

Yet Another Resounding Quarter

Yet Another Resounding Quarter: PAT +93%; Backlog +30%

NCC's 2QFY07 results were better than our expectations, with sales up 78%YoY to Rs6.5bn (MLe Rs5.7bn) and PAT up 93%YoY to Rs393mn (MLe Rs335mn). Order Backlog reached Rs67bn, +30%YoY (+23%QoQ). Its export initiatives have started paying off and we expect its real estate plans to be the next value kicker for the stock. We remain convinced of NCC's robust business outlook and remain buyers of the stock.

PAT growth of 93%YoY despite a decline in margins

NCC's 2QFY07 revenues grew at a solid 78%YoY. While the EBITDA margin was 30 bps ahead of MLe, it contracted by 76bps YoY to 9.5% mainly on high base last year. Led by a lower effective tax rate of 15% (vs 21% in 2QFY06), NCC's PAT witnessed a growth of 93%YoY at Rs393mn.

Business momentum intact: Strong order inflow & Backlog

NCC has secured Rs25.5bn (58% of FY07E order inflows) of new orders till 2QFY07. We expect that the company will be able to meet our estimate of Rs43.8bn order inflows for the full year. The current order backlog at Rs67bn (~3.6x FY06) should help the company to meet its FY07E revenue guidance of 62% growth.

Export Initiative paying off: Rs7.2bn biggest export order

As highlighted in our previous notes, NCC's export initiatives have started yielding results with some big ticket order inflows. It recently won Rs7.2bn order (11% of 1HFY07 order backlog) from Sultanate of Oman for construction of road at Muscat. The project involves 4-lanning 72kms of road, to be completed in 3 years. This is the second largest order ever won by the NCC & is in addition to Rs1.16bn export order won by it from Muscat Municipality for Pipeline Project in 1QFY07.

Sector-Leading Earnings Growth (60% CAGR over FY06-08E)

We estimate NCC's earnings to grow at a CAGR of 60% over FY06-08E led by 50% sales CAGR driven by 3x book-to-bill, order inflow (CAGR of 22%) and stable margins. We are 6.5% & 12.9% ahead of FY07E and FY08E consensus earnings estimates.

We Remain Buyers - PO Rs200

Our PO of Rs200 is based on sum-of-the-parts. We have valued NCC's core business at PE 14x FY08E – at 30% discount to majors & in line with its own FY07E multiples. The stock is currently trading at PE of 19.6x FY07E and 13.1x FY08E (ex-SPV). **Risks:** Government capex, raw material costs, competition, denial of tax benefits, traffic/interest rate risk in Infra projects, & project execution.

Equity | India | Engineering & Construction
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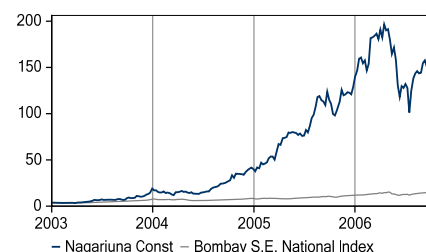
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Stock Data

Price (Common / GDR)	Rs175.70 / US\$3.69
Price Objective	Rs200.00 / US\$4.35
Date Established	19-Jun-2006 / 19-Jun-2006
Investment Opinion	C-1-7 / C-1-7
Volatility Risk	HIGH / HIGH
ML Symbol / Exchange	NGRJF / BSE
ML Symbol / Exchange	XAKUF / LUX
Bloomberg / Reuters	NJCC IN / NGCN.BO



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Refer to important disclosures on page 4 to 6. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

