

NBCC India Ltd.**₹ 83*****Under the umbrella of Digital India...!!!* Buy**

Jun 22, 2018

Company Background

Company was incorporated on November 15, 1960 as private limited company. It has headquartered in New Delhi and in addition have 10 regional/zonal offices across India. Company is engaged in project management consultancy, civil infrastructure for power sector & real estate development. Projects undertaken by the company are spread across 23 states and 1 union territory in India. In addition, it has also undertaken projects in overseas. Company operations are categorized into three main segments such as; Project Management Consultancy, Real Estate Development & EPC Contracting. Under the Project Management Consultancy (PMC), company has started many land mark projects. This PMC is a major revenue generator. In PMC many business areas are covered include Roads, Hospitals & Medical Colleges, Institutions, Offices, Airports, Bridges, Industrial & Environmental Structures. Real Estate segment mainly executing Commercial Real Estate Projects. Real Estate Business, fall under two categories based on Source of Origin of the Projects and Sourced from Government. Company buy land from private & government agencies alike, develops land and sells, it is categorised as Source of Origin of the Projects. In Sourced from Government NBCC carries out re-development of Government properties on a model.

Key Highlights

- ➔ Company has three business segments; Project Management Consultancy, Real Estate Development & EPC Contracting, out of three segments Project Management Consultancy is major one and contributing more than 85% of revenue.
- ➔ For FY 2016-17 Net sales rose by 8% to ₹ 62,793.9 mn, operating profit increased by 20.3% to ₹ 4,926.1 mn, and net profit was improved by 22.4% to ₹ 3,511 mn on YoY basis.
- ➔ Company has signed MoUs with firms in Malaysia and Korea for smart city projects. It has tied up with IBM for knowledge sharing and is also in talks with CISCO for the same.
- ➔ It has launched e-Commerce portal to marketing its built-up properties.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	45,486.9	59,131.9	63,679.7
Rev. growth (%)	9.00	30.00	7.69
EBITDA (INR mn)	4,346.9	4,094.5	4,926.0
Net profit (INR mn)	2,773.0	2,869.6	3,511.0
Shares outstanding (mn)	600.0	600.0	900.0
EPS (INR)	22.0	23.9	3.8
EPS growth (%)	11.51	8.73	(84.15)
P/E (x)	5.81	5.25	45.41
RONW (%)	22.62	20.15	21.96
ROCE (%)	33.92	27.44	29.31

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: NBCC.BO
Bloomberg	: NBCC IN
NSE	: NBCC
BSE	: 534309

Market Data

52 Wk Range (₹)	: 82/146
Shares in Issue (mn)	: 900
Market. Cap (bn)	: 149.50
BSE 2 Wk Avg Vol	: 425000

Share Holding Pattern (%)

Promoters Holding	: 74.29
Public & Others	: 08.67
Corporate Holding	: 01.74
Foreign Institution	: 05.95
Institutions	: 09.35

Investment Theme

India's construction industry will continue to expand, with investments in residential, infrastructure and energy projects continuing to drive growth. Various government flagship programs-including 100 Smart Cities Mission, Housing for All, Atal Mission for Urban Rejuvenation and Transformation, Make in India and Power for All-will be the growth drivers. Project Management Consultancy is a major segment of the company under this segment company has clients include, Ministry of Urban Development, Home Affairs, Housing and Urban Poverty Alleviation, Rural Development, Commerce & Industry, Labour & Employment, Information & Broadcasting, Petroleum & Natural Gas, Power, New & Renewable Energy, Defence, External Affairs, Corporate Affairs, Finance, State Governments, IITs and NITs amongst others. It has 2 MoUs with Mauritius government.

Building the Nation...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	44,021.1	58,124.3	32.0	62,793.9	8.0
Other Income	1,465.8	1,007.6	(31.3)	885.8	(12.1)
Change in Stocks	1,507.7	3,000.4	99.0	1,522.6	(49.3)
Raw Material Con.	450.7	239.1	(46.9)	60.0	(74.9)
Employee Exp.	1,951.4	2,212.1	13.4	2,360.9	6.7
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	40,245.7	55,586.5	38.1	57,855.3	4.1
Operating Exp.	42,647.8	58,037.7	36.1	60,276.2	3.9
Operating Profit	4,346.8	4,094.6	(5.8)	4,926.1	20.3
Total Interest	413.5	30.4	(92.6)	23.4	(23.0)
Gross Profit	3,933.3	4,064.2	3.3	4,902.7	20.6
Net Dep.	23.3	24.6	5.6	26.1	6.1
Total Taxation	1,137.0	1,170.0	2.9	1,365.6	16.7
Net Profit/Loss	2,773.0	2,869.6	3.5	3,511.0	22.4

