

ITD Cementation India Ltd

Robust execution

Our view

ITD cementation (ITCE) reported a strong set of numbers, with a strong 33% YoY revenue growth at Rs18.3bn led by robust execution while EBITDAM came in at 8.8% (incl provision of Rs290mn for Elevated Bangalore metro project). With an order inflow of Rs2.5bn, the orderbook as on 1QFY24 stood at Rs185bn (excl. L1 orders worth Rs55bn). Geographical wise, OB is well-diversified thereby providing a natural hedge from a slowdown in any particular business segment. With healthy 1Q execution, management has revised revenue guidance for FY24E to Rs65-70bn with EBITDA margin to close to double digit. FY24E capex will be at Rs1.5-2bn.

ITCE being a dominant player in urban infra space with MNC parentage, we remain positive on its a) healthy and diversified order book (Rs185bn as on 1QFY24) b) strong execution capabilities c) lean balance sheet (D/E of 0.5x) and d) advanced technology and skilled labour. With healthy execution in 1Q and strong order inflow guidance of Rs80-90bn, we raise FY24E and FY25E revenue estimates by 11%/10% and upgrade the stock to ADD with revised TP of Rs221, assigning a 10x multiple to its FY25E EPS of Rs22.1.

Result Highlights

- For Q1FY24, ITD's revenues grew 67% YoY to Rs18.3bn (above our and street estimates of Rs13.8bn and Rs14.7bn) on the back of robust execution in its key projects.
- The company reported an EBITDA of Rs1.6bn (above our estimates of Rs1.2bn) with EBITDAM expanding 66bps to 8.8% (above our and street estimates of 8.4% / 8.5%). The margins improved on account of lower other expenses.
- On the bottom-line front, adj. PAT came in at Rs523mn (above our estimates of Rs407mn), owing to better operating performance.
- As on 1Q, company bagged orders worth Rs2.5bn taking the orderbook to Rs185bn
- At the CMP, the stock trades at a P/E of 11.5x FY24E and 8.6x FY25E EPS.

Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	18,326	13,789	14,676	32.9	24.9	Pick up in execution witness resulted into healthy revenue and margins
EBITDA	1,615	1,159	1,245	39.4	29.8	
EBITDA margin %	8.8	8.4	8.5	4.9bps	4.0bps	
Adj.Pat	523	407	459	28.6	14.0	

Source: Company, YES Sec

Reco : **BUY**

CMP : Rs 190

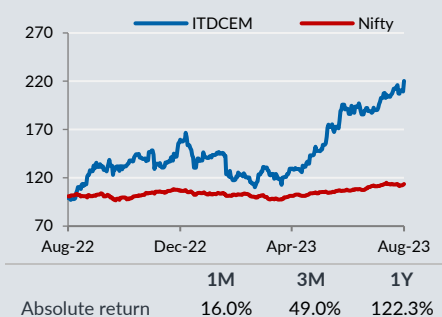
Target Price : Rs 221

Potential Return : +16%

Stock data (as on Aug 08, 2023)

Nifty	19,571
52 Week h/l (Rs)	199 / 83
Market cap (Rs/USD mn)	31042 / 375
Outstanding Shares (mn)	172
6m Avg t/o (Rs mn):	141
Div yield (%):	0.4
Bloomberg code:	ITCE IN
NSE code:	ITDCEM

Stock performance



Shareholding pattern (As of June'23 end)

Promoter	46.6%
FII+DII	18.0%
Others	35.3%

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenues	50,909	66,174	75,479
Yoy growth (%)	33.7	30.0	14.1
OPM (%)	7.8	9.7	10.4
EPS (Rs)	7.2	16.6	22.1
EPS growth	78.4	129.9	33.2
P/E (x)	26.4	11.5	8.6
EV/EBITDA (x)	8.5	5.3	4.0
Debt/Equity (x)	0.6	0.5	0.5
RoE (%)	13.9	25.7	25.8
RoCE (%)	8.6	16.7	17.8

