

Industry	Eng. & Cons.
Bloomberg	NBCC: IN
BSE CODE	534309

Strong Revenue Growth, Margins Decline

RATING	ACCUMULATE
CMP	56
Price Target	60
Potential Upside	7%

Rating Change	↔
Estimate Change	↓
Target Change	↓

Stock Info

52wk Range H/L	135/51
Mkt Capital (Rs Cr)	10017
Free float (%)	26%
Avg. Vol 1M (,000)	7350
No. of Shares	180
Promoters Pledged %	0

Key Highlights -

- NBCC has tender out Rs.40000 Cr of projects out of Rs.80000 Cr of order book. Delhi high court has given nod for 2 out of 3 redevelopment projects in Delhi and approval for pending one is expected by the November end. Execution is likely to start from January.
- Company has taken up stalled Amrapali project for construction of 46000 units at cost of Rs.8000 Cr as consultant and exploring various options for financing it.
- NBCC has expressed economic interest to acquired debt loaded JPINFRA and will submit the financial bid once the internal calculation is completed. Currently, Management does not reveal any numbers for the deal.

2Q FY19 Results-

Q2FY19 was a strong quarter for the company and witnessed revenue of Rs.1582 Cr, growth of 40% YoY. The EBIDTA during the quarter fell by 30% YoY to Rs.59 Cr on account of changes in the accounting policies with company adopting Ind AS 115, it now does not book 2% initial fees for design and preparatory work for PMC projects. PAT margin is also down by 110 bps YoY to 5.4%. Order book at current is Rs 80000 Cr and out of this Rs.40000 Cr worth of projects has tender out.

View and Valuation

NBCC has posted strong revenue growth but the margin decline during the quarter due to change in accounting policy and which will sustain at this level. Revenue growth is likely to remain strong on account of pick up in execution of large projects. Delhi high court has given nod for redevelopment projects in Delhi and execution is expected to start from January. NBCC has taken up stalled Amrapali project for construction of 46000 units at cost of Rs.8000 Cr as consultant and exploring various options for financing it. Additionally, company has expressed economic interest to acquired debt loaded JPINFRA. So, any update on the same will be key monitorable for near term. We have incorporated lower EBITDA margin in our estimates and reduce EPS by 7/11% for FY19/FY20. We cautiously optimistic on the company and maintain our ACCUMULATE rating owing to the current sharp drop in share price. We value NBCC at 22x FY20 EPS and arrived at target price of Rs.60.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	5826	7424	6942	8520	10938
EBITDA	315	405	422	388	584
EBIT	312	399	417	383	579
PAT	291	392	372	383	487
EPS (Rs)	1.6	1.8	2.1	2.1	2.7
EPS growth (%)	4%	13%	14%	3%	27%
ROE	19%	19%	19%	18%	21%
ROCE	20%	24%	21%	18%	25%
BVPS	9	9	11	12	13
P/B (X)	7.3	9.2	9.1	4.7	4.3
P/E (x)	39.0	48.1	47.9	25.8	20.3

Research Analyst

SANDIP JABUANI

sandip.jabuani@narnolia.com

+91-22-62701228

KETAN MEHROTRA

ketan.mehrotra@narnolia.com

+91-22-62701217

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2Q FY 19 Results

Standalone Number										
Financials	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	YoY %	QoQ%	H1FY18	H1FY19	YoY %
Net Sales	1,133	1,321	2,184	1,633	1,582	40%	-3%	2,399	2,454	2.3%
Other Income	21	26	39	38	64	207%	70%	41	47	16.1%
COGS	929	1,144	1,887	1,448	1,416	52%	-2%	2,007	2,073	3.3%
Total	1,242	1,437	2,354	1,786	1,360	10%	-24%	2,728	2,679	-1.8%
EBITDA	84	69	181	63	59	-30%	-6%	149	153	2.6%
Depreciation	1	1	1	1	1	-7%	-3%	1	1	0.2%
EBIT	84	68	181	62	58	-30%	-6%	148	152	2.6%
Intreset	0	0	(0)	-	-	-100%	NA	0	0	99.9%
Exceptional	-	-	-	-	-	NA	NA	-	-	NA
PBT	104	94	220	100	123	18%	23%	188	199	5.4%
Tax	30	32	78	32	37	22%	14%	58	63	7.5%
PAT	74	62	142	68	86	16%	27%	130	136	4.5%

