

# HSIE Results Daily

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### Results Reviews

- Alkem Labs:** Alkem's Q1 revenue/EBITDA beat estimates by 26%/37%, led by good growth in India and international markets. India business delivered a stellar growth of 65% YoY (25% two-year CAGR), led by strong recovery in acute and outperformance in chronic and trade generic businesses. Barring the COVID-led boost to vitamins, the performance was largely driven by good growth in the core portfolio, which is encouraging. The outlook for the US business remains strong as the company is confident of achieving growth in mid-teens over the next few years despite high single-digit price erosion. With cost base largely normalised, we expect a 21% earnings growth over FY20-23e, led by operating leverage. We raise our EPS estimates by 13%/9% for FY22/23e to factor in the Q1 beat and higher growth in India. Our revised TP is INR 3,960/sh. BUY.
- Prince Pipes:** We maintain our BUY rating on Prince Pipes with an unchanged target price of INR 870/sh (18.5x its Jun'23E EBITDA, implying 30x P/E). In Q1FY22, its volume declined 56% QoQ, pulling down revenue/EBITDA/APAT by 57/72/ 82% QoQ to INR 3.31/0.41/0.18bn respectively. Op-lev and inventory losses also accentuated the decline. However, demand has been on an upswing post May'21, owing to robust plumbing/SWR demand. Prince tied up with UltraTech's UBS platform to expand its retail distribution and also forayed into the industrial CPVC pipe segment riding on the Lubrizol deal. We continue to like Prince for its comprehensive product portfolio and robust pan-India distribution. These, along with the Lubrizol deal, should continue to drive Prince's industry leading growth.
- BSE:** We maintain a BUY rating on BSE Ltd on account of strong performance (in line with expectation) and better-than-expected EBITDA margin. Growth was driven by market-linked revenue, with core transaction revenue increasing by 25.6% QoQ. BSE maintained its market share of 7.2% in the cash segment, supported by interoperability. The exchange is trying to rebuild the derivatives volume, whose current market share is only ~6.5%; it is expected to support cash volumes and is a potential revenue driver. New initiatives like the insurance platform, power, and spot exchange are promising but currently lack revenue visibility. Revenue growth will be led by continued growth in transaction volume, StAR MF and stable listing revenue. INX, which is growing strongly (~63% YoY), can be a revenue driver if BSE starts charging (expected in FY23E). We increase the EPS estimate by +10.2/9.6% for FY22/23E, based on volume uptick and better margin. We assign an SoTP-based target price of INR 1,385, by assigning 20x (earlier 15x) to core June-23E PAT (INR 546/share), INR 466/share for the CDSL stake, and adding net cash of INR 372/share.

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- **HG Infra:** HG Infra (HG) reported revenue/EBITDA/APAT at INR 9.1/1.5/0.9bn, ahead of our estimates by 28/30/50%. The order book (OB) stands at INR 61bn (~2.4x FY21 revenue). Over the past few quarters, HG has delivered a strong execution outperformance, strengthened its balance sheet, started winning new orders, and showed strong recovery in NWC days. We believe HG deserves a multiple upgrade, backed by robust growth and solid financial discipline. We increase our P/E target multiple from 10x to 12x, upgrade our FY22/23 EPS by 5.8/6.3%, and roll forward our valuation to Jun-23E. We maintain BUY with an increased SOTP-based TP of INR 702/Sh.
- **Somany Ceramics:** We maintain our BUY rating on Somany Ceramics (SOMC) with an unchanged target price of INR 940/share (13x Jun'23E consolidated EBITDA). We continue to like SOMC for its strong retail distribution, improving product mix, and tightened working capital. In Q1FY22, pandemic impact pulled down SOMC's tiles volume by 41% QoQ and even bathware revenue halved. Thus, consolidated revenue/EBITDA/APAT fell 41/74/91% QoQ to INR 3,299/231/45mn respectively. In addition to the op-lev loss, soaring fuel prices also hit the margin and profits.
- **ITD Cementation:** ITD Cementation (ITD) reported in-line revenue/EBITDA at INR 8.2/0.8bn. However, APAT missed our estimates by 19% on higher-than-expected taxes and lower share of profits from associates/JVs. The order backlog (OB) is robust at INR 120bn (4.4x FY21 revenue), aided by Q1FY22 order wins of INR 16bn. While the lockdown impacted execution to an extent during the quarter, ITD has retained its earlier guidance of 15-20% topline growth for FY22. The inflation escalation clause in 65-70% of the OB would limit the impact of higher commodity prices on the margin to 120bps to 150bps. We roll forward our valuation to Jun-23 and maintain BUY on ITD with an increased target price of INR 117/sh (INR 111/sh earlier), given (1) a large and diversified OB (~4.4x FY21 revenue), (2) a strong balance sheet (gross D/E 0.5x) and (3) supportive valuation (7.0x Jun-23E EPS). We have not changed our estimates.

