

Stock Note

NCC Ltd.

March 13, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Civil Construction	Rs 99.3	Buy in the band of Rs 98-100 & add more on dips to Rs 86-88 band	Rs 112	Rs 120	2-3 quarters

HDFC Scrip Code	NCCLTDEQNR
BSE Code	500294
NSE Code	NCC
Bloomberg	NJCC IN
CMP Mar 10, 2023	99.3
Equity Capital (Rs cr)	125.6
Face Value (Rs)	2
Equity Share O/S (cr)	62.8
Market Cap (Rs cr)	6238
Book Value (Rs)	99.0
Avg. 52 Wk Volumes	4338680
52 Week High	102.0
52 Week Low	52.2

Share holding Pattern % (Dec 2022)	
Promoters	22.0
Institutions	28.1
Non Institutions	49.9
Total	100.0



HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

NCC Limited (NCC), erstwhile Nagarjuna Construction Company Ltd, is one of the largest well diversified construction companies in India with a foothold in every segment of construction sector. The company has more than four decades' experience in completing numerous construction projects across roads, buildings, bridges, irrigation and mining, etc and having a track record of timely execution. NCC has proven skill set in core infrastructure areas and executed projects for various central and state level agencies, PSUs as well as private sector clients. Diversified capabilities and wider geographic presence further enhances its addressable opportunities. The company has strong track record of handling and completing large projects with multiple clients which brings qualification of bidding for large projects. It also has exposure to the real estate development space and owns land bank in various cities in South India.

NCC has a robust order backlog of Rs 41,862cr (3x TTM revenues), providing strong revenue visibility over the next couple of years. Going forward the management expects order inflows to gain momentum given the strong emphasis in affordable housing, Jal Jeevan mission and roads & expressway and metro & railway segment. NCC bagged orders worth Rs 12,612cr in 9MFY23 and in Jan'23 & Feb'23 it secured orders totalling Rs 4129cr. The management revised its order inflow guidance to Rs 20,000cr (earlier Rs 16,000cr) for FY23. Over last few years, NCC has been focusing on monetization of its non-core subsidiaries, reduction in debt levels and improving the receivables in order to boost its liquidity position. These efforts have resulted into improvement in execution and better operating performance.

Valuation & Recommendation:

The company has well-diversified order book, robust execution capabilities, strong focus on debt reduction and improvement of working capital. Segment diversity across building, mining, railways, electrical, water & environment is one of the key differentiators at NCC. Company's focus is to remain asset light coupled with strong execution and financial discipline. The company will pursue BOT and BOOT projects with special focus on roads and power. Company's vast experience and proven execution capabilities can help leverage rising opportunities in the buildings, water infra, transportation, metros, defence and airports as the awarding momentum pickup. In the recent Budget, the FM shifted the gear on capex front with major thrust on National Infrastructure Pipeline (NIP) targets and various infra related schemes. We expect revenue/EBITDA/PAT to grow at CAGR of 15.9%/17.8%/30.4% over FY22-25E. **We think the base case fair value of the stock is Rs 112 (9x Dec'24E EPS) and the bull case fair value is Rs 120 (9.75x Dec'24E EPS) over the next two-three quarters. Investors can buy the stock in the band of Rs 98-100 and add more on dips to Rs 86-88 band (7x Dec'24E EPS). At CMP, the stock trades at 8.1x Dec'24E EPS.**



Financial Summary

Particulars (Rs cr)	Q3FY23	Q3FY22	YoY-%	Q2FY23	QoQ-%	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	3312.7	2703.9	22.5	3003.7	10.3	7,256.0	9,930.0	12,615.2	14,131.0	15,441.2
EBITDA	348.8	292.8	19.1	288.6	20.9	855.4	996.1	1,217.4	1,512.0	1,629.0
PAT	149.9	91.0	64.8	121.6	23.2	261.5	490.1	498.2	704.2	767.4
Adjusted PAT	149.9	106.0	41.4	121.6	23.2	261.5	346.0	498.2	704.2	767.4
Diluted EPS (Rs)	2.5	1.7	41.4	2.0	23.2	4.3	5.7	8.2	11.5	12.6
RoE-%						5.0	6.2	8.3	10.7	10.5
P/E (x)						23.2	17.5	12.2	8.6	7.9
EV/EBITDA (x)						8.7	6.8	5.4	4.2	4.0

(Note: Standalone numbers, Source: Company, HDFC sec)

Q3FY23 Result Review:

