

# NBCC Ltd (NBCC)

**₹ 68**

## HC ban on tree felling to stay till further order

Media reports indicate that the Delhi High Court (HC) has maintained its stay on tree felling until further orders. Also, the National Green Tribunal (NGT) has ordered not to fell trees for redevelopment of government colonies till July 19, 2018. Previously, the Delhi High Court had directed NBCC to stop tree felling till July 4, 2018. This decision came after a PIL was filed, which sought setting aside of terms of reference (ToR) and environment clearances (EC) granted to the project by the Environment Ministry, saying it would lead to felling of over 16500 trees. The six south Delhi colonies where the trees would be felled are Sarojini Nagar, Naoroji Nagar, Netaji Nagar, Thyagaraja Nagar, Mohammadpur and Kasturba Nagar.

### Ban on tree felling could impact execution...

NBCC and Central Public Works Department (CPWD) are redeveloping six government colonies in Delhi. Of these, NBCC is redeveloping Sarojini Nagar, Netaji Nagar and Nauroji Nagar. A PIL was filed in Delhi HC, which sought setting aside of the terms of reference (ToR) and the environment clearances (EC) granted to the project by the Environment Ministry, saying it would lead to felling of over 16500 trees. With that regards, media reports indicate that Delhi HC directed NBCC to stop tree felling indefinitely until further orders. Also, media reports indicate that NBCC has directed its architects to revisit the layout plans in order to minimise the tree felling for the redevelopment of three government colonies. The current ban could delay NBCC's execution as these three government colonies worth ₹ 25000 crore form a major chunk of NBCC's orderbook.

### Maintain BUY with revised target price of ₹ 95/ share...

The recent development regarding ban on tree felling is currently sub judice. Hence, on the safer side, we are delaying execution on NBCC's three colonies by a year. This has led to a sharp reduction in our earnings estimates (~15-17%). Nonetheless, we continue to like NBCC from long term perspective given its unique business model (PWO status leading to awarding of contract on nomination basis) and huge opportunities ahead. Hence, we continue to maintain our **BUY** rating on the stock with an SOTP based target price of ₹ 96 (implying ~32x FY20E EPS). We value NBCC's PMC and redevelopment business on DCF based methodology and have now consider discounting rate of 13% (12% earlier) for PMC and 14% (13% earlier) for the redevelopment business. We value NBCC's PMC business at ₹ 51/share & re-development opportunities at ₹ 37/share. The real estate business has been valued at ₹ 7/share (at 0.7x P/BV) while the EPC business has been valued at ₹ 1/share (5x FY20E EV/EBIT).

#### Exhibit 1: SoTP valuation summary

SOTP valuation	Equity Value (₹ crore)	₹ per share	Comments
PMC Business	9151	51	DCF based valuation
Re-development Business	6731	37	DCF based valuation
Real Estate Business	1190	7	at 0.7x P/BV
EPC	249	1	at 5x FY20E EV/EBIT
<b>Total</b>	<b>17321</b>	<b>96</b>	
<b>Rounded off Target Price</b>		<b>95</b>	

Source: Company, ICICI Direct Research

#### Rating Matrix

Rating	:	Buy
Target	:	₹ 95
Target Period	:	18-24 months
Potential Upside	:	40%

#### Key Financials

₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	6,211.2	5,871.7	6,218.5	9,632.1
EBITDA	402.4	399.4	424.5	707.6
Net Profit	351.1	333.6	353.7	545.2
EPS (₹)	2.0	1.9	2.0	3.0

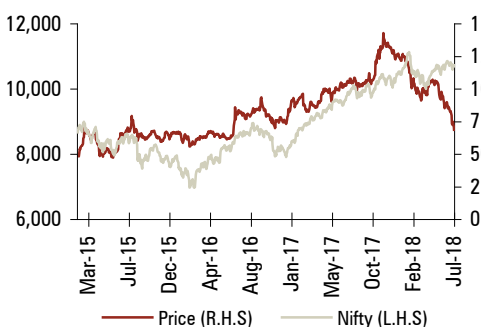
#### Valuation Summary

(x)	FY17	FY18E	FY19E	FY20E
P/E	34.8	36.7	34.6	22.4
Target P/E	48.7	51.3	48.3	31.4
EV / EBITDA	26.4	26.3	25.0	14.4
P/BV	7.3	6.7	6.1	5.4
RoNW (%)	21.0	18.3	17.7	24.0
RoCE (%)	28.1	26.5	25.7	35.1

#### Stock Data

Particular	Amount (₹ crore)
Market Capitalization	12,231.0
Total Debt	0.0
Cash	1,713.5
EV	10,517.5
52 week H/L (₹)	146 / 67
Equity capital	180.0
Face value	₹ 1

