

Stock Update

ITD Cementation India Ltd.

September 04, 2023





Industry	LTP	Recommendation	Base Case Fair Value(Rs.)	Bull Case Fair Value(Rs.)	Time Horizon
Civil Construction	Rs.234.35	Buy in the band of Rs.230 - 238 & add more on dips to Rs.203 - 207 band	258.5	282	3 quarters

HDFC Scrip Code	ITDCMEQNR
BSE Code	509496
NSE Code	ITDCEM
Bloomberg	ITCE:IN
CMP September 01, 2023	234.35
Equity Capital (Rs cr)	17.18
Face Value (Rs)	1
Equity Share O/S (cr)	17.18
Market Cap (Rs cr)	4,029
Book Value (Rs)	72
Avg. 52 Wk Volumes	13,43,517
52 Week High	249.6
52 Week Low	93.2

Share holding Pattern % (June, 2023)	
Promoters	46.64
Institutions	18.03
Non Institutions	35.33
Total	100.00



HDFCsec Retail research
stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

ITD Cementation Limited (ITDC) is engaged in Infrastructure construction, development, and management and has expertise in the execution of projects including EPC contracts, Turnkey Projects. The company is a major player of EPC projects having presence across 15 states and 2UTs. The company is the leading player in Marine and Maritime sector having worked with most of the major ports in India and also has strong sectoral presence in Urban Infrastructure, MRTS, Airports, Hydro, Dams, Tunnels, Irrigation, Industrial Structures and Buildings. Over the years, the company has worked to diversify its order book in different segments like Marine, Metro and turnkey tunnel projects.

The company is also targeting opportunities in Marine and Metro projects including projects from Port of Singapore, DP World and various International projects from various countries like Maldives, Bangladesh, South African countries with projects funded by Government of India.

ITD Cementation has provided guidance for the upcoming FY24 with an increase in topline by approx. 25% YoY and improvement in margin levels to higher teens to double digit margins on the back of its prudent bidding discipline and completion of legacy orders like Bengaluru Metro projects. As of June 2023 end, the order book stood at Rs.18,517 Crores (excluding the orders of approx. Rs.5,500 crores) received post Q1 indicating a robust visibility of 3.6x of FY23 revenues. The company's project of Ganga Expressway is expected to contribute majority part of its revenue on account of strong execution of its order-book.

Also recently, the company has been recently awarded a project by Power Grid Company of Bangladesh Ltd. (PGCB) for design, supply, installation, testing and commissioning of Jamuna river crossing portion of Bogura-Kaliakair 400 kV double circuit transmission line on turnkey basis. With this the order-book stands at Rs.18,517 crores. The order Intake in Q1FY24 stands at approx. Rs.250 crores and from the L-1 position of Rs.5,500 crores as on 30th June'23 the company has received both the orders of approx. Rs.1300 crores of Order was received on 09th August from Bangladesh and another Rs.3,290 crores of Marine order was received on 31st August. The approximate YTD inflow stands at Rs.5600 crores.

The company is confident of receiving Total order Intake of Rs.7,000-8,000 crores during FY24 majority of which the company has received YTD which provides a strong promising visibility to the revenues apart from the strong bidding pipeline of Rs.15,000-17,000 crores.

On account of its healthy order book, strong execution capabilities, robust order pipeline and stable EBITDA margins, we remain positive on the stock.



We had issued a buy report on ITD Cementation on August 23, 2023 [\(link\)](#) and the given targets were met. The stock price has fallen after reaching our second target. We think the stock has once again come to attractive levels and reiterate buy on the stock.

Valuation & Recommendation:

ITD Cementation Ltd. is one of the key beneficiaries of increasing government focus towards Infrastructure development and Upgradation of railways and Metro projects and also the strong allocation in the Union Budget is focusing on implementation on both EPC, Civil Construction and Turnkey Institutional Projects over next few years. Its focus on margins and cash flow generation augurs well from a long-term perspective. Over the years, the company has transformed itself into one of the leading EPC players for its expertise in niche areas like Marine, Metro and Complex road projects. ITD Cementation Limited has grown its order book and revenue at a healthy rate with sustainable margins. The company with its diversified order book and continued growth momentum, and coupled capabilities for robust execution and strong parental support in providing technical knowhow.