Table 1: NCC's 2QFY07 Results Review

Year End Mar31 (Rsmn)	2006	2QFY07	% YoY
Order backlog (e-o-q)	51621	67000	30%
Net Sales	3652	6517	78%
Raw Material	(1122)	(2619)	133%
<i>as % of sales</i>	20.2%	39.5%	
Construction Expense	(1502)	(2172)	45%
<i>as % of sales</i>	41.1%	33.3%	
Labour Cost	(400)	(760)	90%
<i>as % of sales</i>	11.0%	11.7%	
Staff Cost	(126)	(198)	57%
<i>as % of sales</i>	3.5%	3.0%	
Others Expenses	(127)	(150)	18%
<i>as % of sales</i>	3.5%	2.3%	
Total Expenditure	(3278)	(5899)	80%
EBITDA	374	618	65%
<i>EBITDA Margin</i>	10.2%	9.5%	
Depreciation	(41)	(69)	69%
EBIT	333	549	65%
<i>EBIT Margin</i>	9.1%	8.4%	
Interest	(83)	(96)	15%
Other Income	9	10	4%
PBT	259	462	78%
<i>PBT Margin</i>	7.1%	7.1%	
Total Tax	(55)	(69)	25%
<i>Tax Rate</i>	21%	15%	
Recurring PAT	204	393	93%
<i>Recurring PAT Margin</i>	5.6%	6.0%	
Reported PAT	204	393	93%

Source: Company

Price Objective Basis & Risk

Our PO of Rs200 is based on sum-of-the-parts. We have valued NJCC's core business at PE 14x FY08E – a 30% discount to majors & in line with its own FY07E multiples. The SPV projects are valued on DCF/book values and have estimated total value of Rs23 per share.

Risks: Government capex, raw material costs, competition, denial of tax benefits, traffic/interest rate risk in Infra projects, & proj. execution.

Analyst Certification

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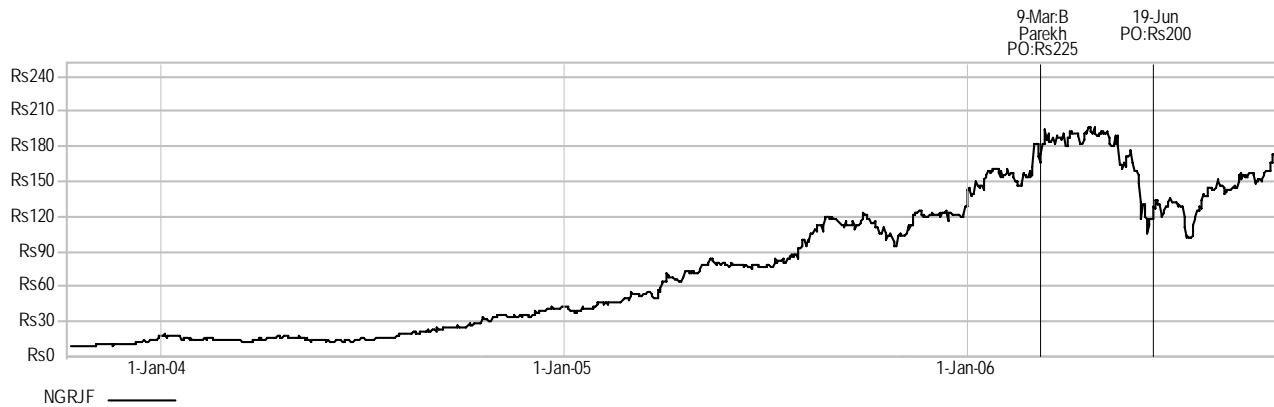
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30 October 2006

Important Disclosures

NGRJF Price Chart



B : Buy, N : Neutral, S : Sell, PO : Price objective, NA : No longer valid

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XAKUF Price Chart



B : Buy, N : Neutral, S : Sell, PO : Price objective, NA : No longer valid

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Buy	14	66.67%	Buy	4	28.57%
Neutral	7	33.33%	Neutral	2	28.57%
Sell	0	0.00%	Sell	0	0.00%

Investment Rating Distribution: Global Group (as of 30 Sep 2006)

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Sell	215	7.26%	Sell	48	22.33%

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