

June 28, 2024

Amravati Capital City project to boost incremental order opportunity

About the stock: NCC is one of the leading construction companies with presence across varied verticals of infrastructure space such as buildings, roads, water, mining and electrical. Standalone order book stood at ₹ 51,483 crore as of FY24.

- Well-diversified order backlog, robust execution capabilities, and strong focus on working capital to be key over next few years.

Investment Rationale:

- Revival of Amravati Capital City could drive incremental order opportunity:** The formation of the new government in Andhra Pradesh is likely to drive revival of the Amravati Capital City project. NCC could be presented with a new ordering opportunity as we note that it previously had orders to tune of ~₹ 6600 crore from Amravati in 2017-18, large part of which got cancelled in 2019. Furthermore, revival of the Polavaram Irrigation Project, could also further drive ordering opportunity in the water segment for NCC.
- Poised for a healthy execution ahead with strong order book:** NCC has standalone order book of ₹ 51,483 crore, (~2.8x book to bill ratio), largely aided by ₹ 18,439 crore (up 37% YoY) worth of orders secured in FY24 on standalone basis. On consolidated basis, order book stood at ₹ 57,536 crore, driven by order inflows of ₹ 27283 crore. The company has guided for an order booking of about ~₹ 20,000 - 22,000 crore, with ordering likely to be impacted in 1HFY25 owing to elections. The topline growth guidance is ~15% for FY25. Given the robust orderbook, we expect healthy revenue CAGR of ~15% over FY24-26E to ₹ 24209 crore.
- Strong earnings growth momentum & higher return ratios ahead:** The EBITDA margin guidance is 9.5% -10% for FY25, amidst the competitive bidding scenario, and with company focussing on revenue growth momentum in FY25 over margins. With healthy execution, we bake in EBITDA margins at 10%/10.5% in FY25/FY26 vs. 9% in FY24 (~10% on adjusted basis). Healthy topline growth coupled with stable finance cost is likely to drive ~27.9% earnings CAGR over FY24-26E. The strong earnings momentum will translate into improvement in return ratios, with RoEs likely to expand to 15.4% in FY26 vs. 12.3% in FY24.

Rating and Target Price

- NCC is a key beneficiary of the tailwinds in the buildings, roads, water, mining and electrical segments. Given the strong order book visibility, and improving balance sheet strength, it is poised for a healthy growth ahead.
- We value NCC at ₹ 395, at 18x FY26 P/E, and maintain our BUY rating on the stock

Key Financial Summary

₹ crore	FY21	FY22	FY23	FY24E	5 year CAGR (FY19-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	7,256	9,930	13,351	18,314	8.7%	21,053	24,209	15.0%
EBITDA	855	996	1,343	1,648	3.0%	2,105	2,547	24.3%
EBITDA Margin (%)	11.8	10.0	10.1	9.0		10.0	10.5	
Adj. PAT	261	344	569	837	8.2%	1,048	1,370	27.9%
Adj. EPS (₹)	4.3	5.6	9.1	10.1		16.7	21.8	
P/E (x)	73.8	39.4	34.9	31.5		19.0	14.5	
EV/EBITDA(x)	24.1	20.0	14.6	11.7		9.2	7.4	
RoNW (%)	4.9	5.9	9.0	12.3		13.6	15.4	
RoCE (%)	11.2	13.3	17.9	20.1		23.1	26.2	

Source: Company, ICICI Direct Research



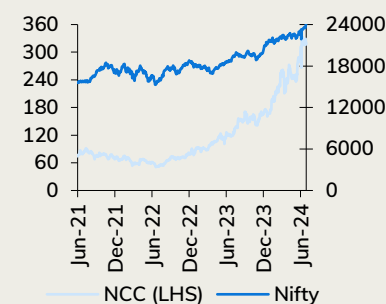
Particulars

Particular	₹ crore
Market Cap	19,868
Total Debt FY24	1,005
Cash FY24	1,044
EV	19,829
52 week H/L (₹)	338 / 119
Equity capital	125.6
Face value	2.0

Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoters	22.0	22.0	22.0	22.0
DII	12.3	11.0	10.5	10.6
FII	22.5	24.2	23.9	27.3
Other	43.3	42.8	43.6	40.0

Price Chart



Key risks

- Lower than expected order inflows
- Heightened competitive intensity impacting margins

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Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

