

Retail Equity Research  
**NCC Ltd**  
Construction & Engineering

**BUY**

BSE CODE : 500294 NSE CODE: NCC  
BLOOMBERG CODE: NJCC:IN SENSEX : 59,029

12Months Investment Period Rating as per Small Cap  
CMP Rs. 74 TARGET Rs. 89 RETURN 20% ↑  
(Closing: 07-09-22)

**KEY CHANGES:**

TARGET ↓

RATING ↔

EARNINGS ↓

**Execution picked up...**

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

- NCC reported a robust revenue growth of 56% YoY in Q1FY23 backed by its strong order book and pick up in execution.
- However, EBITDA margin declined by 105bps YoY to 9.5% due to higher commodity prices and higher sub-contracting expenses (62% YoY).
- Order book remained healthy at Rs 40,616cr (3.7x TTM revenue), supported by a strong inflow of Rs 4,456r in Q1FY23.
- The management expects traction in order inflow with emphasis on affordable housing, Jal Jeevan Mission, roads, and railway, while it refrained from guidance.
- With a strong order book, the company has guided for revenue growth of 15% to 20% for FY23, with a 10% EBITDA margin.
- Given strong order book, healthy balance sheet and pick up in execution, we maintain Buy rating and value at a P/E of 11x on FY23E EPS with a TP of Rs.89.

**Robust order book...**

NCC's order book remains robust at Rs40,616cr (3.7x TTM revenue), supported by a strong order inflow of Rs4,456r in Q1FY23. The robust order book provides revenue visibility for three to four years. The main order during the quarter was for the wastewater treatment plant at Malad, Mumbai, which has Rs 3,833cr. The management expects order inflow to grow further as there is lots of bidding activity in the water projects, Jal Jeevan Mission, and opportunities in buildings as well as roads. The total receivables from Andhra Pradesh projects is picking up, the total receipt in Q1FY23 was Rs 120cr, and Rs44cr received in July. In FY23, the company expects Rs300cr from all AP projects.

**Revenue to grow 15-20% in FY23...**

Revenue increased by 56.3% YoY to Rs2,959cr in Q1FY23, owing to a strong order book and an improvement in execution. We expect the pace of execution to continue in coming quarters as most of the orders are in the execution stage. In FY23, management expects top-line growth of 15% to 20%. The construction, water and environment, and railway industries will be major contributors to growth. During the quarter, EBITDA margin fell 105 basis points YoY to 9.5%, while margins improved by 99 bps sequentially. The management indicated that margins were impacted by elevated commodity prices and higher sub-contracting expenses. With the recent contraction in key raw material prices, we expect the EBITDA margin to be in the range of 10% to 10.3% in FY23. Adj. PAT increased by 132% YoY to Rs120cr in Q1FY23

**Valuations**

We increase FY23 revenue estimate by 3% and declined our EBITDA margin by 100bps to factor in the higher commodity prices. Given the strong order book, healthy balance sheet and pick up in execution, we maintain BUY rating and value NCC at a P/E of 11x on FY23E earnings with a target of Rs 89.

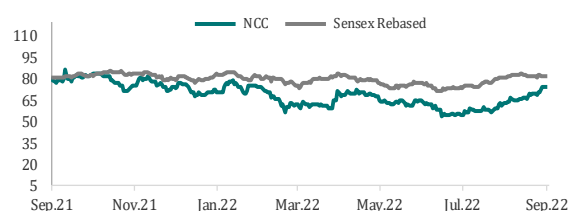
**Company Data**

Market Cap (cr)	₹ 4,457
Enterprise Value (cr)	₹ 6,108
Outstanding Shares (cr)	61.0
Free Float	80.3%
Dividend Yield	2.70%
52 week high	₹ 87
52 week low	₹ 51
6m average volume (cr)	0.6
Beta	1.4
Face value	₹ 2

Shareholding (%)	Q3FY22	Q4FY22	Q1FY23
Promoters	19.7	22.0	22.0
FII's	11.6	8.9	9.7
MFs/Insti	12.1	12.2	11.2
Public	56.6	56.9	57.2
Total	100	100	100
Promoter pledge%	7.7	3.7	4.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	18%	25%	-8%
Absolute Sensex	8%	11%	2%
Relative Return*	11%	14%	-10%

over or under performance to benchmark index



Standalone (cr)	FY22	FY23E	FY24E
Sales	9,930	11,446	12,663
Growth (%)	36.9	15.3	10.6
EBITDA	996	1,179	1,330
EBITDA Margin(%)	10.0	10.3	10.5
PAT Adj.	345	476	556
Growth (%)	32.0	38.0	17.0
Adj.EPS	5.7	7.9	9.3
Growth (%)	32.0	38.0	17.0
P/E	12.9	9.4	8.0
P/B	0.7	0.7	0.6
EV/EBITDA	5.7	4.7	4.2
ROE (%)	6.2	7.9	8.6
D/E	0.2	0.2	0.2

