

Retail Equity Research (South India Focus)

NBCC Ltd

Construction

BSE CODE : 534309

NSE CODE: NBCC

BLOOMBERG CODE: NBCC:IN

SENSEX : 49,744

BUY

12M Investment Period

Rating as per Small Cap

CMP Rs. 36 TARGET Rs. 45 RETURN 24% ↑

(Closing: 22-02-21)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Execution is picking up...

NBCC Ltd (NBCC) is a Navaratna Enterprise under Ministry of Urban development and their business verticals include, Project Management Consultancy (PMC), Engineering Procurement & Construction (EPC) and Real estate business .

- Q3FY21 revenue grew by 19% YoY led by pick up in execution in PMC segment (21% YoY) and improved labour availability.
- EBITDA margin improved by 181bps YoY due to fall in employee cost (-3% YoY) and other expenses (-22% YoY).
- Order book remains strong at Rs62,000cr, however, orders worth ~Rs18,500cr were in execution stage and NBCC targets to take total projects under execution to ~Rs27,000cr in FY21.
- NBCC got clearance for Nauroji & Netaji Nagar projects while Sarojini Nagar projects are awaiting forest clearances.
- We increase FY21E/22E revenue estimates by 15%/16% due to pick up in PMC execution and revival in real estate monetisation.
- We value NBCC's core business at a P/E of 20x on FY22E EPS & Rs5/share for land parcel held and revise our rating to Buy with a TP of Rs45.

Execution remains the key...

Q3FY21 standalone revenue increased by 19.2% YoY to Rs1,508cr (better than estimate) on account of pick up in PMC (21% YoY) execution and improving labour availability. Real estate revenue increased to Rs32cr (vs 16cr in Q3FY20) while EPC revenue declined by 34% YoY to Rs56cr. Pace of real estate monetisation remains the key catalyst for the coming year. The management expect execution to pick up from Q4FY21 onwards and has guided an ambitious revenue target of Rs 5500cr in FY21 (vs Rs6000cr) and Rs8,000cr in FY22E. Therefore, we increase FY21E/FY22E revenue estimate by 15%/16%, respectively.

Strong order book...

NBCC's OB remains strong at Rs620bn which is ~14x TTM revenue. Out of which the company has already started construction of Rs18,500cr of projects. NBCC has further awarded projects of ~Rs9600cr and plans to award an additional Rs3,000cr projects in Q4FY21. The company is targeting to achieve total projects under execution to Rs27,000cr in FY21. NBCC awaiting forest clearances for Sarojini Nagar which is expected in the coming months. Future projects awarding remains key for FY22E execution which depends on project clearances.

EBITDA margin improved...

Improved margins in PMC business and higher contribution from high margin real estate business led to an increase of 181bps YoY in EBITDA margin to 2.8% in Q3FY21. As per management, EBITDA margin is expected to improve to 1.2% in FY21 owing to pick up in execution. The company reported a PAT of Rs104cr (198% YoY) compared to Rs35cr in Q3FY20.

Valuations

Strong order book and pick up in execution are providing growth visibility. We expect pace of monetisation of real estate in redevelopment projects would remain the key catalyst for top-line growth. We value NBCC's core business at a P/E of 20x on FY23E EPS and book value of land parcel at Rs5/share to arrive at SOTP target price of Rs45.

Company Data

Market Cap (cr)	₹ 6534.0
Enterprise Value (cr)	₹ 4773.1
Outstanding Shares (cr)	180.0
Free Float	38.25%
Dividend Yield	0.56%
52 week high	Rs.40
52 week low	Rs.14
6m average volume (cr)	0.3
Beta	1.4
Face value	Rs.1

Shareholding (%)	Q1FY21	Q2FY21	Q3FY21
Promoters	61.75	61.75	61.75
FII's	3.88	2.92	2.04
MFs/Insti	12.35	11.9	11.64
Public	22.02	23.42	24.54
Total	100.0	100.0	100.0
Promoter pledge	NA	NA	NA