NCC Ltd delivered strong overall performance on account robust execution and improved margins. The company reported healthy topline of Rs 3849.6cr (+27.7%/+14.1% YoY/QoQ) on the back of decent execution across its project sites. At standalone level, the company clocked topline of Rs 3312.7cr (+22.5%/10.3% YoY/QoQ) and posted EBITDA margin of 10.5% vs 10.8% in Q3FY22. The company posted consolidated EBITDA of Rs 376.4cr (+36.2%/21.4% YoY/QoQ). EBITDA margin expanded 61bps/58bps YoY/QoQ to 9.8% on account of moderation in raw material prices. Other income came in at Rs 54.1cr (+195/68% YoY/QoQ), mainly on account of a profit of Rs 29cr in land sale, Rs 17cr from interest income and Rs 6cr from dividend income. It reported PAT of Rs 157.7cr (+106.4%/+20.4% YoY/QoQ).

During 9MFY23, the company bagged order of Rs 12,612cr, taking the order book to Rs 41,862cr as of Dec 31, 2022. The robust order book provides revenue visibility of 3x TTM revenue. In Q3FY23, company received orders to the tune of Rs 5495cr, in water, electrical and building divisions.

Concall Key Highlights:

- Order Inflows and Order book: NCC bagged orders worth Rs 12,612cr in 9MFY23 and the company has L1 order of Rs 3000cr. On the back of strong order momentum, the company has revised order inflow guidance from Rs 16,000cr to Rs 20,000cr in FY23.

The management expects similar traction in order pipeline in FY24 with continued momentum in govt-led infrastructure spending.

Order book of Rs 41,862cr is well diversified comprising of Buildings (48%), Transportation (11%), Water & Railways (21%), Electrical (8%), Irrigation (4%), Mining division (7%), Others (1%). The order book does not include O&M potential for Malad wastewater treatment plant to be executed over 15 years.



- **Revenue & Margin Guidance:** The management maintained its revenue growth guidance of 30% YoY in FY23 with EBITDA margin of 9.5-10%. Management expects further improvement in margins of 10-20bps on account of softened commodity prices and execution of newer order with better margin profile. At PAT level, the company is targeting to maintain 5%+ level.
- **Vizag land sale deal:** NCC had entered into a share-purchase agreement with GRPL Housing Pvt. Ltd. to monetise its entire 95% stake in its subsidiary, NCC Vizag Urban Infrastructure, which owns ~98 acres in Vizag. The equity consideration of Rs 200cr is to be paid in four tranches of which Rs 47.5cr is received. One tranche was expected to be received in Dec'22 but was delayed, and is expected to be received in Q4FY23.
- **AP Project:** The order book for the AP project stands at Rs 5000cr (earlier Rs 18000cr) with NCC only adding projects funded by the central government.
- **Sembcorp Arbitration:** The final hearing is expected to conclude soon and judgement is expected to come by May-Jun'23. The management is expecting Rs 600-700cr from this proceeding.
- **Debt:** Standalone debt decreased moderately by Rs 39cr to Rs 1950cr and is expected to come down further by end of this fiscal year, on account of collection from clients and proceeds from Vizag deal. NCC expects debt to decline further by Rs 200-300cr by FY23-end with outstanding debt expected at Rs 1600-1700cr. All the group companies are debt free except NCC Urban, which has an outstanding debt of Rs 5cr.
- **Capex:** The company incurred a capex of Rs 243cr in 9MFY23 and expects to spend Rs 30-40cr of capital outlay in Q4FY23.

Key Triggers:

Strong Execution Track Record:

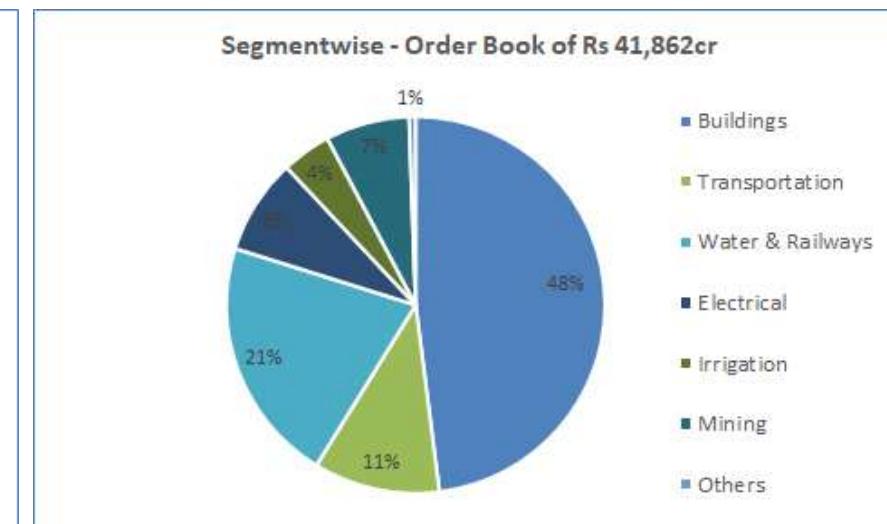
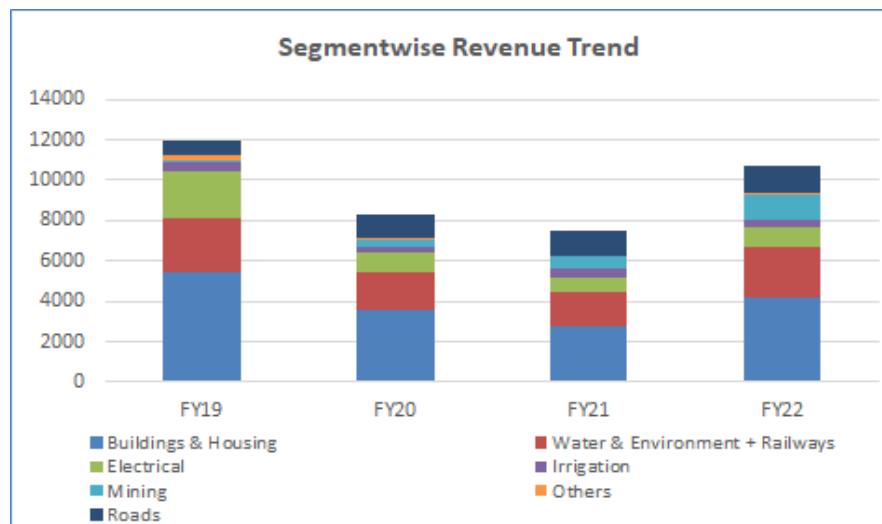
NCC has more than four decades' experience in completing numerous construction projects across roads, buildings, bridges, irrigation and mining, etc with timely execution. NCC has proven skill set in core infrastructure areas and have executed projects for various central and state level agencies, PSUs as well as private sector clients. Diversified capabilities and wider geographic presence further enhances its addressable opportunities. The company has strong track record of handling and completing large projects with multiple clients which gives qualification of bidding for large projects. Recent order wins – State water & Sanitation Mission from UP Govt (Rs 7936cr), Nagpur Mumbai express way (Rs 2850cr), Project Seabird (Rs 2850cr), Bangalore Metro Rail Corporation Ltd (Rs 2167cr), Building Project by NBCC, Nauroji Nagar (Rs 1652cr), showcases its ability to win large projects. The company has worked with diverse clients like NHAI, NTPC, CIDCO, MSRDC, AIIMS, AAI, Coal India, Indian Oil, SAIL, NBCC among others. Company's continued investments in building organisational capabilities would help maintain growth momentum.



Diversified and Robust order Book:

NCC is one of the few players in the construction industry which has the skill sets and capabilities to cater needs of diverse segments, diverse geographies and diverse clients. The company has presence in multiple growth segments - buildings & housing, roads, water & environment, irrigation, electrical, metals, mining and railways. Diversified presence gives the company multiple growth levers and makes it better positioned to offset the impact of slowdown in any particular segment. It has a pan India presence including key states like Maharashtra, Andhra Pradesh, Telangana, Karnataka, Gujarat, UP, West Bengal and Tamil Nadu with regional offices in 13 cities. NCC has been a preferred vendor for marquee clients in building segments such as UP Housing Development Board, AAI, AIIMS, NBCC, BMRCL and MMRDA. Most of the orders are from the central government/ state government and central government sponsored schemes.

In the past, company's order book has remained resilient, providing revenue visibility for 2-3 years. NCC's order book swelled to Rs 41,862cr as of Dec'22, aided by robust order inflows to the tune of Rs 12,612cr in 9MFY23. The orderbook is well diversified across sectors - building/transportation/water & railways/electrical/ irrigation/mining/others contributing 48/11/21/8/4/7/1%. Geographically, the top four states in terms of the order book exposure are Uttar Pradesh (25%), Maharashtra (16%), Karnataka (15%) and Telangana (9%). In Jan'23 and Feb'23, it secured orders totaling Rs 4129cr. Going forward the management expects order inflows to gain momentum given the strong emphasis in affordable housing, Jal Jeevan mission and roads & expressway and metro & railway segment. The management has already surpassed its earlier guidance of order inflows of Rs 16,000cr for FY23 (including L1) and revised the guidance upwards to Rs 20,000cr.

