

NCC

BUY

Superior performance continues

Summary

NCC Q3FY24 PAT came higher than our & consensus estimates by 16% & 11% and is led by better execution (revenue). NJCC revenue increased by 39% YoY in 9MFY24 and thus it has revised its revenue guidance to 32-33% YoY in FY24E versus 20% earlier. EBITDA margin is maintained at double digit and is positive. We retain BUY rating on the stock with revised TP of Rs288 (earlier Rs185) as a) we roll forward our TP to FY26E b) increase FY24E/25E EPS estimate by 8%/5% c) value NJCC on PER multiple of 14x vs 12x earlier. Ascribe PER multiple value NJCC at its +1 STD but we still find it reasonable. Ordering was muted in 3QFY24 which is expected to improve in Q4FY24 and achieve our expectations of Rs260bn in FY24E. Key catalyst for stock performance is order inflow.

Key Highlights and Investment Rationale

- Q3FY24 Snapshot:** Revenue increased by 43% YoY driven by strong execution of projects. EBITDA margin was at 10.1% v/s 10.5% decrease by 43bps, lower is mainly due to increase in raw material cost. Absolute EBITDA was up +37% YoY. PAT stood at Rs2.1bn +42% YoY, and interest cost was flat QoQ.
- FY24E inflow guidance to be achieved:** NJCC order inflow was muted in Q3FY24 at Rs9bn vs Rs200bn in 1HFY24. But company has maintained guidance of Rs260bn in FY24E and provided confidence to market that it is L1 in order of Rs40bn and additional receive LOA of Rs12.5bn in Feb-24. And thus in total, it expects order of Rs52.5bn in Q4FY24 to reach Rs260bn+ in FY24E.
- Equity investments in smart metering work:** Equity investments for smart metering are planned at a) Rs1bn-1.5bn in standalone b) Rs4-5bn in subsidiary company, where NCC is looking to offload its stake. Post stake sale, equity investment in subsidiary is expected at Rs2-3bn.

TP	Rs288
CMP	Rs220
Potential upside/downside	31%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	25.9	40.5	132.3
Rel to Sensex	25.8	30.6	114.5

V/s Consensus			
EPS (Rs)	FY24E	FY25E	FY26E
IDBI Capital	12.8	16.3	20.6
Consensus	12.2	15.5	18.1
% difference	4	4	14

Key Stock Data	
Bloomberg/Reuters	NJCC IN/NCCL.BO
Sector	Infrastructure
Shares o/s (mn)	628
Market cap. (Rs mn)	137,812
3-m daily avg Trd value(Rs mn)	85.5
52-week high / low	Rs225 / 87
Sensex / Nifty	71,428 / 21,718

Shareholding Pattern (%)	
Promoters	22.0
FII	23.9
DII	10.3
Public	43.8

Financial snapshot

Year	FY22	FY23	FY24E	FY25E	FY26E
Revenue	99300	133513	177573	204208	236882
Change (yoy, %)	37	34	33	15	16
EBITDA	9961	13425	17858	20761	24490
Change (yoy, %)	16	35	33	16	18
EBITDA Margin(%)	10.0	10.1	10.1	10.2	10.3
Adj.PAT	3445	5692	8013	10209	12906
EPS (Rs)	6	9	13	16	21
Change (yoy, %)	32	63	39	27	26
PE(x)	39	24	17	13	11
Dividend Yield (%)	1	1	2	2	2
PBV (x)	14	10	8	7	5
RoE (%)	6	9	12	14	16
RoCE (%)	12	16	20	21	24

Source: IDBI Capital Research, Company

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Conference call takeaways:

