

India

**REDUCE** (no change)

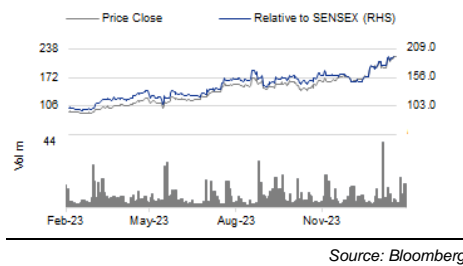
Consensus ratings\*: Buy 13 Hold 2 Sell 1

Current price:	Rs219
Target price:	Rs150
Previous target:	Rs107
Up/downside:	-31.5%
InCred Research / Consensus:	-21.9%
Reuters:	NCCL.NS
Bloomberg:	NJCC.IN
Market cap:	US\$1,659m Rs137,624m
Average daily turnover:	US\$14.5m Rs1199.3m
Current shares o/s:	609.9m
Free float:	80.3%

\*Source: Bloomberg

**Key changes in this note**

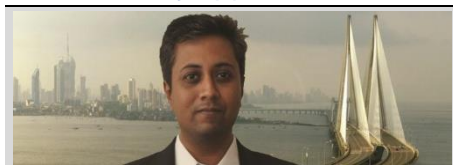
- Raise FY24F/25F EBITDA by 14%/ 10%.
- Introduce FY26F estimates.
- Roll forward our target price to Mar 2025F.



Price performance	1M	3M	12M
Absolute (%)	25.7	40.3	132.0
Relative (%)	25.6	27.3	97.5

Major shareholders	% held
Promoter and Promoter group	19.7
Rakesh Jhunjunwala and family	12.8
IDFC Sterling Value Fund	3.4

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# NCC Ltd

## Strong execution in 3Q, but orders dry up

- 3QFY24 EBITDA grew 37% yoy, 5% above our estimate. New orders have dried up, resulting in the OB/sales ratio declining to 3.4x (vs. 3.9x in 2QFY24).
- OB/sales ratio was lower than the average over FY19-24F (3.8x) when the sales CAGR was 8%. We expect an 8% sales CAGR over FY24F-26F.
- We roll forward our target price to Mar 2025F. Maintain REDUCE rating.

### Strong execution in 3QFY24 is in line with expectations

3QFY24 standalone sales (Rs47.5bn) /EBITDA (Rs4.8bn) of NCC grew 43%/ 37% yoy, and were 4%/ 5% above our estimates, respectively. NCC expects ~35% yoy rise in sales in FY24F (in line with our estimate). While the sales guidance for FY25F is awaited, NCC expects ~10% EBITDA margin in FY25F, similar to that in 9MFY24.

### New orders dried up which led OB/sales ratio to decline to 3.4x

During 1HFY24, NCC won orders worth Rs195bn. New orders dried up in 3QFY24 (just Rs8bn). Management gave guidance regarding Rs260bn of orders in FY24F. Out of the orders won in 2QFY24, two projects worth Rs80.8bn (smart metering projects) are Design-Build Finance-Own-Operate-Transfer projects. We expect these projects to be asset-heavy and likely to be a drag on NCC's balance sheet. The order book or OB/sales ratio declined from 3.9x (Sep 2023) to 3.4x (Dec 2023) and we expect it to decline to 3.2x in Mar 2024F. While the OB/sales ratio is healthy, we note that over FY19-24F the average OB/ sales ratio was at 3.8x and sales grew at a CAGR of 8%. We forecast an 8% EPC sales CAGR over FY24F-26F, similar to the FY19-24F CAGR. We factor in a 10% EBITDA margin in FY25F-26F.

### Roll forward our target price to Mar 2025F; maintain REDUCE rating

After the strong performance in 9MFY24, we raise our FY24F/25F EBITDA estimates by 14%/10%, respectively, and introduce FY26F estimates. We roll forward our valuation to Mar 2025F, valuing the EPC business at 6x FY26F EV/EBITDA, similar to its last six-year median (5.9x). However, the stock trades at an expensive valuation of 8.5x FY25F EV/EBITDA. We raise our target price to Rs150 (Rs107 earlier) and maintain REDUCE rating. Upside risk: Strong order wins in FY25F (vs. our estimate of Rs170bn).

### Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	111,380	155,534	203,308	212,372	231,247
Operating EBITDA (Rsm)	10,238	14,590	19,609	20,661	22,727
Net Profit (Rsm)	4,824	6,092	8,938	9,490	10,079
Core EPS (Rs)	4.6	10.1	14.2	15.1	16.1
Core EPS Growth	(0.7%)	120.4%	41.3%	6.2%	6.2%
FD Core P/E (x)	27.71	22.27	15.40	14.50	13.65
DPS (Rs)	2.0	2.2	0.7	0.7	0.7
Dividend Yield	1.09%	1.20%	0.39%	0.38%	0.41%
EV/EBITDA (x)	15.83	11.45	8.72	10.30	11.15
P/FCFE (x)	37.13	45.01	47.66	(131.55)	466.60
Net Gearing	49.0%	49.0%	46.0%	91.9%	126.5%
P/BV (x)	2.39	2.23	1.96	1.74	1.55
ROE	5.2%	10.6%	13.6%	12.7%	12.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Strong execution in 3Q, but orders dry up

Figure 1: Standalone financials

(Rs. m)	Quarter ended				
	3QFY24	3QFY23	% Chg	2QFY24	% Chg
Net Sales	47,469	33,127	43	44,826	6
<b>EBITDA</b>	<b>4,793</b>	<b>3,488</b>	<b>37</b>	<b>4,779</b>	<b>0</b>
Other income	263	574	-54	285	-8
PBIDT	5,056	4,062	24	5,064	0
Depreciation	528	509	4	525	1
Interest	1,548	1,378	12	1,538	1
PBT	2,980	2,175	37	3,001	-1
Tax	852	677		317	
<b>Adjusted PAT</b>	<b>2,128</b>	<b>1,499</b>	<b>42</b>	<b>2,684</b>	<b>-21</b>
Extraordinary income	-	-	-	-1,994	
<b>Reported PAT</b>	<b>2,128</b>	<b>1,499</b>	<b>42</b>	<b>690</b>	<b>208</b>
<b>EBITDA margin (%)</b>	<b>10.1</b>	<b>10.5</b>		<b>10.7</b>	

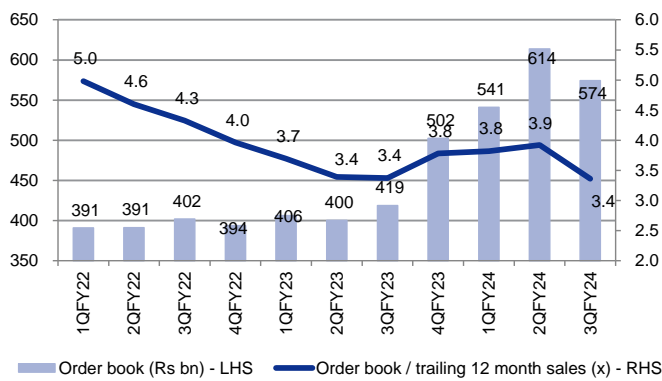
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Consolidated financials

(Rs. m)	Quarter ended				
	3QFY24	3QFY23	% Chg	2QFY24	% Chg
Net Sales	52,601	38,496	37	49,190	7
<b>EBITDA</b>	<b>5,054</b>	<b>3,764</b>	<b>34</b>	<b>5,031</b>	<b>0</b>
Other income	277	541	-49	268	3
PBIDT	5,331	4,305	24	5,299	1
Depreciation	535	516	4	532	1
Interest	1,559	1,382	13	1,535	2
PBT	3,237	2,408	34	3,232	0
Tax	942	738	28	388	143
Minority Interest	89	92	-	77	-
<b>Adjusted PAT</b>	<b>2,207</b>	<b>1,577</b>	<b>40</b>	<b>2,767</b>	<b>-20</b>
Extraordinary income	0	0	-	-1,994	0
<b>Reported PAT</b>	<b>2,207</b>	<b>1,577</b>	<b>40</b>	<b>773</b>	<b>185</b>
<b>EBITDA margin (%)</b>	<b>9.6</b>	<b>9.8</b>		<b>10.2</b>	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Order book and OB-to-sales ratio



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Key financials

(Rs bn)	FY21	FY22	FY23	FY24F	FY25F	FY26F
Closing Order book	379	394	502	579	562	607
Order flow	189	113	241	255	170	250
Sales	73	99	134	180	189	208
% yoy growth	(12)	37	34	35	5	10
OB/ TTM Sales (x)	5.2	4.0	3.8	3.2	3.0	2.9
% of OB from buildings	56	57	46			
% of OB from Water & environment	19	18	16			
% of OB from Roads	5	3	12			
% of OB from Others	20	22	26			
EBITDA margin %	11.8	10.0	10.1	10.2	10.2	10.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: NCC's six-year median EV/EBITDA is 5.9x