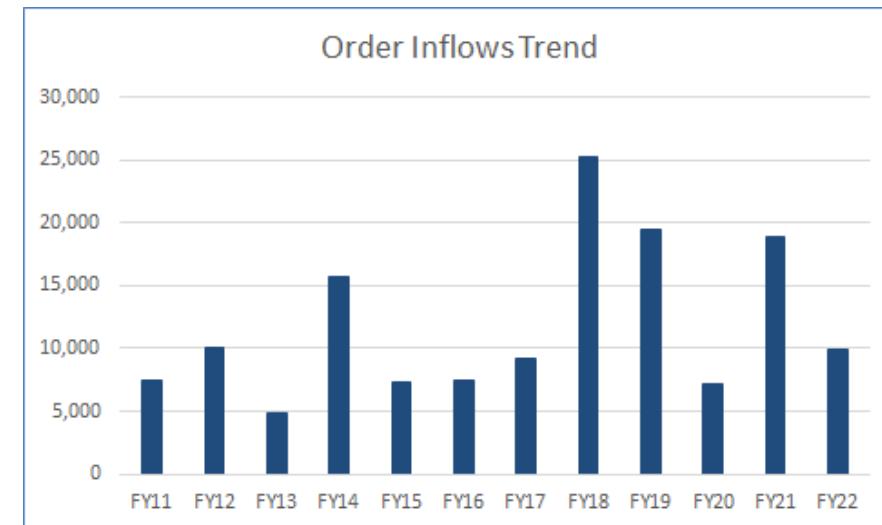
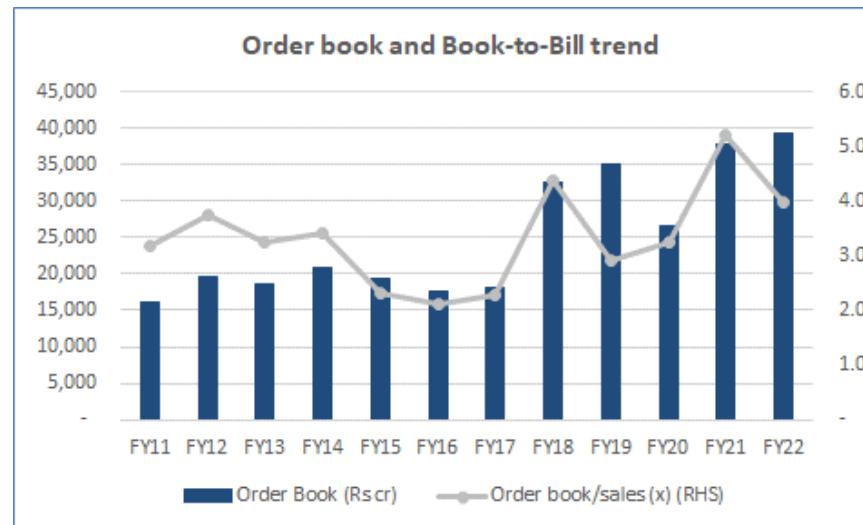


(Source: Company, HDFC sec)



Strong order prospects to support growth:

NCC is well placed to capitalise on huge infrastructure pipeline and continued momentum in awarding activities which translates into healthy order inflows. Strong order book to ensure topline growth with margins stable at ~10%. In 9MFY23, the company bagged orders to the tune of Rs 12,612cr. The management has guided for Rs 20,000cr (earlier Rs 16,000cr) of order inflow in FY23 due to a healthy traction in the water projects, Jal Jeevan Mission, and opportunities in affordable housing, roads & expressway and metro & railway. The recent budget was focused more on capital spending and could see pick-up in order momentum and improve prospects in NCC's core segments. The National Infrastructure Pipeline envisions investments of Rs 111 lakh crore during 2020-2025 to provide world-class infrastructure across the country. Budget 2023 saw the FM stepping the pedal on capex with major thrust on National Infrastructure Pipeline (NIP) targets. The Budget 2024 clearly focused more on capex spending with the government's plans to provide a significant thrust to the country's infrastructure development. The capital investment outlay has been increased to Rs 10 trillion, up ~3x of FY20 outlay. Ratio of capex to GDP pegged at a 19-year high of 3.3% in FY24. Steep increase in capital outlay by 33% YoY was led by sectors like railways, roads, defence, housing, water (Jal Jeevan), metro and logistic infra projects. Major schemes like Pradhan Mantri Awas Yojana, Jal Jeewan Mission saw 12% and 27% increase in FY24 BE compared to FY23 RE. The government's re-energised focus on water will enhance opportunities for NCC in water transport, distribution and storage. The company is actively participating in upcoming airport bids, while data centre projects are under evaluation. We expect order intake of Rs14,250cr/ Rs 14,775cr in FY24E/25E, which would be a key catalyst for revival of execution and earnings growth for NCC.