- Achieved 35% YoY revenue growth in 9MFY24 and expect 4Q revenue increase of 20-22% YoY and thus for FY24E guidance is revenue increase of 32-33% YoY.
- Order inflow guidance for Q4FY24: NCC has L1 order of Rs40bn and additional receive LOA of Rs12.5bn in Feb-24. And thus in total, expect orders of Rs52.5bn in Q4FY24 and achieve the FY24E guidance of Rs260bn+.
- On EBITDA margin guidance, NCC is to do margin of 10%+ in FY24E and continue the same in FY25E.
- Gross debt at Rs15bn and FY24E expect debt of Rs13-15bn and FY25E NCC has taken project and planning equity investments of Rs1-1.5bn and debt target is Rs10bn in FY25E.
- Equity investments for smart meter a) Rs1bn-1.5bn in standalone b) Rs4-5bn in subsidiary company, where NCC is looking to offload its stake. Equity investment in subsidiary is expected at Rs2-3bn.
- Real Estate exposure in Dubai is Rs2.2bn and company is interacting with investors to off load in the SPV.
- Rs501bn is standalone order book and smart meter order in this is Rs36bn (in this 60% in EPC and 40% is maintenance work) and consolidated order book is Rs574bn and major order in standalone building 41%, transportation 14%, water 16% and electrical 22%.
- NCC Credit rating is enhanced to A1+ for short term loan
- Sembcorp arbitration process was awarded to NCC; the process got completed after 5 years. As per the award, NCC to receive Rs2.8bn versus receivables of Rs6bn+. And it has received Rs1.2bn till now.

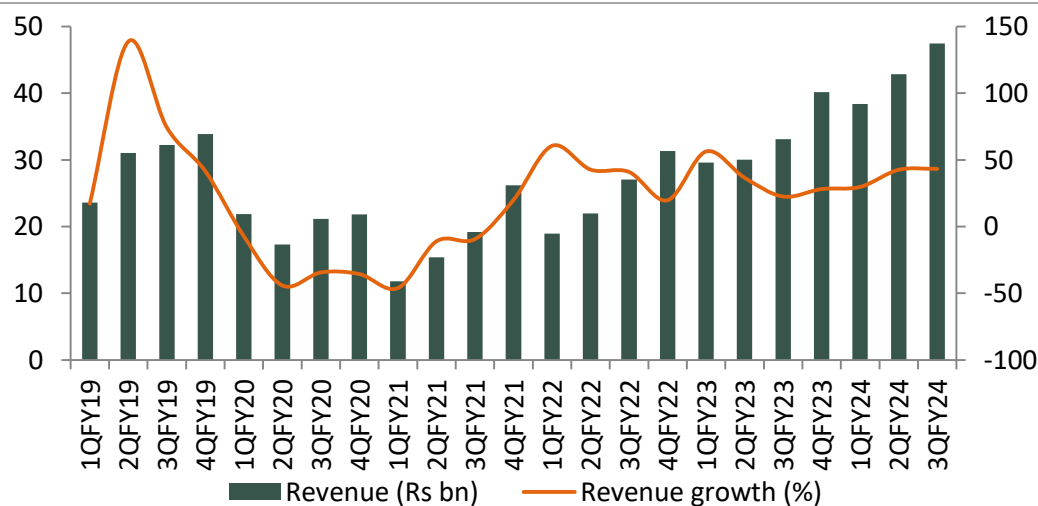
Exhibit 1: Financial snapshot

(Rs mn)

Particulars	Q2FY24	Q2FY23	YoY Chg (%)	Q1FY24	QoQ Chg (%)
Net Sales	47,469	33,127	43	42,832	11
EBITDA	4,793	3,488	37	2,785	72
<i>EBITDA margin (%)</i>	<i>10.1</i>	<i>10.5</i>	<i>-43bps</i>	<i>6.5</i>	<i>360bps</i>
Other income	263	574	-54	285	-8
PBIDT	5,056	4,063	24	3,070	65
Depreciation	528	509	4	525	1
Interest	1,548	1,378	12	1,538	1
Exceptional items	-	-	-	-	-
Adj. pre-tax profit	2,980	2,176	37	1,007	196
Tax	852	677	26	317	169
Reported PAT	2,128	1,499	42	690	208

