

NCC Ltd.**₹107****Build Right...!!!****Accumulate**

Apr 12, 2019

Company Background

Nagarjuna Construction Company Ltd, a construction & infrastructure enterprise was started its journey in March 1990. Its business divisions are categorized as Building & Housing, Transportation, Electrical, Water & Environment, Irrigation, International, Power, Metals and Oil & Gas Division. Out of all the divisions; Building & Housing is the major division with 43% of revenue contribution, after this division Water & Environment with 23% and electrical division with 19% of total revenue contribution for 9MFY19. Its geographic segments include within India and outside India. Company has a cluster of regional offices in Delhi, Ahmedabad, Bhubaneswar, Kolkata, Mumbai, Bhopal, Lucknow, Hyderabad, Chennai & Bangalore. Also, NCC has the presence in international level through offices in Dubai and Muscat. Company had started its International operations by registering as a local company in the Sultanate of Oman in May of the year 2005. It is known as NCC International LLC now. Also, NCC started its Metals Division and the Oil & Gas Division to cater to the infrastructure needs of various Oil & Gas Companies in India.

Key Highlights

- ➔ 9MFY19 Consolidated Revenue improved by 57.4% to ₹ 92,083.8 million, total expenditure rose by 53.6% to ₹ 80,556.1 million and net profit grew by more than double fold to ₹ 3,928.8 million from ₹ 1,216.0 million same period of previous year. It secured orders of ₹ 12,153 crore.
- ➔ Revenue contribution from Construction business on standalone basis at 95% and subsidiaries at 5% (NCC International LLC, Nagarjuna Construction Co LLC at 3% and NCC Urban-Real Estate & Others at 2%).
- ➔ Execution is likely to pick up as the company has received clearances for large portion of road & building projects. This will generate the revenues for coming years. Its order book grew by 84% YoY and is comprising 66% of total order book.
- ➔ During the Q4FY19, company got five orders worth of ₹ 4,088 crore, out of the total order ₹ 738 crore from building division and ₹ 3,350 crore from water division.

Key Financials

Year Ended 31 st	Mar 16	Mar 17	Mar 18
Revenue (INR mn)	85,491.5	80,818.4	76,875.7
Rev. growth (%)	0.67	(5.47)	(4.88)
EBITDA (INR mn)	9,413.1	7,749.1	8,641.5
Net profit (INR mn)	2,401.7	2,255.0	2,868.0
Shares outstanding (mn)	556.0	556.0	600.7
EPS (INR)	4.3	4.1	4.8
EPS growth (%)	123.83	(6.02)	17.49
P/E (x)	17.56	20.15	24.66
RONW (%)	7.43	7.49	8.98
ROCE (%)	15.85	13.87	15.84

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Info Codes

Reuters	: NCCL.BO
Bloomberg	: NJCC IN
NSE	: NCC
BSE	: 500294

Market Data

52 Wk Range (₹)	: 63/137
Shares in Issue (mn)	: 600.7
Market. Cap (bn)	: 64.60
BSE 2 Wk Avg Vol	: 6,33,000

Share Holding Pattern (%)

Promoters Holding	: 18.11
Public & Others	: 25.49
Corporate Holding	: 07.77
Foreign Institution	: 16.86
Institutions	: 31.77
Govt Holding	: 00.00

Investment Theme

NCC has strong orders worth of ₹ 12,153 crore in 9MFY19 taking its total order book to ₹ 34,185 crore, providing strong revenue visibility ahead. Among this, orders worth of ₹ 14,000 crore order from Andhra Pradesh. The management expects the company will touch the orders of ₹ 20,000 crore in FY19. Capex for Q3FY19 was at ₹ 122 crore while for 9MFY19, total CapEx was at ₹ 323 crore. Sembcorp arbitration case to be settled by December, 2019 with a positive outcome. NCC posted 74.3% YoY growth in Q3FY19 standalone revenue to ₹ 32,264.8 million, EBITDA improved to ₹ 4,120.9 million by 62.8% and PAT also improved by 59.7% to ₹ 1,602.3 million as compared to the previous year same period. Company's debt is increased in the FY19, the debt increment is due to higher execution of orders.