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RESULT HIGHLIGHTS

Exhibit 2: Result Table (Consolidated)

Rs mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY gr. (%)	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenue	10,978	10,347	13,270	16,314	18,326	66.9	12.3	50,909	38,090	6.9
Total Revenues	10,978	10,347	13,270	16,314	18,326	66.9	12.3	50,909	38,090	6.9
Expenditure	10,083	9,750	12,230	14,848	16,710	65.7	12.5	46,920	35,160	6.8
as % of sales	91.8	94.2	92.2	91.0	91.2			92.2	92.3	
Consumption of RM	6,594	6,461	8,479	10,824	12,073	83.1	11.5	32,358	24,082	7.5
as % of sales	60.1	62.4	63.9	66.3	65.9			63.6	63.2	
Employee Cost	1,157	1,143	1,227	1,297	1,439	24.4	11.0	4,834	3,728	3.7
as % of sales	10.5	11.1	9.2	7.9	7.9			9.5	9.8	
Other expenditure	2,333	2,145	2,523	2,727	3,199	37.1	17.3	9,728	7,350	5.9
as % of sales	21.2	20.7	19.0	16.7	17.5			19.1	19.3	
EBITDA	895	597	1,040	1,466	1,615	80.4	10.2	3,989	2,931	8.9
Depreciation	252	276	299	309	447	77.6	44.7	1,135	1,025	(11.4)
EBIT	644	321	741	1,158	1,169	81.6	1.0	2,854	1,905	19.8
Other Income	85	121	7	73	86	0.4	17.8	286	119	93.1
Interest	347	392	403	511	509	46.7	(0.4)	1,654	1,416	(6.6)
PBT	382	50	345	719	745	95.1	3.6	1,486	608	95.6
Total Tax	110	100	104	277	265	140.5	(4.5)	591	244	93.8
PAT before Minority	272	-50	241	442	480	76.8	8.7	895	364	96.9
(Profit)/loss from JV's/Ass/MI	30	250	128	-65	43	42.8	(165.8)	343	330	
PAT after MI	302	200	369	377	523	73.4	39.0	1,237	693	42.7
Extra ordinary items	0	0	0	0	0			0	0	
Reported PAT	302	200	369	377	523	73.4	39.0	1,237	693	42.7
Adjusted EPS	1.8	1.2	2.1	2.2	3.0	73.4	39.0	5.2	2.1	96.9
Margins (%)										
EBIDTA	8.2	5.8	7.8	9.0	8.8	66	-17	7.8	7.7	14
EBIT	5.9	3.1	5.6	7.1	6.4	51	-72	5.6	5.0	60
EBT	3.5	0.5	2.6	4.4	4.1	59	-34	2.9	1.6	132
PAT	2.7	1.9	2.8	2.3	2.9	11	55	2.4	1.8	61
Effective Tax rate	28.8	200.0	30.2	38.5	35.5	670	-301	39.8	40.2	-38

Exhibit 3: Key Assumptions

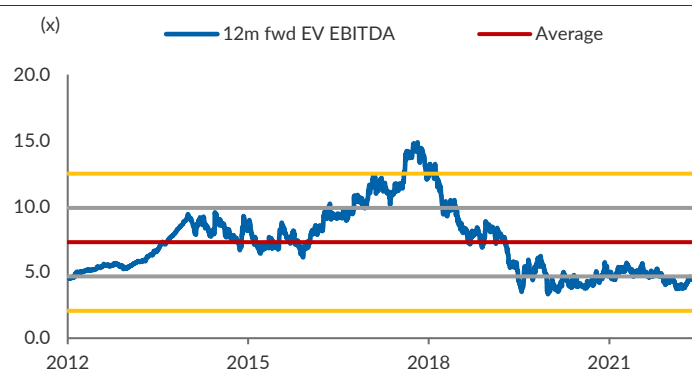
Rs mn	FY20	FY21	FY22	FY23	FY24E	FY25E
Order inflow	46,113	27,168	76,246	80,790	92,231	109,453
Revenues	28,607	27,277	38,090	50,909	66,174	75,479
Order book	117,431	117,322	155,478	200,436	226,493	260,467
Execution cycle (%)	26%	23%	28%	0%	31%	31%
Ob to sales (x)	4.1	4.3	4.1	3.9	3.4	3.5

