.0	10.8
PAT (Rs. m)	847	160	1,002	1,671
EPS (Rs.)	4.9	0.9	5.8	9.7
Gr. (%)	1.8	(81.2)	527.8	66.8
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	8.2	1.5	9.0	13.4
RoCE (%)	12.8	7.5	15.3	19.3
EV/Sales (x)	0.6	0.6	0.5	0.4
EV/EBITDA (x)	5.6	7.7	4.8	3.4
PE (x)	16.9	89.7	14.3	8.6
P/BV (x)	1.4	1.3	1.2	1.1

Key Data

ITCM.BO | ITCE IN

52-W High / Low	Rs.94 / Rs.36
Sensex / Nifty	51,935 / 15,575
Market Cap	Rs.14bn / \$ 196m
Shares Outstanding	172m
3M Avg. Daily Value	Rs.132.49m

Shareholding Pattern (%)

Promoter's	46.64
Foreign	10.91
Domestic Institution	20.33
Public & Others	22.12
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	16.3	48.3	128.1
Relative	9.2	27.5	46.3

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Healthy execution with strong margins

Quick Pointers:

- Order Book at Rs117.3bn as at 4QFY21 (4.3x TTM revenues); further bagged Rs9.5bn projects post Mar'21 and is L-1 in orders worth Rs3.6bn.
- Amidst the second wave of Covid, operational efficiency across project sites dropped ~15% below pre-covid levels.
- Strong quarterly revenues of Rs9.8bn (up 33% YoY), EBITDAM strong at 11.6%; management guided for 15-20% revenue growth in FY22E.

ITD cementation reported strong set of numbers as revenues (up 33% YoY) marginally missed estimates while margins surprised positively. However, due to the second wave of Covid, execution at project sites have dipped by ~15% in Apr-May'21. The company witnessed improved liquidity position as it reduced gross debt by ~Rs1.4bn in 4Q taking net D:E to 0.2x. With strong order book position, healthy bid pipeline (Rs880bn) and improved liquidity position on one hand and headwinds due to second wave of Covid on the other, management guided for conservative 15-20% revenue growth in FY22E.

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 (Rs117.3bn as at 4QFY21) b) strong execution capabilities c) lean balance sheet (Gross D/E of 0.4x) d) advanced technology and skilled labour derived from strong MNC parentage. Considering the probable impact on execution due to second wave of Covid and conservative management guidance, we have reduced our revenue/ earnings estimates for FY22 by 4.9%/14.6%, while keeping FY23 estimates largely unchanged. At CMP, the stock trades at a P/E of 14.3x/8.6x on FY22E/23E EPS and an EV of 4.8x/ 3.4x on FY22E/23E EBITDA. We maintain BUY rating on the stock with a TP of Rs97 (same as earlier).

Revenues in line; Margins surprised positively: ITCE's 4QFY21 revenues grew 33% YoY to Rs9.8bn (marginally below our estimates of Rs10bn) on the back of robust execution in its key projects. The company reported an EBITDA of Rs1,138mn (PL of Rs907mn) as EBITDAM came in strong at 11.6% (above our and street estimates of 9.1%/9.5%) due to larger share of high-margin segments (Marine & Metro) in revenue mix and rationalization in employee costs (down 7.5% QoQ). On the bottom line front, adj. PAT came in at Rs526mn (ahead of our and street estimates of Rs306mn/Rs359mn), due to higher operating margins.

Healthy Order Book; Bid Pipeline strong: With order inflows of Rs5.3bn during 4Q (Rs28bn in FY21), order book as at 4QFY21 stands strong at Rs117.3bn (this excludes Rs9.5bn projects awarded post Mar'21 and L-1 orders of Rs3.6bn). This translates to a healthy order-book-to-sales ratio of 4.3x TTM revenues, providing comfortable revenue visibility over next 2-3 years. Order book mix comprises of Urban Infra/ MRTS/ Airports (33%), Marine Structures (33%), Irrigation (19%), Buildings (11%) and others (4%). With strong bid pipeline, company targets to bid for projects worth Rs880bn in FY22E.