Antu Eapan Thomas  
Research Analyst

## SOTP Valuation

Particulars	Invested Equity (Rs Cr)	Value/Share (Rs)	Rationale
Standalone EPC		87	P/E11x FY24E EPS
Real estate	346	2	0.3x P/BV
<b>Total Value per share</b>		<b>89</b>	

## Quarterly Financials (Standalone)

### Profit & Loss

Rs (cr)	Q1FY23	Q1FY22	YoY Growth (%)	Q4FY22	QoQ Growth (%)
<b>Sales</b>	<b>2,959</b>	<b>1,893</b>	56.3	<b>3,134</b>	-5.6
<b>EBITDA</b>	<b>281</b>	<b>200</b>	40.8	<b>267</b>	5.4
EBITDA margins (%)	9.5	10.6	-105bps	8.5	99bps
Depreciation	48	45	6.3	46	4.3
<b>EBIT</b>	<b>234</b>	<b>155</b>	50.8	<b>221</b>	5.6
Interest	109	104	4.6	123	-11.8
Other Income	31	19	61.2	45	-30.8
Exceptional Items	-	-	0	-	-
<b>PBT</b>	<b>156</b>	<b>71</b>	121.4	<b>278</b>	-43.7
Tax	36	19	92.4	35	4.9
<b>Reported PAT</b>	<b>120</b>	<b>52</b>	132	<b>243</b>	-50.6
Adjustments	0.0	0.0		-135	
<b>Adj PAT</b>	<b>120</b>	<b>52</b>	132.0	<b>109</b>	10.5
No. of Shares	61	61		61	
<b>EPS (Rs)</b>	<b>2</b>	<b>1</b>	132.0	<b>2</b>	10.5

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)
	FY23E		FY23E	FY24E	
Revenue	11,143		11,446	12,663	2.7
EBITDA	1,259		1,179	1,330	-6
Margins (%)	11.3		10.3	10.5	-100bps
Adj. PAT	554		476	556	-14
EPS	9.2		7.9	9.3	-13.9

## Standalone Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Revenue</b>	<b>8,219</b>	<b>7,256</b>	<b>9,930</b>	<b>11,446</b>	<b>12,663</b>
% change	-32.0	-11.7	36.9	15.3	10.6
<b>EBITDA</b>	<b>1,030</b>	<b>854</b>	<b>996</b>	<b>1,179</b>	<b>1,330</b>
% change	-27.6	-17.1	16.6	18.3	12.8
Depreciation	178	174	182	188	203
<b>EBIT</b>	<b>853</b>	<b>680</b>	<b>814</b>	<b>991</b>	<b>1126</b>
Interest	518	458	460	472	509
Other Income	151.3	115.6	108.2	120.0	130.0
<b>PBT</b>	<b>453</b>	<b>338</b>	<b>463</b>	<b>639</b>	<b>747</b>
% change	-48.6	-25.4	36.8	38.0	17.0
Tax	71	77	118	163	190
Tax Rate (%)	15.7	22.8	25.5	25.5	25.5
<b>Reported PAT</b>	<b>382</b>	<b>261</b>	<b>345</b>	<b>476</b>	<b>556</b>
Adj*	-33	0	0	0	0
<b>Adj PAT</b>	<b>415</b>	<b>261</b>	<b>345</b>	<b>476</b>	<b>556</b>
% change	-33.4	-37.0	32.0	38.0	17.0
No. of shares (cr)	61	61	61	61	61
<b>Adj EPS (Rs.)</b>	<b>6.9</b>	<b>4.3</b>	<b>5.7</b>	<b>7.9</b>	<b>9.3</b>
% change	-33.4	-37.0	32.0	38.0	17.0
DPS (Rs.)	0.2	0.2	0.2	0.2	0.2

### BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash	317	439	559	309	459
Accounts Receivable	2,618	2,660	2,492	2,979	3,469
Inventories	515	527	788	908	1,082
Other Cur. Assets	6,952	6,723	7,705	8,561	9,471
Investments	1,100	1,252	1,158	1,123	1,089
Gross Fixed Assets	2,410	2,510	2,260	2,710	2,810
Net Fixed Assets	1,047	1,039	1,064	1,045	944
CWIP	15	22	7	7	7
Intangible Assets	1	1	1	1	1
Def. Tax (Net)	206	41	54	182	178
Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>12,770</b>	<b>12,703</b>	<b>13,827</b>	<b>15,115</b>	<b>16,701</b>
Current Liabilities	5,591	5,368	6,635	7,521	8,545
Provisions	86	102	117	141	156
Debt Funds	1,652	1,527	1,184	1,124	1,064
Other Liabilities	337	336	88	100	200
Equity Capital	122	122	122	122	122
Reserves & Surplus	4,984	5,247	5,681	6,107	6,614
Shareholder's Fund	5,106	5,369	5,803	6,229	6,736
<b>Total Liabilities</b>	<b>12,770</b>	<b>12,703</b>	<b>13,827</b>	<b>15,115</b>	<b>16,701</b>
<b>BVPS (Rs.)</b>	<b>92</b>	<b>97</b>	<b>104</b>	<b>112</b>	<b>121</b>

### CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Net inc. + Depn.</b>	<b>631</b>	<b>512</b>	<b>645</b>	<b>827</b>	<b>950</b>
Non-cash adj.	414	545	329	182	323
Changes in W.C	-329	-32	-42	-540	-436
<b>C.F. Operation</b>	<b>867</b>	<b>1141</b>	<b>1040</b>	<b>588</b>	<b>967</b>
Capital exp.	-349	-94	237	-450	-100
Change in inv.	19	-152	94	35	34
Other invest.CF	37	0	0	0	0
<b>C.F - Investment</b>	<b>-445</b>	<b>-362</b>	<b>223</b>	<b>-536</b>	<b>-196</b>
Issue of equity	0	0	0	0	0
Issue/repay debt	-85	-125	-342	-60	-60
Dividends paid	-50	-43	-46	-50	-50
Other finance.CF	248	-32	-294	280	-2
<b>C.F - Finance</b>	<b>-404</b>	<b>-658</b>	<b>-1143</b>	<b>-302</b>	<b>-621</b>
Chg. in cash	18	122	120	-249	150
Closing cash	317	439	559	309	459

### RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	12.5	11.8	10.0	10.3	10.5
EBIT margin (%)	10.4	9.4	8.2	8.7	8.9
Net profit mgn.(%)	5.0	3.6	3.5	4.2	4.4
ROE (%)	8.4	5.0	6.2	7.9	8.6
ROCE (%)	11.0	10.3	8.3	9.8	10.4
<b>W.C &amp; Liquidity</b>					
Receivables (days)	128.2	132.8	94.7	87.2	92.9
Inventory (days)	28.9	32.4	29.0	32.7	34.9
Payables (days)	334.5	340.6	264.8	272.9	282.0
Current ratio (x)	1.8	1.9	1.7	1.7	1.7
Quick ratio (x)	0.5	0.6	0.5	0.4	0.4
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.7	2.9	4.2	4.6	4.6
Total asset T.O (x)	0.6	0.6	0.7	0.8	0.8
Int. coverage ratio (x)	1.6	1.5	1.8	2.1	2.2
Adj. debt/equity (x)	0.3	0.3	0.2	0.2	0.2
<b>Valuation</b>					
EV/Sales (x)	0.7	0.8	0.6	0.5	0.4
EV/EBITDA (x)	5.9	7.0	5.6	4.7	4.1
P/E (x)	10.7	17.0	12.9	9.3	8.0
P/BV (x)	0.8	0.8	0.7	0.7	0.6

## Recommendation Summary (Last 3 years)



Dates	Rating	Target
21st August 2019	Reduce	55
4th June 2020	BUY	37
14th August 2020	Buy	42
11th November 2020	BUY	49
19th February 2021	Buy	120
08th June 2021	BUY	100
10th November 2021	BUY	103
07th September 2022	BUY	89

Source: Bloomberg, Geojit Research.

## Investment Criteria

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

### 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:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). 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:*

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

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 I, Antu Eapen 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.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd., Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: [www.geojit.com](http://www.geojit.com). For investor queries: [customercare@geojit.com](mailto:customercare@geojit.com), For grievances: [grievances@geojit.com](mailto:grievances@geojit.com), For compliance officer: [compliance@geojit.com](mailto:compliance@geojit.com).

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: IN-H200000345, 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