Source: Company, YES Sec

KEY CONCALL HIGHLIGHTS

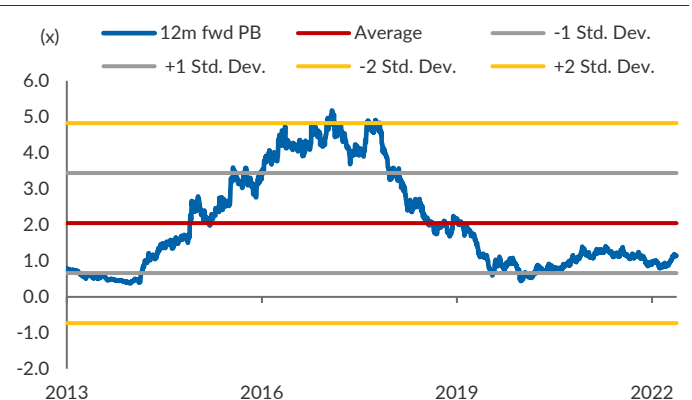
- Company's bid pipeline remains strong at Rs150-170bn bided / plans to be bided with primary focus on marine and underground metro projects.
 - Company has been L1 for 2 projects worth Rs55bn
 - In Q1, company has bagged orders worth Rs2.5bn
- In 1QFY24, company reported highest ever revenue of Rs18.3bn with execution picking up across project sites.
 - Key projects such as Chennai metro, Bangalore metro, Ganga Expressway, Oil Jetty at Kamarajar port and Udangudi power project led to better execution.
 - EBITDA margins were 8.2% (up 66bps YoY) supported by lower other expense. Provisioning of Bangalore elevated metro has been done of Rs290mn.
- The company has healthy order book of Rs185.2bn, translating order-book-to sale of 3.2x TTM revenues.
 - Order book mix comprises of Urban Infra/ MRTS/ Airports (31%), Marine Structures (18%), Highway, bridges and flyovers (23%), Hydro, dams and tunnels (8%), Industrial structures and buildings (16%), Water & waste-water treatment (3%), and specialty works (2%).
 - Geographically, the OB is diversified among Tamil Nadu / UP / Karnataka / Delhi / West Bengal / others at 25/23/13/10/10/19%.
- Consolidated gross debt stands at Rs7.9bn with net debt: equity at 0.5x as on 1QFY24.
- Management has revised its guidance upward to 70bn with EBITDA margins to grow close to lower double digit in FY24E.
- The company plans capex of Rs1.5-2bn in FY24E (incurred capex of Rs900mn in 1Q