Strong Revenue growth but margin decline:

NBCC witnessed strong revenue of Rs.1582 Cr with growth of 40% YoY. PMC segment revenue was up by 38% YoY to Rs 1392 Cr. Revenue from real estate is up by 266% YoY to Rs.53 Cr compared to Rs.15 Cr. While revenue from EPC business was down 13% YoY to Rs.95 Cr. Other income rose by 206% YoY during the quarter on account of interest received on seed capital invested by NBCC in redevelopment projects. The EBITDA margins during the quarter went down by 370 bps on account of the drop in margins in PMC segment. The margins went down from 16.7% to 7% on account of change in accounting policies. Earlier company was booking 2% fees at time of design and preparatory work, but after implication of Ind AS 115 company will account such fees on percentage completion basis. Consequently, EBITDA witnessed drop of 47% YoY and stands at Rs 45 Cr. The PAT margins also down by 110 bps standing at 5.4%. The Order book at the end of quarter stood at Rs 80000 Cr.

Maintain Revenue guidance at 30-35% for FY19

Currently company is sitting on Rs.80000 Cr of order book. Out of this Rs.40000 Cr worth of projects have already tender out to the contractors. Work on these projects are expected to pick up the pace going ahead. Company has started work on railway station redevelopment work at Charbag. Court has given the nod for the Netaji Nagar and Sarojani Nagar redevelopment project and work is expected to start from January. Additionally, NBCC is also working on Amarpali projects as PMC and tenders for 10 packages out of 16 has tender out. Based on the pickup in execution management has maintained its revenue growth guidance at 30-35% for FY19.

Expressed Economic Interest to Acquired Debt loaded JPINFRA

NBCC has expressed economic interest to acquired debt loaded JPINFRA and will submit the financial bid once the internal calculation is completed. Currently, Management does not reveal any numbers for the deal. So, any update on the same will be key trackable in near term.

Concall Highlights

- ❑ NBCC has shown economic interest in JP INFRA.
- ❑ High court has approved two Delhi redevelopment project out of 3 projects. The two projects approved are Netaji Nagar project and Sarojini Nagar.
- ❑ Company will start selling property from the Delhi redevelopment project from Jan 2019.
- ❑ Current Seed capital into redevelopment project is Rs 850 Cr.
- ❑ The accounts of HSCL are not consolidated in the books on account of some HR related issue.
- ❑ The other income has increased on account of interest on seed capital investment in redevelopment projects.
- ❑ Post the changes in Ind AS the PMC is expected to have margins of 6.5 to 7%.
- ❑ Order book consist of 50% self generated Revenue projects.
- ❑ The company has maintained 30-35% revenue growth guidance for FY19.
- ❑ The outstanding Order Book is Rs 80000 Cr, The company expects to end the year with 100000 Cr of Order Book.

Revenue Mix

	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	YoY (+/-)	QoQ (+/-)
PMC	2,075	1,149	1,004	1,190	1,996	1,393	1,392	39%	0%
Real Estate	104	9	15	2	(0)	130	53	266%	-59%
EPC	163	103	110	120	174	103	95	-14%	-7%
Total	2,342	1,261	1,128	1,313	2,170	1,625	1,541	37%	-5%

EBIT M %

	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	YoY (+/-)	QoQ (+/-)
PMC	9	13	16.7	11.0	6.4	4.9	7.7	(901)	281
Real Estate	31	18	2	52	NA	53	45	4,310	(742)
EPC	10	4	9	12	9	1	3	(605)	144
Overall	9	5	7	5	8	4	4	(362)	(4)