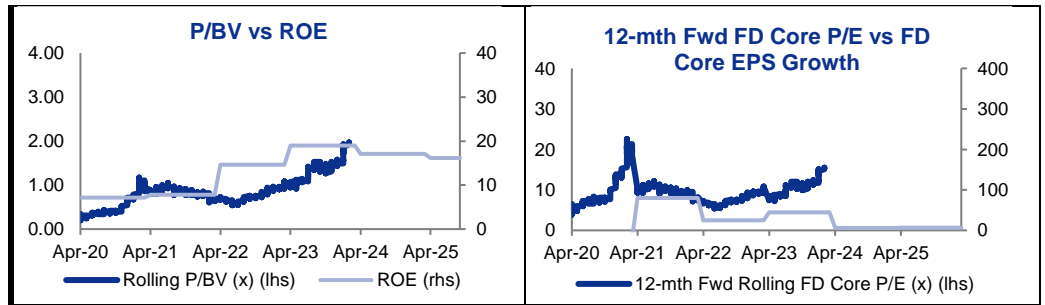
SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 6: Our revised earnings estimates

(Rs m)	FY24F		FY25F		FY26F
	Old	New	Old	New	
Sales	1,83,522	2,03,308	1,99,350	2,12,372	2,31,247
% change		11		7	
EBITDA	17,154	19,609	18,737	20,661	22,727
% change		14		10	
PAT	7,708	8,938	8,647	9,490	10,079
% change		16		10	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>111,380</b>	<b>155,534</b>	<b>203,308</b>	<b>212,372</b>	<b>231,247</b>
<b>Gross Profit</b>	<b>18,390</b>	<b>24,058</b>	<b>36,595</b>	<b>38,227</b>	<b>41,624</b>
<b>Operating EBITDA</b>	<b>10,238</b>	<b>14,590</b>	<b>19,609</b>	<b>20,661</b>	<b>22,727</b>
Depreciation And Amortisation	(1,867)	(2,026)	(2,300)	(2,500)	(2,700)
<b>Operating EBIT</b>	<b>8,371</b>	<b>12,564</b>	<b>17,309</b>	<b>18,161</b>	<b>20,027</b>
Financial Income/(Expense)	(4,781)	(5,152)	(5,726)	(6,356)	(7,436)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	707	1,476	1,200	1,200	1,200
<b>Profit Before Tax (pre-EI)</b>	<b>4,297</b>	<b>8,888</b>	<b>12,783</b>	<b>13,005</b>	<b>13,791</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>4,297</b>	<b>8,888</b>	<b>12,783</b>	<b>13,005</b>	<b>13,791</b>
Taxation	(1,407)	(2,386)	(3,579)	(3,251)	(3,448)
Exceptional Income - post-tax	2,036	(144)		1	1
<b>Profit After Tax</b>	<b>4,926</b>	<b>6,357</b>	<b>9,203</b>	<b>9,755</b>	<b>10,344</b>
Minority Interests	(102)	(265)	(265)	(265)	(265)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>4,824</b>	<b>6,092</b>	<b>8,938</b>	<b>9,490</b>	<b>10,079</b>
Recurring Net Profit	2,788	6,236	8,938	9,489	10,078
<b>Fully Diluted Recurring Net Profit</b>	<b>2,788</b>	<b>6,236</b>	<b>8,938</b>	<b>9,489</b>	<b>10,078</b>

