

NCC

Positive surprise

NCC Ltd. reported better than expected execution during 1QFY21 with revenue at Rs 11.8bn (vs our estimate of Rs 9.7bn). After adjusting for tax credit of Rs 320mn, loss for the quarter stood at Rs 151mn, against our estimated loss of Rs 549mn. With order wins of Rs 26bn during the quarter, the orderbook now stands at Rs 279bn. Management expects capacity utilisation level to reach 80-90% by September end. We maintain BUY on NCC with a target price of Rs 48/sh as (1) core EPC valuation is inexpensive at 5x FY22E EPS and (2) there is improved visibility on net executable orderbook after removal/descoping of AP orders (3.4x book to bill ratio on FY20 revenue). Key risks to our estimates: (1) Deterioration in NWC days and (2) weak real estate monetisation.

- COVID-19 slows down execution further:** During 1QFY21, NCC registered revenue of Rs 11.8bn, decline of 46/46% YoY/QoQ as COVID-led lockdown impacted execution in the first half of the quarter. Despite the measures taken to manage employee benefits (-23%/-11% YoY/QoQ) and other expenses (-54%/-48% YoY/QoQ), EBITDA margin contracted to 9.8% (-238/-305bps, YoY/QoQ) on lower revenue base. Adjusting for the tax credit of Rs 320mn pertaining to the prior period, losses stood at Rs 151mn. With improvement in labour availability, management expects execution to reach 80-90% of previous year same period in 2QFY21.
- Orderbook at Rs279bn:** NCC had Rs 279bn of order backlog as of 1QFY21 end. Andhra orderbook stood at Rs 44bn, excluding slow-moving/cancelled AP orders. About 47% of the orderbook is from buildings & factories, and 17% from water. The rest is distributed among road, electrical, irrigation, mining, international and others. NCC won orders of Rs 26bn during the quarter, mainly in the water division. Management believes ordering activity would pick up from 2QFY21 (as the government tries to kick-start the economy) and is hopeful of achieving order wins of Rs 100bn in FY21.
- Balance sheet position remains stable:** Debt increased by Rs 1.4bn to Rs 22bn (Rs 20bn on FY20 end with net D/E at 0.37x) as the company took a COVID loan of Rs 1.5bn. While the company had not taken moratorium on loans in the March-May period, it has availed the moratorium for June to August period from the banks where interest payments are larger to maintain liquidity. Cash balance also remained stable at Rs 3.3bn (Rs 3.2bn on FY20 end). Payments from all the state governments have been stable except AP government. Management expects the Sembcorp issue to be resolved by September-20 and hopes to recover Rs 6-6.5bn. This could be a big positive for the company.

Quarterly/Annual Financial summary

YE March (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	11,788	21,877	(46.1)	21,820	(46.0)	1,20,798	82,188	70,791	88,068
EBITDA	1,156	2,666	(56.6)	2,805	(58.8)	14,230	10,302	7,753	10,040
APAT	(151)	813	(118.6)	1,037	(114.6)	6,229	4,147	1,328	3,086
Diluted EPS (Rs)	(0.3)	1.4	(118.6)	1.73	(114.6)	10.2	6.8	2.2	5.1
P/E (x)						3.0	4.6	14.2	6.1
EV / EBITDA (x)						2.5	3.5	4.5	3.5
RoE (%)						13.8	8.4	2.6	5.8

Source: Company, HSIE Research, Standalone financials

BUY

CMP (as on 12 Aug 2020)	Rs 31
Target Price	Rs 48
NIFTY	11,308

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 48	Rs 48
EPS %	FY21E	FY22E
	-	-

KEY STOCK DATA

Bloomberg code	NJCC IN
No. of Shares (mn)	610
MCap (Rs bn) / (\$ mn)	19/254
6m avg traded value (Rs mn)	802
52 Week high / low	Rs 72/16

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	33.4	(33.7)	(54.6)
Relative (%)	11.1	(26.0)	(56.7)

SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	19.57	19.31
FIs & Local MFs	18.42	13.41
FPIs	14.67	11.42
Public & Others	47.34	55.86
Pledged Shares	6.7	5.7

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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