(Source: Company, HDFC sec)



Healthy Balance sheet - Investments & Land monetization coupled with Divestment in non-core operations:

NCC has a sizeable land bank spread across cities in South India. Fair value of land, buildings and investment properties under construction was at ~Rs 525cr as of March 31, 2022. These land holdings are expected to result in significant value accretion when the company plans to develop or monetise them. Moreover, the company has adequate surplus invested in debt & mutual funds.

Focus on monetisation of non-core subsidiaries have improved its liquidity profile and led to debt reduction. The company has been able to divest its complete stake in NCC Vizag Urban Infrastructure to Garden Realty Private Limited. On the conclusion of the sale, NCC is expected to receive ~Rs 500cr against loans and equity. The total consideration of equity of Rs 200cr, of which the company has received first payment of Rs 47.5cr during Q4FY22 with balance expected by FY23-end or early FY24. The loan amount of Rs 300cr is expected to be received in two tranches which would lead to debt reduction. Company's gross debt stood at Rs 1950cr in Dec'22. The management has set target to reduce debt to Rs 1600-1700cr in FY23-end, aided by higher profitability, better cash flow management and proceeds from Vizag deal.

Healthy financials with consistent operating margins:

NCC reported muted topline growth of 4.4% CAGR over FY17-22, on the back lower order inflows (during covid). The margins, however, remained resilient above ~11.5%. The margins dipped in FY22 due to higher commodity prices. The company exhibited strong execution record, posting topline growth of 37.6% YoY in 9MFY23. The management revised the topline guidance to 30% YoY in FY23 (vs earlier guidance of 15-20% growth). Further, the company intends to attain margins of 9.5-10% in FY23, led by softening in raw material prices and execution of newer projects with better margin profile. At PAT level, the company is targeting to maintain 5%+ level. The company could improve its free cash flow due to a likely improvement in the recovery of debtors, realisation of receivables from Govt of AP and execution of projects, backed by the strong orderbook.

Business Segment and underlying tailwinds:

Building & Housing:

NCC has been providing infrastructure support to India's growing Industrial, Retail, ITeS and Services sector. It has the know-how and resources to execute projects of large magnitude and technological complexity. The buildings division is the largest in NCC, in terms of orders and turnover. The company has executed key projects - Investigation, Survey, Planning, Design, Construction in Andhra Pradesh Township and Infrastructure Development Corporation Limited (APTIDCO); Planning, Designing and Construction of Apartments for Lucknow Development Authority; Construction of Airports and other Infrastructure development works at six locations for Defence Department in the state Arunachal Pradesh; Design and construction of Elevated Structures for Bangalore Metro Rail Corporation; Construction of ESIC Medical College.



As of Dec'22, the order book of this division is Rs 20,089cr (48% of order book). AIIMS project, portion of the Project Seabird (New Delhi), Bangalore Metro Rail Corporation Limited (BMRCL), two locations for Airport Authority of India are some of the key projects under execution. The rapid growth of the Indian economy has had a significant impact on the demand for commercial property to meet the needs of business by way of offices, warehouses, shopping malls, hotels etc.

The outlay for PM Awas Yojana was enhanced by 66% to over Rs 79,000cr over FY23 BE. The budget continued its focus on improving regional connectivity through regional connectivity scheme (RCS). Allocation under RCS was increased by 15.3% to Rs 1244cr over FY23RE (Rs. 601cr allocation in FY23BE). 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity. The government also has allocated Rs 10,000cr per year Urban Infrastructure Development Fund to be used for creating infrastructure in tier-2 and tier-3 cities. Increase in project awarding on the back of high targets in infrastructure space would sustain the order inflows in this segment.