# Alkem Labs

## Strong India recovery drives the beat

Alkem's Q1 revenue/EBITDA beat estimates by 26%/37%, led by good growth in India and international markets. India business delivered a stellar growth of 65% YoY (25% two-year CAGR), led by strong recovery in acute and outperformance in chronic and trade generic businesses. Barring the COVID-led boost to vitamins, the performance was largely driven by good growth in the core portfolio, which is encouraging. The outlook for the US business remains strong as the company is confident of achieving growth in mid-teens over the next few years despite high single-digit price erosion. With cost base largely normalised, we expect a 21% earnings growth over FY20-23e, led by operating leverage. We raise our EPS estimates by 13%/9% for FY22/23e to factor in the Q1 beat and higher growth in India. Our revised TP is INR 3,960/sh. BUY.

- All-round beat:** Revenue grew 36% YoY to INR27bn as robust growth in India (+65% YoY, low base, higher volumes) and RoW markets (+56% YoY) offset muted performance in the US (-9% YoY, +11% QoQ). Adjusting for one-offs, EBITDA margin improved to ~24% (+719bps QoQ), led by lower R&D spends (-212bps QoQ) and lower other expenses (-418bps QoQ).
- India business recovery plays out well; outperformance to continue:** India business grew by 65% YoY vs. 39% for the IPM. The company gained ranks in vitamins, CNS, derma and diabetes segments. While growth in acute was strong, its chronic and Trade Gx segments also grew by 50%+ in the quarter. Alkem has guided for high-teens growth for 9mFY22 for India.
- US business on track, to grow in double digits over the next two years:** Revenue grew 11% QoQ to USD82mn as new launches offset price erosion. With recent launches ramping up (gDuexis, at risk launch, first generic to launch) and a decent pipeline of new launches (gPradaxa, shared FTF), we expect US revenue to grow at ~11% CAGR over FY21-23e.
- Key call takeaways:** (a) India - MR productivity: INR0.5mn p.m. (INR0.8-1mn for evolved business, INR0.35-0.4mn for evolving business, INR0.1-0.2mn for new business); (b) Biosimilars - outlicensed one MAB to an EU company (USD10mn), one recombinant peptide to a South Korean company (USD2.5mn), biotech R&D is 12-14% of overall R&D; (c) Guidance – GMs: 60-61%, EBITDA margin: 20-21% in FY22, ETR: 13-15% in FY22, 15-16% in FY23; not keen on M&A; (d) FCF: INR4.5bn in Q1; (e) St. Louis: responded to 483s, Indore plant: awaiting pre-approval inspection by the FDA.
- Maintain BUY:** We raise our estimates by 13%/9% for FY22/23e and revise TP to INR3,960/sh, based on 24x FY23e EPS (22x earlier). **Risks:** expansion of NLEM list, lower growth in India, higher price erosion in the US.

