

# Stock Update

## Execution pick-up in large value projects to drive earnings

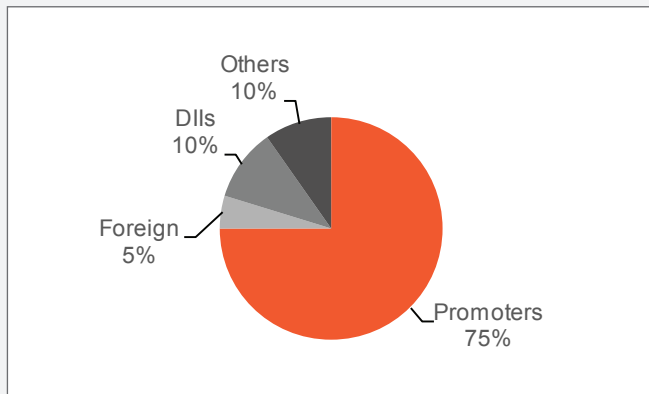
### NBCC

Reco: Buy | CMP: Rs208

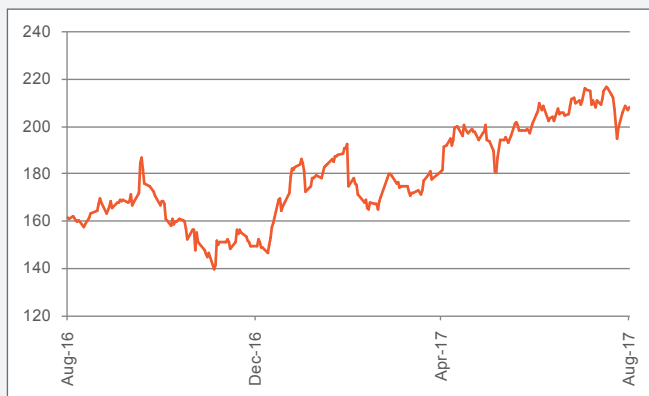
#### Company details

Price target:	Rs245
Market cap:	Rs18,720 cr
52-week high/low:	Rs219/133
NSE volume: (No of shares)	13.9 lakh
BSE code:	534309
NSE code:	NBCC
Sharekhan code:	NBCC
Free float: (No of shares)	22.5 cr

#### Shareholding pattern



#### Price chart



#### Price performance

(%)	1m	3m	6m	12m
Absolute	-1.9	3.5	18.8	36.1
Relative to Sensex	-1.1	-1.1	5.3	18.2

#### Key points

- Margins expanded despite flat topline; Revenue guidance maintained:** NBCC reported flat topline performance during Q1FY2018. The company's topline stood at Rs.1,267 crore due to poor performance of the PMC segment (91% mix) in Q1FY2018. The PMC segment's revenue declined by 2% YoY to Rs.1,149 crore due to delay in execution of large orders during the period. The EPC segment's revenue grew by 81% YoY to Rs.103 crore, while the real estate segment's revenue declined significantly and stood at Rs.9 crore due to sluggish domestic market. However, NBCC's OPM expanded by 157BPS to 5.1% due to a decline in raw-material cost (fall of 614BPS) despite higher other expenses. The PMC segment's PBIT margin expanded by 576BPS to 13.4% due to execution of some large projects. Hence, NBCC's operating profit grew by 45% YoY to Rs.65 crore. Steady operational performance did not reflect in the company's bottom line due to lower other income. Adjusted PAT grew by 23% YoY to Rs.56 crore during Q1FY2018. Management is expecting 40% revenue growth on standalone basis and increased margins due to execution of large value order book, receipt of marketing charges on redevelopment projects and land management opportunity in FY2018. On strong order book visibility, management reiterated its revenue growth guidance of around 25% CAGR for the next few years.
- Massive order backlog provides steady revenue visibility:** NBCC is currently sitting on a massive order book of Rs.75,000 crore (12x its FY2017 revenue) excluding Hindustan Steelworks Construction Ltd.'s (HSCL) order book. Including the HSCL order backlog of Rs.5,000 crore, the backlog stood at ~Rs.80,000 crore at the end of Q1FY2018. Out of the 75,000 crore order backlog, 92% belongs to the PMC segment, 3% to the EPC segment while the balance 5% belongs to the real estate segment. Management expects order inflow of Rs.25,000 crore-30,000 crore on account of large orders from AIIMS, Delhi Development Authority (DDA), irrigation project and redevelopment of railway stations. Management stated status quo regarding Air India order and excludes redevelopment project of Dharavi in the order inflow guidance. The positive outlook on revenue guidance for the next two years is on account of revenue booking to kick start from large projects of Nauroji Nagar, Netaji Nagar and Sarojini Nagar.