ITD Cementation Limited has strong financials and healthy balance sheet as compared to its peer companies which gives also company a competitive advantage in bidding for new big projects and report healthy revenue growth over next few years on account of promising revenues flowing from multiple large projects and smoothness in execution. We expect revenue/EBITDA/PAT to grow at a CAGR of 26%/43%/65% over FY23–25E. With the strong quality of orders flowing into the order-book providing strong future outlook for revenues, we revise our earnings multiple enhancing it to 13.75x for base case valuation and 15x bull case multiple to company’s FY25 earnings. **We think the base case fair value of the stock is Rs.258.5 (13.75x FY25E EPS) and the bull case fair value is Rs.282 (15x FY25E EPS) over the next three quarters. Investors can buy the stock in the band of Rs.230-238 (12.5x FY25E EPS) and add more on dips to Rs.203 – 207 band (11x FY25E EPS).**

Particulars (Rs cr)	Q1FY24	Q1FY23	YoY-%	Q4FY23	QoQ-%	FY21	FY22	FY23	FY24E	FY25E
Total Operating Income	1832.6	1097.8	66.9	1631.4	12.3	2,727.7	3,809.0	5,090.9	7,223.0	8,017.5
EBITDA	161.5	89.5	80.4	146.6	10.2	212.9	293.1	399.9	679.4	800.3
Depreciation	44.7	25.2	77.6	30.9	44.7	100.2	102.6	113.5	185.0	191.6
Other Income	8.6	8.5	0.4	7.3	17.7	12.4	11.9	28.6	34.3	35.3
Interest Cost	51.0	34.7	46.7	51.1	-0.4	138.2	141.6	165.4	210.3	230.6
Tax	26.5	11.0	140.5	27.7	-4.5	4.1	24.4	59.1	89.2	115.8
PAT	52.2	30.1	73.6	37.5	39.1	15.9	69.3	124.7	252.4	323.6
Adjusted PAT	52.2	30.1	73.6	37.5	39.1	15.7	68.8	124.2	252.4	323.6
EPS (Rs)	3.0	1.8	73.6	2.2	39.1	0.9	4.0	7.2	14.7	18.8
RoE-%						1.5	6.2	10.5	18.3	19.3



P/E (x)						227.7	52.1	28.9	14.2	11.1
EV/EBITDA						17.8	12.3	9.2	5.9	4.8

(Source: Company, HDFC sec)

Q1 FY24 Earnings Update:

- Operating Revenue during the quarter stood at Rs. 1,832 crores and was up by 67% YoY & 12.3% QoQ.
- EBITDA for the quarter Rs. 161.5 crores up 80.4%/10.2% (YoY/QoQ),
- EBITDA Margins saw a rise of 60 bps and stood at 8.8% Vs 8.2% YoY.
- Management has guided for an improvement in its current EBITDA margins gradually moving to high single digit and later low teens.
- Consolidated PAT for the quarter stood at Rs.52.2 crores - up 73%/39.1% (YoY/QoQ).
- The company reported consolidated EPS of Rs.3 during quarter.
- ITD's consolidated gross debt, as of June'23, stood at Rs.790 crore. The Net Debt to equity stood at 0.50x.

Q1 FY24 Con-Call Highlights:

