

HSIE Results Daily

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ITD Cementation

Execution pickup awaited

ITD numbers were better than expectation on account of execution beat and cost controls. Labour availability has improved to 70-80% of pre-COVID level. Order backlog is robust at Rs 126bn (4.4x FY20 revenue) aided by FYTD21 order wins of Rs 13.5bn. Besides, ITD is L1 in orders worth Rs 15bn (total order book at Rs 141bn). Although, NWC days and consolidated net debt (Rs 3bn vs Rs 1.8bn at FY20-end) have increased QoQ, balance sheet remains robust. We maintain BUY on ITD with an unchanged target price of Rs 68/sh, (1) given large order book (~4.4x FY20 revenue), (2) strong balance sheet and (3) bottom valuation (6.8x 2 yr fwd EPS).

- Beat on execution:** ITD reported revenue at Rs 4bn (-43%/-46% YoY/QoQ) and EBITDA at Rs 296mn (-60%/-65% YoY/QoQ). EBITDA margins contracted by 318/399bps YoY/QoQ as ITD could only book revenue on some of the projects where execution is still below threshold to book margins. Employee cost was higher by 10% sequentially on account of liabilities written back in 4QFY20. Losses for the quarter stood at Rs 170mn, against our estimated loss of Rs 573mn.
- Order book bulges to Rs 126bn:** Order book stood at Rs 113bn at the end of 1QFY21 (against Rs 117bn at FY20-end) as ITD could secure Rs 824mn worth of orders during the quarter. However, order backlog has increased to Rs 126bn with order wins of Rs 13bn till now in 2QFY21. Besides, ITD is awaiting LOI on orders of Rs 15bn. Including these orders, order book is at Rs 141bn. Basis management commentary, current bid pipeline is at Rs 170bn (Rs 80bn marine, Rs 30bn metro, Rs 35bn bridges & flyover and Rs 30bn buildings and airports). Current order book, on FY20 revenue, gives revenue visibility for more than four years.
- Execution could improve with strong order book:** Labour strength has increased to 14k (70-80% of the pre-COVID level) from 8k at one point of time during the lockdown. With improved labour availability and commencement of work on recently won orders, we expect execution to rebound sharply. Moreover, with increased share of higher margin marine segment in the order book (32% currently vs 26% at the FY20-end), we expect margins to improve.
- Balance sheet comfortable despite the rise in net debt:** ITD's consolidated net debt increased to Rs 3bn (vs Rs 1.8bn at FY20-end). Bengaluru elevated metro project debt stood at Rs 1.7bn. Although, collections have reached 90% of the corresponding period of last year, NWC days increased on account of lower revenue. Management expect capex intensity to remain at the same level despite the rise in the order book.

Quarterly/annual financial summary

YE March (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	3,994	7,046	(43.3)	7,397	(46.0)	28,607	22,351	34,868	40,098
EBITDA	296	745	(60.3)	843	(64.9)	2,956	2,137	3,521	4,090
APAT	(170)	169	NA	(54)	NA	848	36	1,172	1,409
Diluted EPS (Rs)	(1.0)	1.0	NA	(0.3)	NA	4.9	0.2	6.8	8.2
P/E (x)						10.4	241.9	7.5	6.3
EV / EBITDA (x)						3.6	5.1	3.4	2.7
RoE (%)						8.2	0.3	10.5	11.4

Source: Company, HSIE Research, Consolidated financials

BUY

CMP (as on Sep 18, 2020)	Rs 51
Target Price	Rs 68
NIFTY	11,505

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 68	Rs 68
EPS %	FY21E	FY22E
	-	-

KEY STOCK DATA

Bloomberg code	ITCE IN
No. of Shares (mn)	172
MCap (Rs bn) / (\$ mn)	9/121
6m avg traded value (Rs mn)	31
52 Week high / low	Rs 70/26

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	1.6	56.1	(19.6)
Relative (%)	(12.0)	21.6	(25.8)

SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	46.64	46.64
FIs & Local MFs	26.68	24.76
FPIs	6.79	6.77
Public & Others	19.89	21.83
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: >10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	ITD Cementation	CFA	NO
Rohan Rustagi	ITD Cementation	MBA	NO
Chintan Parikh	ITD Cementation	MBA	NO

Disclosure:

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