Exhibit 4: EV/EBITDA Band



Source: Company, YES Sec

Exhibit 5: Price to book value band



Source: Company, YES Sec

FINANCIALS

Exhibit 6: Balance Sheet (Consolidated)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Sources of Funds					
Equity capital	172	172	172	172	172
Reserves	10,485	11,140	12,203	14,971	18,683
Non-Minority Controlling Int.	30	35	40	40	40
Net worth	10,657	11,312	12,375	15,143	18,854
Debt	4,576	5,605	7,662	8,162	8,562
Deferred tax liab (net)	(51)	(61)	(76)	(76)	(76)
Total liabilities	15,211	16,891	20,001	23,268	27,380
Application of Funds					
Gross Block	9,340	10,584	13,309	14,809	16,309
Depreciation	3,327	4,035	4,834	6,064	7,417
Fixed Asset	6,013	6,549	8,475	8,746	8,892
CWIP	534	20	1,174	1,174	1,174
Investments	1,937	1,129	449	449	449
Net Working Capital	6,728	9,193	9,903	12,899	16,865
Inventories	3,373	4,002	5,770	7,433	8,478
Sundry debtors	5,309	6,219	10,802	13,597	15,509
Cash & equivalents	2,070	4,915	6,296	6,866	9,594
Loans & Advances	569	856	1,497	1,975	2,253
Other Current Asset	12,068	12,414	15,626	20,249	23,096
Sundry creditors	7,269	9,373	13,336	16,861	18,611
Provisions	506	480	571	728	830
Other current liabilities	8,885	9,360	16,182	19,634	22,625
Total Assets	15,211	16,891	20,001	23,268	27,380

Source: Company, YES Sec

Exhibit 7: Income statement (Consolidated)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	27,277	38,090	50,909	66,174	75,479
% Change YoY	(4.6)	39.6	33.7	30.0	14.1
Operating profit	2,129	2,931	3,989	6,421	7,837
EBITDA margins	7.8	7.7	7.8	9.7	10.4
% Change YoY	(28.0)	37.7	36.1	61.0	22.1
Depreciation	1,002	1,025	1,135	1,229	1,354
EBIT	1,127	1,905	2,854	5,192	6,483
EBIT margins	4.1	5.0	5.6	7.8	8.6
Interest expense	1,382	1,416	1,654	1,796	1,884
Other income	124	119	286	397	453
Profit before tax	(130)	608	1,486	3,793	5,052
Taxes	41	244	591	948	1,263
<i>Effective tax rate (%)</i>	<i>(31.1)</i>	<i>40.2</i>	<i>39.8</i>	<i>25.0</i>	<i>25.0</i>
Net profit	(171)	364	895	2,845	3,789
Minorities and other	(330)	(330)	(343)	0	0
Net profit after minorities	160	693	1,237	2,845	3,789
Exceptional items	0	0	0	0	0
Net profit	160	693	1,237	2,845	3,789
% Change YoY	(81.2)	334.7	78.4	129.9	33.2
EPS (Rs)	0.9	4.0	7.2	16.6	22.1

Source: Company, YES Sec

Exhibit 8: Cash Flow Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Profit before Tax	200	938	1,839	3,793	5,052
Interest	1,382	1,416	1,654	1,796	1,884
Depreciation	1,002	1,025	1,135	1,229	1,354
Other Items	(409)	(314)	(406)	-	-
(Inc)/Dec in WC	(42)	914	1,497	(2,426)	(1,238)
Direct Taxes Paid	220	592	1,009	948	1,263
CF from Oper. Activity	1,913	3,387	4,711	3,443	5,789
(Inc)/Dec in FA	(1,454)	(1,110)	(4,183)	(1,500)	(1,500)
Free Cash Flow	459	2,277	528	1,943	4,289
(Pur)/Sale of Invest.	942	863	(198)	-	-
CF from Inv. Activity	(511)	(247)	(4,381)	(1,500)	(1,500)
Change in Network	-	-	-	-	-
Inc/(Dec) in Debt	(1,161)	811	1,921	500	400
Interest Paid	(1,284)	(1,347)	(1,566)	(1,796)	(1,884)
Dividends Paid	(51)	(21)	(77)	(77)	(77)
Others	-	-	-	(0)	0
CF from Fin. Activity	(2,497)	(557)	278	(1,373)	(1,561)
Inc/(Dec) in Cash	(1,096)	2,583	607	571	2,728
Opening cash Balance	2,369	1,273	3,856	6,296	6,866
Others	797	1,059	1,833	-	-
Closing cash Balance	2,070	4,915	6,296	6,866	9,594

