# Stock Update

## NCC Ltd.

November 06, 2023


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# NCC Ltd.

| Industry | LTP | Recommendation | Base Case Fair Value | Bull Case Fair Value | Time Horizon |
|---|---|---|---|---|---|
| Civil Construction | Rs.148.90 | Buy in the band of Rs 145-150 & add more on dips to Rs 130.50 band | Rs.164.25 | Rs.183.5 | 2-3 quarters |

| | |
|---|---|
| HDFC Scrip Code | NCCLTDEQNR |
| BSE Code | 500294 |
| NSE Code | NCC |
| Bloomberg | NJCC IN |
| CMP Nov 06, 2023 | 148.90 |
| Equity Capital (Rs cr) | 126 |
| Face Value (Rs) | 2 |
| Equity Share O/S (cr) | 63 |
| Market Cap (Rs cr) | 9,349 |
| Book Value (Rs) | 101 |
| Avg. 52 Wk Volumes | 69,48,932 |
| 52 Week High | 177 |
| 52 Week Low | 71.1 |

| Share holding Pattern % (Sept, 2023) | |
|---|---|
| Promoters | 22.00 |
| Institutions | 34.75 |
| Non Institutions | 43.25 |
| Total | 100.00 |


* Refer at the end for explanation on Risk Ratings

**Fundamental Research Analyst**
Jinesh Kothari
jinesh.kothari@hdfcsec.com

## 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 has a track record of timely execution. NCC has proven skill set in core infrastructure areas and has 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 a strong track record of handling and completing large projects with multiple clients, which brings qualification of bidding for large projects.

Company's order book has remained resilient, providing revenue visibility for 2-3 years. NCC has a robust order backlog of Rs 54,110cr – including Rs.8154 cr in Q1 - (3.3x TTM revenues), providing strong revenue visibility over the next couple of years. Post Q1, the company has received orders of approx. 14,350 crores YTD (including the JKIL-NCC JV order). 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. On the back of robust order pipeline across key sectors, the management aims to add over Rs 20,000cr orders in FY24E. 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.

We had issued a stock note report on NCC dated March 13, 2023 (link); both the targets were achieved within our time frame. Given the robust order book, pick-up in execution, and healthy balance sheet, we are issuing a stock update report.

## Valuation & Recommendation:

The company has a well-diversified order book, robust execution capabilities, strong focus on debt reduction and improvement in working capital. Segment diversity across building, mining, railways, electrical, water & environment is one of the key differentiators at NCC. 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 last Budget, the FM shifted the gear on capex front with major thrust on National Infrastructure Pipeline (NIP) targets and various infra related schemes.
The management has maintained 20% revenue growth guidance for FY24 and aims to achieve over 15% revenue growth in the long run. Softening of raw materials are likely to improve margins going ahead. The company expects 20bps improvement in EBITDA margin and a 50bps improvement in net profit margin in FY24. Current order book contains more projects with an escalation clause, which insulates

against any escalation in the input prices. We expect revenue/EBITDA/PAT to grow at CAGR of 18%/18.2%/28% over FY23-25E. **We think the base case fair value of the stock is Rs 164.25 (10.75x FY25E EPS) and the bull case fair value is Rs 183.5 (12x FY25E EPS) over the next two-three quarters. Investors can buy the stock in the band of Rs 145-150 and add more on dips to Rs 130.50 band (8.5x FY25E EPS). At CMP, the stock trades at 9.8x FY25E EPS.**