- **Order-book & Bid Pipeline:** Fresh order booking during the quarter Q1FY24 stood at approximately Rs.247 crores. The order backlog as of June'23 stood at Rs.18,517 crores.
- The company has L1 position for two big orders worth approx. Rs.5,500 crores, which the company is expecting to convert in current quarter. Out of the L1, On August 10, 2023 the company has secured a contract in Bangladesh for design, supply, installation, testing and commissioning of Jamuna river crossing portion of Bogura-Kaliakair 400 kV double circuit transmission line on turnkey basis (Package-01, Lot-03) from Power Grid Company of Bangladesh Ltd. (PGCB) worth US\$ 205 million excluding taxes and duties and the other order was received later in August end worth Rs.3,290 crores (excl. Taxes)
- **Guidance:** The Company has guided for revenue run rate of approximately Rs.6000 crores to Rs.7,000 crores on higher side for the upcoming year i.e indicating yearly revenue growth of approx. 25% and will thrive to yield double digit margin by the end of upcoming financial year. The Ganga expressway project is likely to be significant contributor to topline. The Chennai and Bangalore metro and Colombo marine job will also be key contributor.
- On the margin front, the company is expecting improvement in the margins in H2 of the current financial year and might be able to achieve double digit margins going forward in coming years.
- There was also an impact on operating margins in the current quarter due to Rs.29 crores of provision; the company has made on Bangalore Metro project, the company is not anticipating any further loss or provisioning.
- The company is aiming to secure orders worth Rs.7000-8000 Cr for FY24 also and is likely to witness some major jobs coming from some overseas neighboring countries like Bangladesh, Maldives in marine division. The company has current bid pipeline closer to Rs.15,000-17,000 crores. The split of bid pipeline is 50% from Govt, 30% from PSU and 20% from Private space. Some of the other jobs, company is aiming are from Port of Singapore and DP world in Marine side.



- In Chennai Metro, the company had submitted 5 bids all together, two of which the company was close to L-1 but could not win any of the bids. The company is witnessing high competitive intensity in some road and metro projects.
- The company started execution of the Ganga expressway project in full swing and has completed work of approximately Rs.700 crores itself till the end of year out of total Rs.4,850 crore of work.
- The company has seen more orders into its standalone books and expects contribution from JVs to be negligible in upcoming quarters due to project completion in JVs.
- The capex for the upcoming year is projected at Rs.150-200 crores and out of which the company has incurred approx.90 crores in the Q1. Previous year capex stood at Rs.300 crores.

Key Drivers:

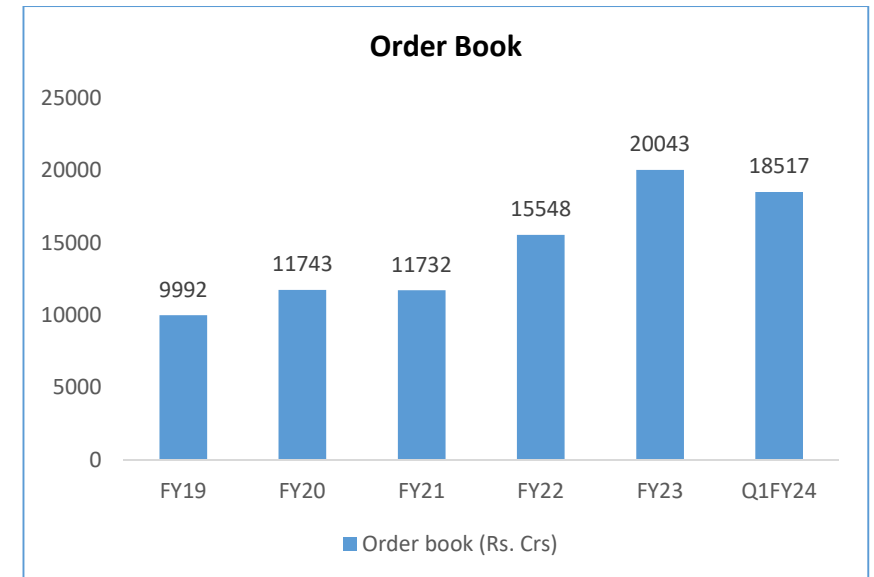
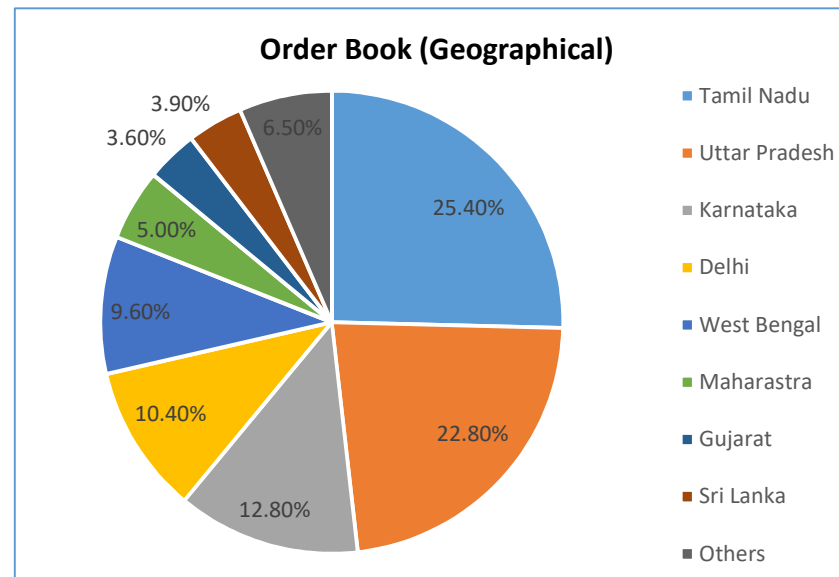
Robust & Well Diversified Order book and Ordering Pipeline: ITD Cementation has strong order-book as on June 2023 of over Rs.18,500 crores which gives company a robust revenue visibility over next 3-4 years. The current order book of the company stood at almost 3.64 times FY23 revenue. The current order-book of the company is well diversified with Urban Infrastructure, Metros and Airports contributing to 31% of total order-book, while Highways, Bridges, Cargo segment orders contributes 22.8% while and Marine Structures segment contributes 17.5%. The current order-book clientele is well diversified with Government contributing 46%, PSUs with 19% and Private sector with 35% share. The company has rich experience and forte in the Marine structure and is expecting strong order inflows in the coming years on account of strong bidding pipeline of approximately Rs.15,000-17,000 crores majorly contributed by Metro and Marine segments and also has received YTD orders of approx. Rs.5600 crores achieving majority of its order inflow guidance before H1 of the financial year.

