

NCC

Bright prospects in the near term

NCC's Q4FY23 revenue/EBITDA/APAT came in at INR 40.2/4.2/1.8bn, beating our estimates on all fronts by 11.2/13.7/9.7%. With an inflow of INR 132.8bn in Q4FY23, the FY23 order inflow (OI) stood at INR 259bn (its highest ever annual inflow), taking the order book (OB) as of Mar'23 to an all-time high of INR 502.4bn (~3.8x FY23 revenue). The company guided for (1) debt reduction by another INR 2bn by FY24-end and (2) incurring a capex of INR 2.8bn. The OB for the AP project stands at INR 31.3bn. With the conclusion of the Sembcorp arbitration case, the company is expecting the pay out in H2FY24. It guided for FY24 revenue to grow by 20% YoY with an EBITDA margin of 10-10.15% and an OI of INR 260bn. Given the robust order book, pick-up in execution, and robust balance sheet, we recalibrate our FY24/25E EPS by -3.6/4.9%. We maintain BUY on NCC, with an increased TP of INR 137 (9x Mar-25E EPS).

- Q4FY23 financial highlights:** NCC reported revenue of INR 40.2bn (+28.1/+19.1% YoY/QoQ, an 11.2% beat). EBITDA came in at INR 4.2bn (+58.8/+21.5% YoY/QoQ, a 13.7% beat). EBITDA margin was 10.6% (+204/+10bps YoY/QoQ, vs. our estimate of 10.3%, owing to lower employee expenses and better absorption of overheads, partly offset by higher input and raw material prices). Depreciation came in at INR 524mn (+14.8/2.8% YoY/QoQ). Interest cost came in at INR 1.4bn, (+14.8/+2.6% YoY/QoQ). Other income came in at INR 310mn (-31.2/-46.1% YoY/QoQ). Consequently, APAT came in at INR 1.8bn (+65.8/+18.5% YoY/QoQ, a 9.7% beat). NCC guided for FY24 revenue to grow at 20% YoY with an EBITDA margin similar to the FY22 level. Also, it expects the PAT margin to grow by 50bps YoY.
- All-time high OB; well diversified:** With an inflow of INR 132.8bn in Q4, the FY23 OI stood at INR 259bn (its highest ever annual inflow), taking the OB as of Mar'23 to its all-time high of INR 502.4bn (~3.8x FY23 revenue). Buildings/electrical/water and railways/transportation/mining contributed 41/21/16/12/12% of the FY23OI. Business-wise, the OB is well diversified into building/water and railways/electrical/transportation/mining/others at 46/16/14/12/10/2%. AP project OB stands at INR 31.3bn. It guided for FY24 OI at ~INR 260bn.
- Robust balance sheet:** Gross standalone debt reduced to INR 9.8bn as of Mar'23 vs. INR 19.5bn as of Dec'22. The company expects debt to reduce further by INR 2bn FY24-end. NCC has incurred a capex of INR 2.3bn in FY23 and guided for FY24 capex of INR 2.8bn.

Standalone Financial Summary (INR mn)

Particulars	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	40,163	31,343	28.1	33,727	19.1	99,300	1,33,513	1,53,540	1,71,965
EBITDA	4,238	2,669	58.8	3,488	21.5	9,961	13,425	15,277	17,197
APAT	1,777	1,071	65.8	1,499	18.5	3,460	5,692	7,024	8,325
EPS (INR)	2.9	1.8	65.8	2.46	18.5	5.7	9.3	11.5	13.7
P/E (x)						20.4	12.4	10.0	8.5
EV/EBITDA (x)						7.7	5.5	5.1	4.4
RoE (%)						6.2	9.4	10.5	11.3

Source: Company, HSIE Research

Standalone Estimate Change Summary

Particulars	FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	1,53,540	1,44,335	6.4	1,71,965	1,57,717	9.0
EBITDA	15,277	15,444	(1.1)	17,197	16,639	3.3
EBITDA (bps)	10.0	10.7	(75.0)	10.0	10.6	(55.0)
APAT	7,024	7,284	(3.6)	8,325	7,935	4.9

Source: Company, HSIE Research

BUY

CMP (as on 29 May 23)	INR 116
Target Price	INR 137
NIFTY	18,599

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 130	INR 137
EPS Change %	FY24E -3.6	FY25E +4.9

KEY STOCK DATA

Bloomberg code	NJCC IN
No. of Shares (mn)	628
MCap (INR bn) / (\$ mn)	73/888
6m avg traded value (INR mn)	757
52 Week high / low	INR 127/51

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	30.1	39.7	89.4
Relative (%)	23.5	39.4	74.9

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	21.99	22.00
FIs & Local MFs	12.35	12.87
FPIs	15.76	19.96
Public & Others	49.90	45.17
Pledged Shares	1.20	0.73

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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