Always dedicated and devoted...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
Net Sales	83,251.6	78,920.7	(5.2)	75,593.2	(4.2)
Other Income	2,239.9	1,897.7	(15.3)	1,282.5	(32.4)
Change in Stocks	(389.6)	(1,398.0)	0.0	1,587.4	0.0
Fuel Charges	38,619.4	29,958.9	0.0	29,352.8	0.0
Employee Exp.	3,007.8	3,315.5	10.2	3,641.1	9.8
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	34,061.6	38,396.9	12.7	36,827.8	(4.1)
Operating Exp.	75,688.8	71,671.3	(5.3)	69,821.7	(2.6)
Operating Profit	9,413.1	7,749.1	(17.7)	8,641.4	11.5
Total Interest	5,088.6	3,957.0	(22.2)	3,789.4	(4.2)
Gross Profit	4,324.5	3,792.1	(12.3)	4,852.0	28.0
Net Dep.	1,099.6	1,120.6	1.9	1,174.7	4.8
Total Taxation	823.2	416.5	(49.4)	809.3	94.3
Net Profit/Loss	2,401.7	2,255.0	(6.1)	2,868.0	27.2

4 Years Balance Sheet

(₹ mn)

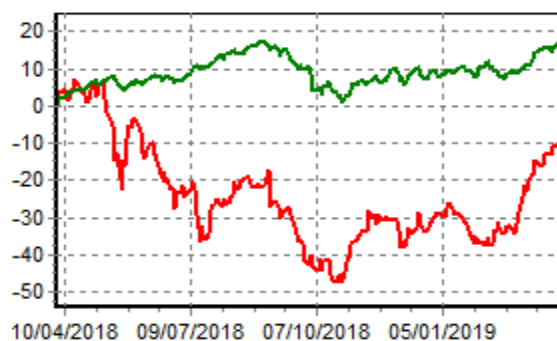
Balance Sheet as on 31 st	Mar 15	Mar 16	Mar 17	Mar 18
SOURCES OF FUNDS	52,741.1	52,162.6	51,031.6	56,811.1
Equity Share capital	1,111.9	1,111.9	1,111.9	1,201.3
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	30,932.4	31,496.3	33,311.0	41,215.2
Secured Loans	19,451.3	18,579.0	15,766.7	13,000.5
Unsecured Loans	1,245.5	975.4	842.0	1,394.1
USES OF FUNDS	52,741.1	52,162.6	51,031.6	56,811.1
Gross Block	12,020.7	12,290.1	13,719.9	16,263.4
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	5,697.9	6,451.0	7,316.6	8,182.7
Net Block	6,322.8	5,839.1	6,403.3	8,080.7
Capital Work in Progress	78.5	76.4	12.8	229.2
Investments	11,567.8	9,928.5	10,286.9	10,237.4
Current Assets	73,487.5	73,739.4	68,848.3	79,237.2
Less : Current Liabilities	41,448.2	40,394.3	38,408.8	51,194.5
Total Net Current Assets	32,039.3	33,345.1	30,439.5	28,042.7
Misc. Expenses not writtenoff	2,732.7	2,973.5	3,889.1	10,221.1
NOTE				
Book Value of Unquoted Investments	11,567.8	9,928.5	10,286.9	10,237.4
Market Value of Quoted Investments	0.0	0.0	17.9	11.3
Contingent Liabilities	20,971.5	17,637.4	17,564.7	12,047.3
Dividend (%)	20.0	30.0	20.0	50.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 18	Jun 18	Sep 18	Dec 18
Net Sales	23,947.9	23,596.0	31,048.1	32,264.8
Cost Of Sales	21,203.6	20,918.4	27,872.2	28,340.0
Operating Profit	2,744.3	2,677.6	3,175.9	3,924.8
Other Income	246.4	295.4	330.7	196.1
Adjusted PBDIT	2,990.7	2,973.0	3,506.6	4,120.9
Financial Expenses	997.4	1,015.6	1,081.6	1,245.4
Depreciation	311.4	343.3	357.2	389.7
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	1,681.9	1,614.1	2,067.8	2,485.8
Tax Charges	654.8	577.4	811.3	883.5
Reported Profit	1,027.1	1,036.7	1,256.5	1,602.3
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	1,027.1	1,036.7	1,256.5	1,602.3