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	11,805.2	13,690.8	15,969.5	17,459.8
Equity Share capital	1,200.0	1,200.0	1,200.0	1,800.0
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	10,072.9	12,041.3	14,046.1	14,936.0
Secured Loans	0.0	0.0	52.7	0.0
Unsecured Loans	532.3	449.5	670.7	723.8
USES OF FUNDS	11,805.2	13,690.8	15,969.5	17,459.8
Gross Block	354.4	415.4	642.3	683.3
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	129.0	153.2	24.5	50.4
Net Block	225.4	262.2	617.8	632.9
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	1,135.0	1,518.5	2,307.9	1,065.4
Current Assets	39,873.8	45,062.6	49,799.1	61,447.6
Less : Current Liabilities	30,103.2	33,753.8	38,376.5	47,769.4
Total Net Current Assets	9,770.6	11,308.8	11,422.6	13,678.2
Misc. Expenses not writtenoff	674.2	601.3	1,621.2	2,083.3
NOTE				
Book Value of Unquoted Investments	1,135.0	1,518.5	2,307.9	1,065.4
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	7,373.7	7,778.3	16,848.8	15,429.5
Dividend (%)	50.0	55.0	100.0	81.5

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 17	Sep 17	Dec 17	Mar 18
Net Sales	12,605.6	11,284.3	13,125.6	21,701.4
Cost Of Sales	11,795.1	10,262.3	12,306.1	19,769.3
Operating Profit	810.5	1,022.0	819.5	1,932.1
Other Income	257.5	252.9	352.4	531.8
Adjusted PBDIT	1,068.0	1,274.9	1,171.9	2,463.9
Financial Expenses	0.2	1.6	1.7	(1.4)
Depreciation	6.9	6.9	7.0	6.3
Other Write Offs	221.7	221.7	221.7	258.2
Adjusted PBT	839.2	1,044.7	941.5	2,200.8
Tax Charges	279.8	303.5	322.6	784.3
Reported Profit	559.4	741.2	618.9	1,416.5
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	559.4	741.2	618.9	1,416.5

52 Week Index Relative Percentage Appreciation



NBCC vs SENSEX

Risks Associated

- ➔ Challenges associated with India's construction industry such as limited funding, slow policy reforms and a weak currency are factors that will continue to limit the growth potential.
- ➔ Execution risk may arise due to delay in release of funds from clients, leads to delay payment to contractor and delay in execution in PMC & EPC projects.
- ➔ Demonetisation initiative by the government, leads to further delays in ongoing real estate projects due to the massive cash crunch.

Scope of Growth

- ➔ NBCC had signed an agreement with Mauritius government for construction of new Supreme Court building on PMC basis, its estimated cost of the project is \$ 30 mn.
- ➔ For Q4 net sales improved by 65.34% to ₹ 21,701.4 mn, operating profit rose by 135.77% to ₹ 1,932.1 mn and net profit also increased by 128.87% to ₹ 1,416.5 mn on QoQ basis.
- ➔ RERA Act is bring to protect the interests of home buyers and enhance transparency in the real estate sector, the bill will be boost up to the sector.
- ➔ Various government flagship programs-including 100 Smart Cities Mission, Housing for All, Atal Mission for Urban Rejuvenation and Transformation, Make in India and Power for All-will be the growth drivers.
- ➔ It is specializes in Cooling Towers, Chimneys, other high rise structures where specialized state of art slip-form shuttering is utilized for faster delivery.
- ➔ Demonization of old currency has started a new era for the real estate industry in India that would be transparent, corruption-free, organised and realistic.

In a Nutshell

Company is engaged in project management consultancy, civil infrastructure for power sector and real estate development. It has three subsidiaries one in Oman and two in India and also it has international and domestic partnership to perform its operations. Company operations are categorized into three main segments such as; Project Management Consultancy, Real Estate Development & EPC Contracting. Under the Project Management Consultancy has major clients include, Ministries such as Ministry of Urban Development, Home Affairs, Housing and Urban Poverty Alleviation, Rural Development, Commerce & Industry, Labour & Employment, Information & Broadcasting, Petroleum & Natural Gas, Power, New & Renewable Energy, Defence, External Affairs, Corporate Affairs, Finance, State Governments, IITs and NITs amongst others. Overseas Operations are in countries like Libya, Iraq, Yemen, Nepal, Maldives, Mauritius, Turkey, Botswana. NBCC has been appointed as Project Management Consultant agency on deposit work basis and would provide various architectural services, among others. The estimated cost of the project is \$ 20 mn. NBCC had signed an agreement with the Mauritius government for construction of new Supreme Court building on PMC basis. Estimated cost of the project is \$ 30 mn. NBCC is acting as a PMC for renovation work of Indira Gandhi Memorial Hospital and project work of Institute for Security and Law Enforcement Studies in Maldives. Present order worth is around ₹ 80,000 cr and in next one year company is expecting ₹ 30000-40000 cr orders will be from the self-revenue generation projects like redevelopment. Government focused on infrastructure development is positive sign for the construction sector.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

Disclaimer

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.