

## Decent performance; sustainability to be key...

NBCC witnessed a decent recovery in the overall performance in Q3FY21 YoY and QoQ but is still far away from its normalised show of FY17, FY18. During Q3FY21, consolidated revenue improved 9% YoY (to ₹ 2,103.6 crore) largely driven by a pick-up in execution seen in PMC (up 10.7% YoY; contribution: 94.7%) and real estate divisions (revenue doubled; contribution: 1.5%). EBITDA margin was up 169 bps YoY at 3%. At the net level, healthy operating show coupled with lower tax outgo translated to doubling of PAT to ₹ 94 crore.

## Order book at ₹ 62,000 crore; tendering activity to pick up

NBCC's order book (OB) at the end of December 2020 was at ₹ 62,000 crore. Out of these, PMC segment contributed ₹ 27,000 crore while balance ₹ 35,000 crore was backed mainly by the redevelopment division. As per the management, NBCC is witnessing improved traction in its business segment and expects order inflows of ₹ 3,000 crore in the rest of FY21. In terms of tendering activity, NBCC has awarded projects worth ₹ 9,600 crore during YTD FY21. Another ~₹ 3,000 crore is in the pipeline and is likely to be awarded over the next two months. Additionally, the management expects continuance of healthy bidding activities with ₹ 10,000-12,000 crore to be tendered out by them in FY22E. Currently, ₹ 18,500 crore worth of orders are under execution stage (excluding recently awarded projects).

## Revenue, margins to move northwards from FY22 onwards

Execution in 9MFY21 was largely impacted by disruptions caused by Covid-19 with construction activities at sub-optimal levels. Also, a) subdued revenue, b) decline in PMC business' margin from 7-10% earlier to 5-7% currently and c) muted real estate sales have impacted NBCC's overall margin performance. Going forward, the company has guided for ₹ 2,500 crore, ₹ 8,000 crore of topline in Q4FY21, FY22E with a surge in executable order book position. Also, contribution from the real estate segment is likely to improve with higher sales from ₹ 400 crore ready inventory. With these, its margin performance is likely to improve from current levels with better revenue booking, pick-up in real estate sales and higher ticket size projects coming under-execution.

## Valuation & Outlook

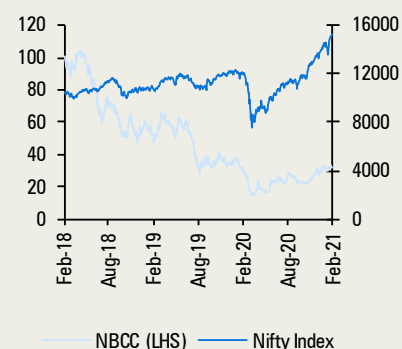
While NBCC's order book position has remained strong, its revenue and margin performance was benign with challenges witnessed in big-ticket size redevelopment projects and margins declining in the PMC segment. While there are triggers such as a) expected surge in executable order book position, b) improvement in margins and c) with lean-balance sheet position, we will await execution and margin pick-up before turning constructive. We maintain **HOLD** rating with a TP of ₹ 35/share (earlier ₹ 37).



### Particulars

Particular	Amount (₹ crore)
Market Capitalization	5,832.0
Total Debt	0.0
Cash	5,206.4
EV	625.6
52 week H/L (₹)	39 / 26
Equity capital	180.0
Face value	₹ 1

### Price Performance



### Key risk to our call

- Better than expected execution
- Any further pressure on PMC margins

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### Key Financial Summary

₹ crore	FY19	FY20	FY21E	FY22E	FY23E	CAGR FY20-23E
Net Sales	9,943.0	8,087.1	6,999.1	7,974.7	8,989.0	3.6%
EBITDA	365.1	103.5	142.7	240.0	270.5	37.7%
EBITDA Margin (%)	3.7	1.3	2.0	3.0	3.0	
PAT	375.1	78.2	199.7	307.4	353.7	65.4%
EPS (₹)	2.1	0.4	1.1	1.7	2.0	
P/E (x)	15.5	74.5	29.2	19.0	16.5	
EV/EBITDA (x)	2.0	5.9	1.9	(1.4)	(3.4)	
P/B (x)	3.9	4.0	3.5	3.0	2.5	
RoNW (%)	24.9	5.4	12.1	15.7	15.3	
RoCE (%)	31.9	14.9	14.5	16.8	16.0	

Source: ICICI Direct Research, Company

## Financial Summary

Exhibit 1: Profit and loss statement (₹ crore)				
(₹ Crore)	FY20	FY21E	FY22E	FY23E
<b>Net Sales</b>	<b>8,087.1</b>	<b>6,999.1</b>	<b>7,974.7</b>	<b>8,989.0</b>
Total revenues	8,293.0	7,190.6	8,175.8	9,200.2
Raw Material Expense	7,532.8	6,472.2	7,336.7	8,270.0
Employee benefit expenses	330.3	280.0	279.1	314.6
Other Expenses	120.5	104.3	118.8	133.9
<b>EBITDA</b>	<b>103.5</b>	<b>142.7</b>	<b>240.0</b>	<b>270.5</b>
Interest	6.7	6.7	6.7	6.7
Depreciation	6.5	6.4	6.6	6.8
Other income	205.9	191.5	201.1	211.1
PBT	297.1	319.3	450.2	516.2
Taxes	197.3	95.8	116.6	133.7
<b>PAT</b>	<b>78.2</b>	<b>199.7</b>	<b>307.4</b>	<b>353.7</b>
<b>Adjusted EPS (Diluted)</b>	<b>0.4</b>	<b>1.1</b>	<b>1.7</b>	<b>2.0</b>

