

Retail Equity Research  
**NBCC (India) Ltd.**  
Construction

**HOLD**

BSE CODE : 534309 NSE CODE: NBCC  
BLOOMBERG CODE: NBCC:IN SENSEX : 83,185

12Months Investment Period Rating as per Small Cap

**CMP Rs. 172 TARGET Rs. 189 RETURN 10%** ↑  
(Closing: 19-09-2024)

**KEY CHANGES:**

**TARGET** ↑

**RATING** ↔

**EARNINGS** ↓

**Rich valuation limits upside potential...**

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

- NBCC's consolidated order book currently totals Rs 80,000 cr. With a robust project pipeline and the government's ongoing emphasis on housing for all, the company anticipates achieving an order book of Rs 1 lakh cr. by FY25.
- In Q1FY25, NBCC secured orders of Rs 17,820cr, largely from development of Satellite Township in Srinagar, J&K (Rs15,000cr).
- In Q1FY25, revenue grew by 10% YoY, aided by strong growth in PMC (9% YoY) and EPC (38% YoY) businesses, and the real estate segment (71% YoY).
- EBITDA margin improved by 158bps YoY to 4.8% in FY24, led by a pick up in execution. The company guided an EBITDA margin of 5.5 to 6% for FY25.
- Currently, the under execution orders are pegged at Rs17,000cr and NBCC is targeting to tender ~Rs13,000cr in FY25.
- Though the long term outlook is positive, the rich valuation limits the upside potential. Therefore, we maintain HOLD rating and value NBCC's core business at a P/E of 51x on FY26E EPS & Rs.5/share for land parcels held with a TP of Rs.189.

**Robust order book...**

In Q1FY25, the consolidated order book stands at Rs.81,000cr (standalone order book Rs.70,000cr), supported by a strong order pipeline and governments continuing focus on housing for all. The management expects the order book to reach Rs 1 lakh cr. in FY25 and guided a turnover of Rs.13,000cr at consolidated level (Rs.10,000cr standalone). Out of the total order book, NBCC awarded only Rs.17,000cr to contractors and the management is targeting to award Rs.12,000cr to Rs.13,000cr projects in the year. NBCC needs six to eight months to obtain statutory approvals to convert the order book into execution. We expect traction in awarding will be the key to achieving the revenue target for FY25. Standalone revenue increased by 10% YoY to Rs.1,627cr. The expectation for FY25 revenue is Rs.10,000cr with an EBITDA margin of 5.5 to 6%.

**Redevelopment projects...**

Nauroji Nagar is at the finishing stage; NBCC has already sold Rs 12,500 cr, and the management has seen a lot of competition for purchasing the flats and office space. The balance of commercial real estate of ~Rs 900cr is likely to liquidate shortly. Netaji Nagar, the first phase of the project valued at about Rs 1,450cr, is currently underway, and 70% of the work is almost completed. Additionally, two more tenders worth Rs 1,700cr are in the pipeline for the appointment of contractors. The Sarojini Nagar works on ten phases and is going on with a project value of Rs 6,900cr. NBCC has sold over Rs 1,300cr of inventory.

**Amrapali Projects...**

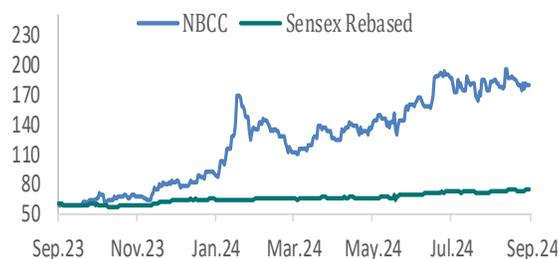
In Q1FY25, the Amrapali project contributed Rs.370cr to the NBCC top-line. For the 38,000 housing units, 21,000 units are already completed and being handed over. The balance units will be ready by March 2025.

**Valuations**

With stronger than expected tendering activity and pickup in execution, we largely maintain the FY25 and FY26 revenue estimates. However, the rich valuation restricts the upside potential of the stocks. Therefore, we maintain our HOLD rating and the value of NBCC's core business at a P/E of 51x on FY26E EPS and the book value of the land parcel at Rs.5/share to arrive at the SOTP target price of Rs.189.