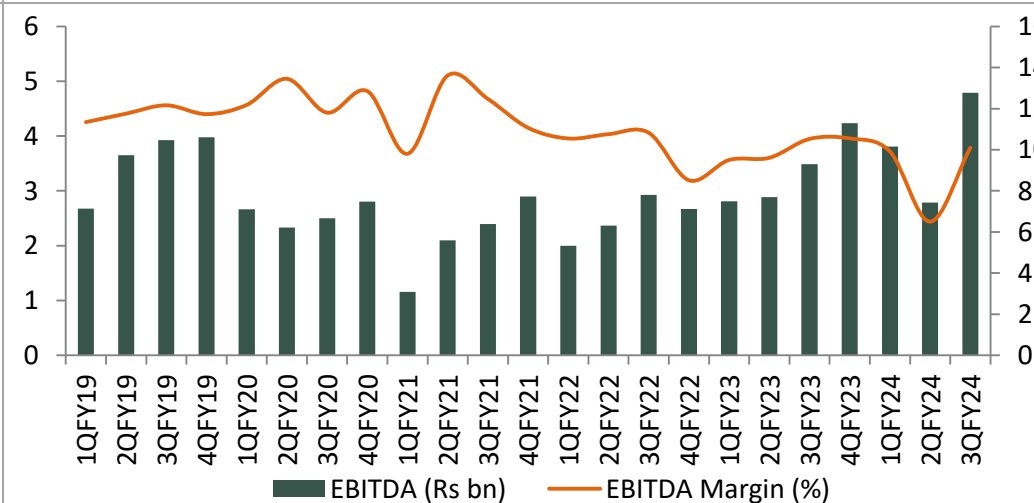
Source: Company

Exhibit 2: Q3FY24 Revenue stood at Rs47bn +43% Yoy growth



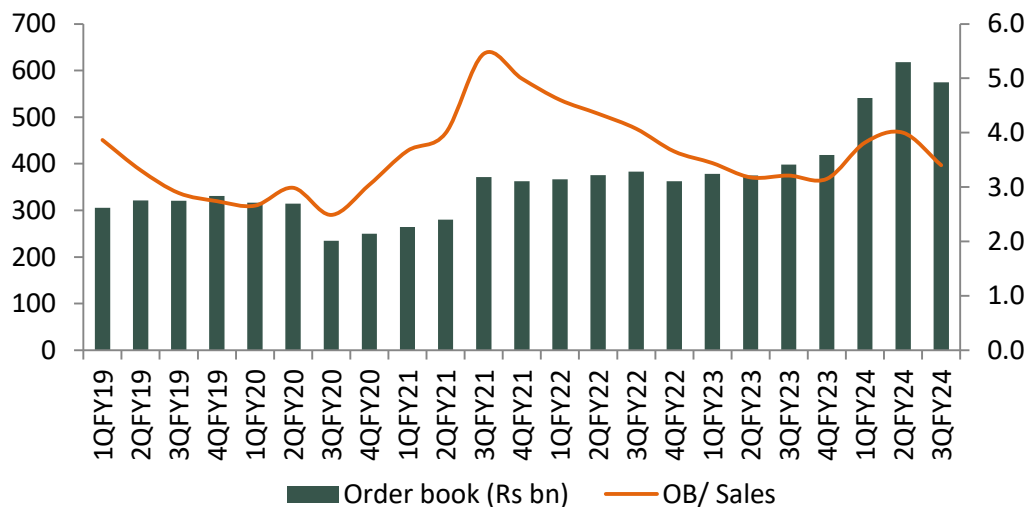
Source: Company, IDBI Capital Research

Exhibit 3: Q3FY24 EBITDA at Rs4.7bn EBITDA margin at 10.1%



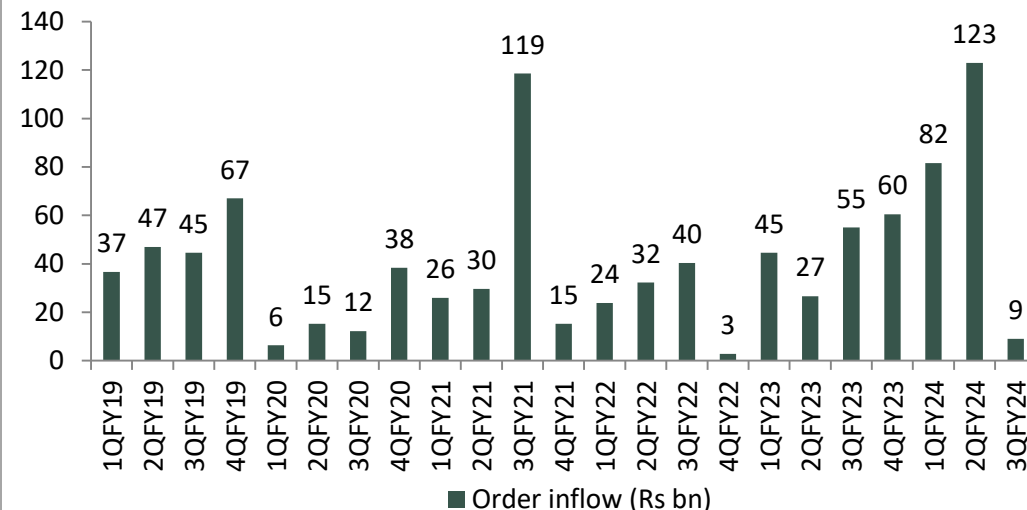
Source: Company, IDBI Capital Research

Exhibit 4: Order book of Rs574bn as on Q3FY24



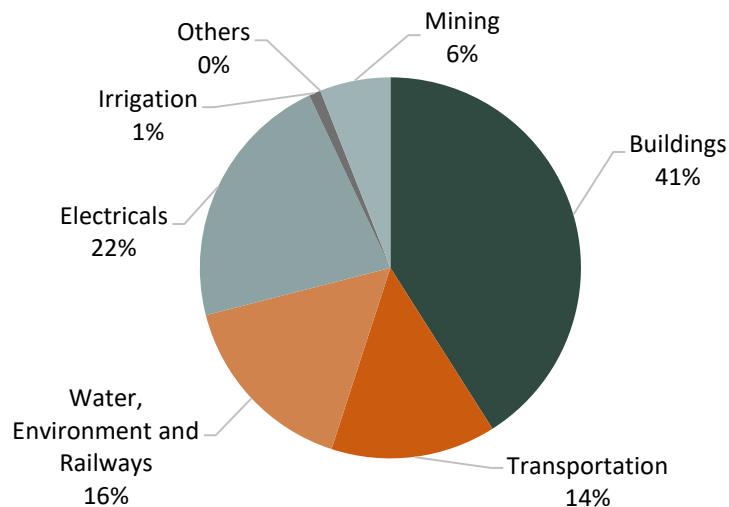
Source : Company

Exhibit 5: Q3FY24 order inflow of Rs9bn



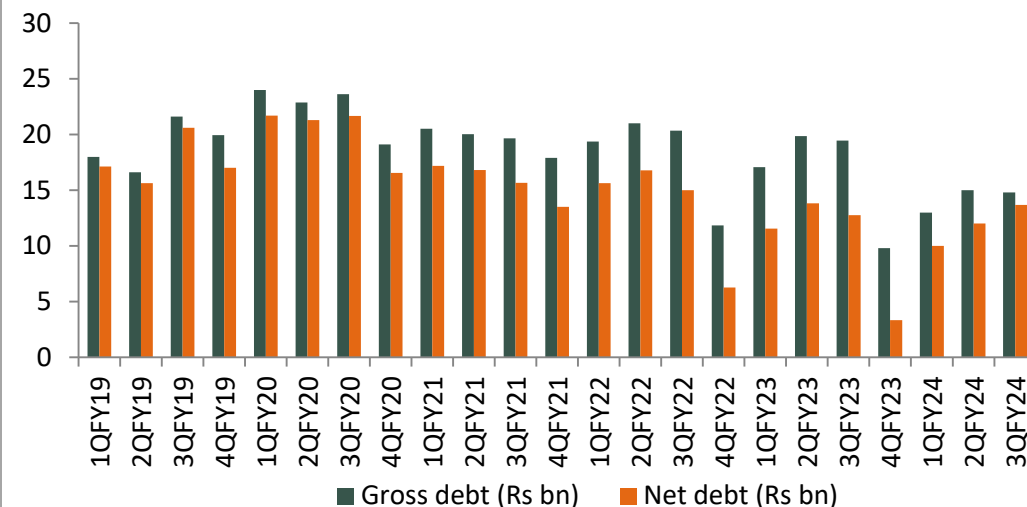
Source : Company

Exhibit 6: Largest order book in Buildings segment as on Dec'23



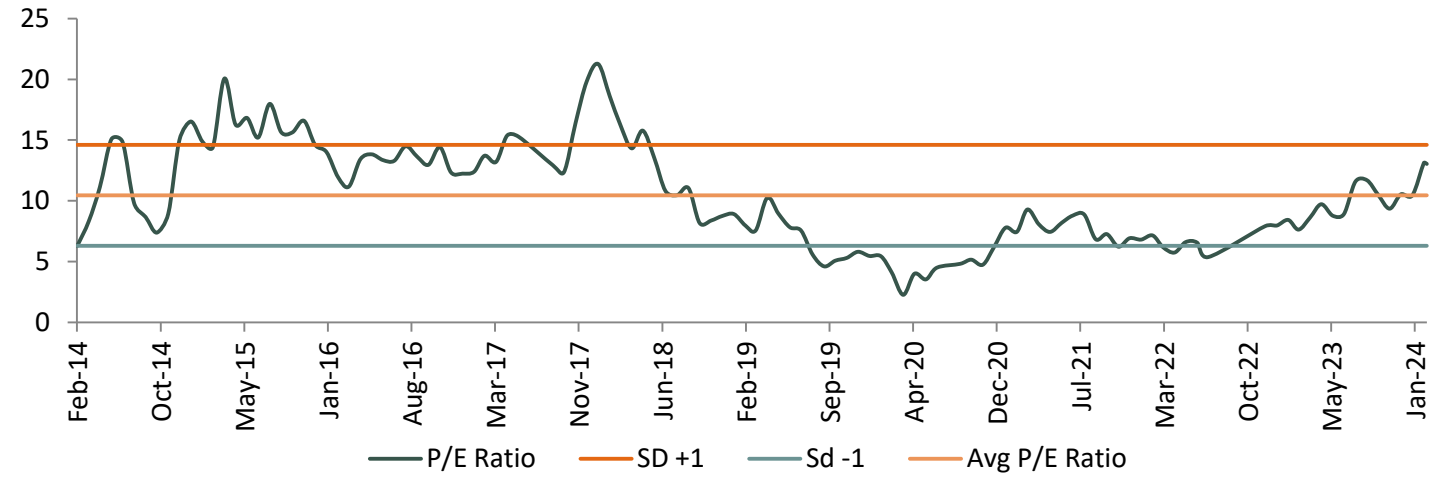
Source : Company

Exhibit 7: Gross Debt of Rs15bn & Net Debt of Rs14bn as of Q3FY24