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet (₹ Crore)				
(₹ Crore)	FY20	FY21E	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	180.0	180.0	180.0	180.0
Reserve and Surplus	1,270.2	1,469.9	1,777.3	2,131.0
Total Shareholders funds	1,450.2	1,649.9	1,957.3	2,311.0
<b>Total Liabilities</b>	<b>2,036</b>	<b>2,260</b>	<b>2,593</b>	<b>2,976</b>
<b>Assets</b>				
Gross Block	179.2	184.2	189.2	194.2
Less Acc. Dep	15.8	22.2	28.8	35.6
Net Block	163.5	162.0	160.4	158.6
Investments	28.4	28.4	28.4	28.4
Inventory	80.4	90.0	90.0	90.0
Sundry Debtors	1,855.6	1,698.4	2,044.9	2,428.5
Loans & Advances	-	-	-	-
Cash & Bank Balances	5,206.4	5,544.4	6,162.6	6,732.3
Other Current Assets	3,132.51	3,132.51	3,132.51	3,132.51
Total Current Assets	10,274.8	10,465.4	11,430.0	12,383.3
Trade Payable	3,552.2	3,325.8	3,792.0	4,276.8
Other Current Liabilities	7,101.15	7,249.36	7,631.84	7,944.16
Provisions	277.1	254.2	274.7	295.9
Other Financial Liabilities	-	-	-	-
Net Current Assets	1,128.7	1,353.7	1,688.9	2,073.2
<b>Total Assets</b>	<b>2,036</b>	<b>2,260</b>	<b>2,593</b>	<b>2,976</b>

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement (₹ crore)				
(₹ Crore)	FY20	FY21E	FY22E	FY23E
PAT	78.2	199.7	307.4	353.7
Depreciation	6.5	6.4	6.6	6.8
Interest	6.7	6.7	6.7	6.7
Others	(5.8)	(174.4)	(181.6)	(189.0)
Cash Flow before wc changes	282.8	134.2	255.7	311.8
Net Increase in Current Assets	(1,041.1)	214.3	(586.2)	(632.9)
Net Increase in Current Liabilities	855.0	(101.2)	869.2	818.4
<b>Net CF from operating activities</b>	<b>(10.8)</b>	<b>151.5</b>	<b>422.1</b>	<b>363.6</b>
(Purchase)/Sale of Fixed Assets	(4.2)	(5.0)	(5.0)	(5.0)
<b>Net CF from Investing activities</b>	<b>200.6</b>	<b>186.5</b>	<b>196.1</b>	<b>206.1</b>
Inc / (Dec) in Equity Capital	-	-	-	-
<b>Net CF from Financing activities</b>	<b>(184.2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Cash flow	5.6	338.0	618.1	569.7
Opening Cash	5,092.8	5,206.4	5,544.4	6,162.6
<b>Closing Cash/ Cash Equivalent</b>	<b>5,206.4</b>	<b>5,544.4</b>	<b>6,162.6</b>	<b>6,732.3</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	FY20	FY21E	FY22E	FY23E
<b>Per Share Data (₹)</b>				
EPS - Diluted	0.4	1.1	1.7	2.0
Cash EPS	0.5	1.1	1.7	2.0
Book Value	8.1	9.2	10.9	12.8
<b>Operating Ratios (%)</b>				
EBITDA / Net Sales	1.3	2.0	3.0	3.0
PAT / Net Sales	1.0	2.9	3.9	3.9
Inventory Days	79.8	89.2	89.3	89.3
Debtor Days	83.7	88.6	93.6	98.6
Creditor Days	97.1	81.9	85.4	84.4
<b>Return Ratios (%)</b>				
RoNW	5.4	12.1	15.7	15.3
RoCE	14.9	14.5	16.8	16.0
<b>Valuation Ratios (x)</b>				
EV / EBITDA	5.9	1.9	(1.4)	(3.4)
P/E (Diluted)	74.5	29.2	19.0	16.5
EV / Net Sales	0.1	0.0	(0.0)	(0.1)
Market Cap / Sales	0.7	0.8	0.7	0.6
Price to Book Value	4.0	3.5	3.0	2.5
<b>Solvency Ratios (x)</b>				
Net Debt / Equity	(3.6)	(3.4)	(3.2)	(2.9)
Current Ratio	0.7	0.7	0.7	0.8
<b>Quick Ratio</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: < -15%



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