## Financial Summary:

| Particulars (Rs cr) | Q1FY24 | Q1FY23 | YoY-% | Q4FY23 | QoQ-% | FY21 | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Operating Income | 3838.3 | 2958.6 | 29.7 | 4016.3 | -4.4 | 7,256.0 | 9,930.0 | 13,351.3 | 16,155.1 | 18,578.4 |
| EBITDA | 380.6 | 281.2 | 35.3 | 423.8 | -10.2 | 855.4 | 996.1 | 1,342.5 | 1,615.5 | 1,876.4 |
| Depreciation | 52.1 | 47.6 | 9.5 | 52.4 | -0.5 | 174.1 | 182.3 | 199.8 | 205.5 | 209.7 |
| Other Income | 27.7 | 31.1 | -10.9 | 31.0 | -10.5 | 115.6 | 108.2 | 152.3 | 109.4 | 111.1 |
| Interest Cost | 132.3 | 108.5 | 21.9 | 141.4 | -6.4 | 457.8 | 459.6 | 510.0 | 531.8 | 533.4 |
| Tax | 50.2 | 36.2 | 38.7 | 83.4 | -39.8 | 77.6 | 117.9 | 215.8 | 248.6 | 313.2 |
| PAT | 162.3 | 120.0 | 35.2 | 177.7 | -8.7 | 261.5 | 344.5 | 569.2 | 739.1 | 931.2 |
| Adjusted PAT | 162.3 | 120.0 | 35.2 | 177.7 | -8.7 | 261.5 | 346.0 | 569.2 | 739.1 | 931.2 |
| EPS (Rs) | 2.6 | 1.9 | 35.2 | 2.8 | -8.7 | 4.3 | 5.7 | 9.3 | 12.1 | 15.3 |
| RoE-% | | | | | | 5.0 | 6.2 | 9.4 | 11.1 | 12.4 |
| P/E (x) | | | | | | 34.7 | 26.2 | 16.0 | 12.3 | 9.8 |
| EV/EBITDA | | | | | | 13.2 | 10.6 | 7.6 | 6.3 | 5.4 |

(Source: Company, HDFC sec)

## Q1FY24 Result Review

NCC Ltd delivered strong topline growth of 31.9% YoY to Rs 4380.4cr on account robust execution led by the building and electrical divisions. Healthy execution in Jal Jeevan Mission (JJM) projects of Rs 1200cr in Q1FY24 supported revenue growth. At standalone level, the company clocked topline of Rs 3838.2cr (+29.7%/-4.4% YoY/QoQ) and posted EBITDA margin of 9.5% as against 10.6% in Q4FY23 (9.5% in Q1FY23). Consolidated EBITDA during the quarter was at Rs 409.2cr, +32.9%/11.9% YoY/QoQ. EBITDA margin was impacted by higher raw material prices due to unfavorable mix and sub-contract costs. It posted PAT of Rs 173.5cr (+34%/ -9.1% YoY/QoQ).

In Q1FY24, the company received orders to the tune of Rs 8,154cr, which includes mostly large-size orders with average value of Rs 679cr. Buildings/electrical/water and railways/transportation contributed 69/21/9/1% of the Q1FY24 order inflows. The company secured the order for Design construction and Operation of twin tunnel from Film City Goregaon to Khindipada (Amar Nagar) Mulund including box tunnel at Film City for total project cost of Rs.6,301 crores with NCC's share comprising Rs 3,213 crores (51% of the JV). Based on a robust

order pipeline across key sectors, the management aims to add over Rs 20,000cr orders in FY24. Order book as of Jun 30, 2023 stood at Rs 54,110cr (3.3x TTM revenue), thereby providing revenue visibility over the next 2-3 years. Business-wise, the order book is well diversified into building/water and railways/electrical/transportation/mining/others at 50/15/15/11/9/1%.
Post Q1, the company has received new additional orders worth Rs.14,350 crores (including the JKIL: NCC JV order). The company is expected to surpass the guidance for the order intake for FY24.