Exhibit: Revenue Mix

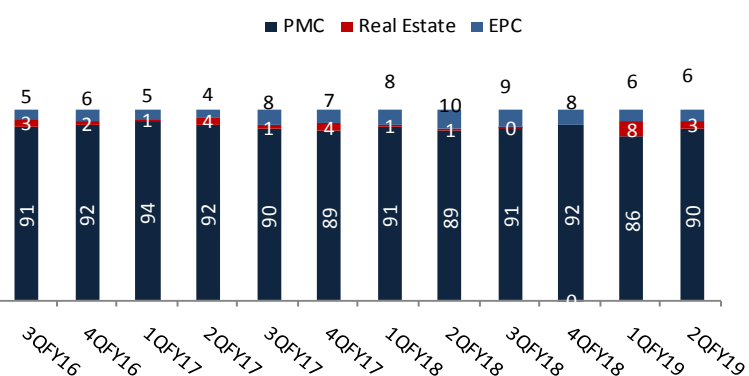


Exhibit: Revenue and revenue growth

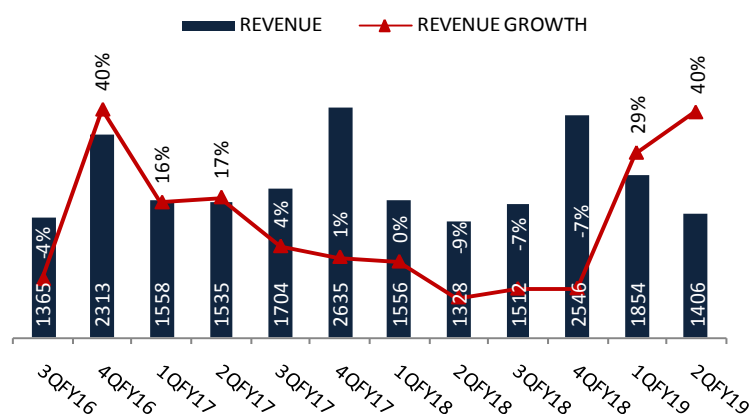


Exhibit: EBITDA and EBITDA M

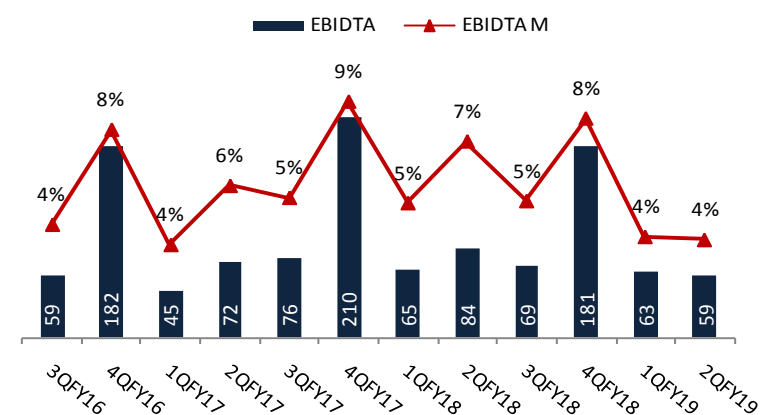
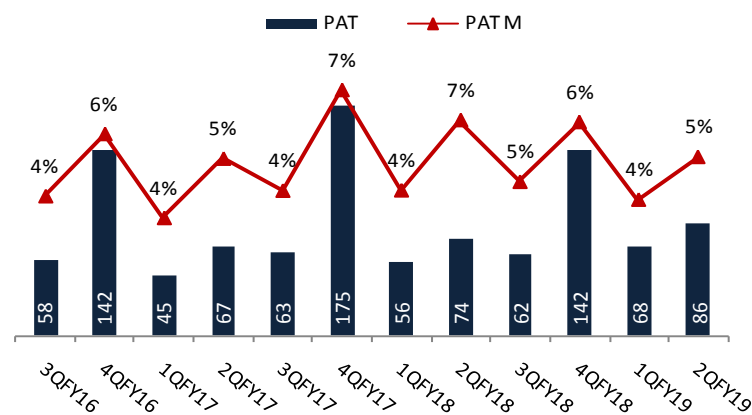


Exhibit: PAT and PAT margin



Financial Details

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	3,198	4,070	4,674	5,826	7,424	6,942	8,520	10,938
Change (%)	-7%	27%	15%	25%	27%	-7%	23%	28%
EBITDA	159	239	288	315	405	422	388	584
Change (%)	6%	50%	21%	9%	28%	4%	-8%	51%
Margin (%)	5%	6%	6%	5%	5%	6%	5%	5%
Depr & Amor.	1	1	2	2	5	5	5	5
EBIT	158	237	286	312	399	417	383	579
Int. & other fin. Cost	-	-	40	1	29	25	(2)	(4)
Other Income	149	134	147	100	151	154	184	154
EBT	307	372	393	411	521	547	569	737
Exp Item	5	(22)	-	-	(67)	-	-	-
Tax	94	92	115	120	129	175	185	251
Minority Int & P/L share of Ass.	-	-	-	(0)	-	-	-	-
Reported PAT	207	257	278	289	326	372	383	487
Adjusted PAT	204	274	278	289	376	372	383	487
Change (%)		35%	1%	4%	30%	-1%	3%	27%
Margin(%)	6%	7%	6%	5%	5%	5%	4%	4%

