

NCC

Outperformance on order inflows

NCC's Q1FY24 revenue/EBITDA/APAT came in at INR 38.4/3.8/1.6bn, beating our estimates by 7.2/5.1/12.2%. EBITDA margin was 9.9% (+41/-64bps YoY/QoQ, vs. our estimate of 10.1%, owing to higher input and raw material prices, partly offset by lower employee expenses and better absorption of overheads). NCC recorded FYTD24/Q1FY24 order booking of INR 130bn+/81.5bn (vs. guidance of INR 260bn+, 50% met), taking the OB as of Jun'23 to an all-time high of INR 541.1bn (~4.1x FY23 revenue). With the conclusion of the Sembcorp arbitration case, the company is expecting the pay-out in H2FY24. It reiterated its FY24 revenue guidance to grow at 20% YoY with an EBITDA margin similar to the FY22 level. Also, it continues to expect the PAT margin to grow by 50bps YoY. The company guided for (1) FY24-end debt to be below INR 8bn and (2) incurring a capex of INR 2.7bn, of which INR 0.2bn incurred in Q1FY24. Given the all-time high order book, execution ramp-up, and robust balance sheet, we recalibrate FY24/25E estimates higher and increase our PE multiple to 11x from 10x earlier. We maintain BUY on NCC, with an increased TP of INR 174 (11x Jun-25E EPS rolled over).

- Q1FY24 financial highlights:** NCC reported revenue of INR 38.4bn (+29.7/-4.4% YoY/QoQ, a 7.2% beat). EBITDA came in at INR 3.8bn (+35.3/-10.2% YoY/QoQ, a 5.1% beat). EBITDA margin was 9.9% (+41/-64bps YoY/QoQ, vs. our estimate of 10.1%, owing to higher input and raw material prices, partly offset by lower employee expenses and better absorption of overheads). Consequently, RPAT/APAT came in at INR 1.6bn (+35.2/-8.7% YoY/QoQ, a 12.2% beat). NCC reiterated its FY24 revenue guidance 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 81.5bn (ex L1 INR 30b and Jul-23 order booking of INR 19bn) in Q1FY24 (vs. guidance of INR 260bn+), the OB as of Jun'23 stood at an all-time high of INR 541.1bn (~4.1x FY23 revenue). Buildings/electrical/water and railways/transportation contributed 69/21/9/1% of the Q1FY24OI. Business-wise, the OB is well-diversified into building/water and railways/electrical/transportation/mining at 50/15/15/11/9%.
- Robust balance sheet:** Gross standalone debt increased to INR 13.1bn as of Jun'23 vs. INR 9.8bn as of Mar'23, owing to seasonality in collections. The company expects to end the year with debt of less than INR 8bn. NCC has incurred a capex of INR 270-280mn in Q1FY24 and guided for FY24 capex of INR 2.8bn, excluding the capex for recent GMLR tunnelling project/any high-ticket wins.

Standalone Financial Summary (INR mn)

Particulars	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	38,383	29,586	29.7	40,163	(4.4)	1,33,513	1,61,551	1,85,784	2,08,078
EBITDA	3,806	2,812	35.3	4,238	(10.2)	13,425	16,155	18,764	20,704
APAT	1,623	1,200	35.2	1,777	(8.7)	5,692	7,391	9,312	10,723
EPS (INR)	2.7	2.0	35.2	2.91	(8.7)	9.3	12.1	15.3	17.6
P/E (x)						16.6	12.8	10.1	8.8
EV/EBITDA (x)						7.3	6.4	5.3	4.6
RoE (%)						9.4	11.1	12.4	12.7

Source: Company, HSIE Research

Standalone Estimate Change Summary

Particulars	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenues	1,61,551	1,53,540	5.2	1,85,784	1,71,965	8.0	2,08,078	-	-
EBITDA	16,155	15,277	5.7	18,764	17,197	9.1	20,704	-	-
EBITDA (bps)	10.0	10.0	5.0	10.1	10.0	10.0	10.0	-	-
APAT	7,391	7,024	5.2	9,312	8,325	11.9	10,723	-	-

Source: Company, HSIE Research

BUY

CMP (as on 11 Aug 2023)	INR 155
Target Price	INR 174
NIFTY	19,428

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 137	INR 174	
EPS Change %	FY24E +5.2	FY25E +11.9	FY26E -

KEY STOCK DATA

Bloomberg code	NJCC IN
No. of Shares (mn)	628
MCap (INR bn) / (\$ mn)	97/1,189
6m avg traded value (INR mn)	723
52 Week high / low	INR 162/63

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	32.4	65.1	135.8
Relative (%)	26.9	57.5	125.7

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	22.00	22.00
FIs & Local MFs	12.87	12.29
FPIs	19.96	22.46
Public & Others	45.17	43.25
Pledged Shares	0.73	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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