

Execution hampered by delayed payments

16 February 2025

NCC's (NJCC IN) muted performance in Q3 dragged down overall 9M performance, with revenue growth at just 7% due to slowdown in execution for government projects (on delayed payments resulting in a spike in debt, receivables and working capital). Post the slowdown, NJCC has turned cautious in its commentary versus optimistic outlook up to Q2FY25, reducing its FY25 revenue growth guidance from 15% to 5% and margin guidance to 9.25% from 9.5-10%. Near-term outlook is uncertain and streamlining of payments will be the key to any pick-up in execution. So, we cut earnings estimate for FY25E/26E/27E by 27%/33%/35%. Since the stock has corrected ~33% in the past three months, we maintain Accumulate with TP pared to INR 227, based on 15x FY27E P/E (from 16x) to factor in slowdown risk in capex.

Revenue outlook – From optimism to caution: Q3 revenue was flat YoY at INR 46.7bn on execution slowdown in key government projects, including in Jal Jeevan Mission (JJM) on delayed payments and elections in some states. Due to a drag in Q3, NJCC cut its FY25 revenue guidance to 5% from 15%. EBITDA margin stood at 8.8% versus 9.4% estimated due to lower absorption of fixed cost and higher employees expense (led by a rise in head-counts to meet planned higher execution). So, margin guidance was also cut to 9.25% from 9.5-10%. PAT disappointed at INR 1.9bn versus INR 2.4bn estimated.

Awaiting payments for government projects: Due to elections at the center, NJCC witnessed a slowdown in receipt of payment from various government projects, which led to a sequential rise in receivables to INR 31bn from INR 28bn, in working capital to INR 54bn from INR 50bn and in debt to INR 24bn from INR 17bn. NJCC expects payments to take another quarter to improve post revised budgetary allocation to various government schemes. Also, receivables from Andhra Pradesh (AP) worth INR 4bn are pending (INR 1.6bn from capital city projects; INR 2.2bn from current projects) post receipt of INR 2.3bn in Q3.

Inflows and pipeline healthy, aided by diversified presence: 9M inflow stood at INR 136bn, led by water, railways, buildings, irrigation and transport sectors and incremental L1 position on INR 90-100bn as of Dec '24 (leading to visibility of 2.7x on current orderbook of INR 518bn). Pipeline of INR 2.4tn exists for various segments and expect resumption in awarding of capital city projects in Andhra Pradesh. So, NJCC has retained its FY25 inflow guidance at INR 200-220bn.

Maintain Accumulate with TP pared to INR 227: With slowdown in execution in Q3, spill-over effects are likely to flow to Q4, hampering full-year revenue to flat, with 9.1% margin in FY25E (9M revenue growth at 7%; margin 9.0%). We aggressively cut earnings estimates for FY25/26/27E by 27%/33%/35% respectively, factoring in slowdown in execution and margin. Monitor collection efficiency and pickup in execution on new inflows. Maintain Accumulate with TP cut to INR 227 from INR 370, on P/E of 15x FY27E (from 16x) due to elevated capex risk. Expect revenue/ EBITDA/ adjusted PAT CAGRs of 6%/9%/11% in FY24-27E.

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	133,513	183,144	189,767	203,649	220,244
YoY (%)	34.5	37.2	3.6	7.3	8.1
EBITDA (INR mn)	13,425	16,481	17,364	19,652	21,254
EBITDA margin (%)	10.1	9.0	9.1	9.7	9.7
Adj PAT (INR mn)	5,692	6,880	7,434	8,662	9,485
YoY (%)	65.2	20.9	8.0	16.5	9.5
Fully DEPS (INR)	9.1	11.0	11.8	13.8	15.1
RoE (%)	9.0	9.3	10.0	10.6	10.6
RoCE (%)	17.7	20.0	19.4	20.3	20.3
P/E (x)	19.7	17.5	15.0	12.8	11.7
EV/EBITDA (x)	9.3	7.3	7.5	6.6	6.1

Note: Pricing as on 14 February 2025; Source: Company, Elara Securities Estimate

Rating: [Accumulate](#)

Target Price: [INR 227](#)

Upside: [20%](#)

CMP: [INR 188](#)

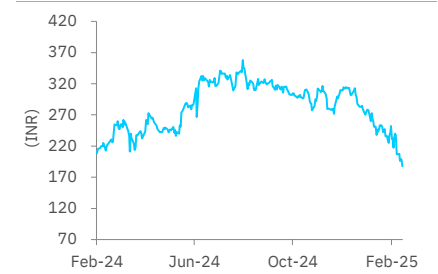
As on 14 February 2025

Key data

Bloomberg	NJCC IN
Reuters Code	NCCLNS
Shares outstanding (mn)	628
Market cap (INR bn/USD mn)	118/1357
Enterprise Value (INR bn/USD mn)	128/1476
Avg daily volume 3M (INR mn/USD mn)	1134/13
52 week high/low	365/185
Free float (%)	78