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	120	120	120	120	180	180	180	180
Reserves	831	1,021	1,212	1,421	1,514	1,786	1,939	2,134
Networth	951	1,141	1,332	1,541	1,694	1,966	2,119	2,314
Debt	-	-	-	-	-	-	-	-
Other Non Cur Liab	267	53	55	66	194	98	98	98
Total Capital Employed	951	1,141	1,332	1,541	1,694	1,966	2,119	2,314
Net Fixed Assets (incl CWIP)	24	23	72	79	140	139	139	139
Non Cur Investments	57	11	11	11	11	11	11	11
Other Non Cur Asst	257	67	110	162	287	227	227	227
Non Curr Assets	339	101	193	252	438	378	378	378
Inventory	632	1,020	1,126	1,424	1,571	1,658	2,357	3,026
Debtors	830	1,315	1,573	1,836	2,567	2,543	3,121	4,007
Cash & Bank	1,538	1,201	1,080	1,160	2,258	2,482	2,517	2,908
Other Curr Assets	390	571	600	664	655	812	975	1,225
Curr Assets	3,390	4,106	4,499	5,207	7,628	8,853	10,637	13,306
Creditors	821	945	1,505	1,789	3,087	3,530	4,332	5,562
Provisions	88	91	31	35	147	165	202	260
Other Curr Liab	1,603	1,978	1,768	2,027	2,705	3,321	4,076	5,232
Curr Liabilities	2,512	3,013	3,305	3,851	5,939	7,015	8,610	11,054
Net Curr Assets	878	1,093	1,194	1,357	1,688	1,838	2,027	2,252
Total Assets	3,729	4,207	4,692	5,459	8,066	9,231	11,015	13,684

Financial Details

Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
PBT	302	349	393	411	454	547	569	737
(inc)/Dec in Working Capital	(58)	(626)	(343)	(126)	312	(9)	(154)	166
Non Cash Op Exp	1	1	2	2	5	5	5	5
Int Paid (+)	-	-	-	-	18	25	(2)	(4)
Tax Paid	42	48	48	77	80	175	185	251
others	3	0	0	-	-	(86)	-	-
CF from Op. Activities	90	(447)	(155)	176	605	426	233	654
(inc)/Dec in FA & CWIP	(2)	(0)	(7)	(10)	(5)	(5)	(5)	(5)
Free Cashflow	88	(448)	(162)	166	600	421	227	649
(Pur)/Sale of Inv	62	62	(46)	-	-	-	-	-
others	2	0	50	(26)	287	5	-	5
CF from Inv. Activities	62	62	(2)	(36)	282	-	(5)	-
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	-	-	-	(5)	(518)	(72)	-	-
Int. Paid	-	-	-	-	25	(25)	2	4
Div Paid (inc tax)	(49)	(53)	(70)	(79)	(202)	178	(230)	(292)
others	-	-	-	1	194	-	-	-
CF from Fin. Activities	(49)	(53)	(70)	(84)	(502)	81	(228)	(288)
Inc(Dec) in Cash	103	(438)	(227)	56	385	508	(1)	366
Add: Opening Balance	428	569	897	669	886	2,258	2,482	2,517
Closing Balance	531	131	670	726	1,272	2,765	2,481	2,883

Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	22%	23%	21%	19%	19%	19%	18%	21%
ROCE	17%	21%	21%	20%	24%	21%	18%	25%
Asset Turnover	0.86	0.97	1.00	1.07	0.92	0.75	0.77	0.80
Debtor Days	95	118	123	115	126	134	134	134
Inv Days	82	104	99	100	86	101	101	101
Payable Days	94	85	118	112	152	186	186	186
Int Coverage	-	-	7	237	14	17	(222)	(163)
P/E	7	7	41	39	48	48	26	20
Price / Book Value	2	2	9	7	9	9	5	4
EV/EBITDA	(0)	3	38	34	36	39	22	14
FCF per Share	0	(2)	(1)	1	3	2	1	4
Div Yield	3.1%	3.2%	0.6%	0.7%	1.3%	1.0%	1.9%	2.5%

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.
Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

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