

NCC Ltd.

BUY

Sector: Construction & Engineering

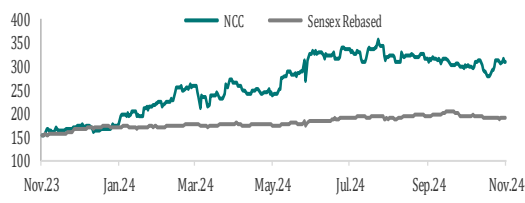
25th November 2024

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs.340
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	NJCC:IN	79,117	NCC	500294	12 Months
				CMP	Rs.284
				Return	+20%

Data as of: 22-11 2024

Company Data			
Market Cap (Rs Cr)	17,058		
52 Week High – Low (Rs.)	365-155		
Enterprise Value (cr)	17,537		
Outstanding Shares (cr)	62.8		
Free Float (%)	78.0		
Dividend Yield (%)	0.4		
6m average volume (cr)	0.6		
Beta	1.1		
Face value (Rs)	2		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	22.0	22.0	22.0
FII's	27.3	23.7	20.9
MFs/Insti	10.6	11.4	12.3
Public	40.0	43.0	44.8
Total	100.0	100.0	100.0
Promoter Pledge (%)	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-5%	27%	99%
Absolute Sensex	0%	9%	23%
Relative Return*	-5%	18%	76%

*over or under performance to benchmark index



Standalone (cr)	FY25E	FY26E	FY27E
Sales	21,440	25,152	28,065
Growth (%)	17.1	17.3	11.6
EBITDA	2,015	2,389	2,806
EBITDA Margin(%)	9.4	9.5	10.0
PAT Adj.	952	1,254	1,583
Growth (%)	38.4	31.7	26.2
Adj.EPS	15	20	25
Growth (%)	38.4	31.7	26.2
P/E	19	14	11
P/B	2.0	1.8	1.5
EV/EBITDA	9	7	6
ROE (%)	13.0	14.9	16.2
D/E	0.1	0.1	0.1

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Better prospects for H2FY25...

NCC Ltd (NCC) is one of the largest, well diversified construction companies in India, with a foothold in every segment of the construction sector.

- In Q2FY25, NCC reported a weak revenue growth of 3.8% YoY due to heavy rains, delay in execution in JJM projects and smart meter projects.
- EBITDA margin improved by 252bps YoY to 9%, while NCC expects margins to improve to 9.5 to 10% in FY25.
- The company reiterated its guidance for FY25, including order inflow of Rs 20,000cr to Rs 22,000cr, and a revenue growth of 15%.
- The order inflow has picked up pace in Q2FY25 to Rs4,760cr vs 41cr in Q1FY25 and the order book stood robust at Rs52,370cr which is 2.7x TTM revenue.
- The order book is dominated by building (37%), transportation (21%), electrical T&D (21%). In terms of states, Maharashtra constitute 38% of the order book in Q2FY25, followed by UP 16% and Jharkhand 9%.

Valuation

The execution to pick up pace in H2FY25 due to higher govt. spending and we expect a topline CAGR of 15% over FY24-FY27E with a margin profile of 9.4 to 10%. We expect NCC will get more opportunity from the robust order pipeline of Rs 2 trillion from the government. **Therefore, we reiterate our BUY rating and roll forward our estimate to FY27E earnings. We value NCC at a P/E of 14x on FY27 EPS with a TP of Rs 340.**

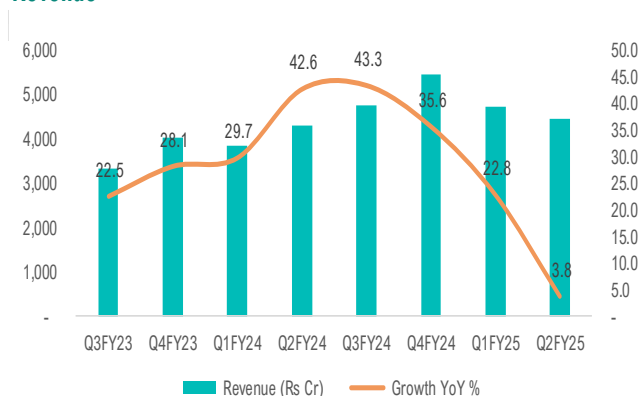
Quarterly Financials Standalone

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	4,445	4,283	3.8	4,713	-5.7	9,158	8,121	13
EBITDA	401	279	44.0	440	-8.7	841	659	28
Margin (%)	9.0	6.5	252bps	9.3	-30bps	9.2	8.1	107bps
EBIT	347	226	54	387	-10.1	734	555	32
PBT	218	101	116	267	-18.5	485	325	49
Rep. PAT	161	69	133	201	-20.0	361	231	56
Adj PAT	161	69	133	201	-20.0	361	231	56
EPS (Rs)	2.9	1.2	132.5	3.6	-20.0	6.5	4.2	56.2

