

August 6, 2021

Q1FY22 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	34,493	41,330
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,448	4,461	3,448	4,461
% Chng.	-	-	-	-
EPS (Rs.)	5.8	9.7	5.8	9.7
% Chng.	-	-	-	-

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)	5.5	7.6	4.7	3.4
PE (x)	16.8	89.0	14.2	8.5
P/BV (x)	1.3	1.3	1.2	1.1

Key Data

ITCM.BO | ITCE IN

52-W High / Low	Rs.98 / Rs.42
Sensex / Nifty	54,278 / 16,238
Market Cap	Rs.14bn/ \$ 191m
Shares Outstanding	172m
3M Avg. Daily Value	Rs.202.66m

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	(8.1)	22.6	89.2
Relative	(10.5)	14.6	32.6

Viral Shah

viralshah@plindia.com | 91-22-66322250

Execution garnering pace

Quick Pointers:

- Revenues came above our and street estimates at Rs8.3bn, led by strong execution ramp up in key projects.
- OB stand healthy at of ~Rs120bn as at 1QFY22 (3.8x TTM revenues) with orders worth Rs16.2bn bagged in 1Q.
- Management maintained its guidance of 15-20% revenue growth with double digit EBITDA margins for FY22.

ITD Cementation (ITCE) posted decent set of numbers with revenues coming above our and street estimates despite impact of second wave and labour migration issues. Company bagged projects worth Rs16.2bn in 1Q and is L1 in orders worth Rs1.2bn. Bid pipeline remains strong at Rs300-350bn primarily driven from Marine and Metro segments. With execution ramp up, labour availability improving and large part of order book under execution management expects strong performance in 2HFY22E.

ITD Cementation (ITCE) being a dominant player in urban infra space with MNC parentage, we remain positive on its a) healthy and diversified order book (Rs120.3bn as on 1QFY22) b) strong execution capabilities c) lean balance sheet (Gross D/E of 0.5x) and d) advanced technology and skilled labour. At CMP, the stock trades at a P/E of 14.2x/8.5x on FY22E/23E EPS and an EV of 4.7x/ 3.4x on FY22E/23E EBITDA. Maintain 'BUY' rating on the stock with a TP of Rs97 (same as earlier).

Execution picking up: ITCE's Q1FY22 revenues came in at Rs8.3bn (above PLe ~Rs7.6bn) on the back of robust execution in key projects. The company reported an EBITDA of Rs782mn (PLe of Rs650mn) with EBITDAM expanding by 208bps YoY to 9.5% on account of higher execution and better absorption of fixed overheads. On the bottom line front, adj. PAT came in at Rs180mn (above PLe/consensus estimate of Rs79mn/ Rs134mn), mainly attributed to higher execution.

Strong Order Book: With orders worth Rs16.2bn bagged during the quarter, OB as at Q1FY22 stands at Rs120.4bn. This translates to a healthy order-book-to-sale of 3.8x TTM revenue, providing comfortable revenue visibility for next 2-3 years. Order book mix comprises of Urban Infra/ MRTS/ Airports (31%), Marine Structures (27.4%), Irrigation (17%), Buildings (12.7%), Water & Waste Water Treatment (8.1%) and others (3.4%). With strong bid pipeline, company has a strong bid pipeline for projects worth Rs300-350bn largely in Marine and Metro projects.

Exhibit 1: Quarterly Financials (Consolidated): Higher execution with strong margins drive profitability