### Financial Summary

YE Mar (INR mn)	1Q FY22	1Q FY21	YoY (%)	4Q FY21	QoQ (%)	FY20	FY21	FY22E	FY23E
Net Sales	27,314	20,035	36.3	21,922	24.6	83,444	88,650	1,05,811	1,18,484
EBITDA*	6,589	5,332	23.6	3,711	77.5	14,734	20,224	22,097	25,186
EBITDA Margin*	24.1	26.6	-249bps	16.9	719bps	17.7	22.8	20.9	21.3
APAT	5,341	4,220	26.6	3,200	66.9	11,271	16,299	17,323	19,727
Adj. EPS (INR)	44.7	35.3	26.6	26.8	66.9	94.3	136.3	144.9	165.0
P/E (x)						36.8	25.4	23.9	21.0
EV/ EBITDA (x)						29.2	21.3	19.2	16.4
RoCE (%)						16.7	19.8	18.8	19.2

Source: Company, HSIE Research, \*adj. for one-offs

## BUY

CMP(as on 6 Aug 2021)	INR 3,472
Target Price	INR 3,960
NIFTY	16,238

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,320	INR 3,960
EPS %	FY22E	FY23E
	+13%	+9%

### KEY STOCK DATA

Bloomberg code	ALKEM IN
No. of Shares (mn)	120
MCap (INR bn) / (\$ mn)	415/5,579
6m avg traded value (INR mn)	650
52 Week high / low	INR 3,603/2,540

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	21.3	17.9	21.1
Relative (%)	10.4	10.9	(21.6)

### SHAREHOLDING PATTERN (%)

	Jun-21	Mar-21
Promoters	58.84	60.16
FIs & Local MFs	14.49	13.20
FPIs	4.50	4.42
Public & Others	22.17	22.22
Pledged Shares	0.00	0.00

Source : BSE

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# Prince Pipes

## Looking ahead of a blip quarter

We maintain our BUY rating on Prince Pipes with an unchanged target price of INR 870/sh (18.5x its Jun'23E EBITDA, implying 30x P/E). In Q1FY22, its volume declined 56% QoQ, pulling down revenue/EBITDA/APAT by 57/72/ 82% QoQ to INR 3.31/0.41/0.18bn respectively. Op-lev and inventory losses also accentuated the decline. However, demand has been on an upswing post May'21, owing to robust plumbing/SWR demand. Prince tied up with UltraTech's UBS platform to expand its retail distribution and also forayed into the industrial CPVC pipe segment riding on the Lubrizol deal. We continue to like Prince for its comprehensive product portfolio and robust pan-India distribution. These, along with the Lubrizol deal, should continue to drive Prince's industry leading growth.

- FY22Q1 key highlights:** The sales volume of pipes fell 56% QoQ as lockdown impacted both agri and plumbing demand across all markets. Softening PVC prices led to a 2% QoQ NSR decline. EBITDA margin contracted 7pp QoQ, driven by lower utilisation and gross margin and inventory loss (1.5% (of sales) loss vs 4% gain QoQ). The Q1 sales mix stood as follows: 65% building materials, 30% agri and 5% infrastructure pipes. In a usual quarter, agri sales account for 40% of Q1 revenue. Prince also tied up with UltraTech to sell its pipes through 2000+ dealers of UltraTech's UBS, to gain retail penetration. It has also forayed into industrial CPVC pipes through exploiting its deal with Lubrizol.
- Con call takeaways and outlook:** Pipes demand has returned to normalcy in Q2 and plumbing sales are expected to firm up on robust real estate. Prince expects agri demand to pick up Nov onwards. The inventory pile-up in June end will go to normal levels by the end of Q2. As PVC prices are rising again, Prince does not expect inventory losses in Q2. The company also highlighted that it has been able to reduce its pricing delta vs market leaders over the past few years. We continue to like Prince for its comprehensive product portfolio and robust pan-India distribution. These, along with the Lubrizol deal, should continue to drive the company's industry leading growth. We maintain our earnings estimates and target price.