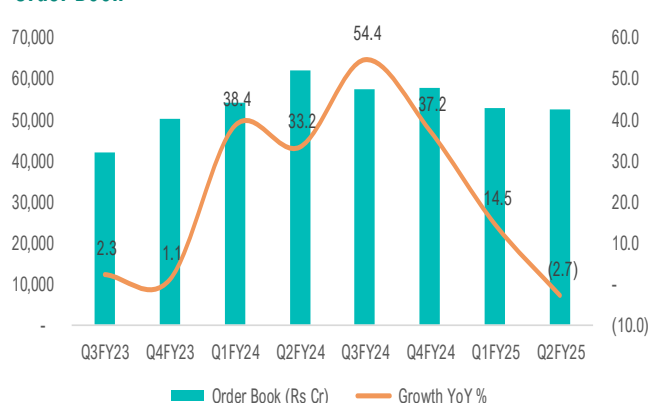
Key Concall Highlights

- NCC has bagged two smart metering projects in Maharashtra worth Rs 5,700cr and one project in the state of Bihar worth Rs2,300cr.
- The Bihar smart metering projects is progressing well while Maharashtra project is slowed due to election.
- GMLR project is also delayed in Q2FY25 due to a change in alignment, while the management is waiting for the approvals from the BMC.
- Given the state election Maharashtra, the company expects a delay in issuance of LoA for MSRDC projects.
- Guidance for order inflow is Rs20,000cr to Rs22,000cr in FY25.
- The company has already achieved 41% of the lower band of order book guidance, with a total order booking of Rs 8,256 cr (include L1).
- The company incurred a CapEx of Rs143cr in the current financial year up to the end of September.

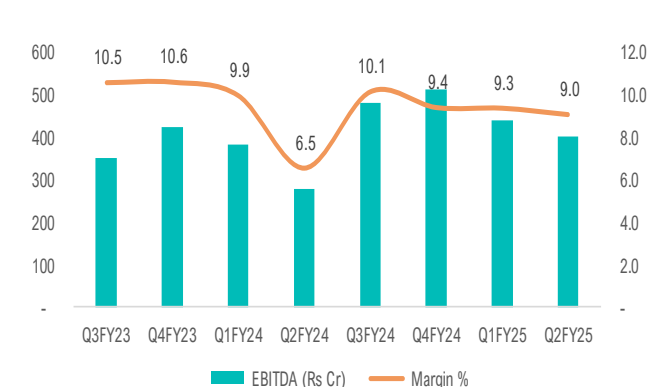
Revenue



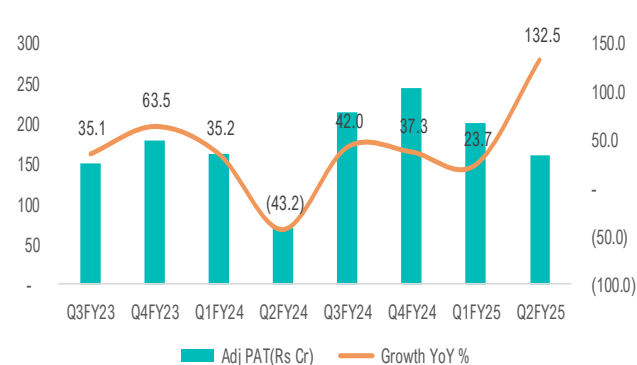
Order Book



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	21,205	24,989	21,440	25,152	28,065	1.1	0.7
EBITDA	2,014	2,499	2,015	2,389	2,806	0.0	-4.4
Margins (%)	9.5	10.0	9.4	9.5	10.0	-10bps	-50bps
Adj. PAT	995	1,305	952	1,254	1,583	-4.3	-3.9
EPS	16	21	15	20	25	-4.3	-4.0



Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	13,351	18,314	21,440	25,152	28,065
% change	34.5	37.2	17.1	17.3	11.6
EBITDA	1,343	1,648	2,015	2,389	2,806
% change	34.7	22.8	22.3	18.6	17.5
Depreciation	200	209	218	232	246
EBIT	1143	1,439	1,798	2,158	2,561
Interest	510	595	670	644	616
Other Income	152.3	124.1	150.0	170.0	180.0
PBT	785	911	1,278	1,684	2,125
% change	69.7	16.1	40.2	31.7	26.2
Tax	216	280	326	429	542
Tax Rate (%)	27	31	26	26	26
Reported PAT	569	631	952	1,254	1,583
Adj*	0	57	0	0	0
Adj PAT	569	688	952	1,254	1,583
% change	65.1	20.9	38.4	31.7	26.2
No. of shares (cr)	63	63	63	63	63
Adj EPS (Rs.)	9	11	15	20	25
% change	60.4	20.9	38.4	31.7	26.2
DPS (Rs.)	0.2	0.2	0.2	0.2	0.2

