

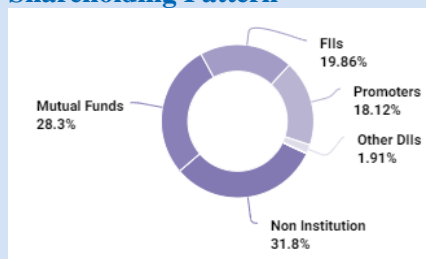
Company Details

CMP:	Rs.98.9
Face value:	Rs.2
Market cap:	Rs.5,952.41Cr.
TTM EPS	Rs.9.39
52 week high:	Rs.125.60
52 week low:	Rs.63.10
BSE Code:	500294
Sector	Construction & Engineering

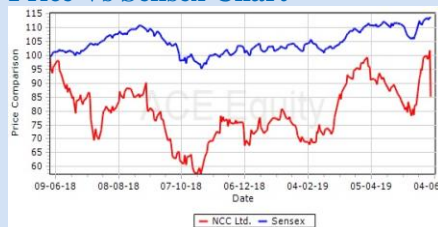
Consolidated Financial Highlights (YoY)

Rs. in crores			
	FY19	FY18	% Var
Net Sales	12895.64	8390.64	53.7%
Total Expendit	11296.47	7511.25	50.4%
PBDIT	1599.17	879.39	81.8%
Op.Profit	1723.50	980.75	75.7%
OPM (%)	13.4%	11.7%	14.3%
PBT	901.20	225.60	299.5%
PAT	574.43	145.44	295.0%
EPS (Rs.)	9.56	2.42	295.0%
Equity	120.13	120.13	0.0%

Shareholding Pattern



Price Vs Sensex Chart



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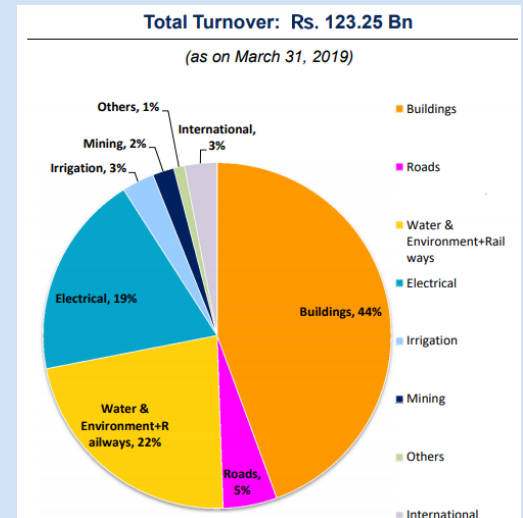
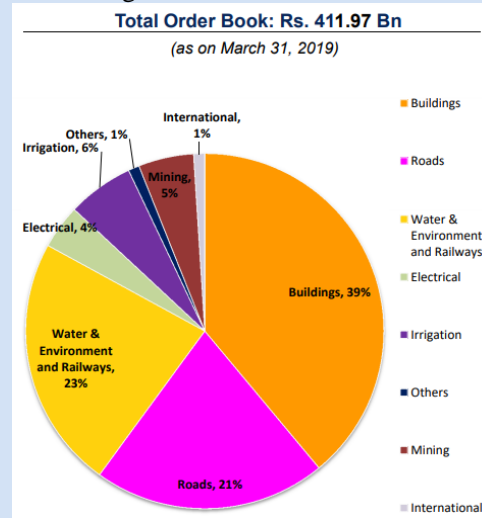
Satco Capital Markets Ltd.

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Company Background

NCC Ltd., Hyderabad based company incorporated in 1990, is engaged in construction of houses & building, roads, irrigation, electrical, metals, mining and railways. It is the second largest listed construction company in terms of revenue in India, with its presence across 13 cities in key states such as Maharashtra, Andhra Pradesh, Telangana, Karnataka, Gujarat, UP, West Bengal, Tamil Nadu etc.



Financial Performance

The company has reported Net sales of Rs. 12895.64 crore during FY19 higher by 53.7% against Rs. 8390.64 crore during FY18 on back of strong execution in building and road divisions. The **Net profit of the company was at Rs.574.43 crore in FY19 up by 295% against that of Rs.145.44 crores in FY18. The EPS has improved from Rs. 2.42 in FY18 to Rs. 9.56 in FY19.**

The board has recommended equity dividend of 75% i.e Rs. 1.50 per share of FV of Rs. 2 per share for the FY19.

Investment Rationale

- Various government initiatives such as Bharat Mala, Sagar Mala, Smart cities, Industrial corridor etc will provide additional opportunities to construction industry.
- The management focuses on EPC and item rate contracts with asset light strategy, with limited exposure to selective HAM projects in Roads.
- The company is taking actions in order to improve EBITDA and Net Profit margins through operational efficiency and reduction in cost and subsequently reduce debt and interest costs.
- Conference call highlights:
 - Management aims to maintain EBITDA margins in range of 11.5-12% for FY20E.
 - The company started the FY20 with an Order book of Rs. 41,197 crores, as the new government in the state of Andhra Pradesh has indicated to review some of the orders awarded by the previous government; there is an apprehension that work order totaling Rs. 6100 crores valued get cancelled. In that case, the remaining order book size will be Rs. 35,097 crores (apprx) and the management expects to maintain FY20 turnover at the same level as that of FY19. The large size order book provides visibility to the company over the next 2/3 years.
 - There is an **improvement in receivable days to 84 days as of Q4FY19 compared to 101 days as of Q3FY19.** Andhara Pradesh, Bihar, Maharashtra, Karnataka contributed to higher collection.
 - For FY20, the company expects to incur a capex of Rs. 350 crores.
 - The company has bagged five to six water projects in Odisha in Q4FY19.
- Marquee Clients: Indian Railway, Power Grid, NHAI, SAIL, Airport Authority of India etc.
- Promoter holds 18.12% whereas, FIIs and Mutual Funds hold 19.86% and 28.3% respectively, rest about 1.91% and 31.8% shares of the company are held by Other DIIs and Public. The promoters have pledged 42.7% of their holdings.

Concerns

Raw material prices, competition from peers and fluctuations in Foreign Exchange rates are the main concerns.

Valuation

The share of the Company based on EPS of Rs. 9.56 for FY19 is trading at **P/E of 10.5x**. Keeping the increase in order inflow, huge opportunity, improvement in receivables and cost control actions from the management, we expect the company to record 13% revenue CAGR over FY20E and to report an **EPS of about Rs. 10.5 for FY20E and with the PE of 12.5x** and accordingly, we have estimated the price of the scrip to appreciate to about Rs. 131 (an appreciation of about 30%) over the next 12 months.



EXTENDED WINGS

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HYDERABAD | VIJAYWADA | CHENNAI | BANGALORE | COCHIN | TRIVENDRUM

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Satco Capital Market Ltd. is acting as a Research Analyst and is registered under SEBI (Research Analyst) Regulations, 2014. SEBI Registration No. INH000002343

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