**Concall Highlights:**

- Revenue & Margin Guidance: The management has maintained 20% revenue growth guidance for FY24 and aims to achieve over 15% revenue growth in the long run. Softening of raw materials are likely to improve margins going ahead. The company expects 20bps improvement in EBITDA margin and a 50bps improvement in net profit margin in FY24. Projects secured during covid/pre-covid are dragging the margin to some extent due to cost overruns/ delays in execution. The company stated that the current order book contains more projects with an escalation clause, which insulates against any escalation in the input prices.
- Order Book & Order Pipeline: NCC's order book stands at Rs 54,110cr as at Jun'23, that translates to book-to-bill of 3.3x TTM revenue. The company secured orders of Rs 8154cr during Q1FY24. It received orders from Haryana International Horticultural Marketing Corporation Limited, EPC mode with value of Rs. 2,199cr, Govt of Uttar Pradesh for rural piped water supply project under JJM (Rs 1668cr), construction of structures at Navi Mumbai Airport worth Rs 1144cr. NCC along with JKumar (50:50 JV) secured L1 status in the prestigious Goregaon-Mulund Link Road. The company has bid for projects having contract value of Rs 25,000-30,000cr; and is trying to add projects in Smart metering, tunnel, High speed rail. The management maintained its order inflow guidance of Rs 20,000cr (which seems to be conservative based on our estimates).
- Jal Jeevan Mission project: NCC's largest project in the current order book, UP Jal Jeevan Water Project of Rs 16,500cr has picked-up good progress. On the back of strong execution, it reported revenue of Rs 1200cr in Q1FY24. The management guided for revenues to the tune of Rs 5800-6000cr from JJM projects in FY24E.
- Goregaon-Mulund Link Road (GMRL) project: The company is L1 in Rs 6300cr worth GMLR project with JV partner Jkumar (50% share). The project has received all necessary environment and forest department permissions. They expect to secure LOA within 1 month and start execution from Oct'23 onwards.
- Mumbai's Wastewater project: NCC received an order of ~Rs 5790cr from the BrihanMumbai Municipal Corporation to design, build, operate and maintain the Malad Wastewater Treatment Facility under the Mumbai Sewage Disposal Project-II. Order of Rs 3833cr was received a year back, rest was towards O&M for 15 years. All the necessary permissions were obtained and it is in the process of submitting documents to the Supreme Court for clearance. Receipt of clearances is expected in a month and the project could commence in Nov'23.
- Vizag deal update: NCC had entered into a share-purchase agreement with GRPL Housing Pvt. Ltd. (the acquirer) to monetise its entire 95% stake in its subsidiary in Q4FY22. 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 in Mar’22 with balance was expected by FY23-end or early FY24. The debt amount of Rs 300cr is expected to be received in two tranches which would lead to debt reduction. There has been in delay on receipt of equity portion and the balance sale proceeds is expected to be received in three equal instalments by Mar’24. The debt portion is expected to be received in FY25/26.

- Andhra Pradesh: Order backlog stands at Rs 3400cr as of Jun’23. Outstanding receivables stood at Rs 150cr and exposure on other projects have been brought down and executing work only on those projects where payments are being paid on time. The company has put forth a proposal for issuance of bonds for all contractors against the balance exposure relating to Capital City project.
- Karnataka: Company’s exposure to Karnataka state stood at Rs 4000cr. Work on three major projects in Bangalore worth Rs 2150cr is going well while projects worth Rs 1850cr are moving slowly. New department and new Ministries and verifying the priorities which is taking time with respect to payments issues.
- Capex: The company plans to incur capex of Rs 275cr; in Q1FY24 it spent Rs 28cr. It would require additional capex for GMLR’s tunneling jobs
- Status about Pending litigation: SembCorp arbitration proceedings have concluded. There has been no significant improvement in the TAQA arbitration. Management said it is trying for an out-of-court settlement and hopes to settle the dispute over the next 2-3 months.

## Key Triggers:

**Diversified and Robust order Book:**

NCC is one 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 segment - 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.

Diversified capabilities and wider geographic presence further enhances its addressable opportunities. Company’s order book has remained resilient, providing revenue visibility for 2-3 years. NCC saw sharp growth of 27.6% in order book to Rs 50,244cr as at Mar’23, aided by robust order inflows to the tune of Rs 25,895cr in FY23. Its order book as of Jun’23 stands at Rs 54,110cr (3.3x TTM revenue). The order book is well diversified across sectors - building/transportation/water & railways/electrical/ mining/ irrigation contributing 50/11/15/15/9/1%. The company has received the order in which it stood L-1has also been received in Sept’23 with NCC’s share being Rs.3,213 crores. In Q1’FY23, it secured orders totaling Rs 8,154cr, much of which related to building division. Going forward the management expects order inflows to gain momentum given the strong emphasis in affordable housing, Jal Jeevan mission, electricals