Source: Company, YES Sec

Exhibit 9: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	36.5	4.7	2.9	4.1	3.8
Interest burden (x)	0.0	0.1	0.2	0.2	0.2
EBIT margin (x)	0.0	0.1	0.1	0.1	0.1
Asset turnover (x)	1.8	2.3	2.5	2.8	2.8
Financial leverage (x)	1.4	1.5	1.6	1.5	1.5
RoE (%)	13.9%	10.1%	13.9%	25.7%	25.8%

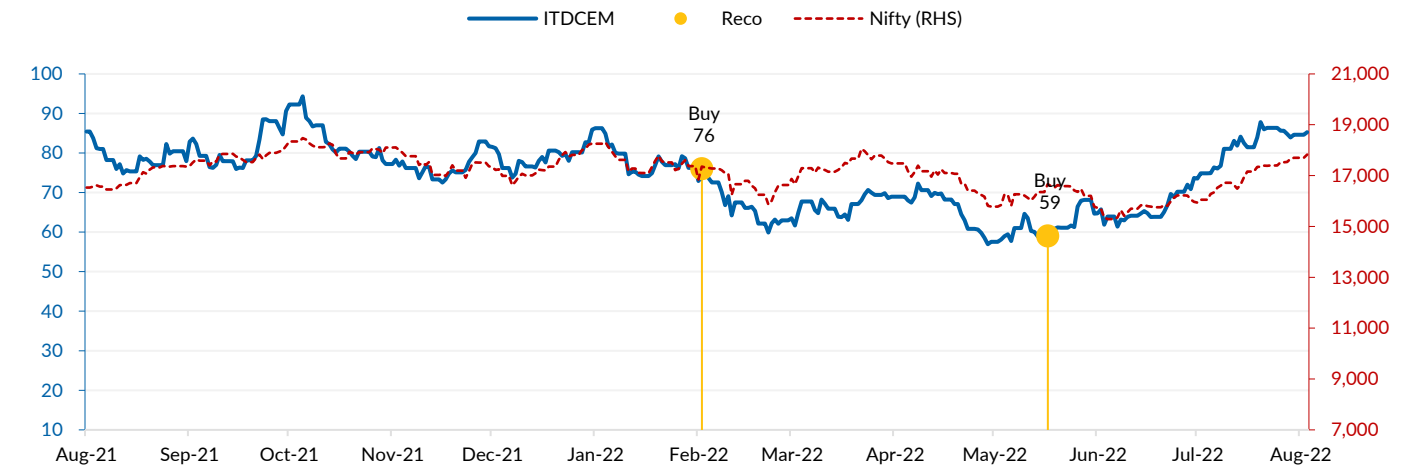
Source: Company, YES Sec

Exhibit 10: Ratio Analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24E	FY25E
Basic (Rs)					
EPS	0.9	4.0	7.2	16.6	22.1
Dividend per share	0.1	0.5	0.5	0.5	0.5
Cash EPS	6.8	10.0	13.8	23.7	29.9
Book value per share	62	66	72	88	110
Div. payout (%)	-12%	21%	9%	3%	2%
Valuation ratios (x)					
P/E	204.9	47.1	26.4	11.5	8.6
P/CEPS	28.2	19.0	13.8	8.0	6.4
P/B	3.1	2.9	2.6	2.2	1.7
EV/EBIDTA	16.5	11.4	8.5	5.3	4.0
Dividend yield (%)	0.1	0.2	0.2	0.2	0.2
Profitability Ratios (%)					
RoC	10.1	6.9	9.0	17.1	18.0
RoE	13.9	10.1	13.9	25.7	25.8
RoCE	9.7	6.7	8.6	16.7	17.8
Liquidity ratios					
Debtor (days)	71	60	77	75	75
Inventory (days)	45	38	41	41	41
Creditor (days)	97	90	96	93	90
Net working Capital (days)	62	41	26	33	35
Asset Turnover (x)	1.8	2.3	2.5	2.8	2.8

Source: Company, YES Sec

Recommendation Tracker



Source: Company, YES Sec – Research

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YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.