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	985	1,121	1,496	1,915	2,371
Non-cash adj.	301	323	335	206	63
Changes in W.C	-181	-963	-721	-1,083	-1,183
C.F. Operation	1257	605	1,260	1,209	1,431
Capital exp.	-443	-280	-200	-200	-200
Change in inv.	62	-55	-58	-60	-63
Other invest.CF	0	0	0	0	0
C.F – Investment	-533	-459	-408	-430	-443
Issue of equity	0	0	0	0	0
Issue/repay debt	-204	29	-155	-155	-155
Dividends paid	-51	-51	-51	-51	-51
Other finance.CF	129	144	-2	-2	-2
C.F – Finance	-637	-473	-878	-852	-824
Chg. in cash	87	-328	-25	-74	163
Closing cash	646	318	293	219	383

BALANCE SHEET

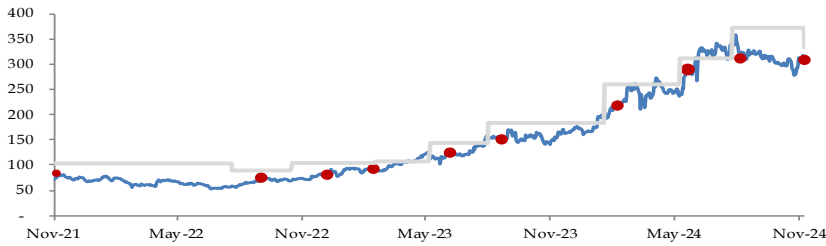
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	646	318	293	219	383
Accounts Receivable	2,945	3,763	4,288	5,168	5,920
Inventories	1,078	1,508	1,752	2,045	2,325
Other Cur. Assets	8,601	11,064	12,776	14,816	16,531
Investments	1,096	1,151	1,209	1,269	1,333
Gross Fixed Assets	2,710	2,985	3,185	3,385	3,585
Net Fixed Assets	1,163	1,101	1,085	1,055	1,011
CWIP	15	10	10	10	10
Intangible Assets	8	1	1	1	0
Def. Tax (Net)	48	40	48	57	67
Other Assets	-	-	-	-	-
Total Assets	15,600	18,956	21,462	24,640	27,581
Current Liabilities	8,062	10,770	12,512	14,609	16,147
Provisions	129	176	194	227	254
Debt Funds	980	1,008	853	698	543
Other Liabilities	107	100	100	100	100
Equity Capital	126	126	126	126	126
Reserves & Surplus	6,196	6,776	7,677	8,880	10,412
Shareholder's Fund	6,322	6,902	7,803	9,006	10,537
Total Liabilities	15,600	18,956	21,462	24,640	27,581
BVPS (Rs.)	114	124	140	162	190

RATIOS

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	10.1	9.0	9.4	9.5	10.0
EBIT margin (%)	8.6	7.9	8.4	8.6	9.1
Net profit mgn.(%)	4.3	3.8	4.4	5.0	5.6
ROE (%)	9.4	10.4	13.0	14.9	16.2
ROCE (%)	11.1	11.5	14.7	15.5	15.9
W.C & Liquidity					
Receivables (days)	74.3	66.8	68.5	68.6	72.1
Inventory (days)	30.4	30.0	32.6	32.5	33.8
Payables (days)	146.6	118.6	117.4	115.6	120.3
Current ratio (x)	1.6	1.5	1.5	1.5	1.5
Quick ratio (x)	0.4	0.3	0.3	0.4	0.4
Turnover & Leverage					
Gross asset T.O (x)	5.4	6.4	6.9	7.7	8.1
Total asset T.O (x)	0.9	1.1	1.1	1.1	1.1
Int. coverage ratio (x)	2.2	2.4	2.7	3.3	4.2
Adj. debt/equity (x)	0.2	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	1.3	1.0	0.8	0.7	0.6
EV/EBITDA (x)	13.0	10.8	8.7	7.3	6.1
P/E (x)	31.3	25.9	18.7	14.2	11.3
P/BV (x)	2.5	2.3	2.0	1.8	1.5



Recommendation Summary (last 3 years)



Dates	Rating	Target
10-Nov-2021	BUY	103
07-Sep-2022	BUY	89
13-Dec-2022	BUY	104
24-Feb-2023	BUY	107
07-Jun-2023	BUY	147
13-Feb-2023	BUY	261
29-May-2024	Accumulate	313
19-Aug-2024	BUY	374
25-Nov-2024	BUY	340

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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