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Order book provides healthy visibility ...

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

Q4 & FY24 Performance: NCC reported standalone topline of ₹ 5488 crore, up 36% YoY led by strong execution and robust order book. EBITDA margins at 9.4% was down 120 bps YoY. Adj. PAT was up 37% YoY at ₹ 244 crore. For FY24, Revenues were up 37.2% YoY to ₹ 18314 crore. Adjusted Margin at 10% was largely stable YoY. Adj. PAT at ₹ 837 crore was up 47% YoY

Investment Rationale:

- 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 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 owing to elections in the first half. The topline growth guidance is ~15% for FY25. Given the robust orderbook, we expect healthy revenue CAGR of ~15% over FY24-26E to ₹ 24129 crore
- Strong earnings growth momentum & higher return ratios ahead:** The EBITDA margin guidance is 9.5% -10% 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 ~26% earnings CAGR over FY24-26E. The strong earnings momentum will translate into improvement in return ratios, with RoEs likely to expand to 15% 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 ₹ 320, at 15x FY26 P/E, and maintain our BUY rating on the stock



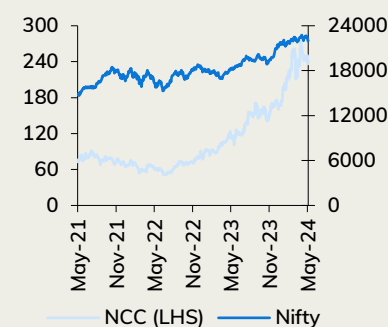
Particulars

Particular	₹ crore
Market Capitalization	17,159
Total Debt FY23	1,005
Cash FY23	1,044
EV	17,120
52 week H/L (₹)	278 / 100
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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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	24,129	14.8%
EBITDA	855	996	1,343	1,648	3.0%	2,105	2,534	24.0%
EBITDA Margin (%)	11.8	10.0	10.1	9.0		10.0	10.5	
Adj. PAT	261	344	569	837	8.2%	1,040	1,329	26.0%
Adj. EPS (₹)	4.3	5.6	9.1	10.1		16.6	21.2	
P/E (x)	63.7	34.0	30.1	27.2		16.5	12.9	
EV/EBITDA(x)	21.1	17.4	12.7	10.1		7.9	6.4	
RoNW (%)	4.9	5.9	9.0	12.3		13.5	15.0	
RoCE (%)	11.2	13.3	17.9	20.1		23.1	25.5	

Q4 & FY24 Performance highlights and outlook

- **Guidance** – The company has guided for an order booking of about ~₹ 20,000-22,000 crore, with ordering likely to be impacted owing to elections in the first half. The topline growth guidance given by the company is ~15% for FY25. The EBITDA margin guidance is ~9.5% - 10% amidst the competitive bidding scenario, and with company focussing on revenue growth momentum in FY25. It expects margins to continue its improvement trajectory over long term.
- **SPV smart meters project** - The company had secured three Smart Meters projects valuing ₹ 7403 crore, out of the three projects, for two projects in Maharashtra, SPVs have been executed for the smart metering project valuing ₹ 5756 crore. The work-sharing between SPV and NCC Ltd. the SPVs has given contract value of ₹ 3660 crore by retaining ₹ 2095 crore at SPV level. Total equity requirement for these projects is ₹ 500 crore. The company informed that the investment bankers have shown an interest to invest. For Bihar Smart Meter Project, NCC Ltd has already started the work, and erection is done for some sample testing meters. The sample testing is in progress by the client.
- **Jal Jeevan Missions project** - The total orders from Jal Jeevan mission was ₹ 16,900 crore, of which 53% has been executed by FY24. For Q4, ~₹ 1555 crore was executed from this segment. The company expects execution worth ₹ 6000 crore of Jal Jeevan project in FY25 and remaining in FY26
- **Malad & GMLR project** – The company received a large size project (waste Water treatment plant) valued ₹ 3802 crore a year back. It has received environmental clearance to proceed further with the execution of the project. the facilities are mobilised and in FY25, the project is expected to report decent progress. The company also won construction contract (TBM) of twin tunnel from Goregaon to Mulund (JV with J Kumar) worth ₹ 3214 crore (NCC share)
- **NCC Vizag** – The company has received ₹ 52 crore in FY24 and another ₹ 65 crore in May '24, aggregating to ₹ 119 crore. The balance ₹ 35 crore is expected to be received in FY25. Apart from that, it expects to receive ₹50 crore against the loan, from the buyer of the project.
- **Debt** – The gross debt has come down by ₹40 crore QoQ and now stands at ₹1,005 crore. The collection momentum remains strong. The net debt stood at ₹ 517 crore. The company also informed that out of total cash of ₹ 1044 crore, margin money was ₹ 660 crore.
- **Capex** - The company has also given a capex guidance of ₹ 250 crore to be spend in FY25 vs. ₹ 285 crore spent in FY24
- **Settled Major Legacy issues** –
 - **Sembcorp** – The arbitration tribunal has awarded a total amount of ₹198 crore out of which NCC has received ₹151 crore and balance of ₹45 crore is pending.
 - **Settlement of Taqa** – an amicable settlement has been reached between both the parties, NCC is required to pay an amount of ₹ 175 crore on instalments basis out of which ₹ 90 crore was paid in March '24 and balance of ₹ 85 crore is payable in two instalments in FY25.

