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# Lean balance sheet keeps ITD Cementation steady

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ET Intelligence Group: Stock pric es of most of the construction companies have fallen since November 08, 2016 when the government announced the demonetisation initiative. However, a few companies with lighter balance sheets and stable operating margins have shown resilience on bourses.

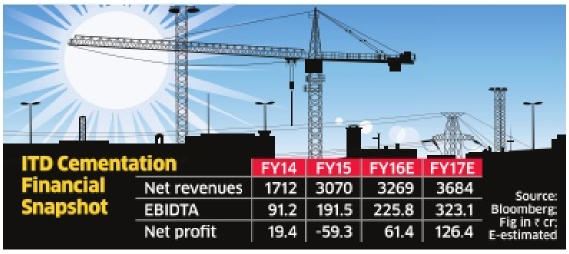
Among them, the stock of ITD Cementation India, which has remained flat at Rs 148 compared with 3.4% fall in the ET Construction index since the cancellation of high denomination notes, looks attractive given its strong order book, superior execution skills, lean balance sheet and cheaper valuation.



**Business**

ITD Cementation India is a subsidiary of Thailand-based Italian-Thai Development Public Company (ITD), which is present across segments such as marine structures, highways, bridges, flyovers, metros, airports, dams, canals, water and waste water segment.

In the nine months to September 2016, the company had an order book of Rs 5,758 crore. This gives a revenue visibility for at least next two years. A large part of the orders is from marine and urban infrastructure segments.



ITD Cementation Financial Snapshot

| | FY14 | FY15 | FY16E | FY17E |
|---|---|---|---|---|
| Net revenues | 1712 | 3070 | 3269 | 3684 |
| EBIDTA | 91.2 | 191.5 | 225.8 | 323.1 |
| Net profit | 19.4 | -59.3 | 61.4 | 126.4 |

Source: Bloomberg; Fig in ₹ cr; E-estimated

Besides this, the company has orders from segments such as irrigation, industrial buildings, highways, bridges and flyovers. A few prominent projects which are being executed by the company are design and construction of three underground stations for Mumbai Metro, civil works for project of fifth oil berth at Jawahar Dweepin Mumbai Harbour and development of West Quay North Berth in inner harbour of Visakhapatnam port.



**Financials**

In the third quarter of the year (the company follows calendar year), the company's revenue fell by 29.8% year-on-year to Rs 482 crore due to extended monsoon. Despite this, operating profit before depreciation (EBIDTA) grew by 7.4% to Rs 46.1 crore and EBITDA margins expanded to 9.5% from 6.2% due to better cost management.

The company's net debt-to-equity ratio is expected to fall to 0.7 at the end of 2016 from 0.8 a year ago.Falling debt reduced interest outgo by 14% year-on-year to Rs 28.6 crore in the third quarter. This and lower costs resulted in 65.3% jump in the net profit at Rs 6.9 crore during the third quarter.

**Valuation**

At Friday's close of Rs 148.7, the company's enterprise value (EV) was 7.7 times its 2017 expected EBITDA.This is lower than its past threeyear average EVEBIDTA of 12.8, which may prompt long-term investors to consider the stock for further analysis.