- ♦ **Reiterate Buy with unchanged PT:** We have marginally tweaked our earnings estimates on account of strong order inflow guidance and margin expansion despite flat topline in Q1. Hence, we expect NBCC to deliver an earnings CAGR of 51% during FY2017-FY2019E. Backed

by strong earnings visibility, a lean balance sheet, high return ratios and its quasi-monopoly position, we reiterate our Buy recommendation on the stock with unchanged price target (PT) of Rs.245.

**Results**

Particulars	Rs cr				
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Net Sales	1,267	1,264	0.2	2,346	(46.0)
RM cost	(27)	(63)	(56.9)	(10)	174.4
Consultancy Exp.	1,105	1,216	(9.2)	2,053	(46.2)
Staff cost	88	55	61.7	73	21.7
Other exp.	36	11	215.3	20	75.0
Total Expenditure	1,202	1,219	(1.4)	2,136	(43.7)
Operating Profit	65	45	44.6	210	(69.1)
Other income	20	35	(43.1)	23	(12.8)
Depreciation	1	1	13.0	1	(3.6)
Interest	0	10	(99.8)	0	(85.0)
PBT	84	69	21.1	232	(63.8)
Tax	28	24	17.0	57	(50.8)
E.O	-	-		-	
Adjusted PAT	56	45	23.2	175	(68.0)
Adj. EPS	0.6	0.5	23.2	1.9	(68.0)
			bps		bps
OPM	5.1	3.5	157	8.9	(382)
NPM	4.4	3.6	82	7.4	(303)
Tax rate	33.3	34.5	(115)	24.5	880

**Valuation**

Particulars	Rs cr				
	FY2015	FY2016	FY2017	FY2018E	FY2019E
Net Sales	4,402	5,812	6,279	8,510	16,243
Operating profit	291	307	402	560	1,118
Operating profit %	6.6	5.3	6.4	6.6	6.9
Net Profit (adj)	277	287	351	446	818
Adj EPS (Rs)	3.1	3.2	3.9	5.0	9.1
EPS Growth (%)	(0.9)	3.5	22.3	26.9	83.5
PER (x)	67.5	65.2	53.3	42.0	22.9
P/BV (x)	14.1	12.3	11.2	10.2	8.0
EV/EBITDA (x)	60.6	57.3	42.7	31.0	15.0
ROCE (%)	33.5	29.5	32.4	40.2	61.6
ROE (%)	22.5	20.1	22.0	25.4	39.3

**Segmental performance**

Particulars	Rs cr				
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
PMC	1,149	1,171	(1.9)	2,075	(44.6)
Real Estate	9	17	(49.1)	104	(91.5)
EPC	103	57	80.9	163	(37.0)
Total Sales	1,261	1,245	1.2	2,342	(46.2)
PMC	154	89	72.3	196	(21.7)
Real Estate	2	8	(79.3)	32	(95.1)
EPC	5	3	44.6	16	(70.9)
Unallocated	(76)	(21)	261.4	(12)	516.6
Total PBIT	84	79	6.3	232	(63.8)
Margins (%)			BPS		BPS
PMC	13.4	7.6	576	9.5	391
Real Estate	17.8	43.8	(2,603)	30.7	(1,294)
EPC	4.5	5.6	(112)	9.6	(519)
Total	6.7	6.3	32	9.9	(324)

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