### Quarterly/annual financial summary

YE Mar (INR mn)	Q1 FY22	Q1 FY21	YoY (%)	Q4 FY21	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Pipes sales (K MT)	28.52	38.30	(25.5)	64.32	(55.7)	132.8	138.3	168.7	202.5	232.8
NSR (Rs/Kg)	179	122	46.8	183	179	123	150	154	150	151
EBITDA (Rs/Kg)	22	13	75.3	35	22	17	26	24	26	27
Net Sales	3,306	3,025	9.3	7,614	(56.6)	16,357	20,715	26,031	30,300	35,089
EBITDA	413	316	30.5	1,468	(71.9)	2,288	3,616	3,556	4,652	5,482
EBITDAM (%)	12.5	10.5		19.3		14.0	17.5	13.7	15.4	15.6
APAT	178	113	57.8	972	(81.7)	1,125	2,218	2,200	3,018	3,465
Diluted EPS (Rs)	0.8	0.5	57.8	4.4	(81.7)	10.2	20.2	20.0	27.4	31.5
EV / EBITDA (x)						33.7	20.9	20.8	15.5	12.9
P/E (x)						68.6	34.8	35.1	25.6	22.3
RoE (%)						18.2	23.6	19.4	22.3	21.3

Source: Company, HSIE Research, Others revenues include bathware and ply

## BUY

CMP (as on 6 Aug 2021)	INR 665
Target Price	INR 870
NIFTY	16,238

KEY CHANGES	NEW	NEW
Rating	BUY	BUY
Price Target	INR 870	INR 870
EBITDA revision %	-	-

### KEY STOCK DATA

Bloomberg code	PRINCPIN IN
No. of Shares (mn)	110
MCap (INR bn) / (\$ mn)	73/984
6m avg traded value (INR mn)	328
52 Week high / low	INR 795/119

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.0	65.7	443.5
Relative (%)	3.1	58.7	400.7

### SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	63.25	63.25
FIs & Local MFs	15.60	12.23
FPIs	2.43	3.05
Public & Others	18.72	21.47

Pledged Shares - -

Source : BSE

Pledged shares as % of total shares

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## BSE

### On a growth path

We maintain a BUY rating on BSE Ltd on account of strong performance (in line with expectation) and better-than-expected EBITDA margin. Growth was driven by market-linked revenue, with core transaction revenue increasing by 25.6% QoQ. BSE maintained its market share of 7.2% in the cash segment, supported by interoperability. The exchange is trying to rebuild the derivatives volume, whose current market share is only ~6.5%; it is expected to support cash volumes and is a potential revenue driver. New initiatives like the insurance platform, power, and spot exchange are promising but currently lack revenue visibility. Revenue growth will be led by continued growth in transaction volume, StAR MF and stable listing revenue. INX, which is growing strongly (~63% YoY), can be a revenue driver if BSE starts charging (expected in FY23E). We increase the EPS estimate by +10.2/9.6% for FY22/23E, based on volume uptick and better margin. We assign an SoTP-based target price of INR 1,385, by assigning 20x (earlier 15x) to core June-23E PAT (INR 546/share), INR 466/share for the CDSL stake, and adding net cash of INR 372/share.

- Q1FY22 highlights:** Revenue was up 3% QoQ to INR 1.57bn vs. estimate of INR 1.56bn. Cash transaction revenue was up 31% QoQ, supported by a higher exclusive volume. StAR MF realisation declined to INR 2.8/order (-63% YoY due to price negotiation) but volume was up 90% YoY. Listing revenue was down 3.9% QoQ. INX ADTV stood at USD 12bn (~5x YoY) and the number of daily trades were at 133k (+63% YoY). EBITDA margin expanded 203bps to 32.3% in the quarter, supported by transaction revenue growth and flat operating expenses.
- Outlook:** We expect revenue growth of 19.6/16.8% and EBITDA margins of 22.7/28.3% in FY22/23E respectively. We are assuming StAR MF revenues of INR 0.50/0.73bn in FY22/23E. Core profits after taxes for FY22/23E stand at INR 0.64/1.15bn.