52 Week Index Relative Percentage Appreciation



NCC vs SENSEX

Risks Associated

- ➔ Company has 2 cases between; Sembcorp Gayatri Power Ltd vs NCC Ltd and Himachal Sorang Power Pvt Ltd, TAQA vs NCC Ltd. In the first case, it will get settled by December 2019. And in the second case outcome will know by 2 or 3 months (till June).
- ➔ Company got the project in Nauroji Nagar worth around ₹ 1,949 crore in October 2017. Nauroji Nagar project has an environmental issue. Still, it is at the court level and it waiting for the outcome.

Scope of Growth

- ➔ Orders for 9M FY19, Building division secured about ₹ 4,108 crores about 35%, road division secured ₹ 4,718 crores, 40%, water division secured ₹ 1,042, 9%, Electrical division secured ₹ 1,536, 13% and mining secured ₹ 749 crores, 6% of the order book. So, the total of ₹ 12,153 crores the order secured.
- ➔ Orders executed during the 9M, by the divisions about ₹ 3,754 crores by the building division, ₹ 398 crores by the roads, ₹ 2,038 crores by the water, ₹ 1,684 crores by electrical and ₹ 317 crores in irrigation, others all including international about ₹ 550 crores. So, the total orders executed is ₹ 8,741 crores.
- ➔ There is a reduction in fixed costs like salaries, administrative expenses, and depreciation because there is a significant increase happen in the topline which helps the company to report a reasonable profit.
- ➔ During the FY18, company improved the order book significantly, so the revenue improvement from FY19 onwards. Also, the company decided to cease unviable overseas operations to strengthen the balance sheet.
- ➔ For FY18, company got the orders worth ₹ 25,304 crores as against ₹ 9,226 crores in FY17. The fresh flow of orders is from segments such as buildings, water, roads, and irrigation.

In a Nutshell

NCC Ltd, was established as a Partnership firm in 1978, which was subsequently converted into Ltd Company in 1990. It is engaged in the infrastructure sector, primarily in the construction of industrial and commercial buildings, housing, roads, bridges and flyovers, water supply and environment projects, railways, mining, power transmission lines, irrigation and hydrothermal power projects, real estate development, etc. It is well-diversified business portfolio spread across nine business divisions; Buildings & Housing, Roads, Water & Environment, Electrical, Irrigation, Metals, Power, Mining and Railways. Company has four decades of experience in the construction sector and is recognized as one of the key construction players in the country. It has 51 subsidiaries, including step-down subsidiaries as on 31st March 2018. It has Pan India presence with offices across 13 cities in key states such as Maharashtra, Andhra Pradesh, Telangana, Karnataka, Gujarat, Uttar Pradesh, West Bengal, Tamil Nadu, etc. Various initiatives by Indian Government such as Bharat Mala, Sagar Mala, Pradhan Mantri Awas Yojna, Namami Gange Programme, Freight Corridors, Industrial Corridors, Smart Cities, etc. will provide additional support to industry and Company. Company is expecting nearly 75% of orders for FY20, from top six states Andhra Pradesh, Karnataka, Madhya Pradesh and Gujarat etc. During the year, Company exit from the middle east construction business and start to focus on India. For FY18, the company bagged fresh orders worth of ₹ 253.04 billion and executed projects worth of ₹ 81.49 billion as on 31st March 2018.

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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

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