Exhibit 1: Quarter Performance

	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	Comments
Net Sales	5,446.0	4,016.3	35.6	4,747.3	14.7	Topline aided by pick-up in execution
Other Income	41.7	31.0	34.6	26.3	58.6	
Total Construction Expenses	2,577.9	1,540.1	67.4	2,268.8	13.6	
Employee cost	178.5	136.6	30.7	173.3	3.0	
Other expenditure	2,179.9	1,915.8	13.8	1,825.5	19.4	
EBITDA	509.7	423.8	20.2	479.7	6.2	
EBITDA Margin (%)	9.4	10.6	-119 bps	10.1	-75 bps	
Depreciation	51.8	52.4	-1.1	52.8	-2.0	
Interest	154.3	141.4	9.1	154.8	-0.3	
Exceptional items	-56.6	0.0	NA	0.0	0.0	Exceptional item pertains to TAQA settlement impact
PBT	288.7	261.1	10.6	298.4	-3.2	
Taxes	101.4	83.4	21.6	85.2	19.0	
Adjusted PAT	243.9	177.7	37.3	213.2	14.4	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

₹ crore	FY23	FY24	FY25E	FY26E
Net Sales	13,351	18,314	21,053	24,129
Other Income	152	124	139	160
Total revenues	13,504	18,439	21,192	24,289
RM Exp.	4,751	7,277	7,642	8,711
Employee exp	520	641	737	844
Constr. exp	6,431	8,448	10,190	11,606
Other Exp	307	301	379	434
Total op exp.	12,009	16,666	18,947	21,595
EBITDA	1,343	1,648	2,105	2,534
Interest	510	595	613	652
Depreciation	200	209	228	248
PBT	785	911	1,403	1,794
Taxes	216	280	363	465
PAT	569	631	1,040	1,329
Adjusted PAT	569	837	1,040	1,329
EPS	9.1	10.1	16.6	21.2

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

₹ crore	FY23	FY24	FY25E	FY26E
Profit after Tax	569	631	1,040	1,329
Depreciation	200	209	228	248
Prov for Taxes	71	78	118	216
CF before wc changes	977	1,258	1,785	2,184
Change in WC	231	(181)	130	(889)
Taxes Paid	(131)	(209)	(291)	(363)
Net CF from op. activities	595	960	379	942
(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	(300)
Other	-	-	-	-
Net CF from fin. activities	(255)	(115)	(62)	(488)
Net Cash flow	87	399	67	204
Opening Cash	559	646	1,044	1,111
Closing Cash	646	1,044	1,111	1,315

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹ crore

₹ crore	FY23	FY24	FY25E	FY26E
Equity Capital	126	126	126	126
Reserve and Surplus	6,196	6,687	7,570	8,711
Shareholders funds	6,322	6,813	7,696	8,836
Total Debt	980	1,005	1,100	800
Other Non-curr. Liab.	-	-	-	-
Def. Tax Liability	(48)	(59)	(59)	(59)
Source of Funds	7,254	7,759	8,737	9,578
Gross Block	2,491	2,712	2,962	3,212
Less: Acc. Dep	1,328	1,537	1,765	2,013
Net Block	1,163	1,175	1,197	1,199
Capital WIP	22	40	40	40
Total Fixed Assets	1,185	1,215	1,237	1,239
Investments	1,095	1,286	1,286	1,286
Inventory	1,078	1,434	1,673	1,917
Sundry Debtors	2,945	2,791	3,461	3,966
Loans & Advances	372	369	519	595
Cash & Bank	646	1,044	1,111	1,315
Other Current Assets	7,514	8,382	9,635	11,043
Total Current Assets	12,554	14,019	16,399	18,836
Trade Payable	4,823	6,117	7,032	8,059
Provisions	129	150	173	198
Other Curr. Liabilities	3,346	3,251	3,737	4,283
Total Curr. Liabilities	8,298	9,518	10,942	12,540
Net Current Assets	4,256	4,501	5,457	6,296
Application of Funds	7,254	7,759	8,737	9,578

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

	FY23	FY24	FY25E	FY26E
Per Share Data				
Reported EPS	9.1	10.1	16.6	21.2
Cash EPS	12.2	13.4	20.2	25.1
BVPS	100.7	108.5	122.6	140.7
Operating Ratios				
EBITDA / Net Sales	10.1	9.0	10.0	10.5
PAT / Net Sales	4.3	4.6	4.9	5.5
Return Ratios				
RoE	9.0	12.3	13.5	15.0
RoCE	17.9	20.1	23.1	25.5
RoIC	17.3	21.6	24.7	27.8
Valuation Ratios				
EV / EBITDA	12.7	10.1	7.9	6.4
P/E	30.1	27.2	16.5	12.9
EV / Net Sales	1.3	0.9	0.8	0.7
Market Cap / Sales	1.2	0.9	0.8	0.7
Price to Book Value	2.7	2.5	2.2	1.9
Turnover Ratios				
Asset turnover	1.8	2.4	2.4	2.5
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%

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Reduce: -15% to -5%;

Sell: <-15%



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