Company Data			
Market Cap (cr)	₹ 30,915		
Enterprise Value (cr)	₹ 28,760		
Outstanding Shares (cr)	180.0		
Free Float	38%		
Dividend Yield	0.4%		
52 week high	₹ 210		
52 week low	₹ 57		
6m average volume (cr)	0.3		
Beta	1.4		
Face value	₹ 1		
Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	61.8	61.8	61.8
FII's	4.5	4.3	4.4
MFs/Insti	10.4	9.9	9.5
Public	23.4	24.0	24.4
Total	100.0	100.0	100.0
Promoter pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	12%	61%	192%
Absolute Sensex	7%	15%	22%
Relative Return*	4%	46%	170%

\*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	8,051	9,239	10,443
Growth (%)	19.5	14.8	13.0
EBITDA	441	558	641
EBITDA Margin(%)	5.5	6.0	6.1
PAT Adj.	528	578	648
Growth (%)	31.7	9.4	12.2
Adj.EPS	2.9	3.2	3.6
Growth (%)	31.7	9.4	12.2
P/E	58.6	53.5	47.7
P/B	4.4	3.7	3.2
EV/EBITDA	65.2	51.9	45.3
ROE (%)	24.9	22.8	21.6
D/E	0.0	0.0	0.0

**Antu Eapan Thomas**

**Research Analyst**

## SOTP Valuation

Particulars	Value (Rs Cr)	Value/Share (Rs)	Rationale
Standalone		184	P/E51x FY26E EPS
Land Parcel	710	5	1.2x P/BV
<b>Total Value per share</b>		<b>189</b>	

## Quarterly Financials (Standalone)

### Profit & Loss

(Rs cr)	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
<b>Sales</b>	<b>1,627</b>	<b>1,478</b>	10.1	<b>3,032</b>	-46.3
<b>EBITDA</b>	<b>78</b>	<b>48</b>	64	<b>202</b>	-61
EBITDA margins %	4.8	3.2	158bps	6.7	-185bps
Depreciation	0.6	0.5	23.6	1	6.7
<b>EBIT</b>	<b>78</b>	<b>47.3</b>	64	<b>202</b>	-61.4
Interest	0	0	0.0	0	-34.3
Other Income	39	37	3.1	37	3.5
Exceptional Items	-	-	0.0	-	0.0
<b>PBT</b>	<b>116</b>	<b>85</b>	37.3	<b>143</b>	-18.8
Tax	30	22	37.5	41	-27.4
<b>Reported PAT</b>	<b>87</b>	<b>63</b>	37.2	<b>102</b>	-15.3
Adjustments	-	-	0.0	96	-100.0
<b>Adj PAT</b>	<b>87</b>	<b>63</b>	37.2	<b>198</b>	-56.2
No. of Shares	180	180		180	
<b>EPS (Rs)</b>	<b>0.5</b>	<b>0.4</b>	<b>37.2</b>	<b>1.1</b>	<b>-56.2</b>

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	9,239	10,443	9,239	10,443	0.0	0.0
EBITDA	576	693	558	641	-3.2	-7.5
Margins (%)	6.2	6.6	6.0	6.1	-20bps	-50bps
PAT	592	688	578	648	-2.4	-5.7
EPS	3.3	3.8	3.2	3.6	-2.4	-5.7

## Standalone Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>5,547</b>	<b>6,736</b>	<b>8,051</b>	<b>9,239</b>	<b>10,443</b>
% change	12.1	21.4	19.5	14.8	13.0
<b>EBITDA</b>	<b>156</b>	<b>301</b>	<b>441</b>	<b>558</b>	<b>641</b>
% change	93.6	92.7	46.3	26.5	14.9
Depreciation	2	2	2	2	2
<b>EBIT</b>	<b>155</b>	<b>299</b>	<b>439</b>	<b>556</b>	<b>639</b>
Interest	6	1	0	0	0
Other Income	188	184	201	210	220
<b>PBT</b>	<b>237</b>	<b>312</b>	<b>456</b>	<b>765</b>	<b>858</b>
% change	-3.2	31.9	46.2	67.7	12.2
Tax	54	81	112	188	210
Tax Rate (%)	22.8	26.0	24.6	24.5	24.5
<b>Reported PAT</b>	<b>183</b>	<b>231</b>	<b>344</b>	<b>578</b>	<b>648</b>
Adj*	100	170	1836	0	0
<b>Adj PAT</b>	<b>283</b>	<b>401</b>	<b>528</b>	<b>578</b>	<b>648</b>
% change	40	42	32	9	12
No. of shares (cr)	180	180	180	180	180
<b>Adj EPS (Rs.)</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>4</b>
% change	40.1	41.8	31.7	9.4	12.2
DPS (Rs.)	0.4	0.5	0.7	0.8	0.8

### CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>185</b>	<b>233</b>	<b>346</b>	<b>580</b>	<b>650</b>
Non-cash adj.	6	7	55	-2	-2
Changes in W.C	271	-432	-347	-580	-604
<b>C.F. Operation</b>	<b>460</b>	<b>-193</b>	<b>52</b>	<b>-4</b>	<b>42</b>
Capital exp.	-3	0	-3	-4	-5
Change in inv.	0	2	-10	-10	-10
Other invest.CF	0	0	0	0	0
<b>C.F - Investment</b>	<b>-3</b>	<b>2</b>	<b>-13</b>	<b>-14</b>	<b>-15</b>
Issue of equity	0	0	0	0	0
Issue/repay debt	0	0	0	0	0
Dividends paid	-67	-95	-125	-136	-153
Other finance.CF	-31	-7	184	0	0
<b>C.F - Finance</b>	<b>-97</b>	<b>-102</b>	<b>59</b>	<b>-136</b>	<b>-153</b>
Chg. in cash	359	-293	98	-154	-126
Closing cash	2,350	2,057	2,155	2,001	1,874

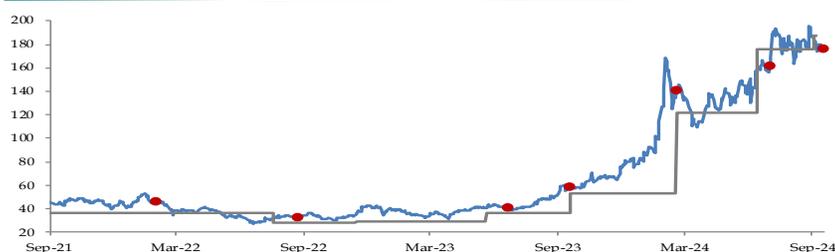
### BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	2,350	2,057	2,155	2,001	1,874
Accounts Receivable	1,609	1,577	1,654	1,645	1,860
Inventories	1,571	1,408	1,389	1,355	1,528
Other Cur. Assets	2,172	2,362	2,647	2,987	3,433
Investments	334	332	342	352	362
Gross Fixed Assets	82	82	85	89	94
Net Fixed Assets	56	63	64	66	69
CWIP	-	10	8	7	7
Intangible Assets	-	-	-	-	-
Def. Tax (Net)	280	289	273	277	281
Other Assets	126	112	75	75	75
<b>Total Assets</b>	<b>8,498</b>	<b>8,201</b>	<b>8,600</b>	<b>8,759</b>	<b>9,483</b>
Current Liabilities	6,559	5,951	5,951	5,645	5,857
Provisions	164	335	331	354	372
Debt Funds	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Equity Capital	180	180	180	180	180
Reserves & Surplus	1,595	1,735	2,138	2,579	3,074
Shareholder's Fund	1,775	1,915	2,318	2,759	3,254
<b>Total Liabilities</b>	<b>8,498</b>	<b>8,201</b>	<b>8,600</b>	<b>8,759</b>	<b>9,483</b>
<b>BVPS (Rs.)</b>	<b>30</b>	<b>32</b>	<b>39</b>	<b>46</b>	<b>54</b>

### RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	2.8	4.5	5.5	6.0	6.1
EBIT margin (%)	2.8	4.4	5.5	6.0	6.1
Net profit mgn.(%)	5.1	5.9	6.6	6.3	6.2
ROE (%)	16.3	21.7	24.9	22.8	21.6
ROCE (%)	14.2	15.4	19.5	17.1	16.2
<b>W.C &amp; Liquidity</b>					
Receivables (days)	106.9	86.3	73.3	65.2	61.3
Inventory (days)	117.1	89.7	70.5	60.7	56.6
Payables (days)	467.3	376.9	300.0	256.8	225.8
Current ratio (x)	1.1	1.2	1.2	1.3	1.4
Quick ratio (x)	0.6	0.6	0.3	0.3	0.3
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	68.6	81.8	96.0	105.7	113.7
Total asset T.O (x)	0.7	0.8	1.0	1.1	1.1
Int. coverage ratio (x)	27.4	205.8	21100.4	2777.6	3193.1
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	5.1	4.3	3.6	3.1	2.8
EV/EBITDA (x)	182.7	95.8	65.2	51.9	45.3
P/E (x)	109.4	77.1	58.6	53.5	47.7
P/BV (x)	5.8	5.4	4.4	3.7	3.2

## Recommendation Summary (Last 3 Years)



Dates	Rating	Target
23-Feb-2021	BUY	45
23-Aug-2021	Reduce	36
24-Aug-2022	SELL	28
23-Jun-2023	SELL	36
22-Sep-2023	SELL	53
27-Feb-2024	SELL	122
04-Jul-2024	HOLD	176
20-Sep-2024	HOLD	189

Source: Bloomberg, Geojit Research.

## Investment Criteria

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

### 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/Neutral:** 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.

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