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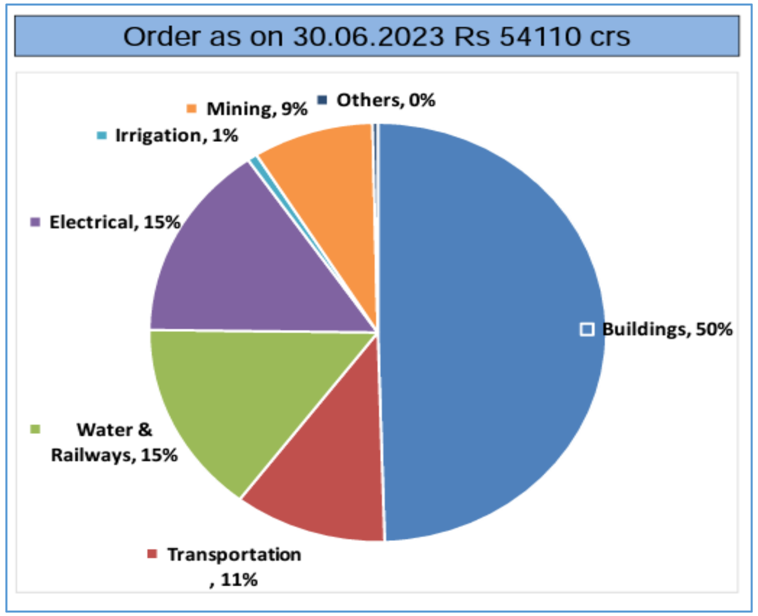
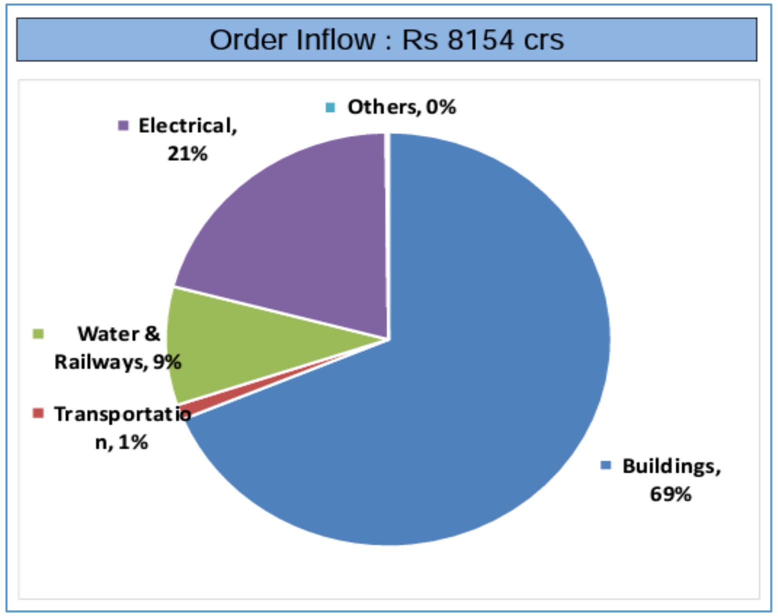
(RTSS scheme), roads & expressway and metro & railway segment. The management expects order inflows to the tune of Rs 20,000cr in FY24E. In terms of execution, the company has given topline guidance at ~20% YoY.




(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 and its track record of execution would support heathy topline growth with margins stable at ~10%. In FY23, the company bagged orders to the tune of Rs 25,895cr. It secured order worth Rs 8154cr in Q1FY24. The company has already placed bids for Rs 25,000-30,000cr (outcomes awaited) and it looks to bid for more orders progressively. The management has maintained guidance of order inflows to the tune of Rs 20,000cr in FY24E, which is likely to be exceeded. Healthy traction is expected 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 (NIP) envisions investments of Rs 111 lakh crore during 2020-2025 to provide world-class infrastructure across the country. Under the NIP, projects worth Rs 108 trillion (US$ 1.3 trillion) are currently at different stages of implementation. 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 FY24BE compared to FY23RE. 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. The management has set target to grow at 15% annually in the long run.