Source : Company, IDBI Capital Research

Exhibit 8: 2 yr Forward PE Band



Source : Company, IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	72,560	99,300	133,513	177,573	204,208	236,882
<i>Change (yoy, %)</i>	<i>(12)</i>	<i>37</i>	<i>34</i>	<i>33</i>	<i>15</i>	<i>16</i>
Operating expenses	(64,007)	(89,339)	(120,088)	(159,715)	(183,448)	(212,392)
EBITDA	8,554	9,961	13,425	17,858	20,761	24,490
<i>Change (yoy, %)</i>	<i>(17)</i>	<i>16</i>	<i>35</i>	<i>33</i>	<i>16</i>	<i>18</i>
<i>Margin (%)</i>	<i>11.8</i>	<i>10.0</i>	<i>10.1</i>	<i>10.1</i>	<i>10.2</i>	<i>10.3</i>
Depreciation	(1,741)	(1,823)	(1,998)	(2,239)	(2,450)	(2,670)
EBIT	6,813	8,138	11,427	15,618	18,310	21,820
Interest paid	(4,578)	(4,596)	(5,100)	(5,982)	(5,761)	(5,619)
Other income	1,156	1,082	1,523	1,073	1,094	1,046
Pre-tax profit	3,391	4,624	7,850	10,709	13,643	17,247
Tax	(776)	(1,179)	(2,158)	(2,695)	(3,434)	(4,341)
<i>Effective tax rate (%)</i>	<i>22.9</i>	<i>25.5</i>	<i>27.5</i>	<i>25.2</i>	<i>25.2</i>	<i>25.2</i>
Minority Interest	-	-	-	-	-	-
Net profit	2,615	3,445	5,692	8,013	10,209	12,906
Exceptional items	-	-	-	-	-	-
Adjusted net profit	2,615	3,445	5,692	8,013	10,209	12,906
<i>Change (yoy, %)</i>	<i>(37)</i>	<i>32</i>	<i>65</i>	<i>41</i>	<i>27</i>	<i>26</i>
EPS	4.3	5.6	9.2	12.8	16.3	20.6
Dividend per sh	0.8	2.0	2.5	3.5	4.4	4.2
<i>Dividend Payout %</i>	<i>18.7</i>	<i>35.4</i>	<i>27</i>	<i>27</i>	<i>27</i>	<i>20</i>