Note: as on 14 February 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	22.0	22.0	22.0	22.0
% Pledged	-	-	-	-
FII	27.3	23.7	20.9	18.1
DII	12.5	13.3	14.0	16.0
Others	38.2	41.0	43.1	43.9

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.6)	(5.0)	5.0
NCC	(33.0)	(39.5)	(15.6)
NSE Mid-cap	(8.1)	(12.2)	2.7
NSE Small-cap	(12.5)	(14.8)	(3.1)

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	133,513	183,144	189,767	203,649	220,244
EBITDA	13,425	16,481	17,364	19,652	21,254
Add:- Non operating Income	1,523	1,241	1,382	1,369	1,401
OPBIDTA	14,948	17,722	18,745	21,021	22,655
Less :- Depreciation & Amortization	1,998	2,092	2,230	2,230	2,289
EBIT	12,950	15,630	16,516	18,791	20,366
Less:- Interest Expenses	5,100	5,951	6,604	7,241	7,719
Less:- Exceptional item	0	(566)	0	0	0
PBT	7,850	9,114	9,912	11,550	12,647
Less :- Taxes	2,158	2,799	2,478	2,887	3,162
Reported PAT	5,692	6,315	7,434	8,662	9,485
Adjusted PAT	5,692	6,880	7,434	8,662	9,485
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	1,256	1,256	1,256	1,256	1,256
Reserves	61,963	66,871	72,965	80,246	88,349
Net worth	63,219	68,127	74,221	81,502	89,605
Borrowings	9,796	10,050	10,728	11,254	10,941
Other liabilities	784	914	1,423	1,489	1,606
Total Liabilities	73,798	79,091	86,372	94,244	102,152
Net Block	13,859	14,448	15,762	15,862	16,462
Add:- Capital work in progress	217	399	399	399	399
Investments	8,734	10,334	9,834	9,834	9,834
Cash & bank balances	6,456	10,441	1,162	2,084	2,616
Net Working Capital	33,554	31,715	45,224	50,842	56,596
Other Assets	10,979	11,755	13,992	15,224	16,246
Total Assets	73,798	79,091	86,372	94,244	102,152
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non-cash items	11,334	13,005	14,886	16,765	18,092
Add/Less:- Working Capital changes	597	1,341	(13,346)	(5,623)	(5,727)
Operating Cash Flow	11,931	14,346	1,540	11,142	12,365
Less:- Capex	2,726	2,864	3,543	2,330	2,889
Free Cash Flow	9,206	11,482	(2,004)	8,812	9,476
Investing Cash Flow	(708)	(392)	(308)	186	429
Financing Cash Flow	(7,627)	(7,106)	(6,967)	(8,076)	(9,373)
Net change in Cash	871	3,985	(9,279)	922	532
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	34.5	37.2	3.6	7.3	8.1
EBITDA Growth	34.8	22.8	5.4	13.2	8.1
PAT Growth	16.1	10.9	17.7	16.5	9.5
EBITDA Margin	10.1	9.0	9.1	9.7	9.7
Net Margin	4.3	3.4	3.9	4.3	4.3
Return & Liquidity Ratios (%)					
Net Debt/Equity (x)	0.1	(0.0)	0.1	0.1	0.1
ROE (%)	9.0	9.3	10.0	10.6	10.6
ROCE (%)	17.7	20.0	19.4	20.3	20.3
Per Share data & Valuation Ratios					
Reported EPS (INR)	9.1	10.1	11.8	13.8	15.1
Adjusted EPS (INR)	9.1	11.0	11.8	13.8	15.1
EPS Growth (%)	12.8	10.9	17.7	16.5	9.5
DPS (INR)	2.0	2.2	2.2	2.2	2.2
Core P/E (x)	19.7	17.5	15.0	12.8	11.7
EV/EBITDA (x)	9.3	7.3	7.5	6.6	6.1
EV/Sales (x)	0.9	0.7	0.7	0.6	0.6
Price/Book (x)	1.9	1.8	1.6	1.5	1.4
Dividend Yield (%)	1.0	1.1	1.1	1.1	1.1