Exhibit 1: Quarterly Financials (Consolidated): In-line execution with strong margins drive profitability beat in estimates

Y/e March (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY gr. (%)	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Revenue	7,396	3,994	5,527	7,917	9,839	33.0	24.3	27,277	28,607	-23.7
Total Revenues	7,396	3,994	5,527	7,917	9,839	33.0	24.3	27,277	28,607	-23.7
Expenditure	6,554	3,699	5,541	7,208	8,701	32.8	20.7	25,149	25,651	-21.6
as % of sales	88.6	92.6	100.3	91.0	88.4			92.2	89.7	
Consumption of RM	4,489	2,035	3,433	4,828	6,158	37.2	27.5	16,454	17,526	-24.9
as % of sales	60.7	51.0	62.1	61.0	62.6			60.3	61.3	
Employee Cost	769	848	868	902	834	8.3	-7.5	3,451	3,463	-20.3
as % of sales	10.4	21.2	15.7	11.4	8.5			12.7	12.1	
Other expenditure	1,296	816	1,240	1,478	1,710	31.9	15.7	5,243	4,663	-10.0
as % of sales	17.5	20.4	22.4	18.7	17.4			19.2	16.3	
EBITDA	842	296	-14	709	1,138	35.2	60.4	2,129	2,956	-42.4
Depreciation	253	245	270	248	239	-5.6	-3.8	1,002	965	-17.0
EBIT	589	51	-284	461	899	52.7	95.0	1,127	1,991	-54.7
Other Income	8	39	19	10	56	593.8	465.6	124	46	117.6
Interest	353	331	328	343	380	7.6	10.8	1,382	1,305	-15.3
PBT	244	-241	-593	128	575	136.3	350.5	-130	732	-114.2
Total Tax	-12	-59	-54	40	114	-1018.7	183.9	77	163	-62.2
PAT before Minority	256	-182	-539	88	462	80.5	426.4	-208	569	-129.2
(Profit)/loss from JV's/Ass/MI	99	12	41	213	64	0.0	-69.8	330	278	
PAT after MI	355	-170	-497	300	526	48.3	75.2	123	847	-88.4
Extra ordinary items	-409	0	0	0	0	0.0	0.0	0	-409	-100.0
Reported PAT	-55	-170	-497	300	526	-1064.1	75.2	123	438	-77.5
Adjusted EPS	2.1	-1.0	-2.9	1.7	3.1	48.3	75.2	-1.2	2.5	-137.9
Margins (%)						bps	bps			bps
EBIDTA	11.4	7.4	-0.3	9.0	11.6	19	261	7.8	10.3	-253
EBIT	8.0	1.3	-5.1	5.8	9.1	118	331	4.1	7.0	-283
EBT	3.3	-6.0	-10.7	1.6	5.8	256	423	-0.5	2.6	-304
PAT	-0.7	-4.2	-9.0	3.8	5.3	608	155	0.5	1.5	-108
Effective Tax rate	-5.1	24.6	9.1	31.3	19.7	2481	-1158	-59.2	22.3	-8154

Source: Company, PL

Exhibit 2: Key Assumptions

Rs mn	CY17	15FY19	FY20	FY21	FY22E	FY23E
Order inflow	29,902	56,444	46,113	27,168	46,225	54,235
Revenues	20,605	31,651	28,607	27,277	34,493	41,330
Order book	75,132	99,925	1,17,431	1,17,322	1,29,054	1,41,960
Execution cycle (%)	29%	36%	26%	23%	28%	31%
Ob to sales (x)	3.6	3.2	4.1	4.3	3.7	3.4