**Focus on debt reduction:**

The company has brought down the debt levels below Rs 1000cr mark, lowest in last one and a half decade. Standalone Gross Debt stood at Rs 980cr as of Mar'23 vs Rs 1184cr as of Mar'22. The debt increased to Rs 1306cr as of Jun'23 led by pickup in execution of projects and seasonality in collections. This likely to normalize to lower levels in the coming quarters. Improvement in collection and receipt of mobilisation advance brought down the debt levels. Going forward, the company expects to reduce debt by Rs 100-200cr in FY24. Moreover, positive development from NCC Vizag Urban deal, would result in cash inflows and support debt reduction.

## 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.

**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. There is no clarity with regards to the Taqa arbitration. On the Sembcorp Litigation Arbitral Tribunal adjudicating the disputes that have arisen between NCC Limited and Sembcorp Energy India Limited (SEIL) (formerly Sembcorp Gayatri Power Limited) has pronounced the award on 14th September 2023. In the aforesaid arbitration NCC had raised claims totaling to Rs.1,446.74 Crs and SEIL has raised Counter Claims amounting to Rs.1,073.56 Crs. The Arbitral Tribunal has disallowed some of the major claims raised by NCC and has partially allowed some of the counter claims filed by SEIL and passed an award resulting in a net amount of Rs 197.85 Crs payable to NCC as against net receivables of Rs 606.23 Crs appearing in the Books. NCC is examining the award, including its impact on the financial statements and will take appropriate steps as may be advised.

**Political Risk / State Elections:** Typically, when there is change in the political party in a state; infrastructure works & projects awarded by the old party is questioned and could face problem of termination.

**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 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 54,110cr (3.3x TTM revenues) as of Jun'23, 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.

**Group companies Performance Summary:**

| | Quarter Ended | | | |
|---|---|---|---|---|
| | June'23 | | June'22 | |
| Name of the Sub. Cos. /JCEs/Associate Cos | Turnover | PAT | Turnover | PAT |
| Pachhwara Coal Mining (P) Ltd. | 466.2 | 13.8 | 265.5 | 7.9 |
| NCC Urban Infrastructure Limited | 74.3 | 10.1 | 88.2 | 9.4 |
| OB Infrastructure Limited | 15 | 3.3 | 13.6 | 3.5 |
| NCC Infrastructure Holdings Limited | 0.1 | -0.2 | 0.1 | -0.2 |
| NCC Internationl LLC, Oman | 1 | 0 | 2.7 | 0.1 |
| Consolidation Adj./Non-Controlling Interests | -15.8 | -15.8 | -8.8 | -11.1 |
| **Total** | **540.8** | **11.2** | **361.3** | **9.6** |

