

Retail Equity Research

NCC Limited

Construction & Engineering

BSE CODE : 500294


NSE CODE: NCC

BLOOMBERG CODE: NJCC:IN

SENSEX : 65,433

12 Months Investment Period

Rating as per Small Cap

CMP Rs. 154 TARGET Rs. 184 RETURN 20% 

(Closing: 23-08-23)

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

All-time high order book...

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 reported a top-line growth of 30% YoY, backed by its strong execution in Jal Jeevan Mission projects (30% of revenue).
- EBITDA margin improved by 41bps YoY to 9.9% in Q1 FY24, principally due to higher execution and moderation in input prices. NCC expects margins to improve to 10% in FY24, led by a better gross margin.
- In Q1FY24, order inflows increased by 83% YoY, taking the total order book to an all time high of Rs54,110cr (3.8x TTM revenue), providing strong revenue visibility in the coming years.
- With a strong order book, the company has guided for revenue growth of 20%/15% for FY24/FY25, respectively.
- With a pick-up in execution and benign input prices, we increase the FY24/FY25 earnings estimates by 5%/10%, respectively.
- We reiterate BUY rating on NCC and value the stock at a P/E of 11.5x on FY25E EPS with a TP of Rs.184.

Diversified order book...

In Q1FY24, NCC's order book remains at an elevated level of Rs 54,110cr, (which is 3.8x trailing twelve-month revenue, supported by an order inflow of Rs 8,154cr (83% YoY). The management foresees strong traction in order inflows in FY24 and has guided an order inflow target of Rs 26,000cr. The order book is well diversified: buildings 50%, electrical 15%, water & railway 15%, transportation 11%, mining 9%, and irrigation 1%. The total orders from the state of Karnataka stood at Rs 4,000cr (7% of the order book), which includes Bangalore metro projects of Rs 2,150cr. The management stated that the company has received mobilisation advances for most of the projects in the state of Karnataka, and execution will commence this year itself.

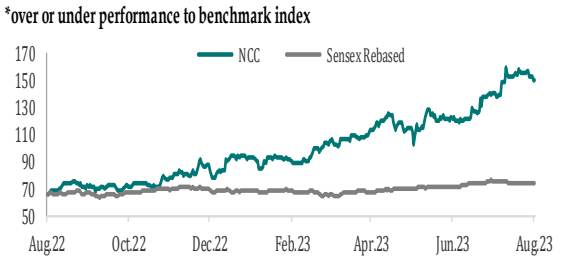
Strong execution continued...

NCC's Q1FY24 revenue grew by 30% YoY to Rs 3,838cr (in line with the estimate), led by healthy execution in Jal Jeevan Mission projects. The execution of the UP Jal Jeevan water project of Rs 16,500cr has picked up good progress and contributed 30% of revenue in Q1FY24. The company expects top-line growth of 20% YoY for FY24 and 15% YoY for FY25. In Q1FY24, EBITDA margin improved by 41bps YoY to 9.9%, supported by strong execution and benign raw material prices. With the recent contraction in key raw material prices, the management expects the EBITDA margin to be in the range of 10% in FY24. Adj. PAT increased by 35% YoY to Rs162cr in Q1FY24. The Sembcorp arbitration process is over, and the company is expecting a payout in H2FY24.

Valuations

With strong order execution, an all-time high order book, and an improvement in margins, we increase our FY24 and FY25 EPS estimates by 5% and 10%, respectively. Therefore, we reiterate BUY rating on NCC and value the stock at a P/E of 11x on FY25E earnings with a target price of Rs 184.

Company Data			
Market Cap (cr)	₹9,220		
Enterprise Value (cr)	₹9,554		
Outstanding Shares (cr)	61.0		
Free Float	80.3%		
Dividend Yield	1.4%		
52 week high	₹162		
52 week low	₹65		
6m average volume (cr)	0.6		
Beta	0.8		
Face value	₹2		
Shareholding (%)	Q3FY23	Q4FY23	Q1FY24
Promoters	22.0	22.0	22.0
FII's	15.8	20.0	22.5
MFs/Insti	12.3	12.9	12.3
Public	50.0	45.2	43.3
Total	100.0	100.0	100.0
Promoter Pledge (%)	11.1	5.5	2.9
Price Performance	3 Month	6 Month	1 Year
Absolute Return	46%	67%	125%
Absolute Sensex	5%	7%	9%
Relative Return*	41%	60%	116%