Price Performance	3 month	6 Month	1 Year
Absolute Return	33%	10%	11%
Absolute Sensex	19%	35%	26%
Relative Return*	14%	-25%	-15%

over or under performance to benchmark index



Standalone (cr)	FY21E	FY22E	FY23E
Sales	5,209	6,459	7,457
Growth (%)	0.0	24.0	15.5
EBITDA	62	154	274
EBITDA Margin(%)	1.2	2.4	3.7
PAT Adj.	178	258	364
Growth (%)	122.7	44.8	41.5
Adj.EPS	1.0	1.4	2.0
Growth (%)	122.7	44.8	41.5
P/E	37.2	25.7	18.2
P/B	1.3	1.2	1.0
EV/EBITDA	72.4	28.3	14.6
ROE (%)	11.2	14.7	18.3
D/E	0.0	0.0	0.0

Antu Eapen Thomas
Research Analyst

SOTP Valuation

Particulars	Value (Rs Cr)	No. of shares	Value/Share (Rs)	Rationale
Standalone			40	P/E 20x FY23E EPS
Land parcel	1,654	180	5	0.5x P/BV
Total Value per share			45	

Quarterly Financials (Standalone)

Profit & Loss

Rs cr)	Q3FY21	Q3FY20	% YoY Growth	Q2FY21	% QoQ Growth	9MFY21	9MFY20	% YoY Growth
Sales	1508	1266	19.2	1007	49.8	2951	3621	-18.5
EBITDA	42	12	247.7	9	380.8	23	-3	-937.4
EBITDA margins %	2.8	0.9	181bps	0.9	1.90	0.8	-0.1	0.86
Depreciation	1	1	-21.0	0.6	-3.0	2	2	-18.7
EBIT	41	11	264.8	8.1	408.5	21	-5	-531.4
Interest	1	1	3.4	1.4	1.3	4	5	-23.2
Other Income	45	40	14.6	39.8	13.7	125	189	-33.7
Exceptional Items								
PBT	85	49	71.8	46.5	82.5	142	179	-20.3
Tax	3	14	-78.6	12.4	-75.1	19	147	-87.3
Share of profit from Associate								
Minority Interest								
Reported PAT	104	35	197.6	34.1	205.1	146	31	365.9
Adjustments								
Adj PAT	104	35	197.6	34.1	205.1	146	31	365.9
No. of Shares	180	180				180	180	
EPS (Rs)	0.6	0.2	197.6	0.2	205.1	0.8	0.2	365.9

Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change %	
	FY21E	FY22E	FY21E	FY22E	FY23E	FY21E	FY22E
Revenue	4,534	5,580	5,209	6,459	7,457	14.9	15.7
EBITDA	40	189	62	154	274	54.6	-18.5
Margins (%)	0.9	3.4	1.2	2.4	3.7	31bps	-100bps
Adj. PAT	150	297	178	258	364	18.6	-13.3
EPS	0.8	1.7	1.0	1.4	2.0	18.6	-13.3

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Sales	7,245	5,210	5,209	6,459	7,457
% change	23	-28.1	0	24	15
EBITDA	374	16	62	154	274
% change	-6	-95.8	296	149	78
Depreciation	3	3	2	3	3
EBIT	372	13	59	151	272
Interest	1	7	6	6	6
Other Income	187	235	179	198	221
PBT	558	241	233	344	486
% change	11	-56.8	-4	48	41
Tax	174	161	55	86	121
Tax Rate (%)	31	67	24	25	25
Reported PAT	384	80	178	258	364
Adj.*	0	0	0	0	0
Adj. PAT	384	80	178	258	364
% change	15	-79	122.7	44.8	41.5
No. of shares (cr)	180	180	180	180	180
Adj EPS (Rs)	2.1	0	1.0	1.4	2.0
% change	15	-79	122.7	44.8	41.5
DPS (Rs)	0.5	0.1	0.2	0.3	0.5

BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	1,581	1,761	2,149	2,264	2,618
Accounts Receivable	2,108	1,365	1,570	1,911	2,206
Inventories	1,832	1,767	1,814	2,032	2,307
Other Cur. Assets	1,879	2,050	2,069	2,283	2,635
Investments	345	335	345	355	365
Gross Fixed Assets	73	76	79	82	85
Net Fixed Assets	72	59	64	64	65
CWIP	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Def. Tax (Net)	401	303	304	306	308
Other Assets	81	125	75	75	75
Total Assets	8,299	7,765	8,390	9,290	10,580
Current Liabilities	6,579	6,098	6,574	7,257	8,241
Provisions	156	144	157	177	204
Debt Funds	0	0	0	0	0
Other Liabilities	0	0	0	0	0
Equity Capital	180	180	180	180	180
Reserves & Surplus	1,385	1,344	1,480	1,676	1,955
Shareholder's Fund	1,565	1,524	1,660	1,856	2,135
Total Liabilities	8,299	7,765	8,390	9,290	10,580
BVPS	26	25	28	31	36