Y/e March (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	YoY gr. (%)	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Revenue	3,994	5,527	7,917	9,839	8,255	106.7	-16.1	27,277	28,607	-23.7
Total Revenues	3,994	5,527	7,917	9,839	8,255	106.7	-16.1	27,277	28,607	-23.7
Expenditure	3,699	5,541	7,208	8,701	7,473	102.0	-14.1	25,149	25,651	-21.6
as % of sales	92.6	100.3	91.0	88.4	90.5			92.2	89.7	
Consumption of RM	2,035	3,433	4,828	6,158	4,964	143.9	-19.4	16,454	17,526	-24.9
as % of sales	51.0	62.1	61.0	62.6	60.1			60.3	61.3	
Employee Cost	848	868	902	834	907	6.9	8.7	3,451	3,463	-20.3
as % of sales	21.2	15.7	11.4	8.5	11.0			12.7	12.1	
Other expenditure	816	1,240	1,478	1,710	1,603	96.5	-6.3	5,243	4,663	-10.0
as % of sales	20.4	22.4	18.7	17.4	19.4			19.2	16.3	
EBITDA	296	-14	709	1,138	782	164.6	-31.2	2,129	2,956	-42.4
Depreciation	245	270	248	239	236	-3.6	-1.3	1,002	965	-17.0
EBIT	51	-284	461	899	546	971.1	-39.2	1,127	1,991	-54.7
Other Income	39	19	10	56	25	-36.6	-56.4	124	46	117.6
Interest	331	328	343	380	360	8.7	-5.4	1,382	1,305	-15.3
PBT	-241	-593	128	575	212	NA	-63.2	-130	732	NA
Total Tax	-59	-54	40	114	72	NA	-36.5	41	163	-80.2
PAT before Minority	-182	-539	88	462	139	NA	-69.8	-171	569	-NA
(Profit)/loss from JV's/Ass/MI	12	41	213	64	40	0.0	-37.6	330	278	
PAT after MI	-170	-497	300	526	180	NA	-65.9	160	847	-84.9
Extra ordinary items	0	0	0	0	0	0.0	0.0	0	-409	NA
Reported PAT	-170	-497	300	526	180	NA	-65.9	160	438	-70.8
Adjusted EPS	-1.0	-2.9	1.7	3.1	1.0	NA	-65.9	0.9	2.5	-70.8
Margins (%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	bps	bps	FY21	FY20	bps
EBIDTA	7.4	-0.3	9.0	11.6	9.5	208	-209	7.8	10.3	-253
EBIT	1.3	-5.1	5.8	9.1	6.6	534	-252	4.1	7.0	-283
EBT	-6.0	-10.7	1.6	5.8	2.6	859	-329	-0.5	2.6	NA
PAT	-4.2	-9.0	3.8	5.3	2.2	642	-317	0.6	1.5	-94
Effective Tax rate	24.6	9.1	31.3	19.7	34.1	955	1437	-31.1	22.3	NA

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	117,431	117,322	129,054	141,960
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

Conference Call Highlights

- Management indicated strong bid pipeline for the company at Rs300-350bn for FY22 with primary focus on Marine and Metro projects.
 - Off the total bid pipeline, opportunity in Metro stands at ~Rs180bn (Delhi Metro ~Rs90bn), Marine at Rs80bn and Airport at Rs30-40bn.
- Management indicated an impact on execution during the quarter, due to second wave of Covid, being ~15% below pre covid levels and is expected to pick up from 2HFY22.
- Management guided for 15-20% revenue growth, with double digit EBITDA margins for FY22.
- The company has healthy order book of Rs120.4bn, translating order-book-to-sale of 3.8x TTM revenue.
- Order book mix comprises of Urban Infra/ MRTS/ Airports (31.3%), Marine Structures (27.4%), Irrigation (17%), Buildings (12.7%), Water & Waste Water Treatment (8.1%), and others (3.4%).
 - During the quarter company bagged projects for Water & Sewerage systems in Karnataka (Rs9bn), Gujarat rail metro (Rs3.5bn), Aero Space Museum, Delhi (Rs2.3bn).
 - Additionally, company is L1 in orders worth Rs1.2bn.
 - Off the total order book ~30-35% are fixed price contracts and company expects an impact of ~1.2-1.5% on margins, due to rise in commodity price.
- Started tunneling activity for MRTS - Bangalore underground metro and has completed ~14% of work as on date.
- Successfully completed entire TBM tunneling work by ITD - ITD Cem JV in Kolkata Metro East - West corridor.
- Consolidated gross debt stands at Rs5.2bn and cash balance of Rs600mn as on Q1FY22 with Debt/Equity of 0.5x.