Standalone (cr)	FY23A	FY24E	FY25E
Sales	13,351	15,967	18,546
Growth (%)	34.5	19.6	16.2
EBITDA	1,343	1,645	1,947
EBITDA Margin(%)	10.1	10.3	10.5
PAT Adj.	569	755	953
Growth (%)	65.1	32.7	26.2
Adj.EPS	9	13	16
Growth (%)	65.1	32.7	26.2
P/E	16	12	10
P/B	1.4	1.2	1.1
EV/EBITDA	7	6	5
ROE (%)	9.4	11.3	12.7
D/E	0.2	0.1	0.1

Antu Eapan Thomas
Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

Rs (cr)	Q1FY24	Q1FY23	YoY Growth (%)	Q4FY23	QoQ Growth (%)
Sales	3,838	2,959	29.7	4,016	-4.4
EBITDA	381	281	35.3	424	(10.2)
EBITDA margins (%)	9.9	9.5	41bps	10.6	-64bps
Depreciation	52	48	9.5	52	-0.5
EBIT	329	234	40.6	371	-11.6
Interest	132	109	21.9	141	-6.4
Other Income	28	31	-10.9	31	-10.5
Exceptional Items	-	0	0	-	-
PBT	224	156	43.3	261	-14.2
Tax	62	36	70.2	83	-26.1
Reported PAT	162	120	35.2	178	-8.7
Adjustments	0.0	0.0		0	
Adj PAT	162	120	35.2	178	-8.7
No. of Shares	61	61		61	
EPS (Rs)	3	2	35.2	3	-8.7

Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	15,601	17,470	15,967	18,546	2.3	6.2
EBITDA	1,591	1,799	1,645	1,947	3	8
Margins (%)	10.2	10.3	10.3	10.5	10bps	20bps
Adj. PAT	718	870	755	953	5	10
EPS	12.0	14.5	12.6	15.9	5	10

Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	7,256	9,930	13,351	15,967	18,546
% change	-11.7	36.9	34.5	19.6	16.2
EBITDA	854	996	1,343	1,645	1,947
% change	-17.1	16.6	34.7	22.5	18.4
Depreciation	174	182	200	230	264
EBIT	680	814	1,143	1,415	1,683
Interest	458	460	510	529	528
Other Income	115.6	108.2	152.3	160.0	165.0
PBT	338	463	785	1,046	1,320
% change	-25.4	36.8	69.7	33.3	26.2
Tax	77	118	216	291	367
Tax Rate (%)	22.8	25.5	27.5	27.8	27.8
Reported PAT	261	345	569	755	953
Adj*	0	0	0	0	0
Adj PAT	261	345	569	755	953
% change	-37.0	32.0	65.1	32.7	26.2
No. of shares (cr)	61	61	63	63	63
Adj EPS (Rs.)	4.3	5.7	9.5	12.6	15.9
% change	-37.0	32.0	65.1	32.7	26.2
DPS (Rs.)	0.2	0.2	0.2	0.2	0.2

BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	439	559	646	488	477
Accounts Receivable	2,660	2,492	2,945	3,500	4,065
Inventories	527	788	1,078	1,381	1,599
Other Cur. Assets	6,723	7,705	8,601	9,646	11,052
Investments	1,252	1,158	1,096	1,151	1,209
Gross Fixed Assets	2,510	2,260	2,710	2,985	3,185
Net Fixed Assets	1,039	1,064	1,163	1,081	1,019
CWIP	22	7	15	10	10
Intangible Assets	1	1	8	1	1
Def. Tax (Net)	41	54	48	64	83
Other Assets	-	-	-	-	-
Total Assets	12,703	13,827	15,600	17,322	19,513
Current Liabilities	5,368	6,635	8,062	9,088	10,518
Provisions	102	117	129	153	168
Debt Funds	1,527	1,184	980	955	800
Other Liabilities	336	88	107	100	100
Equity Capital	122	122	126	126	126
Reserves & Surplus	5,247	5,681	6,196	6,900	7,802
Shareholder's Fund	5,369	5,803	6,322	7,026	7,927
Total Liabilities	12,703	13,827	15,600	17,322	19,513
BVPS (Rs.)	97	104	114	126	143