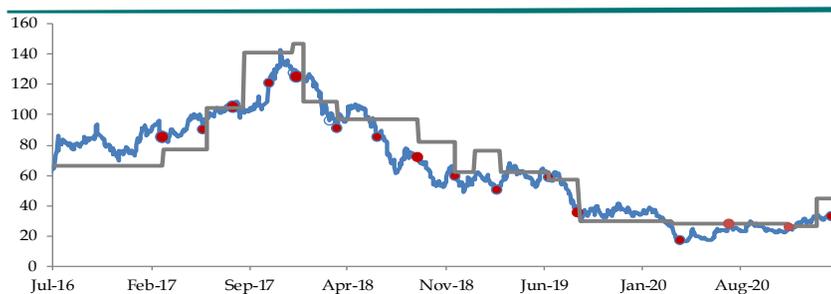
CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Net inc. + Depn.	387	83	180	260	367
Non-cash adj.	-312	50	52	1	0
Changes in W.C	1,131	144	218	-69	88
C.F. Operation	1,203	273	448	189	453
Capital exp.	-3	-3	-3	-3	-3
Change in inv.	-285	10	-10	-10	-10
Other invest.CF	0	0	0	0	0
C.F - Investment	-288	7	-13	-13	-13
Issue of equity	0	0	0	0	0
Issue/repay debt	16	7	0	0	0
Dividends paid	-91	-19	-42	-61	-86
Other finance.CF	-560	0	-93	0	0
C.F - Finance	-634	-12	-135	-61	-86
Chg. in cash	281	269	299	115	354
Closing cash	1,581	1,850	2,149	2,264	2,618

RATIOS

Y.E March	FY19A	FY20A	FY21E	FY22E	FY23E
Profitab & Return					
EBITDA margin (%)	5.2	0.3	1.2	2.4	3.7
EBIT margin (%)	5.1	0.2	1.1	2.3	3.6
Net profit mgn.(%)	5.3	1.5	3.4	4.0	4.9
ROE (%)	22.7	5.2	11.2	14.7	18.3
ROCE (%)	15.0	4.1	8.8	11.2	13.8
W.C & Liquidity					
Receivables (days)	110.0	121.6	102.8	98.4	100.8
Inventory (days)	99.0	136.9	136.2	119.3	118.5
Payables (days)	347.7	482.3	481.9	428.8	423.1
Current ratio (x)	1.1	1.1	1.1	1.1	1.2
Quick ratio (x)	0.6	0.5	0.2	0.3	0.3
Turnover & Leverage					
Gross asset T.O (x)	100.9	69.6	66.9	79.9	89.0
Total asset T.O (x)	0.9	0.6	0.6	0.7	0.8
Int. covge. ratio (x)	611.8	1.9	10.8	25.2	43.8
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	0.7	0.9	0.9	0.7	0.5
EV/EBITDA (x)	13.5	311.3	72.4	28.3	14.6
P/E (x)	17.2	82.9	37.2	25.7	18.2
P/BV (x)	1.4	1.4	1.3	1.2	1.0

Recommendation Summary



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
03-September-2014	Buy	38*
05-June-2015	Hold	49
23-February-2016	Accumulate	66
28-February-2017	Reduce	78
01-June-2017	Hold	105
22-August-2017	Accumulate	114
13-October-2017	BUY	142
21-December-2017	BUY	147
10-March-2018	BUY	109
11-June-2018	Accumulate	97
03-September-2018	BUY	97
21-November-2018	BUY	76
27-February-2019	BUY	62
12-June-2019	Reduce	57
19-August-2019	Reduce	30
05-March-2020	Hold	28
13-July-2020	Hold	28
20-November-2020	Hold	26
23-February-2021	BUY	45

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

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: 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.

General Disclosures and Disclaimers

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 greater than 1% 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 greater than 1% 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 the 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. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, 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

