

ITD Cementation

Robust execution

ITD Cementation (ITD) reported revenue/EBITDA/APAT of INR 16.3/1.5/0.4bn, beating/(missing) our estimates by 13.7/23.5/(15.2)%. The miss is largely due to the share of losses from JVs. With an order inflow (OI) of INR 80.8bn in FY23, the order book (OB) as of Mar'23 stood at INR 200bn (~4x FY23 revenue, ex L1-INR16bn). The OB is well-diversified, providing a natural hedge from a slowdown in any particular business segment. The net D/E as of Mar'23 stood at 0.22x. ITD guided for FY24 revenue at INR 65-68bn with an EBITDA margin above 9% and OI of INR 80bn+. FY24 capex will be at ~INR 1bn. We have recalibrated our estimates higher to factor in strong execution and better margins. We reiterate BUY, with an increased TP of INR 170/sh (10x Mar-25E EPS).

- **Q4FY23 financial highlights:** Revenue: INR 16.3bn (+39/+23% YoY/QoQ, a beat of 13.7%). EBITDA: INR 1.5bn (+75/+41% YoY/QoQ, a beat of 23.5%). EBITDA margin: 9% (+185/+115bps YoY/QoQ, vs. our estimate of 8.3%, owing to lower input and raw material prices, employee expenses and better absorption of overheads). Share of profits from JVs: INR (65)mn (vs. INR 65/128mn YoY/QoQ). APAT: INR 378mn (+2.3x/3.5%, a miss of 15.2% due to a higher share of losses from JVs and higher interest costs).
- **Robust OB; revenue visibility over the next 4+ years:** With an OI of INR 7.1bn in Q4FY23, the FY23 OI came in at INR 80.8bn, taking the OB, as of Mar'23, to INR 200bn (~4x FY23 revenue, ex L1-INR16bn). Geographically, the OB is diversified among Tamil Nadu/UP/Karnataka/Delhi/West Bengal/others at 25/23/13/10/9/20%. Business-wise, the OB is diversified among urban infra/highways/marine/industrials/dams and tunnels/others at 31/23/18/14/8/ 5%. Client-wise, the OB is diversified among private/government/PSUs at 35/45/20%. ITD has a robust bid pipeline of INR 170bn from the domestic market and INR 40bn from the international market.
- **Comfortable balance sheet:** ITD's consolidated gross debt, as of Mar'23, stood at INR 7.2bn vs. INR 6.4bn, as of Dec'22. The net D/E, as of Mar'23, stood at 0.22x vs. 0.42x, as of Dec'22.
- **FY24 guidance:** On the guidance front, ITD guided for FY24 revenue at INR 65-68bn with an EBITDA margin above 9% and OI of INR 80bn+. With the completion of majorly all legacy projects, the EBITDA margin is expected to touch double digits during the year.

Consolidated Financial Summary (INR mn)

Particulars	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	16,314	11,738	39.0	13,270	22.9	38,090	50,909	65,097	71,281
EBITDA	1,466	838	75.0	1,040	40.9	2,931	3,999	5,784	6,612
APAT	378	164	130.7	365	3.5	688	1,242	2,318	2,915
Diluted EPS (INR)	2.2	1.0	130.7	2.1	3.5	4.0	7.2	13.5	17.0
P/E (x)						36.7	20.3	10.9	8.7
EV / EBITDA (x)						8.7	6.5	5.1	4.2
RoE (%)						6.2	10.4	17.0	17.8

Source: Company, HSIE Research

Consolidated Estimate Change Summary (INR mn)

Particulars	FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	65,097	59,713	9.0	71,281	71,058	0.3
EBITDA	5,784	5,335	8.4	6,612	6,491	1.9
EBITDA (bps)	8.9	8.9	(5.0)	9.3	9.1	14.1
APAT	2,318	2,165	7.1	2,915	2,696	8.1

Source: Company, HSIE Research

BUY

CMP (as on 25 May 23)	INR 147
Target Price	INR 170
NIFTY	18,321

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 157	INR 170
EPS Change %	FY24E +7.1	FY25E +8.1

KEY STOCK DATA

Bloomberg code	ITCE IN
No. of Shares (mn)	172
MCap (INR bn) / (\$ mn)	25/308
6m avg traded value (INr mn)	134
52 Week high / low	INR 156/58

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	49.4	24.2	143.5
Relative (%)	45.3	24.9	128.4

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	46.64	46.64
FIs & Local MFs	5.64	5.07
FPIs	13.30	12.23
Public & Others	34.42	36.06

Pledged Shares	-	-
----------------	---	---

Source : BSE

Pledged shares as % of total shares

Parikshit D Kandpal, CFA
 parikshitd.kandpal@hdfcsec.com
 +91-22-6171-7317

Nikhil Kanodia
 nikhil.kanodia@hdfcsec.com
 +91-22-6171-7362

Manoj Rawat
 manoj.rawat@hdfcsec.com
 +91-22-6171-7358

Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate 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. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from 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. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and 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 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.

HSL, 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.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC securities
Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com