The company also has Pan India geographical presence across all the regions, Tamil Nadu and Uttar Pradesh are the top two states contributing 25% & 23% respectively to order book, followed by strong order book presence in Karnataka (12.8%), Gujarat (3.6%), West Bengal (9.6%), Maharashtra (5.0%) & Delhi (10.4%). The company is also present internationally in Sri Lanka, Myanmar and in Bangladesh.

Strong MNC Parental Support: ITD Thailand is amongst the leading Infrastructure & largest construction company in Thailand for over 60 years with Global presence in India, Bangladesh, Lao PDR, the Philippines, Vietnam, Africa etc. and total works in hand worth Rs.72,600 crores. The parent provides Indian entity access to the latest technology and know-how, international design and engineering as well as skilled personnel to augment into complex projects of Marine, Metro and airports development especially under the Underground metro segment. The Indian Entity is paying 0.5% of turnover as royalty payment to the parent. As on June'23, the promoter holds 46.64% stake in the company.



Improvement in Execution provides strong revenue guidance & Expansion in Margins: ITD Cementation has guided for strong growth in the revenue in upcoming years with a revenue guidance of approx. Rs.6,000-7,000 crores in FY24 and aims to continue maintaining revenue growth rate of 20-25% in upcoming years. The execution of the existing order-book is likely to pick up in coming quarters on account of good revenue contribution from big projects like Ganga Expressway and Colombo Terminal. The Ganga Expressway project in U.P itself is likely to contribute significant part of revenue in FY24 and has contributed Rs.700 crores till date out of Rs.4,850 crores. The company has also guided for strong improvement its operating margins (higher single digit to low teens) from Q1FY24. Also, the cooling of the commodity prices in last FY has led to some improvement in margins and this is likely to continue for upcoming FY leaving legacy jobs behind.