#### Quarterly Financial summary

YE March (INR mn)	1Q FY22	1Q FY21	YoY (%)	4Q FY21	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenues	1,570	1,032	52.1	1,522	3.1	4,505	5,014	5,996	7,003	7,800
EBITDA	507	(78)	NM	461	10.0	81	725	1,364	1,979	2,385
APAT	628	391	60.7	414	51.8	1,410	1,750	2,514	3,019	3,437
Diluted EPS (INR)	14.0	8.7	60.7	9.2	51.8	31.3	38.9	55.9	67.1	76.4
P/E (x)						38.9	31.3	21.8	18.1	15.9
EV / EBITDA (x)						455.2	52.5	27.0	18.0	14.2
RoE (%)						5.8	7.0	9.8	11.5	12.7

Source: Company, HSIE Research, Consolidated Financials

#### Change in Estimates

INR Mn	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue	5,810	5,996	3.2	6,800	7,003	3.0	7,617	7,800	2.4
EBITDA	1,206	1,364	13.0	1,808	1,979	9.5	2,237	2,385	6.6
EBITDA margin (%)	20.8	22.7	198bps	26.6	28.3	167bps	29.4	30.6	121bps
APAT	2,282	2,514	10.2	2,754	3,019	9.6	3,156	3,437	8.9
EPS (INR)	50.7	55.9	10.2	61.2	67.1	9.6	70.1	76.4	8.9

Source: Company, HSIE Research

## BUY

CMP (as on 6 Aug 2021)	INR 1,217
Target Price	INR 1,385
NIFTY	16,238

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,075	INR 1,385
EPS %	FY22E +10.2	FY23E +9.6

#### KEY STOCK DATA

Bloomberg code	BSE IN
No. of Shares (mn)	45
MCap (INR bn) / (\$ mn)	55/737
6m avg traded value (INR mn)	1,057
52 Week high / low	INR 1,410/466

#### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	78.3	99.5	144.9
Relative (%)	67.4	92.6	102.1

#### SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	0.00	0.00
FIs & Local MFs	2.04	2.52
FPIs	10.95	10.14
Public & Others	87.01	87.34
Pledged Shares	0.00	0.00

Source : NSE

Pledged shares as % of total shares

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# HG Infra

## Strong outperformance

HG Infra (HG) reported revenue/EBITDA/APAT at INR 9.1/1.5/0.9bn, ahead of our estimates by 28/30/50%. The order book (OB) stands at INR 61bn (~2.4x FY21 revenue). Over the past few quarters, HG has delivered a strong execution outperformance, strengthened its balance sheet, started winning new orders, and showed strong recovery in NWC days. We believe HG deserves a multiple upgrade, backed by robust growth and solid financial discipline. We increase our P/E target multiple from 10x to 12x, upgrade our FY22/23 EPS by 5.8/6.3%, and roll forward our valuation to Jun-23E. We maintain BUY with an increased SOTP-based TP of INR 702/Sh.