**Standalone Financials:**

**Income Statement**

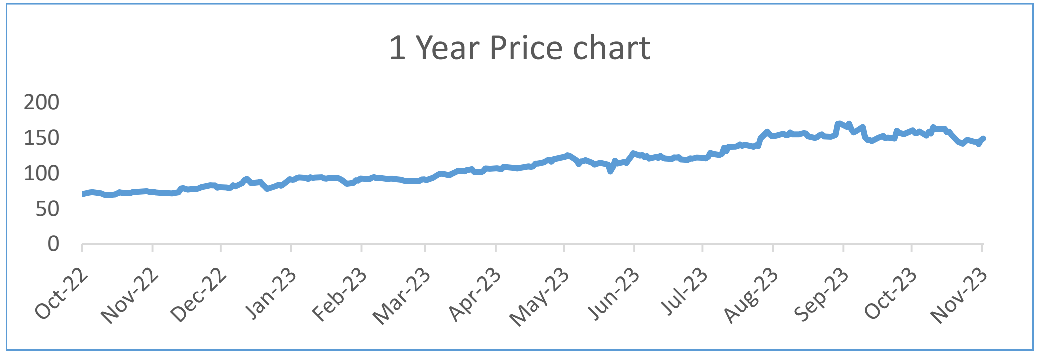
| (Rs Cr) | FY21 | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|---|
| **Net Revenues** | **7256.0** | **9930.0** | **13351.3** | **16155.1** | **18578.4** |
| **Growth (%)** | - | 37% | 34% | 21% | 15% |
| Operating Expenses | 6400.7 | 8933.9 | 12008.8 | 14539.6 | 16701.9 |
| **EBITDA** | **855.4** | **996.1** | **1342.5** | **1615.5** | **1876.4** |
| **Growth (%)** | - | 16% | 35% | 20% | 16% |
| **EBITDA Margin (%)** | **11.8** | **10.0** | **10.1** | **10.0** | **10.1** |
| Depreciation | 174.1 | 182.3 | 199.8 | 205.5 | 209.7 |
| **EBIT** | **681.3** | **813.8** | **1142.7** | **1410.0** | **1666.7** |
| Other Income | 115.6 | 108.2 | 152.3 | 109.4 | 111.1 |
| Interest expenses | 457.8 | 459.6 | 510.0 | 531.8 | 533.4 |
| **PBT** | **339.1** | **462.4** | **785.0** | **987.7** | **1244.5** |
| Tax | 77.6 | 117.9 | 215.8 | 248.6 | 313.2 |
| **RPAT** | 261.5 | 344.5 | 569.2 | 739.1 | 931.2 |
| **APAT** | **261.5** | **346.0** | **569.2** | **739.1** | **931.2** |
| **Growth (%)** | - | 32% | 65% | 30% | 26% |
| EPS | 4.3 | 5.7 | 9.3 | 12.1 | 15.3 |

**Balance Sheet**

| As at March (Rs Cr) | FY21 | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|---|
| **SOURCE OF FUNDS** | | | | | |
| Share Capital | 122 | 122 | 126 | 126 | 126 |
| Reserves | 5243 | 5681 | 6196 | 6907 | 7810 |
| **Shareholders' Funds** | **5365** | **5803** | **6322** | **7033** | **7936** |
| Long Term Debt | 99 | 82 | 83 | 83 | 83 |
| Net Deferred Taxes | -41 | -54 | -48 | -41 | -41 |
| Long Term Provisions & Others | 68 | 72 | 78 | 78 | 78 |
| **Total Source of Funds** | **5490** | **5903** | **6436** | **7153** | **8056** |
| **APPLICATION OF FUNDS** | | | | | |
| Net Block & Goodwill | 1223 | 1224 | 1171 | 1271 | 1351 |
| CWIP | 90 | 110 | 15 | 15 | 15 |
| Other Non-Current Assets | 1738 | 1722 | 2146 | 2189 | 2223 |
| **Total Non Current Assets** | **3050** | **3057** | **3331** | **3475** | **3588** |
| Current Investments | 0 | 0 | 0 | 0 | 0 |
| Inventories | 527 | 788 | 1078 | 1018 | 1171 |
| Trade Receivables | 2521 | 2384 | 2788 | 3054 | 3563 |
| Cash & Equivalents | 439 | 559 | 646 | 694 | 723 |
| Other Current Assets | 6121 | 6985 | 7709 | 7746 | 8093 |
| **Total Current Assets** | **9607** | **10716** | **12221** | **12511** | **13550** |
| Short-Term Borrowings | 1690 | 1102 | 896 | 866 | 836 |
| Trade Payables | 3691 | 4261 | 4801 | 5533 | 5650 |
| Other Current Liab & Provisions | 1786 | 2506 | 3419 | 2434 | 2596 |
| **Total Current Liabilities** | **7167** | **7869** | **9116** | **8833** | **9082** |
| Net Current Assets | 2440 | 2847 | 3105 | 3678 | 4467 |
| **Total Application of Funds** | **5490** | **5903** | **6436** | **7153** | **8056** |

