InCred Equities

NCC 2QFY27

ADD | TP: Rs 195

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Poised for steady FY26-28F growth

1. Standalone sales & EBITDA rose 32%/ 50% yoy. This is a significant improvement from FY26/ 1QFY27 when EBITDA declined 17% yoy/ rose 12% yoy. Sales from Jal Jeevan Mission projects was was muted in FY26 (Rs17bn). However, NCC received payment payments of Rs10bn in 4QFY26, Rs6bn in 1QFY27 and Rs17bn in 2QFY27 – this, which is encouraging.
2. OB/sales in Mar 25 was 3.7x, like Mar 22/23 when sales rose by 34%/ 39% yoy (FY23/24). Despite strong OB, FY26 sales dipped 9% yoy due to slow execution (23% of OB in FY26) mainly in roads (17% execution; 20% of FY26 OB) and water & railway (19% execution; 12% of FY26 OB). 2QFY27 OB/ sales is 4.2x & even ex projects won in 1H (Rs87bn) where there could be delays in start of execution, OB/ sales is still healthy 3.7x.
3. NCC maintained FY27 guidance of (a) 10% yoy sales rise – tad lower than 21% yoy rise in 1H, (b) 8.5-9% EBITDA margin (in-line with 1H) & (c) Rs220-250bn order flow. We expect 10% sales CAGR (FY26-28F) driven by the strong OB/ sales (4.2x). Traction in receipt of payments (vs. Rs27bn receivables) in JJM projects is encouraging. JJM comprises 7% of NCC's OB. This could provide Rs35-40bn sales in FY27F (vs. Rs17bn in FY26), which could alone drive 10% yoy rise in standalone sales. We factor in Rs220bn orders each in FY27F/28F, lower than average in FY24-26 (Rs300bn). We factor in 8.75% EBITDA margin in FY27-28F vs. 8.3% in FY26 & 8.7% in 1H.
4. **Maintain ADD | TP Rs195:** We factor in a 10% p.a. rise in standalone sales over FY26-28F. We have valued the EPC business at 7x FY28F EV/EBITDA (10% above eight-year median of 6.4x). NCC trades at 6.8x FY28F EV/EBITDA (on a standalone basis).

Figure 1: Standalone financials

	Quarter ended				
(Rs. m)	**2QFY27**	**2QFY26**	**% Chg**	**1QFY27**	**% Chg**
Net Sales	49,171	37,264	32	49,115	0
EBITDA	**4,171**	**2,775**	**50**	**4,425**	**-6**
Other income	396	475	-17	410	-3
PBIDT	4,567	3,250	41	4,834	-6
Depreciation	728	555	31	668	9
Interest	1,657	1,525	9	1,631	2
PBT	2,182	1,170	86	2,535	-14
Tax	550	161		662	
PAT	**1,632**	**1,010**	**62**	**1,873**	**-13**
EBITDA margin (%)	**8.5**	**7.4**	**103bps**	**9.0**	**-53bps**

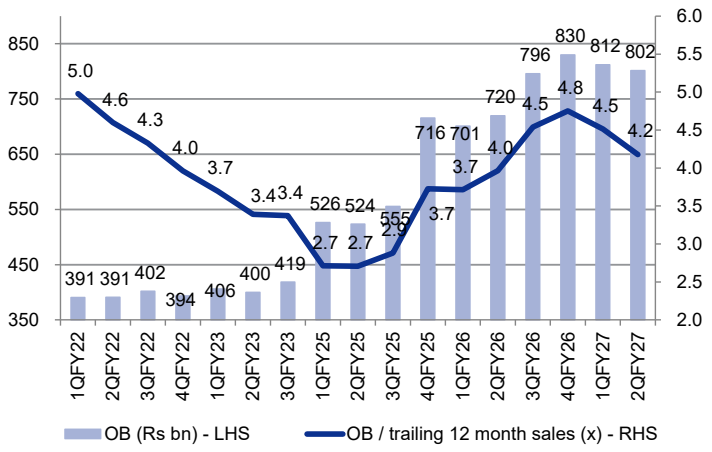
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Consolidated financials

	Quarter ended				
(Rs. m)	**2QFY27**	**2QFY26**	**% Chg**	**1QFY27**	**% Chg**
Net Sales	60,147	45,430	32	58,118	3
EBITDA	**5,285**	**3,933**	**34**	**5,451**	**-3**
Other income	270	421	-36	307	-12
PBIDT	**5,555**	**4,354**	**28**	**5,758**	**-4**
Depreciation	752	569	32	693	8
Interest	2,113	1,718	23	1,980	7
PBT	**2,690**	**2,066**	**30**	**3,084**	**-13**
Tax	710	413	72	827	-14
Minority Interest	137	103	-	93	-
PAT	**1,843**	**1,550**	19	**2,164**	-15
EBIDTA margin (%)	**8.8**	**8.7**	**13bps**	**9.4**	**-59bps**

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Order book and OB-to-sales ratio.



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 4: NCC's median one-year forward EV/EBITDA is 6.3x over the last eight years; it is trading at 6.2x FY27F EV/EBITDA



SOURCES: INCRED RESEARCH, COMPANY REPORTS

*P.S. As it's a Quick Take, the document is not edited/formatted.

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Thanks and Regards,

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