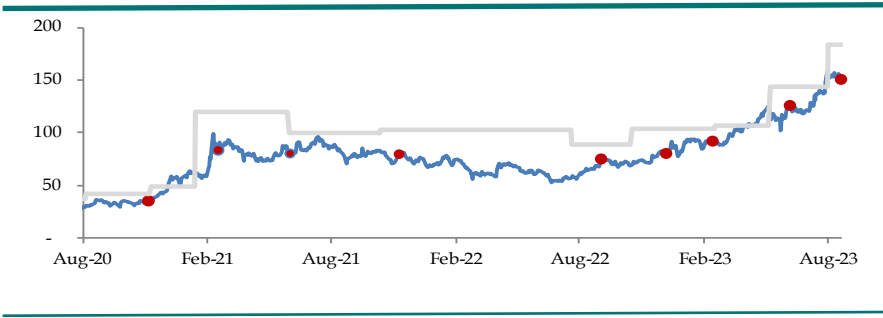
CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	512	645	985	1,276	1,584
Non-cash adj.	545	329	301	222	142
Changes in W.C	-32	-42	-181	-859	-744
C.F. Operation	1,141	1,040	1,257	798	1,147
Capital exp.	-94	237	-443	-280	-200
Change in inv.	-152	94	62	-55	-58
Other invest.CF	0	0	0	0	0
C.F – Investment	-362	223	-533	-495	-423
Issue of equity	0	0	0	0	0
Issue/repay debt	-125	-342	-204	-25	-155
Dividends paid	-43	-46	-51	-51	-51
Other finance.CF	-32	-294	129	144	-2
C.F – Finance	-658	-1143	-637	-461	-736
Chg. in cash	122	120	87	-157	-12
Closing cash	439	559	646	488	477

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab. & Return					
EBITDA margin (%)	11.8	10.0	10.1	10.3	10.5
EBIT margin (%)	9.4	8.2	8.6	8.9	9.1
Net profit mgn.(%)	3.6	3.5	4.3	4.7	5.1
ROE (%)	5.0	6.2	9.4	11.3	12.7
ROCE (%)	10.3	8.3	11.1	12.4	13.0
W.C & Liquidity					
Receivables (days)	132.8	94.7	74.3	73.7	74.4
Inventory (days)	32.4	29.0	30.4	33.8	35.4
Payables (days)	235.5	173.6	239.9	235.9	233.0
Current ratio (x)	1.9	1.7	1.6	1.6	1.6
Quick ratio (x)	0.6	0.5	0.4	0.4	0.4
Turnover & Leverage					
Gross asset T.O (x)	2.9	4.2	5.4	5.6	6.0
Total asset T.O (x)	0.6	0.7	0.9	1.0	1.0
Int. coverage ratio (x)	1.5	1.8	2.2	2.7	3.2
Adj. debt/equity (x)	0.3	0.2	0.2	0.1	0.1
Valuation					
EV/Sales (x)	1.4	1.0	0.7	0.6	0.5
EV/EBITDA (x)	11.9	9.7	7.0	5.8	4.8
P/E (x)	34.7	26.3	15.9	12.0	9.5
P/BV (x)	1.6	1.4	1.3	1.2	1.1

Recommendation Summary (Last 3 years)



Dates	Rating	Target
14-Aug-2020	Buy	42
11-Nov-2020	BUY	49
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
24-Aug-2023	BUY	184

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.

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.

CERTIFICATION

I, Antu Eapen Thomas, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document.

The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein 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. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report.

The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd(P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

- (i) It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.
- (ii) It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

- (a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that the I Antu Eapan Thomas , Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

7. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Geojit Financial Services Ltd., Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Web-site: www.geojit.com. For investor queries: customercare@geojit.com, Compliance officer: Ms. Indu K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi – 682024, Phone: +91 484-2901367, Email: compliance@geojit.com. For grievances: Grievance officer: Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi – 682024, Phone: +91 484-2901363, Email: grievances@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