### Cash Flow Statement

| (Rs Cr) | FY21 | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|---|
| Reported PBT | 339.1 | 608.0 | 785.0 | 987.7 | 1,053.9 |
| Non-operating & EO items | -68.6 | -176.7 | -110.9 | -109.4 | -124.3 |
| Interest Expenses | 457.8 | 459.6 | 510.0 | 531.8 | 496.9 |
| Depreciation | 174.1 | 182.3 | 199.8 | 205.5 | 202.6 |
| Working Capital Change | -174.4 | 395.9 | -235.5 | -255.4 | -874.1 |
| Tax Paid | -18.4 | -173.3 | -275.3 | -248.6 | -265.3 |
| **OPERATING CASH FLOW ( a )** | **709.6** | **1,296.0** | **873.1** | **1,111.5** | **489.7** |
| Capex | -151.6 | -167.8 | -217.9 | -100.0 | -79.6 |
| Free Cash Flow | 558.0 | 1,128.2 | 655.2 | 1,011.5 | 410.1 |
| Investments | 215.5 | 36.7 | 85.5 | -43.4 | -33.8 |
| Non-operating income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **INVESTING CASH FLOW ( b )** | **63.9** | **-131.1** | **-132.4** | **-143.4** | **-113.4** |
| Debt Issuance / (Repaid) | -241.7 | -604.8 | -204.5 | -30.0 | -30.0 |
| Interest Expenses | -462.0 | -445.6 | -498.3 | -486.9 | -496.9 |
| FCFE | -145.7 | 77.8 | -47.6 | 494.6 | -116.8 |
| Share Capital Issuance | 26.6 | 0.0 | 79.7 | 0.0 | 0.0 |
| Dividend | -12.2 | -48.8 | -125.6 | -28.3 | -28.4 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **FINANCING CASH FLOW ( c )** | **-689.3** | **-1,099.2** | **-748.7** | **-545.2** | **-555.2** |
| **NET CASH FLOW (a+b+c)** | **84.1** | **65.7** | **-8.0** | **422.8** | **-178.9** |




### Key Ratios

| | FY21 | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|---|
| **PROFITABILITY RATIOS (%)** | | | | | |
| EBITDA Margin | 11.8 | 10.0 | 10.1 | 10.0 | 10.1 |
| EBIT Margin | 9.4 | 8.2 | 8.6 | 8.7 | 9.0 |
| APAT Margin | 3.6 | 3.5 | 4.3 | 4.6 | 5.0 |
| RoE | 5.0 | 6.2 | 9.4 | 11.1 | 12.4 |
| RoCE | 8.6 | 11.9 | 12.8 | 14.2 | 15.0 |
| **Solvency Ratio (x)** | | | | | |
| Debt/EBITDA | 2.1 | 1.2 | 0.7 | 0.6 | 0.5 |
| D/E | 0.3 | 0.1 | 0.1 | 0.0 | 0.0 |
| **PER SHARE DATA (Rs)** | | | | | |
| EPS | 4.3 | 5.7 | 9.3 | 12.1 | 15.3 |
| CEPS | 7.1 | 11.0 | 12.6 | 15.5 | 18.7 |
| Dividend | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| BVPS | 88.0 | 95.2 | 103.7 | 115.3 | 130.1 |
| **Turnover Ratios (days)** | | | | | |
| Debtor days | 127 | 88 | 75 | 69 | 70 |
| Inventory days | 26 | 29 | 22 | 23 | 23 |
| Creditors days | 186 | 157 | 135 | 125 | 111 |
| **VALUATION** | | | | | |
| P/E (x) | 34.7 | 26.2 | 16.0 | 12.3 | 9.8 |
| P/BV (x) | 1.7 | 1.6 | 1.4 | 1.3 | 1.1 |
| EV/EBITDA (x) | 13.2 | 10.6 | 7.6 | 6.3 | 5.4 |

(Source: Company, HDFC sec)

JINESH DHAVAL KOTHARI

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**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. This 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 cyclicality 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.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
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