Expect revenue/ EBITDA/ Adj. PAT CAGRs of 6%/9%/11% respectively

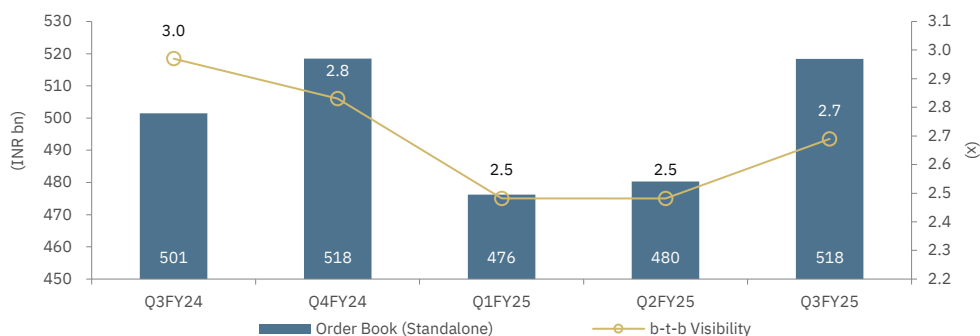
Note: Pricing as on 14 February 2025; Source: Company, Elara Securities Estimate

Quarterly financials

YE March (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Variance (%)
Net sales	46,710	47,469	(1.6)	44,449	5.1	52,831	(11.6)
EBITDA	4,095	4,793	(14.6)	4,011	2.1	4,957	(17.4)
EBITDA margins (%)	8.8	10.1		9.0		9.4	
Other income	488	263	85.6	351	39.1	361	35.1
Interest	1,610	1,548	4.0	1,645	(2.2)	1,525	5.6
Depreciation	529	528	0.2	539	(1.7)	535	(1.0)
PBT	2,444	2,980	(18.0)	2,178	12.2	3,258	(25.0)
Tax	590	852	(30.7)	573	3.0	821	(28.1)
Effective tax rate (%)	24.1	28.6		26.3		25.2	
Reported PAT	1,854	2,128	(12.9)	1,605	15.5	2,437	(23.9)
NPM (%)	4.0	4.5		3.6		4.6	
Reported EPS (INR)	3.0	3.4	(12.9)	2.6	15.5	3.9	(23.9)

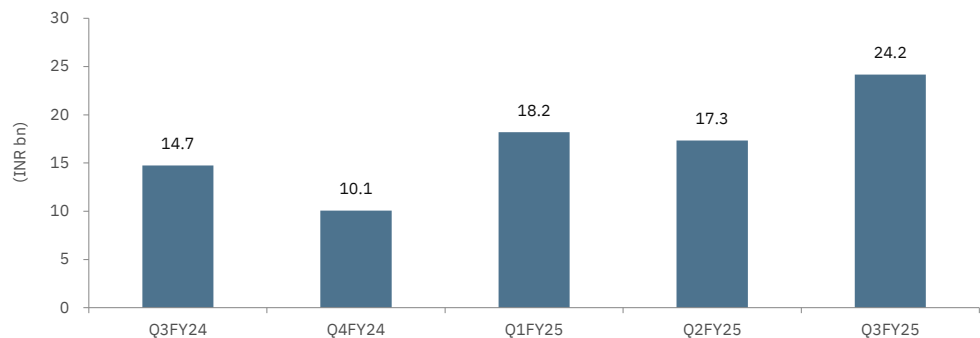
Source: Company, Elara Securities Estimate

Exhibit 1: Orderbook at INR 518bn with visibility at 2.7x



Source: Company, Elara Securities Research

Exhibit 2: Gross debt elevated on delayed payments



Source: Company, Elara Securities Research

Exhibit 3: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net sales	213,914	249,733	272,234	189,767	203,649	220,244	(11.3)	(18.5)	(19.1)
EBITDA	20,322	24,099	26,271	17,364	19,652	21,254	(14.6)	(18.5)	(19.1)
Adjusted PAT	10,123	12,982	14,529	7,434	8,662	9,485	(26.6)	(33.3)	(34.7)
TP (INR)			370			227			(39)

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
18	15-Feb-2023	Buy	INR 135	INR 92
19	16-Jun-2023	Buy	INR 165	INR 121
20	11-Aug-2023	Buy	INR 183	INR 155
21	10-Nov-2023	Buy	INR 192	INR 153
22	29-Dec-2023	Buy	INR 201	INR 167
23	9-Feb-2024	Buy	INR 260	INR 223
24	17-May-2024	Accumulate	INR 302	INR 277
25	7-Aug-2024	Accumulate	INR 370	INR 319
26	14-Feb-2025	Accumulate	INR 227	INR 188

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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