Source: Company, PL

Concall Highlights

- Bid pipeline is expected to remain strong as the company targets to bid for projects worth Rs880bn in FY22 with primary focus on Marine and Metro projects.
 - Of the above, projects worth ~Rs250bn are already bided for/ in advanced stage of bidding process.
- In 4QFY21, company's revenues grew 33% YoY/ 24% QoQ to Rs9.8bn with execution picking up across project sites.
 - EBITDA margins came healthy at 11.6% as execution was robust in higher margin segments (Marine & metro) along with company's efforts to rationalize employee cost.
- The company has a healthy order book of Rs117.3bn as at 4QFY21, translating order book-to-sales ratio of 4.3x trailing revenues.
 - The order book mix comprises Urban Infra/MRTS/Airports (~33%), Marine Structures (~33%), Irrigation (~19%), Buildings (~11%) and others (~4%).
 - During the quarter, company bagged project for High Court building in WB (Rs3.8bn) & railway project from RVNL (Rs1.5bn).
 - Post Mar'21, ITD secured projects worth over Rs9.5bn (including marine project at Seabird of Rs9bn) and is L-1 in projects worth ~Rs3.6bn.
- ~80% of the Order book comprises of projects which have built in escalation clauses, largely insulating the order book from steep hike in material prices.
 - Company expects an impact of ~1-1.5% on margins, due to higher steel and cement prices and indicated that the same would be covered by contingency provisions already made for respective projects.
- Amidst the second wave of Covid, labour availability and operational efficiency across project sites have been impacted which currently stand at ~15% below pre-covid levels.
- Management guided for 15-20% growth in revenues in FY22E.
- Consolidated gross debt came down sequentially to ~Rs3.8bn from ~Rs5.2bn in 3QFY21 (reduction by Rs1bn in FY21). With Cash & Cash equivalents of Rs2.1bn, Net D:E stands low at 0.2x.
 - With rising working capital requirements as execution picks up, company expects debt levels to remain at similar levels / increase marginally in FY22.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	28,607	27,277	34,493	41,330
YoY gr. (%)	(9.6)	(4.6)	26.5	19.8
Cost of Goods Sold	10,656	8,533	13,107	15,705
Gross Profit	17,951	18,745	21,385	25,624
Margin (%)	62.8	68.7	62.0	62.0
Employee Cost	3,463	3,451	3,623	3,805
Other Expenses	4,663	5,243	6,036	7,439
EBITDA	2,956	2,129	3,448	4,461
YoY gr. (%)	(6.8)	(28.0)	61.9	29.4
Margin (%)	10.3	7.8	10.0	10.8
Depreciation and Amortization	965	1,002	1,099	1,204
EBIT	1,991	1,127	2,348	3,257
Margin (%)	7.0	4.1	6.8	7.9
Net Interest	1,305	1,382	1,289	1,484
Other Income	46	124	276	455
Profit Before Tax	323	(130)	1,335	2,228
Margin (%)	1.1	(0.5)	3.9	5.4
Total Tax	163	41	334	557
Effective tax rate (%)	50.6	(31.1)	25.0	25.0
Profit after tax	159	(171)	1,002	1,671
Minority interest	-	-	-	-
Share Profit from Associate	278	330	-	-
Adjusted PAT	847	160	1,002	1,671
YoY gr. (%)	1.8	(81.2)	527.8	66.8
Margin (%)	3.0	0.6	2.9	4.0
Extra Ord. Income / (Exp)	(409)	-	-	-
Reported PAT	438	160	1,002	1,671
YoY gr. (%)	(47.4)	(63.5)	527.8	66.8
Margin (%)	1.5	0.6	2.9	4.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	438	160	1,002	1,671
Equity Shares O/s (m)	172	172	172	172
EPS (Rs)	4.9	0.9	5.8	9.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	8,693	9,469	10,469	11,469
Tangibles	8,693	9,469	10,469	11,469
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,454	3,456	4,555	5,759
Tangibles	2,454	3,456	4,555	5,759
Intangibles	-	-	-	-
Net fixed assets	6,238	6,013	5,914	5,709
Tangibles	6,238	6,013	5,914	5,709
Intangibles	-	-	-	-
Capital Work In Progress	49	534	86	86
Goodwill	-	-	-	-
Non-Current Investments	81	2,113	2,224	2,299
Net Deferred tax assets	20	51	51	51
Other Non-Current Assets	1,491	1,221	1,725	2,066
Current Assets				
Investments	-	-	-	-
Inventories	2,894	3,373	3,780	4,529
Trade receivables	5,851	5,309	6,615	7,926
Cash & Bank Balance	2,814	2,070	2,157	3,550
Other Current Assets	8,752	10,846	11,383	12,399
Total Assets	31,037	31,833	34,369	39,148
Equity				
Equity Share Capital	172	172	172	172
Other Equity	10,354	10,485	11,487	13,158
Total Network	10,526	10,657	11,658	13,329
Non-Current Liabilities				
Long Term borrowings	500	1,354	1,354	1,354
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	4,441	2,742	2,942	3,142
Trade payables	6,567	7,560	8,505	10,191
Other current liabilities	8,995	9,541	9,931	11,153
Total Equity & Liabilities	31,037	31,833	34,369	39,148

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	601	200	1,335	2,228
Add. Depreciation	965	1,002	1,099	1,204
Add. Interest	1,305	1,382	1,289	1,484
Less Financial Other Income	46	124	276	455
Add. Other	142	(409)	-	-
Op. profit before WC changes	3,012	2,174	3,724	4,916
Net Changes-WC	2,187	396	(1,662)	(682)
Direct tax	(435)	(220)	(334)	(557)
Net cash from Op. activities	4,765	2,350	1,728	3,677
Capital expenditures	(934)	(1,114)	(552)	(1,000)
Interest / Dividend Income	18	33	-	-
Others	(254)	239	-	-
Net Cash from Invst. activities	(1,170)	(841)	(552)	(1,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(891)	(1,269)	200	200
Dividend paid	(83)	(51)	-	-
Interest paid	(1,148)	(1,284)	(1,289)	(1,484)
Others	-	-	-	-
Net cash from Fin. activities	(2,121)	(2,604)	(1,089)	(1,284)
Net change in cash	1,474	(1,096)	87	1,393
Free Cash Flow	3,668	896	1,176	2,677