- Q1FY22 financial highlights:** HG reported revenue at INR 9.1bn (+3x/-11% YoY/QoQ, 28% beat) on account of a significant milestone achieved in project completion. EBITDA margin was steady at 16.3%. The management is confident of 16-16.5% EBITDA margin for FY22, despite the inflationary pressures. APAT came in at INR 889mn, 50% ahead of our estimate. HG has guided for FY22 revenue/EBITDA of INR 32/5bn. On a sustainable basis, HG expects PAT to grow at 20% CAGR.
- Targeting diversification over the next few years:** The OB stands at INR 61bn with HG targeting 10% contribution to FY22-end order book from new segments, namely water, airport, and railways. The company expects non-highway projects to form 20-25% of the OB in a few years. For full year, INR 50-60bn of orders are expected with the order book to bill ratio at 3.2x. It expects INR 2trn worth of highway projects to be awarded by the NHAI in FY22, constituting 65-75% under the HAM model and the balance as EPC contracts.
- Asset monetisation key for further rerating:** The standalone net debt remained at INR 1.5bn (similar level as in Mar-21). HG expects a gross debt level of at most INR 3bn by FY22 (in line with Q1FY22 gross debt of INR 3bn). Capex for the year is targeted at INR 700mn. Three out of four under-construction HAM projects are more than 75% complete with the first annuity expected in Q1FY23. Of the residual INR 4.5bn equity requirement in seven HAM projects (including three new), INR 1.5/2/1bn will be invested in FY22/23/24, largely from internal accruals. Monetisation of HAM assets will lead to a further rerating.

### Standalone Financial Summary – INR mn

YE March	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	9,117	2,979	206.0	10,278	(11.3)	25,275	30,802	35,449	40,766
EBITDA	1,485	491	202.3	1,665	(10.8)	4,107	4,836	5,669	6,423
APAT	889	151	489.3	976	(8.9)	2,109	2,583	3,064	3,484
EPS (Rs)	13.6	2.3	489.3	15.0	(8.9)	32.4	39.6	47.0	53.5
P/E (x)						17.9	14.6	12.3	10.8
EV/EBITDA (x)						9.5	8.4	7.2	6.4
RoE (%)						22.8	22.6	21.7	20.1

### Standalone Estimate Change Summary

INR mn	FY22E			FY23E		
	New	Old	% Change	New	Old	% Change
Revenues	30,802	30,802	0.0	35,449	35,449	(0.0)
EBIDTA	4,836	4,836	0.0	5,669	5,669	0.0
EBIDTA Margins (%)	15.7	15.7	0.0	16.0	16.0	0.0
APAT	2,583	2,442	5.8	3,064	2,882	6.3

Source: Company, HSIE Research, Standalone financials

## BUY

CMP (as on 6 Aug 2021)	INR 570
Target Price	INR 702
NIFTY	16,238

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 515	INR 702
EPS change %	FY22E +5.8	FY23E +6.3

### KEY STOCK DATA

Bloomberg code	HGINFRA
No. of Shares (mn)	65
MCap (INR bn) / (\$ mn)	37/500
6m avg traded value (INR mn)	161
52 Week high / low	INR 630/151

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	102.4	103.6	217.6
Relative (%)	91.5	96.6	174.8

### SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	74.53	74.53
FIs & Local MFs	18.19	16.48
FPIs	0.12	0.47
Public & Others	7.16	8.52

Pledged Shares - -

Source: BSE

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# Somany Ceramics

## Demand looking up, post a disrupted Q1

We maintain our BUY rating on Somany Ceramics (SOMC) with an unchanged target price of INR 940/share (13x Jun'23E consolidated EBITDA). We continue to like SOMC for its strong retail distribution, improving product mix, and tightened working capital. In Q1FY22, pandemic impact pulled down SOMC's tiles volume by 41% QoQ and even bathware revenue halved. Thus, consolidated revenue/EBITDA/APAT fell 41/74/91% QoQ to INR 3,299/231/45mn respectively. In addition to the op-lev loss, soaring fuel prices also hit the margin and profits.