Water & Environment:

NCC's extensive experience and expertise has powered the progress in the water segment. It has successfully executed major water supply projects, drainage schemes, sewage treatment plants etc. It also undertakes civil construction of distribution networks, pumping stations, underground drainage networks, lift irrigation schemes, storage tanks. Maharashtra Jeevan Pradhikaran in Amaravati District; Krishna Drinking Water Supply Project (AP), Water Supply and Underground Sewerage System in MIHAN Project Area (Nagpur); Public Health Engineering Directorate (West Bengal); Khorsam Lift Irrigation Scheme and Pumping Station are some of the projects executed in the past. Having an order book of Rs 8814cr (21% of book including railways); it is executing State water and Sanitation mission of UP Govt in 5 districts, Nmami Gange & Rural Water Supply in 4 districts, rural water supply and sanitation in 2 districts of Odisha. In the recent Budget allocation to Jal Jeevan Mission Scheme was increased by 17% to Rs 70,000cr over FY23 BE. Company's execution track record in this vertical is in full swing and it expects more traction in this segment.

Electrical:

NCC's Electrical Division handles extensive and demanding electrical construction projects. It has a track record of delivering excellence in electrical construction, be it transmission lines or distribution. It holds a large repertoire of expertise - design, engineering, erection, testing and commissioning of EHV/HV substations and transmission lines, High Voltage Distribution System (HVDS), Feeder Separation Scheme (FSS) - will plug in to the various unfolding opportunities. With an order book of Rs 3429cr, government schemes on transmission and distribution network across states provide long runway for growth.



Metals & Mining:

NCC's Metals Division acts as the connecting link to the Steel industry's requirements by undertaking Engineering, Procurement and Construction (EPC) projects in the metal industry. NCC's mining division focuses on businesses for Mine Developer-cum-Operator (MDO), removal of overburden and extraction of Coal / Lignite / other minerals from Open Cast Mines in India with the subsidiaries of Coal India Limited, Steel Authority of India Limited, Gujarat Mineral Development Corporation, Singareni Collieries Company Limited, Maha Tamil Collieries Limited and other Private Mine Operators. The division participates in tenders for design, supply and erection of coal handling plants, silos etc., with subsidiaries of Coal India Limited, NTPC, NALCO etc

Roads:

With a track record of executing large scale contracts within tight schedules, the company plans to tap opportunities in road and highway networks. The company carries out Highway, bridges & flyover projects. This segment includes construction, realignment and upgradation of roads and highways and development of roads under BOT scheme. NCC executed Agra Lucknow Expressways; Hyderabad Growth Corridor Limited; Nagpur Mumbai express way. Pradhan Mantri Gram Sadak Yojana outlay for FY24 was kept flat at Rs. 19,000cr.

Building & Housing	Roads	Water & Environment	Electrical	Irrigation	International
<ul style="list-style-type: none"> Industrial buildings Commercial buildings Housing projects IT Parks Shopping malls Sports complexes Hospitals & Medical colleges Bridges, flyovers and elevated corridors Metros 	<ul style="list-style-type: none"> Highways Highway realignment and Bypass Carriageway widening and strengthening 	<ul style="list-style-type: none"> Water supply projects Water treatment plants Distribution networks Underground drainages Lift irrigation schemes 	<ul style="list-style-type: none"> Transmission and distribution lines and sub-stations Project electrification System Improvement Projects 	<ul style="list-style-type: none"> Dams & Reservoirs Canals Tunnels Barrages, Spillways and Aqueducts 	<ul style="list-style-type: none"> Roads Buildings Water pipelines
Mining	Railways	Others			
<ul style="list-style-type: none"> Overburden removal Coal excavation MDO 	<ul style="list-style-type: none"> Track Laying Signaling and Communication Railway Siding 	<ul style="list-style-type: none"> Power Oil & Gas Metals Others 			

(Source: Company, HDFC sec)



Concerns:

Project execution risk: Infrastructure projects involve complex design and engineering, significant procurement of equipment and supplies, extensive construction management, and other activities conducted over extended periods, sometimes in remote locations. This could lead to cost and time overruns, thereby impacting its profitability. Also it faces the risk of being blacklisted due to quality or delay issues. It faces the media censure risk in case of unforeseen deaths / injuries due to the infrastructure built by it.

Contractual Risk: Contractual obligations for quality, timeliness and other specific terms and conditions are crucial for orders. Inability to adhere to them could attract legal actions.

Raw materials price risk: The price of key raw materials such as cement, bricks, sand, and steel constantly fluctuates with the changing demand-supply dynamics which may lead to a rise in input cost, which in turn, put pressure on the company's margins and profitability.