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Shareholders' funds	53,694	58,032	63,219	69,054	76,488	86,759
Share capital	1,220	1,220	1,256	1,256	1,256	1,256
Reserves & surplus	52,475	56,812	61,963	67,799	75,233	85,504
Total Debt	17,889	11,841	9,796	13,796	11,796	5,796
Other liabilities	-	-	-	-	-	-
Curr Liab & prov	55,443	68,397	82,971	88,439	101,542	120,195
Current liabilities	54,422	67,228	81,692	86,738	99,586	116,950
Provisions	1,021	1,169	1,279	1,701	1,956	3,245
Total liabilities	73,332	80,237	92,767	102,235	113,337	125,990
Total equity & liabilities	127,026	138,269	155,986	171,289	189,826	212,750
Net fixed assets	12,392	12,313	14,075	14,586	15,135	15,465
Investments	9,841	8,934	8,734	8,734	8,734	8,734
Other non-curr assets	411	541	475	541	541	541
Current assets	104,382	116,480	132,701	147,428	165,415	188,009
Inventories	5,949	8,913	10,778	13,136	15,106	17,523
Sundry Debtors	26,602	24,922	29,451	34,055	39,163	45,429
Cash and Bank	4,386	5,585	6,456	7,847	9,077	10,100
Loans and advances	67,445	77,060	86,015	92,390	102,069	114,957
Total assets	127,026	138,269	155,986	171,289	189,826	212,750

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	3,391	6,080	7,850	10,709	13,643	17,246
Depreciation	1,741	1,823	1,998	2,239	2,450	2,670
Tax paid	(184)	(1,733)	(2,753)	(2,695)	(3,434)	(4,341)
Chg in working capital	(1,744)	2,797	(2,705)	(8,867)	(4,655)	(4,218)
Other operating activities	3,893	3,992	4,341	4,909	4,667	4,573
Cash flow from operations (a)	7,097	12,960	8,731	6,295	12,672	15,930
Capital expenditure	(1,516)	(1,678)	(2,179)	(2,750)	(3,000)	(3,000)
Chg in investments	(937)	16	103	1,000	1,000	1,300
Other investing activities	3,092	351	752	1,073	1,094	1,046
Cash flow from investing (b)	639	(1,311)	(1,324)	(678)	(906)	(654)
Equity raised/(repaid)	266	-	797	-	-	-
Debt raised/(repaid)	(712)	(1,847)	(2,045)	4,000	(2,000)	(6,000)
Dividend (incl. tax)	(122)	(488)	(1,256)	(2,178)	(2,775)	(2,634)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(6,325)	(8,657)	(4,983)	(5,982)	(5,761)	(5,619)
Cash flow from financing (c)	(6,893)	(10,992)	(7,487)	(4,160)	(10,536)	(14,253)
Net chg in cash (a+b+c)	843	(799)	(80)	1,457	1,230	1,024

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Book Value (Rs)	88	95	102	110	122	138
Adj EPS (Rs)	4.3	5.6	9.2	12.8	16.3	20.6
Adj EPS growth (%)	-38	32	63	39	27	26
EBITDA margin (%)	11.8	10.0	10.1	10.1	10.2	10.3
Pre-tax margin (%)	4.7	4.7	5.9	6.0	6.7	7.3
Net Debt/Equity (x)	0.3	0.1	0.1	0.1	0.0	0.0
ROCE (%)	10	12	16	20	21	24
ROE (%)	5	6	9	12	14	16

DuPont Analysis

Asset turnover (x)	0.6	0.7	0.9	1.1	1.1	1.2
Leverage factor (x)	2.4	2.4	2.4	2.5	2.5	2.5
Net margin (%)	3.6	3.5	4.3	4.5	5.0	5.4

Working Capital & Liquidity ratio

Inventory days	30	33	29	27	27	27
Receivable days	134	92	81	70	70	70
Payable days	212	174	134	106	105	103

Valuations

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
PER (x)	51.1	38.8	23.8	17.2	13.5	10.7
Price/Book value (x)	2.5	2.3	2.1	2.0	1.8	1.6
EV/Net sales (x)	2.0	1.4	1.1	0.8	0.7	0.6
EV/EBITDA (x)	17.2	14.0	10.5	8.0	6.8	5.4
Dividend Yield (%)	0.4	0.9	1.1	1.6	2.0	1.9

Source: Company; IDBI Capital Research



Notes

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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