- **FY22Q1 performance:** Hit hard by the lockdown, SOMC's Q1 tiles/non-tiles revenue fell 41/49% QoQ. Rising gas (up >10% QoQ) and power costs in additions to the op-lev loss, accentuated the profit decline. As demand is firming up, the industry has taken price hikes to pass on the continued rise in gas prices (up another 10% in Q2).
- **Outlook:** SOMC's 23% capacity expansion (across north, west and south locations) is on track to be completed by the end of 4QFY22. The company utilised the remaining QIP proceeds of INR 230mn in Q1 towards the expansion. On full capacity, these 12 MSM additions would contribute INR 2.5bn to revenue and enhance the overall EBITDA margin by ~200bps. SOMC expects to deliver ~15% tiles volume growth in FY22E. On a low base, it estimates to grow its bathware revenue at 25-30% CAGR for the next two years. The company is also gradually narrowing its price differential with the market leader. We maintain BUY on the company, with an unchanged target price of INR 940/sh (13x Jun'23E consolidated EBITDA). We continue to like SOMC for its strong retail distribution, improving product mix, and tightened working capital.

### Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q1 FY22	Q1 FY21	YoY (%)	Q4 FY21	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Tiles sales (MSM)	10.0	5.2	93.6	16.9	(40.7)	48.9	49.8	55.6	64.9	70.8
NSR (Rs/Kg)	297	289	2.8	297	0.2	330	331	344	352	362
Tiles Revenue	2,920	1,476	97.9	4,911	(40.5)	14,016	14,397	16,509	19,374	21,360
Bathware Revenue	291	192	51.5	570	(48.9)	2,089	2,110	2,638	3,429	4,293
Net Sales	3,299	1,694	94.7	5,646	(41.6)	16,101	16,505	19,146	22,803	25,653
EBITDA	231	(116)		896	(74.2)	1,314	1,908	2,442	3,195	3,729
EBITDAM (%)	7.0	(6.9)		15.9		8.2	11.6	12.8	14.0	14.5
APAT	45	(220)		494	(91.0)	412	761	1,111	1,515	1,850
Diluted EPS (Rs)	0.3	(2.6)		5.8	(95.2)	9.7	18.0	26.2	35.7	43.6
EV / EBITDA (x)						27.2	17.3	14.2	11.0	9.2
P/E (x)						73.0	39.5	27.1	19.8	16.2
RoE (%)						5.9	10.5	13.8	16.2	16.9

Source: Company, HSIE Research

## BUY

CMP (as on 6 Aug 2021)	INR 709
Target Price	INR 940
NIFTY	16,238

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 940	INR 940
EBITDA revision %	FY22E	FY23E
	-	-

### KEY STOCK DATA

Bloomberg code	SOMC IN
No. of Shares (mn)	42
MCap (INR bn) / (\$ mn)	30/404
6m avg traded value (INR mn)	62
52 Week high / low	INR 745/128

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	70.6	84.6	445.4
Relative (%)	59.7	77.6	402.7

### SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	54.77	54.77
FIs & Local MFs	20.04	19.16
FPIs	2.65	3.48
Public & Others	22.54	22.59
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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# ITD Cementation

## In-line execution

ITD Cementation (ITD) reported in-line revenue/EBITDA at INR 8.2/0.8bn. However, APAT missed our estimates by 19% on higher-than-expected taxes and lower share of profits from associates/JVs. The order backlog (OB) is robust at INR 120bn (4.4x FY21 revenue), aided by Q1FY22 order wins of INR 16bn. While the lockdown impacted execution to an extent during the quarter, ITD has retained its earlier guidance of 15-20% topline growth for FY22. The inflation escalation clause in 65-70% of the OB would limit the impact of higher commodity prices on the margin to 120bps to 150bps. We roll forward our valuation to Jun-23 and maintain BUY on ITD with an increased target price of INR 117/sh (INR 111/sh earlier), given (1) a large and diversified OB (~4.4x FY21 revenue), (2) a strong balance sheet (gross D/E 0.5x) and (3) supportive valuation (7.0x Jun-23E EPS). We have not changed our estimates.

