

Retail Equity Research
NCC Limited
Construction & Engineering

BUY

BSE CODE : 500294 NSE CODE: NCC
BLOOMBERG CODE: NJCC:IN SENSEX : 80,437

12Months Investment Period Rating as per Small Cap
CMP Rs. 310 TARGET Rs. 374 RETURN 21% ↑
(Closing: 16-08-2024)

KEY CHANGES: TARGET ↑ RATING ↑ EARNINGS ↑

Order book to propel execution...

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

- NCC Q1FY25 revenue grew by 23% YoY, backed by robust order book and superior execution of the building division and electrical T&D business.
- EBITDA margin declined by 59bps YoY to 9.3% in Q1FY25, due to higher input and sub-contracting expenses.
- NCC has guided 15% of revenue growth in FY25 with a EBITDA margin of 9.5-10%.
- Order inflow in Q1FY25 was muted due to election, however, the company is confident to achieve orders of Rs22,000cr in FY25.
- We expect new opportunities in orders from AP & Bihar due to the budget proposals. The company expects restocking of older orders worth Rs5,000cr which got cancelled in 2019.
- Robust order book with strong execution capability and healthy balance sheet we revise our rating to BUY with a TP of Rs 374, based on a P/E of 18x on FY26E EPS.

Robust order book provides visibility...

In Q1FY25, NCC's order book stood at Rs 52,626cr, which is 2.7x TTM revenue. However, new orders during the quarter were tepid due to the general election. The management has guided Rs 20,000cr to Rs 22,000cr of new orders in FY25 due to higher spending proposals in the Union budget. NCC expects new orders from AP & Bihar due to special fund allocation in the budget. The company hinted at restocking of older orders worth Rs 5,000cr which got cancelled in 2019 due to a change in state government. The smart meter project in Bihar is on track; the company has supplied 80,000 meters till now, and 55,000 meters have been installed. On the geographical front, Maharashtra constitutes 34% of the order book, followed by UP (20%), Jharkhand (11%), Karnataka (9%), and AP (5%).

Execution to pick up...

NCC's Q1FY25 revenue grew by 22.8% YoY to Rs 4,713cr, led by healthy project executions. The building division (55% YoY), electrical T&D (253% YoY), and mining segment (8% YoY). The Jal Jeevan Mission (JJM) projects also contributed a major portion of revenue. As on Q1FY25, NCC has completed about 60% of the project, and the balance of Rs 6,000cr is expected to be completed by FY25. The company expects top-line growth of 15% YoY for FY25, with an EBITDA margin of 9.5-10%. During the quarter, EBITDA margin declined by 59bps YoY to 9.3%, due to higher subcontracting expenses.

Valuations

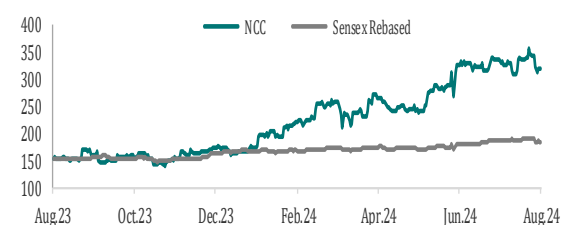
The tailwinds in execution due to a robust order book and healthy balance sheet will keep the outlook intact. Though the management remains conservative on FY25 topline growth, we expect execution to pick up pace in H2FY25. Therefore, we revise our rating to BUY and value the stock at a P/E of 18x on FY26E EPS with a target price of Rs 374.

Company Data	
Market Cap (cr)	₹18,560
Enterprise Value (cr)	₹18,894
Outstanding Shares (cr)	61.0
Free Float	78.0%
Dividend Yield	0.8%
52 week high	₹365
52 week low	₹137
6m average volume (cr)	0.6
Beta	0.8
Face value	₹2

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	22.0	22.0	22.0
FII's	23.9	27.3	23.7
MFs/Insti	10.5	10.6	11.4
Public	43.6	40.0	43.0
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	31%	41%	107%
Absolute Sensex	9%	10%	20%
Relative Return*	23%	31%	87%

*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	18,314	21,205	24,989
Growth (%)	37.2	15.8	17.8
EBITDA	1,648	2,014	2,499
EBITDA Margin(%)	9.0	9.5	10.0
PAT Adj.	688	987	1,305
Growth (%)	20.9	43.5	32.2
Adj.EPS	11	16	21
Growth (%)	20.9	43.5	32.2
P/E	28	20	15
P/B	2.5	2.2	1.9
EV/EBITDA	12	9	8
ROE (%)	10.4	13.4	15.4
D/E	0.1	0.1	0.1

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Research Analyst



Quarterly Financials (Standalone)

Profit & Loss

Rs (cr)	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Sales	4,713	3,838	22.8	5,446	-13.5
EBITDA	440	381	15.5	510	-13.7
EBITDA margins (%)	9.3	9.9	-59bps	9.4	-3bps
Depreciation	53	52	2.0	52	2.6
EBIT	387	329	17.7	458	-15.6
Interest	153	132	15.8	154	-0.7
Other Income	34	28	23.0	42	-18.2
Exceptional Items	0.0	0	0	-	-
PBT	267	224	19.4	289	-7.4
Tax	67	62	8.2	101	-34.2
Reported PAT	201	162	23.7	187	7.1
Adjustments	0.0	0.0		57	
Adj PAT	201	162	23.7	244	-17.7
No. of Shares	61	61		61	
EPS (Rs)	4	3	23.7	4	-17.7

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	21,205	23,799	21,205	24,989	0.0	5.0
EBITDA	2,014	2,380	2,014	2,499	0.0	5.0
Margins (%)	9.5	10.0	9.5	10.0	0bps	0bps
Adj. PAT	995	1,254	995	1,305	0.0	4.0
EPS	15.8	20.0	15.8	20.8	0.0	4.0

Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	9,930	13,351	18,314	21,205	24,989
% change	36.9	34.5	37.2	15.8	17.8
EBITDA	996	1,343	1,648	2,014	2,499
% change	16.6	34.7	22.8	22.2	24.1
Depreciation	182	200	209	233	265
EBIT	814	1,143	1,439	1,781	2,234
Interest	460	510	595	616	653
Other Income	108.2	152.3	124.1	170.0	180.0
PBT	463	785	911	1,335	1,761
% change	36.8	69.7	16.1	46.5	31.9
Tax	118	216	280	340	440
Tax Rate (%)	25.5	27.5	30.7	25.5	25.0
Reported PAT	345	569	631	995	1,321
Adj*	0	0	57	0	0
Adj PAT	345	569	688	995	1,321
% change	32.0	65.1	20.9	44.6	32.8
No. of shares (cr)	61	63	63	63	63
Adj EPS (Rs.)	5.7	9.5	11.0	15.8	21.0
% change	32.0	65.1	20.9	44.6	32.8
DPS (Rs.)	0.2	0.2	0.2	0.2	0.2

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	645	985	1,121	1,568	2,026
Non-cash adj.	329	301	323	267	204
Changes in W.C	-42	-181	-963	-770	-1232
C.F. Operation	1,040	1,257	605	1,235	1,178
Capital exp.	237	-443	-280	-200	-200
Change in inv.	94	62	-55	-58	-60
Other invest.CF	0	0	0	0	0
C.F - Investment	223	-533	-459	-428	-440
Issue of equity	0	0	0	0	0
Issue/repay debt	-342	-204	29	-155	-155
Dividends paid	-46	-51	-51	-51	-51
Other finance.CF	-294	129	144	-2	-2
C.F - Finance	-1143	-637	-473	-824	-861
Chg. in cash	120	87	-328	-17	-123
Closing cash	559	646	318	301	178

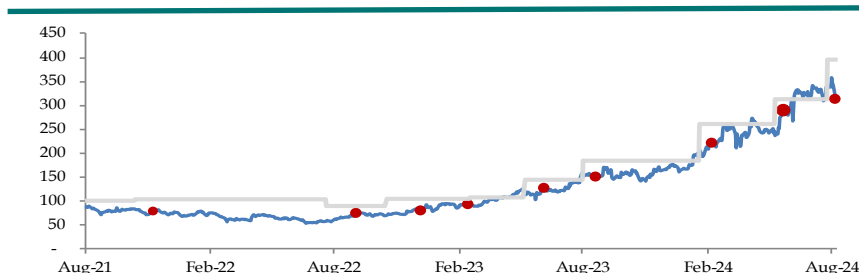
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	559	646	318	301	178
Accounts Receivable	2,492	2,945	3,763	4,357	5,135
Inventories	788	1,078	1,508	1,732	2,020
Other Cur. Assets	7,705	8,601	11,064	12,636	14,891
Investments	1,158	1,096	1,151	1,209	1,269
Gross Fixed Assets	2,260	2,710	2,985	3,185	3,385
Net Fixed Assets	1,064	1,163	1,101	1,070	1,007
CWIP	7	15	10	10	10
Intangible Assets	1	8	1	1	1
Def. Tax (Net)	54	48	40	49	57
Other Assets	-	-	-	-	-
Total Assets	13,827	15,600	18,956	21,364	24,568
Current Liabilities	6,635	8,062	10,770	12,374	14,429
Provisions	117	129	176	192	226
Debt Funds	1,184	980	1,008	853	698
Other Liabilities	88	107	100	100	100
Equity Capital	122	126	126	126	126
Reserves & Surplus	5,681	6,196	6,776	7,720	8,989
Shareholder's Fund	5,803	6,322	6,902	7,845	9,115
Total Liabilities	13,827	15,600	18,956	21,364	24,568
BVPS (Rs.)	104	114	124	141	164

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	10.0	10.1	9.0	9.5	10.0
EBIT margin (%)	8.2	8.6	7.9	8.4	8.9
Net profit mgn.(%)	3.5	4.3	3.8	4.7	5.3
ROE (%)	6.2	9.4	10.4	13.5	15.6
ROCE (%)	8.3	11.1	11.5	14.5	16.1
W.C & Liquidity					
Receivables (days)	94.7	74.3	66.8	69.9	69.3
Inventory (days)	29.0	30.4	30.0	32.7	32.5
Payables (days)	173.6	146.6	118.6	118.7	117.1
Current ratio (x)	1.7	1.6	1.5	1.5	1.5
Quick ratio (x)	0.5	0.4	0.3	0.4	0.4
Turnover & Leverage					
Gross asset T.O (x)	4.2	5.4	6.4	6.9	7.6
Total asset T.O (x)	0.7	0.9	1.1	1.1	1.1
Int. coverage ratio (x)	1.8	2.2	2.4	2.9	3.4
Adj. debt/equity (x)	0.2	0.2	0.1	0.1	0.1
Valuation					
EV/Sales (x)	1.9	1.4	1.1	0.9	0.8
EV/EBITDA (x)	19.3	14.1	11.7	9.5	7.6
P/E (x)	53.8	32.6	27.0	18.7	14.0
P/BV (x)	3.0	2.7	2.5	2.2	1.9

Recommendation Summary (Last 3 years)



Dates	Rating	Target
19-Feb-2021	Buy	120
08-Jun-2021	BUY	100
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

Source: Bloomberg, Geojit Research.

Investment Criteria

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.

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