Litigation: Over the last few years, NCC has been caught up in multiple litigations. These have raised concerns about possibility of such "shocks" in future. For both Sembcorp and Taqa arbitration, the company expects some clarity only at FY23 end.

Pledge shares: The promoters have pledged 11.14% of its shares (2.45% of total shareholding). There is a risk of sell-off if stock prices correct sharply.

About the company:

NCC Limited (NCC), erstwhile Nagarjuna Construction Company Ltd, is one of the largest well diversified construction companies in India with a strong foothold in every segment of construction sector. It has presence across varied verticals of infrastructure space and undertakes civil construction for buildings & housing, roads, water & environment, mining, electrical, power among others. It also has exposure to the real estate development space and owns land bank in various cities in South India.

NCC, through its subsidiary, NCC Urban takes up urban infrastructure projects such as development of residential & commercial complexes, serviced apartments, SEZs, integrated townships and complexes with advanced building techniques. The company has acquired lands in and around Bengaluru, Chennai, Goa, Gurgaon, Hyderabad, Lucknow, Raipur for its real estate projects. The company also undertakes the development of infrastructure projects through Government concessions (road and energy projects); which are long term infrastructure projects that offer stable revenue stream. The company has also created a niche in infrastructure markets of the GCC through its subsidiaries with key focus on roads, building and water network.



NCC has a healthy order backlog of Rs 41,862cr (3x TTM revenues) as of Dec 31, 2022, providing strong revenue visibility over the next couple of years. The company has well diversified order book, robust execution capabilities and strong focus on debt reduction and improvement of working capital.

Financials - Standalone

Income Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	7256.0	9930.0	12615.2	14131.0	15441.2
Growth (%)	-11.7	36.9	27.0	12.0	9.3
Operating Expenses	6400.7	8933.9	11397.8	12619.0	13812.1
EBITDA	855.4	996.1	1217.4	1512.0	1629.0
Growth (%)	-17.0	16.5	22.2	24.2	7.7
EBITDA Margin (%)	11.8	10.0	9.7	10.7	10.6
Depreciation	174.1	182.3	184.4	187.4	202.6
EBIT	681.3	813.8	1033.0	1324.6	1426.5
Other Income	115.6	108.2	124.4	130.7	124.3
Interest expenses	457.8	459.6	491.6	514.2	525.2
PBT	339.1	462.4	665.8	941.1	1025.5
Tax	77.6	117.9	167.6	236.9	258.1
RPAT	261.5	490.1	498.2	704.2	767.4
APAT	261.5	346.0	498.2	704.2	767.4
Growth (%)	-36.9	32.3	44.0	41.3	9.0
EPS	4.3	5.7	8.2	11.5	12.6

Balance Sheet

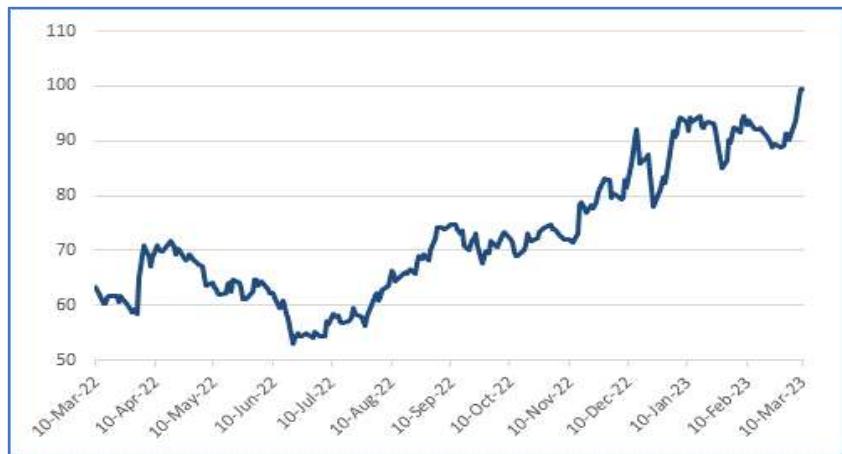
As at March (Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	122.0	122.0	122.0	122.0	122.0
Reserves	5242.7	5681.2	6151.1	6826.9	7566.0
Shareholders' Funds	5364.7	5803.2	6273.0	6948.9	7688.0
Long Term Debt	98.6	82.0	98.6	98.6	98.6
Net Deferred Taxes	-41.1	-54.1	-41.1	-41.1	-41.1
Long Term Provisions & Others	68.0	72.4	68.0	68.0	68.0
Total Source of Funds	5490.2	5903.5	6398.5	7074.4	7813.5
APPLICATION OF FUNDS					
Net Block & Goodwill	1222.9	1224.3	1324.3	1424.3	1503.9
CWIP	89.6	110.5	89.6	89.6	89.6
Other Non-Current Assets	1737.9	1721.8	1481.2	1524.6	1558.4
Total Non-Current Assets	3050.4	3056.6	2895.1	3038.5	3151.9
Inventories	526.8	787.8	775.5	888.9	919.3
Trade Receivables	2520.6	2384.3	2592.2	2903.6	2876.7
Cash & Equivalents	438.6	558.5	1180.9	1431.4	1198.1
Other Current Assets	6121.1	6985.3	7188.9	7239.7	7276.4
Total Current Assets	9607.1	10715.9	11737.4	12463.7	12270.4
Short-Term Borrowings	1690.3	1190.0	1590.0	1560.0	1530.0
Trade Payables	3691.2	4260.7	4665.9	4839.4	4018.9
Other Current Liab & Provisions	1785.8	2418.4	1978.1	2028.4	2059.9
Total Current Liabilities	7167.4	7869.0	8234.0	8427.7	7608.8
Net Current Assets	2439.8	2846.9	3503.5	4035.9	4661.6
Total Application of Funds	5490.2	5903.5	6398.5	7074.4	7813.5



Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	339.1	608.0	665.8	941.1	1,025.5
Non-operating & EO items	-68.6	-176.7	-124.4	-130.7	-124.3
Interest Expenses	457.8	459.6	491.6	514.2	525.2
Depreciation	174.1	182.3	184.4	187.4	202.6
Working Capital Change	-174.4	395.9	-26.2	-289.3	-874.1
Tax Paid	-18.4	-173.3	-167.6	-236.9	-258.1
OPERATING CASH FLOW (a)	709.6	1,296.0	1,023.6	985.8	496.8
Capex	-151.6	-167.8	-263.5	-287.4	-250.0
Free Cash Flow	558.0	1,128.2	760.1	698.4	246.8
Investments	215.5	36.7	-34.4	124.7	124.3
INVESTING CASH FLOW (b)	63.9	-131.1	-297.9	-162.8	-125.7
Debt Issuance / (Repaid)	-241.7	-604.8	16.6	-30.0	-30.0
Interest Expenses	-462.0	-445.6	-491.6	-514.2	-525.2
FCFE	-145.7	77.8	285.1	154.2	-308.4
Share Capital Issuance	26.6	0.0	0.0	0.0	0.0
Dividend	-12.2	-48.8	-28.3	-28.3	-28.4
FINANCING CASH FLOW (c)	-689.3	-1,099.2	-503.4	-572.5	-583.6
NET CASH FLOW (a+b+c)	84.1	65.7	222.3	250.6	-212.5

One Year Price Chart:



(Source: Company, HDFC sec)

Key Ratios

	FY21	FY22	FY23E	FY24E	FY25E
PROFITABILITY RATIOS (%)					
EBITDA Margin	11.8	10.0	9.7	10.7	10.6
EBIT Margin	9.4	8.2	8.2	9.4	9.2
APAT Margin	3.6	3.5	3.9	5.0	5.0
RoE	5.0	6.2	8.3	10.7	10.5
RoCE	8.6	11.7	10.8	12.6	12.4
Solvency Ratio (x)					
Debt/EBITDA	2.1	1.3	1.4	1.1	1.0
Net D/E	0.3	0.1	0.1	0.0	0.1
PER SHARE DATA (Rs)					
EPS	4.3	5.7	8.2	11.5	12.6
CEPS	7.1	11.0	11.2	14.6	15.9
Dividend	0.6	0.6	0.6	0.6	0.6
BVPS	88.0	95.2	102.9	113.9	126.1
Turnover Ratios (days)					
Debtor days	127	88	75	75	68
Inventory days	26	29	22	23	22
Creditors days	186	157	135	125	95
VALUATION					
P/E (x)	23.2	17.5	12.2	8.6	7.9
P/BV (x)	1.1	1.0	1.0	0.9	0.8
EV/EBITDA (x)	8.7	6.8	5.4	4.2	4.0
EV/Revenues (x)	1.0	0.7	0.5	0.4	0.4
Dividend Yield (%)	0.6	0.6	0.6	0.6	0.6
Dividend Payout (%)	14.0	10.6	7.3	5.2	4.8

(Source: Company, HDFC sec)



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicalities of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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