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>10,238</b>	<b>14,590</b>	<b>19,609</b>	<b>20,661</b>	<b>22,727</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(446)	(7,281)	(9,685)	(9,801)	(9,249)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
<b>Other Operating Cashflow</b>					
Net Interest (Paid)/Received	(4,781)	(5,152)	(5,726)	(6,356)	(7,436)
Tax Paid	(1,407)	(2,386)	(3,579)	(3,251)	(3,448)
<b>Cashflow From Operations</b>	<b>3,605</b>	<b>(230)</b>	<b>618</b>	<b>1,253</b>	<b>2,594</b>
Capex	(470)	(2,037)	(2,931)	(43,500)	(43,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/Investments	938	(62)			
Other Investing Cashflow	2,743	1,332	1,200	1,201	1,201
<b>Cash Flow From Investing</b>	<b>3,211</b>	<b>(767)</b>	<b>(1,731)</b>	<b>(42,299)</b>	<b>(42,299)</b>
Debt Raised/(repaid)	(3,216)	4,011	4,000	40,000	40,000
Proceeds From Issue Of Shares	954	1,206			
Shares Repurchased					
Dividends Paid	(1,464)	(1,658)	(532)	(529)	(562)
Preferred Dividends					
Other Financing Cashflow	(2,131)	(1,475)	(265)	(265)	(265)
<b>Cash Flow From Financing</b>	<b>(5,857)</b>	<b>2,084</b>	<b>3,203</b>	<b>39,206</b>	<b>39,173</b>
Total Cash Generated	960	1,088	2,091	(1,841)	(532)
<b>Free Cashflow To Equity</b>	<b>3,600</b>	<b>3,014</b>	<b>2,888</b>	<b>(1,046)</b>	<b>295</b>
<b>Free Cashflow To Firm</b>	<b>11,597</b>	<b>4,155</b>	<b>4,614</b>	<b>(34,690)</b>	<b>(32,269)</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

**Balance Sheet**

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	6,005	7,093	9,183	7,342	6,810
Total Debtors	26,531	33,326	36,217	41,623	45,398
Inventories	11,533	13,740	17,336	14,287	15,419
Total Other Current Assets	79,647	88,944	110,346	121,416	133,308
<b>Total Current Assets</b>	<b>123,717</b>	<b>143,103</b>	<b>173,082</b>	<b>184,668</b>	<b>200,935</b>
Fixed Assets	11,468	12,543	13,243	54,243	95,043
Total Investments	6,489	6,157	6,157	6,157	6,157
Intangible Assets		69			
Total Other Non-Current Assets	2,906	3,630	3,630	3,630	3,630
<b>Total Non-current Assets</b>	<b>20,863</b>	<b>22,398</b>	<b>23,029</b>	<b>64,029</b>	<b>104,829</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	50,729	61,746	79,950	83,576	91,126
<b>Total Current Liabilities</b>	<b>50,729</b>	<b>61,746</b>	<b>79,950</b>	<b>83,576</b>	<b>91,126</b>
Total Long-term Debt	34,890	38,900	42,900	82,900	122,900
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>34,890</b>	<b>38,900</b>	<b>42,900</b>	<b>82,900</b>	<b>122,900</b>
Total Provisions					
<b>Total Liabilities</b>	<b>85,618</b>	<b>100,647</b>	<b>122,851</b>	<b>166,476</b>	<b>214,026</b>
Shareholders Equity	56,027	61,668	70,075	79,035	88,552
Minority Interests	2,934	3,186	3,186	3,186	3,186
<b>Total Equity</b>	<b>58,962</b>	<b>64,855</b>	<b>73,261</b>	<b>82,221</b>	<b>91,738</b>

**Key Ratios**

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	40.1%	39.6%	30.7%	4.5%	8.9%
Operating EBITDA Growth	11.4%	42.5%	34.4%	5.4%	10.0%
Operating EBITDA Margin	9.2%	9.4%	9.6%	9.7%	9.8%
Net Cash Per Share (Rs)	(47.36)	(50.66)	(53.70)	(120.34)	(184.90)
BVPS (Rs)	91.87	98.22	111.61	125.88	141.04
Gross Interest Cover	1.75	2.44	3.02	2.86	2.69
Effective Tax Rate	32.7%	26.9%	28.0%	25.0%	25.0%
Net Dividend Payout Ratio	34.9%	19.2%	4.2%	4.2%	4.2%
Accounts Receivables Days	90.65	70.23	62.43	66.89	68.68
Inventory Days	46.62	35.08	34.02	33.14	28.59
Accounts Payables Days					
ROIC (%)	10.4%	15.4%	19.1%	18.0%	13.2%
ROCE (%)	9.0%	12.7%	15.7%	12.9%	10.5%
Return On Average Assets	6.5%	9.1%	10.2%	8.7%	7.7%

**Key Drivers**

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Outstanding Orderbook (Rs m)	393,610	502,440	579,364	562,385	606,707
Orderbook Replenishment (Rs m)	122,368	260,069	255,000	170,000	250,000

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
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been engaged in market making activity for the subject company	NO	NO

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