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	4.9	0.9	5.8	9.7
CEPS	10.5	6.8	12.2	16.7
BVPS	61.3	62.0	67.9	77.6
FCF	21.4	5.2	6.8	15.6
DPS	-	-	-	-
Return Ratio(%)				
RoCE	12.8	7.5	15.3	19.3
ROIC	7.7	11.3	13.3	18.3
RoE	8.2	1.5	9.0	13.4
Balance Sheet				
Net Debt : Equity (x)	0.2	0.2	0.2	0.1
Net Working Capital (Days)	68	44	48	43
Valuation(x)				
PER	16.9	89.7	14.3	8.6
P/B	1.4	1.3	1.2	1.1
P/CEPS	7.9	12.3	6.8	5.0
EV/EBITDA	5.6	7.7	4.8	3.4
EV/Sales	0.6	0.6	0.5	0.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	3,994	5,527	7,917	9,839
YoY gr. (%)	(43.3)	(22.1)	11.9	33.0
Raw Material Expenses	866	1,750	2,541	3,376
Gross Profit	3,129	3,777	5,376	6,463
Margin (%)	78.3	68.3	67.9	65.7
EBITDA	296	(14)	709	1,138
YoY gr. (%)	(60.3)	(101.9)	10.8	35.2
Margin (%)	7.4	(0.3)	9.0	11.6
Depreciation / Depletion	245	270	248	239
EBIT	51	(284)	461	899
Margin (%)	1.3	(5.1)	5.8	9.1
Net Interest	331	328	343	380
Other Income	39	19	10	56
Profit before Tax	(241)	(593)	128	575
Margin (%)	(6.0)	(10.7)	1.6	5.8
Total Tax	(59)	(54)	40	114
Effective tax rate (%)	24.6	9.1	31.3	19.7
Profit after Tax	(182)	(539)	88	462
Minority interest	-	-	-	-
Share Profit from Associates	12	41	213	64
Adjusted PAT	(170)	(497)	300	526
YoY gr. (%)	(200.2)	(329.1)	183.5	48.3
Margin (%)	(4.2)	(9.0)	3.8	5.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(170)	(497)	300	526
YoY gr. (%)	(200.2)	(329.1)	183.5	(1,064.1)
Margin (%)	(4.2)	(9.0)	3.8	5.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(170)	(497)	300	526
Avg. Shares O/s (m)	172	172	172	172
EPS (Rs)	(1.0)	(2.9)	1.7	3.1

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-21	BUY	97	76
2	15-Feb-21	BUY	97	71
3	07-Jan-21	BUY	67	64
4	12-Nov-20	BUY	67	50
5	08-Oct-20	BUY	67	50
6	17-Sep-20	BUY	67	52
7	07-Jul-20	BUY	67	52
8	19-Jun-20	BUY	67	50

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,337	1,388
2	Ahluwalia Contracts (India)	BUY	384	293
3	Apar Industries	BUY	543	373
4	Ashoka Buildcon	BUY	160	96
5	Bharat Electronics	Accumulate	110	131
6	BHEL	Hold	34	49
7	Capacite's Infraprojects	BUY	270	199
8	Container Corporation of India	Hold	607	634
9	Cummins India	Hold	796	772
10	Engineers India	BUY	115	76
11	GE T&D India	Hold	122	119
12	H.G. Infra Engineering	BUY	476	333
13	IRB Infrastructure Developers	BUY	179	106
14	ITD Cementation India	BUY	97	76
15	J.Kumar Infraprojects	BUY	272	177
16	Kalpataru Power Transmission	BUY	448	382
17	KEC International	Accumulate	420	383
18	KNR Constructions	Accumulate	253	227
19	Larsen & Toubro	BUY	1,604	1,416
20	NCC	BUY	111	83
21	PNC Infratech	BUY	295	256
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	BUY	115	63
24	Siemens	Accumulate	1,856	1,786
25	Thermax	Accumulate	1,559	1,455
26	Triveni Turbine	BUY	98	102
27	Voltamp Transformers	BUY	1,466	1,058

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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