(Source: Company, HDFC sec)

Key Risks:

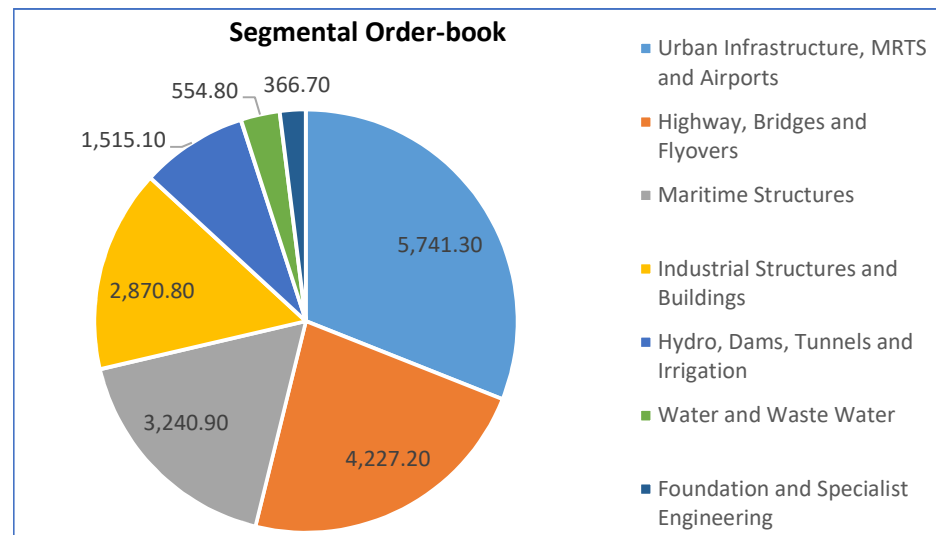
- Rising raw material and input cost may further impact operating margins.
- Slow execution pace of existing orders.
- Relative higher Interest cost compared to industry peers. Lower advances from customers and high capex requirement for order book execution results in Increase in debt levels.
- Significant exposure of approximately Rs.5,500 crores to single client in Private Orders.



Company Background:

ITD Cementation India Limited is engaged in the business of providing design, engineering, procurement and construction (EPC) services for infrastructure projects in India having presence across 15 states and 2UTs. The Company leverages the expertise of parent Italian Thai Development Public Company Limited (ITD, Bangkok) in utilising technology, skilled manpower, processes and industrial know-how to deliver iconic projects. The company also has International presence in Myanmar and Sri Lanka. The company is the leading player in Marine and Maritime sector having worked with most of the major ports in India and also has strong sectoral presence in Urban Infrastructure, MRTS, Airports, Hydro, Dams, Tunnels, Irrigation, Industrial Structures and Buildings. ITD Cementation has a very healthy order-book of Rs.18,517 crores well diversified among various regions of Tamil Nadu, Uttar Pradesh, Karnataka, Gujarat, West Bengal, Maharashtra, Delhi, and Other states.

Key Orders secured during the Current and previous year	Contract Value (Cr.)
Marine Order	3,290.00
Bogura-Kaliakair 400 kV double circuit transmission line (Bangladesh) (US\$)	20.5
Six laning road project in Uttar Pradesh	4,850.00
West Container Terminal in the Port of Colombo, Sri Lanka	750.70
Wharf and Approach Works at Jawaharlal Nehru Port in Maharashtra	720.00
Thal Sena Bhawan in Delhi	705.50
Piling and Civil work for Coke Oven Project at Hazira plant, Gujarat	460.80





Financials

Income-Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Net Revenues	2727.7	3809	5090.9	7223	8017.5
Growth (%)	-4.6	39.6	33.7	41.9	11
Operating Expenses	2514.9	3516	4691	6543.6	7217.2
EBITDA	212.9	293.1	399.9	679.4	800.3
Growth (%)	-28	37.7	36.4	69.9	17.8
EBITDA Margin (%)	7.8	7.7	7.9	9.4	10
Depreciation	100.2	102.6	113.5	185	191.6
EBIT	112.7	190.5	286.4	494.4	608.7
Other Income	12.4	11.9	28.6	34.3	35.3
Interest expenses	138.2	141.6	165.4	210.3	230.6
PBT	20	93.8	183.9	341.6	439.4
Tax	4.1	24.4	59.1	89.2	115.8
PAT	15.9	69.3	124.7	252.4	323.6
Adjusted PAT	15.7	68.8	124.2	252.4	323.6
Growth (%)	-81.3	337	80.6	103.2	28.2
EPS	0.9	4	7.2	14.7	18.8

