

Realty

Company Overview

National Buildings Construction Corporation Ltd. (NBCC) a public sector company is a schedule A Mini Ratna company under the Ministry of Urban Development. NBCC's operations are categorized into 3 main segments; (i) Project Management Consultancy (PMC), (ii) Real Estate Development and (iii) EPC Contracting. The company is headquartered at New Delhi and has 10 regional & zonal offices across India. NBCC mostly buys properties from state governments, local municipal bodies and other government organizations and has properties at 20 locations across the country. NBCC have also undertaken projects overseas in countries such as Mauritius, Nepal, Iraq, etc.

Investment Rationale

Diversified portfolio and a strong order book

NBCC started its operations as an engineering, procurement and construction company but over the years it is expanding its business operations into PMC and real estate business. The major contributor to the revenues of the company is the PMC segment which is contributing ~80% to the total revenue. The real estate segment contributes to about 20% of the revenue and the management is expecting it to increase to 30% in the next 2-3 years on account of increasing opportunities in real estate market. The company's order book stands strong at whopping Rs 160 bn as on Q3FY14 as against Rs 120 bn in previous year.

Growing opportunities in redevelopment projects and in real estate sector

NBCC plans to aggressively tap the real estate market by launching housing projects across the country. It plans to develop 10,000 housing units in the next 5 years across the country which requires an investment of Rs. 60 bn. The company had already acquired 145 acres of land for this project. It has 2 residential projects in Gurgaon & plans to launch a high-end project in Faridabad. Also, NBCC has residential or commercial projects in Patna, Alwar, Lucknow, Kolkata, Kochi and Coimbatore. On the re-development front NBCC is looking forward to re-develop atleast 3 government housing projects outside Delhi worth Rs. 50-60 bn. Recently, it signed an agreement with the government of Bhubaneswar for the re-development of 2 government properties of 100 acres each and another two projects from the governments of Kolkata and Madhya Pradesh are expected to be signed by June 2014.

Important projects in the overseas market will benefit the company in terms of revenue and recognition internationally

NBCC with its domestic operations also has presence in the overseas market. It has projects in many countries such as Mauritius, Nepal, Maldives, Libya, Iraq, Yemen, Turkey and Botswana. It is also exploring opportunities in Africa and West Asia to expand its business. Aiding to this, the company received approvals to open offices in Muscat in West Asia and Botswana in Africa and expects to get orders from these countries within a year. This strategy of the management to expand its business internationally will be beneficial in the coming years.

Valuation & Outlook

We are positive on NBCC as the company has a strong order book with no debt, sufficient resources to fund the real estate projects and its diversified portfolio. The real estate business in India has a huge potential in the coming years and the management plans to increase its revenue from the real estate segment to 30% in the next 2-3 years. Also, compared to its peers NBCC enjoys a huge advantage of access to cost-free float. Moreover, the company is preferred by the government for re-developing their colonies and its track record of working with them enables them to get repeat business from the clients. Considering these factors we have assigned a target P/E x of 12 to our FY15E EPS of Rs. 19.5 arriving at a target price of Rs. 232. Therefore, we give a **BUY** rating on the stock considering an investment horizon of 12-15 months.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Neutral

Stock

CMP (Rs)	185
Target Price (Rs)	232
BSE code	534309
NSE Symbol	NBCC
Bloomberg	NBCC IN
Reuters	NATO.BO

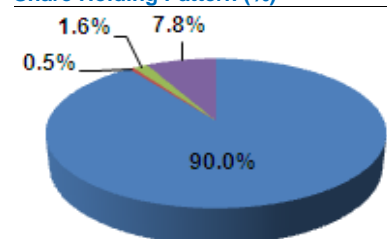
Key Data

Nifty	6,796
52 Week H/L (Rs)	184/96
O/s Shares (mn)	120
Market Cap (Rs bn)	22.2
Face Value (Rs)	10

Average volume

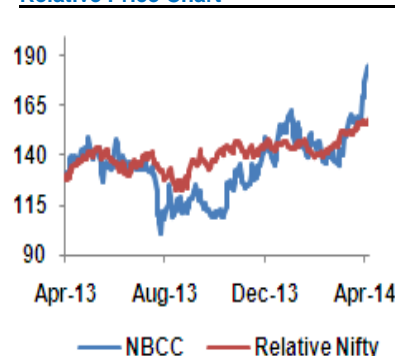
3 months	1,51,735
6 months	1,32,302
1 year	99,447

Share Holding Pattern (%)



■ Promoter ■ FII ■ DII ■ Others

Relative Price Chart





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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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