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 Inv. 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	16.8	89.0	14.2	8.5
P/B	1.3	1.3	1.2	1.1
P/CEPS	7.8	12.2	6.8	4.9
EV/EBITDA	5.5	7.6	4.7	3.4
EV/Sales	0.6	0.6	0.5	0.4
Dividend Yield (%)	-	-	-	-

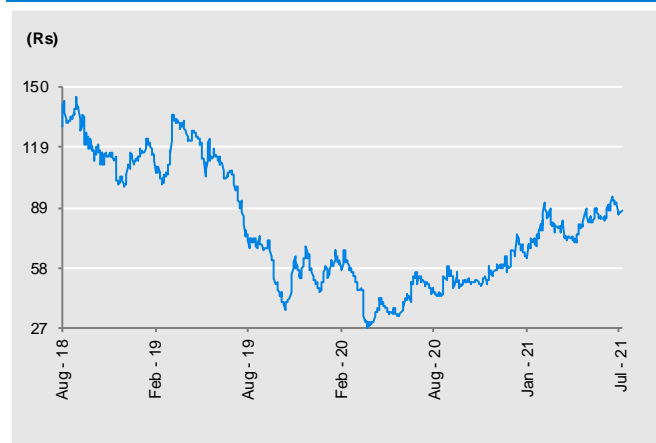
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	5,527	7,917	9,839	8,255
YoY gr. (%)	(22.1)	11.9	33.0	106.7
Raw Material Expenses	1,750	2,541	3,376	2,417
Gross Profit	3,777	5,376	6,463	5,838
Margin (%)	68.3	67.9	65.7	70.7
EBITDA	(14)	709	1,138	782
YoY gr. (%)	(101.9)	10.8	35.2	164.6
Margin (%)	(0.3)	9.0	11.6	9.5
Depreciation / Depletion	270	248	239	236
EBIT	(284)	461	899	546
Margin (%)	(5.1)	5.8	9.1	6.6
Net Interest	328	343	380	360
Other Income	19	10	56	25
Profit before Tax	(593)	128	575	212
Margin (%)	(10.7)	1.6	5.8	2.6
Total Tax	(54)	40	114	72
Effective tax rate (%)	9.1	31.3	19.7	34.1
Profit after Tax	(539)	88	462	139
Minority interest	-	-	-	-
Share Profit from Associates	41	213	64	40
Adjusted PAT	(497)	300	526	180
YoY gr. (%)	(329.1)	183.5	48.3	(205.8)
Margin (%)	(9.0)	3.8	5.3	2.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(497)	300	526	180
YoY gr. (%)	(329.1)	183.5	(1,064.1)	(205.8)
Margin (%)	(9.0)	3.8	5.3	2.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(497)	300	526	180
Avg. Shares O/s (m)	172	172	172	172
EPS (Rs)	(2.9)	1.7	3.1	1.0

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-21	BUY	97	88
2	01-Jun-21	BUY	97	83
3	06-Apr-21	BUY	97	76
4	15-Feb-21	BUY	97	71
5	07-Jan-21	BUY	67	64
6	12-Nov-20	BUY	67	50
7	08-Oct-20	BUY	67	50
8	17-Sep-20	BUY	67	52

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,687	1,684
2	Ahluwalia Contracts (India)	Accumulate	410	392
3	Apar Industries	BUY	790	680
4	Ashoka Buildcon	BUY	160	115
5	Bharat Electronics	BUY	208	181
6	BHEL	Sell	34	59
7	Capacite's Infraprojects	BUY	270	213
8	Container Corporation of India	Hold	607	644
9	Cummins India	UR	-	869
10	Engineers India	BUY	129	79
11	GE T&D India	Hold	141	140
12	H.G. Infra Engineering	BUY	476	414
13	IRB Infrastructure Developers	BUY	179	158
14	ITD Cementation India	BUY	97	88
15	J.Kumar Infraprojects	BUY	272	190
16	Kalpataru Power Transmission	BUY	576	472
17	KEC International	Accumulate	445	419
18	KNR Constructions	Accumulate	253	245
19	Larsen & Toubro	BUY	1,855	1,598
20	NCC	BUY	111	89
21	PNC Infratech	UR	-	306
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	Accumulate	97	82
24	Siemens	Accumulate	2,101	2,029
25	Thermax	Accumulate	1,559	1,484
26	Triveni Turbine	BUY	156	125
27	Voltamp Transformers	Accumulate	1,565	1,462

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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