Balance-Sheet

As at March	FY21	FY22	FY23	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	17	17	17	17	17
Reserves	1051	1117	1224	1495	1819
Shareholders' Funds	1069	1135	1241	1512	1836
Long Term Debt	87	87	168	124	124
Net Deferred Taxes	-5	-6	-8	-6	-6
Long Term Provisions & Others	69	69	69	166	216
Total Source of Funds	1220	1285	1471	1796	2170
APPLICATION OF FUNDS					
Net Block & Goodwill	558	613	806	602	551
CWIP	53	2	117	2	3
Other Non-Current Assets	386	375	402	436	436
Total Non-Current Assets	997	990	1326	1040	989
Current Investments	0	0	0	0	0
Inventories	337	400	577	693	835
Trade Receivables	531	622	1080	1207	1428
Cash & Equivalents	207	492	630	124	337
Other Current Assets	1115	1107	1396	2131	2322
Total Current Assets	2190	2620	3683	4155	4921
Short-Term Borrowings	322	428	556	431	446
Trade Payables	727	937	1334	1583	1757
Other Current Liab & Provisions	918	961	1648	1385	1538
Total Current Liabilities	1967	2326	3538	3399	3741
Net Current Assets	223	295	145	756	1181
Total Application of Funds	1220	1285	1471	1796	2170



Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Reported PBT	20	93.8	183.9	318.5	413.5
Non-operating & EO items	-40.9	-31.4	-23.6	-11.1	-9.3
Interest Expenses	138.2	141.6	148.5	210.3	230.6
Depreciation	100.2	102.6	113.5	185	191.6
Working Capital Change	39.6	91.4	149.7	-1,012.40	-227.4
Tax Paid	-22	-59.2	-100.9	-89.2	-115.8
OPERATING CASH FLOW (a)	235	338.7	471.1	-398.9	483.2
Capex	-111.4	-95.2	-402.4	239.1	-90.3
Free Cash Flow	123.6	243.5	68.7	-159.8	392.9
Investments	27.2	70.4	-40.9	34.3	35.3
Non-operating income	0	0	5.1	0	0
INVESTING CASH FLOW (b)	-84.2	-24.8	-438.2	273.4	-55
Debt Issuance / (Repaid)	-126.9	81.1	192.1	-169.6	15
Interest & Dividend	-133.5	-136.8	-164.3	-210.3	-230.6
FCFE	-136.8	187.8	96.5	-539.7	177.3
Share Capital Issuance/ (Buy Back)	0	0	0	0	0
FINANCING CASH FLOW (c)	-260.4	-55.7	27.8	-379.9	-215.6
NET CASH FLOW (a+b+c)	-109.6	258.2	60.7	-505.4	212.6



Key Ratios

	FY21	FY22	FY23	FY24E	FY25E
PROFITABILITY RATIOS					
EBITDA Margin	7.8	7.7	7.9	9.4	10
EBIT Margin	4.1	5	5.6	6.8	7.6
PAT Margin	0.6	1.8	2.4	3.5	4
RoE	1.5	6.2	10.5	18.3	19.3
RoCE	7.5	12.2	15.8	24.5	27.2
SOLVENCY RATIOS					
Debt/EBITDA (x)	1.9	1.8	1.8	0.8	0.7
D/E	0.4	0.5	0.6	0.4	0.3
PER SHARE DATA					
EPS	0.9	4	7.2	14.7	18.8
CEPS	6.7	10	13.8	25.5	30
Dividend	0.1	0.5	0.8	1	1
BVPS	62	65.8	72	87.8	106.6
TURNOVER RATIOS					
Debtor days	75	55	61	58	60
Inventory days	42	35	35	32	35
Creditors days	93	80	81	74	76
VALUATION					
P/E	227.7	52.1	28.9	14.2	11.1
P/BV	3.4	3.2	2.9	2.4	2
EV/EBITDA	17.8	12.3	9.2	5.9	4.8
EV/Revenues	1.4	0.9	0.7	0.6	0.5



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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