- In-line execution:** ITD's reported revenue of INR 8.3bn (2.1x/-16% YoY/QoQ) was largely in line with our estimates. EBITDA came in at INR 782mn (2.6x YoY, -31% QoQ, 2% beat). EBITDA margins stood at 9.5% (+207/-209 bps YoY/QoQ, inline). Interest cost declined sequentially by 5% to INR 360mn. Other income declined by 37%/56% YoY/QoQ to INR 25mn in Q1FY22. Consequently, APAT came in at INR 179mn (INR (170)/526 mn in Q1FY21/Q4FY21), missing our estimate by 19% on lower-than-expected share of profits from JVs/associates and higher-than-expected taxes. Execution in West Bengal and Karnataka, which had halted during the lockdown, has resumed since June-21 and July-21 respectively. We believe 15-20% of topline growth is achievable, given the strong order book.
- Order book provides visibility for four years:** Order inflow during Q1FY22 stood at INR 16bn, taking the OB as on Jun-21 to INR 120bn (~4x FY21 revenue). ITD has an order pipeline of INR 350bn (of projects), of which metro works account for INR 180bn, marine INR 80bn and airports INR 35bn. It will also look at the international orders funded by EXIM. ITD would focus on large projects to improve efficiency and optimise costs. Work on the Adani Myanmar port is going on in full swing and ITD has been receiving regular payment for the work done. The company has submitted a preliminary bid for Adani Colombo port and the tender is expected by the month end. Given its qualification across sectors, we believe ITD will be a major beneficiary of the uptick in infrastructure spending.
- Balance sheet comfortable:** ITD's consolidated gross debt increased to INR 5.1bn from INR 3.8bn in Mar-21, with D/E at 0.5x and cash balance at INR 500mn. Debt might inch upwards as execution ramps up. ITD has incurred Capex of INR 250mn in Q1FY22 and is expecting a similar quarterly run-rate for the rest of FY22.

### Consolidated Financial Summary (INR mn)

YE March	Q1FY22	Q1FY21	YoY (%)	4QFY21	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	8,255	3,994	106.7	9,839	(16.1)	27,277	32,460	38,952	45,963
EBITDA	782	296	164.6	1,138	(31.2)	2,129	3,468	4,451	5,620
APAT	179	(170)	NA	526	(66.0)	159	1,213	1,906	2,331
EPS (INR)	1.0	(1.0)	NA	3.1	(66.0)	0.9	7.1	11.1	13.6
P/E (x)						89.4	11.8	7.5	6.1
EV/EBITDA (x)						7.5	4.6	3.4	2.7
RoE (%)						1.5	10.8	14.9	15.5

Source: Company, HSIE Research

## BUY

CMP (as on 6 Aug 2021) INR 83

Target Price INR 117

NIFTY 16,238

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 111	INR 117
	FY22E	FY23E
EPS %	-	-

### KEY STOCK DATA

Bloomberg code	ITCE IN
No. of Shares (mn)	172
MCap (INR bn) / (\$ mn)	14/191
6m avg traded value (INR mn)	88
52 Week high / low	INR 98/42

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	16.0	22.6	89.2
Relative (%)	5.1	15.7	46.5

### SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	46.64	46.64
FIs & Local MFs	20.33	19.59
FPIs	10.91	10.67
Public & Others	22.12	23.10
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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**Rating Criteria**

BUY: &gt;+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: &gt; 10% Downside return potential

**Disclosure:**

Analyst	Company Covered	Qualification	Any holding in the stock
Bansi Desai	Alkem Labs	CFA	NO
Karan Vora	Alkem Labs	CA	NO
Rajesh Ravi	Prince Pipes, Somany Ceramics	MBA	NO
Amit Chandra	BSE	MBA	NO
Mohit Motwani	BSE	MBA	NO
Parikshit Kandpal	HG Infra, ITD Cementation	CFA	NO
Chintan Parikh	HG Infra, ITD Cementation	MBA	NO
Manoj Rawat	HG Infra, ITD Cementation	MBA	NO

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