#### Price Movement



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## Financial summary

Profit and loss statement		₹ Crore			
(₹ Crore)	FY17	FY18	FY19E	FY20E	
Net Sales	6,211.2	5,871.7	6,218.5	9,632.1	
Other income	88.6	106.1	111.4	117.0	
Total revenues	6,368.0	6,011.1	6,364.9	9,785.9	
Raw Material Expense	5,493.7	5,097.4	5,300.7	8,213.1	
Employee benefit expenses	236.1	309.7	371.6	445.9	
Other Expenses	79.0	65.2	121.7	265.6	
EBITDA	402.4	399.4	424.5	707.6	
Interest	0.7	0.2	0.2	0.3	
Depreciation	2.6	2.7	3.0	3.1	
Other income	88.6	106.1	111.4	117.0	
PBT	487.7	502.6	532.7	821.1	
Taxes	136.6	169.0	179.0	275.9	
PAT	351.1	333.6	353.7	545.2	
PAT Growth rate	22.4	(5.0)	6.0	54.1	
Adjusted EPS (Diluted)	2.0	1.9	2.0	3.0	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(₹ Crore)	FY17	FY18P	FY19E	FY20E	
<b>Liabilities</b>					
Equity Capital	180.0	180.0	180.0	180.0	
Reserve and Surplus	1,493.6	1,641.4	1,817.1	2,087.9	
Total Shareholders funds	1,673.6	1,821.4	1,997.1	2,267.9	
Total Liabilities	1,740	1,895	2,071	2,341	
<b>Assets</b>					
Gross Block	68.3	69.6	76.3	80.3	
Less Acc. Dep	5.0	7.7	10.7	13.8	
Net Block	63.3	61.8	65.6	66.5	
Investments	104.8	58.6	558.6	558.6	
Inventory	1,570.4	1,657.5	1,543.7	2,391.1	
Sundry Debtors	2,186.6	2,258.5	1,959.2	3,034.8	
Loans & Advances	784.0	2,174.0	784.9	1,215.8	
Cash & Bank Balances	1,553.0	1,713.5	1,597.7	2,019.1	
Other Current Assets	426.5	608.5	608.5	608.5	
Total Current Assets	6,520.4	8,412.1	6,494.1	9,269.3	
Trade Payable	2,543.3	2,993.8	2,044.4	3,166.7	
Other Current Liabilities	1,463.5	1,859.7	1,994.4	2,711.3	
Provisions	104.0	150.5	155.1	199.9	
Other Financial Liabilities	738.5	824.6	739.4	1,145.2	
Net Current Assets	1,409.1	1,589.1	1,261.1	1,531.0	
Total Assets	1,740	1,895	2,071	2,341	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(₹ Crore)	FY17	FY18E	FY19E	FY20E	
Profit after Tax	351.1	333.6	353.7	545.2	
Depreciation	2.6	2.7	3.0	3.1	
Interest	0.0	0.0	0.0	0.0	
Others	(357.7)	(298.6)	(388.9)	(1,391.8)	
Cash Flow before wc changes	132.6	206.8	146.9	(567.5)	
Net Increase in Current Assets	227.9	23.5	98.4	998.9	
Net Increase in Current Liabilities	78.6	(63.7)	212.2	151.5	
Net CF from operating activities	439.1	166.5	457.5	582.8	
(Purchase)/Sale of Fixed Assets	(4.2)	(1.3)	(6.7)	(4.0)	
Net CF from Investing activities	145.2	158.1	(395.3)	113.0	
Inc / (Dec) in Equity Capital	-	-	-	-	
Dividend	(201.8)	(167.9)	(178.0)	(274.4)	
Net CF from Financing activities	(208.0)	(167.9)	(178.0)	(274.4)	
Net Cash flow	376.2	156.7	(115.9)	421.4	
Opening Cash	720.2	1,553.0	1,713.5	1,597.7	
Closing Cash/ Cash Equivalent	1,096.4	1,709.7	1,597.7	2,019.1	

Source: Company, ICICI Direct Research

Key ratios		FY17	FY18E	FY19E	FY20E
<b>Per Share Data (₹)</b>					
EPS - Diluted		2.0	1.9	2.0	3.0
Cash EPS		2.0	1.9	2.0	3.0
Book Value		9.3	10.1	11.1	12.6
Dividend per share		1.0	0.9	1.0	1.5
<b>Operating Ratios (%)</b>					
EBITDA / Net Sales		6.5	6.8	6.8	7.3
PAT / Net Sales		5.7	5.7	5.7	5.7
Inventory Days		92.3	103.0	90.6	90.6
Debtor Days		128.5	140.4	115.0	115.0
Creditor Days		149.5	186.1	120.0	120.0
<b>Return Ratios (%)</b>					
RoNW		21.0	18.3	17.7	24.0
RoCE		28.1	26.5	25.7	35.1
<b>Valuation Ratios (x)</b>					
EV / EBITDA		26.9	26.8	25.5	14.7
P/E (Diluted)		35.4	37.2	35.1	22.8
EV / Net Sales		1.7	1.8	1.7	1.1
Market Cap / Sales		2.0	2.1	2.0	1.3
Price to Book Value		7.4	6.8	6.2	5.5
Dividend yield		1.4	1.4	1.4	2.2
<b>Solvency Ratios (x)</b>					
Net Debt / Equity		(1.0)	(0.9)	(0.8)	(0.9)
Current Ratio		1.1	1.1	1.1	1.1
Quick Ratio		0.7	0.8	0.7	0.7

Source: Company, ICICI Direct Research

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