₹ crore	FY23	FY24	FY25E	FY26E
Net Sales	13,351	18,314	21,053	24,209
Other Income	152	124	139	167
Total revenues	13,504	18,439	21,192	24,376
RM Exp.	4,751	7,277	7,642	8,740
Employee exp	520	641	737	847
Constr. exp	6,431	8,448	10,190	11,645
Other Exp	307	301	379	431
Total op exp.	12,009	16,666	18,947	21,662
EBITDA	1,343	1,648	2,105	2,547
Interest	510	595	605	629
Depreciation	200	209	225	244
PBT	785	911	1,414	1,841
Taxes	216	280	366	471
PAT	569	631	1,048	1,370
Adjusted PAT	569	837	1,048	1,370
EPS	9.1	10.1	16.7	21.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

₹ crore	FY23	FY24	FY25E	FY26E
Profit after Tax	569	631	1,048	1,370
Depreciation	200	209	225	244
Prov for Taxes	71	78	118	216
CF before wc changes	977	1,258	1,785	2,204
Change in WC	231	(181)	130	(889)
Taxes Paid	(131)	(209)	(291)	(366)
Net CF from op. activities	595	960	384	962
(Purchase)/Sale of FA	(314)	(256)	(250)	(250)
(Purchase)/Sale of Inv.	62	(190)	-	-
Net CF from inv. activities	(253)	(446)	(250)	(250)
Change in Debt	(205)	25	95	(500)
Other	-	-	-	-
Net CF from fin. activities	(255)	(115)	(62)	(688)
Net Cash flow	87	399	72	24
Opening Cash	559	646	1,044	1,116
Closing Cash	646	1,044	1,116	1,140

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

₹ crore	FY23	FY24	FY25E	FY26E
Equity Capital	126	126	126	126
Reserve and Surplus	6,196	6,687	7,578	8,759
Shareholders funds	6,322	6,813	7,704	8,885
Total Debt	980	1,005	1,100	600
Other Non-curr. Liab.	-	-	-	-
Def. Tax Liability	(48)	(59)	(59)	(59)
Source of Funds	7,254	7,759	8,745	9,426
Gross Block	2,491	2,712	2,962	3,212
Less: Acc. Dep	1,328	1,537	1,762	2,006
Net Block	1,163	1,175	1,200	1,206
Capital WIP	22	40	40	40
Total Fixed Assets	1,185	1,215	1,240	1,246
Investments	1,095	1,286	1,286	1,286
Inventory	1,078	1,434	1,673	1,923
Sundry Debtors	2,945	2,791	3,461	3,980
Loans & Advances	372	369	519	597
Cash & Bank	646	1,044	1,116	1,140
Other Current Assets	7,514	8,382	9,635	11,079
Total Current Assets	12,554	14,019	16,403	18,720
Trade Payable	4,823	6,117	7,032	8,086
Provisions	129	150	173	199
Other Curr. Liabilities	3,346	3,251	3,737	4,297
Total Curr. Liabilities	8,298	9,518	10,942	12,582
Net Current Assets	4,256	4,501	5,462	6,138
Application of Funds	7,254	7,759	8,745	9,426

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

	FY23	FY24	FY25E	FY26E
Per Share Data				
Reported EPS	9.1	10.1	16.7	21.8
Cash EPS	12.2	13.4	20.3	25.7
BVPS	100.7	108.5	122.7	141.5
Operating Ratios				
EBITDA / Net Sales	10.1	9.0	10.0	10.5
PAT / Net Sales	4.3	4.6	5.0	5.7
Return Ratios				
RoE	9.0	12.3	13.6	15.4
RoCE	17.9	20.1	23.1	26.2
RoIC	17.3	21.6	24.8	27.9
Valuation Ratios				
EV / EBITDA	14.6	11.7	9.2	7.4
P/E	34.9	31.5	19.0	14.5
EV / Net Sales	1.5	1.1	0.9	0.8
Market Cap / Sales	1.4	1.1	0.9	0.8
Price to Book Value	3.1	2.9	2.6	2.2
Turnover Ratios				
Asset turnover	1.8	2.4	2.4	2.6
Debtors Turnover Ratio	4.5	6.6	6.1	6.1
Creditors Turnover Ratio	2.8	3.0	3.0	3.0
Solvency Ratios				
Net Debt / Equity	0.1	(0.0)	(0.0)	(0.1)
Current Ratio	1.4	1.4	1.4	1.4
Quick Ratio	1.3	1.2	1.2	1.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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