



## Issue at a Glance

<b>Issue Summary</b>	
<b>Total Issue of Shares (lk)</b>	<b>12,000,000</b>
<b>QIB Investors (lk)</b>	<b>59,40,000</b>
<b>Non -Institutional Investors (lk)</b>	<b>17,82,000</b>
<b>Employee Reservation (lk)</b>	<b>120,000</b>
<b>Retail Investors (lk)</b>	<b>41,58,000</b>
<b>Issue opens on</b>	<b>22<sup>nd</sup> Mar,2012</b>
<b>Issue closes on</b>	<b>27<sup>th</sup> Mar,2012</b>
<b>Price Band (Rs.)</b>	<b>90 – 106**</b>
<b>Lot size (No. of shares) and multiple</b>	<b>60</b>
<b>Face Value (Rs)</b>	<b>10</b>
<b>Issue Size (Rs in Cr.)</b>	<b>108-127</b>
<b>Equity Shares outstanding prior to the Issue</b>	<b>120,000,000</b>
<b>Equity Shares outstanding after the Issue</b>	<b>120,000,000</b>

\*\* (The retail bidders - will be entitled to a discount of 5 % on cut-off price - on allotment)

## Shareholding Pattern

	<b>Pre-Issue (%)</b>	<b>Post- Issue (%)</b>
<b>Promoters and Promoter Group Holdings</b>	<b>100</b>	<b>90</b>
<b>Public</b>	<b>-</b>	<b>10</b>
<b>Total Share Capital</b>	<b>100</b>	<b>100</b>

CARE has assigned an IPO Grade 4 to NBCC IPO indicating company has '**Above Average Fundamentals**'.



## Issue Objectives

National Buildings Construction Corporation Ltd (NBCC) is coming out with an IPO of 1.2 Cr Equity Shares. This is an offer for sale of equity shares by the Government of India (GOI) as part of the decision to divest part of its shareholding in NBCC.

NBCC will not receive any IPO proceeds from the same. The GOI shareholding will reduce from 100% to 90% post issue

## Company Background

NBCC Ltd was incorporated in 1960 and is a wholly owned GOI undertaking under the Ministry of Urban Development (MOUD). NBCC is headquartered in New Delhi and in addition they have 10 regional / zonal offices across India. NBCC is one of the few public sector companies engaged in the business of project management consultancy services (PMC) for civil construction projects, civil infrastructure for power sector and real estate development. Company's PMC projects segment includes residential and commercial complexes, redevelopment of buildings and colonies, hospitals, educational institutions, infrastructure works for security personnel, border fencing as well as infrastructure projects such as roads, water supply systems, storm water systems and water storage solutions.

NBCC Ltd's civil Infrastructure for power sector segment includes providing engineering and construction services for power projects, including design and execution of civil and structural works for power projects, Cooling towers and Chimneys. Overall across the spectrum the company has successfully completed 43 projects and currently has 141 Ongoing Projects and 78 Forthcoming Projects. NBCC Ltd has successfully completed 8 real estate development projects. They have in hand 4 residential Ongoing Projects, 6 residential Forthcoming Projects and 3 commercial Ongoing Projects and 6 Forthcoming Projects.

The projects undertaken by NBCC are spread across 23 states and 1 union territory in India. In addition, they have also undertaken projects overseas. On October 14, 2008; the Government granted NBCC Schedule 'A' PSU status. They have also been awarded ISO 9001:2008 from the Bureau of Indian Standards in respect of its consultancy and project management division.



## Business Segments

### ➤ Project Management Consultancy for civil construction projects

PMC business segment includes providing management and consultancy services for a range of civil construction projects including residential and commercial complexes, redevelopment of buildings and colonies, hospitals, educational institutions; infrastructure works for security personnel, border fencing as well as infrastructure projects such as roads, water supply systems, storm water systems and water storage solutions. Some of its clients in this segment are or have been, ESIC, Ministry of Defence, Ministry of Home Affairs (including Security forces like CRPF, CISF, NSG, BSF), Ministry of External Affairs, MoUD, Ministry of Commerce and Industry, Ministry of Corporate Affairs, Ministry of Finance, Haryana Urban Infrastructure Development Board, IIT Roorkee, IIT Kharagpur, IIT Patna, SVNIT, amongst others

NBCC's key completed projects during the period April 01, 2006 till January 31, 2012, based on the total contract value, include road works at Agartala, construction of defence campus at Jaipur, Jodhpur, Ahmadabad, Ambala, Sular, CBI headquarters at New Delhi, Extension of campus of MDU University and IIT Roorkee. Its key domestic PMC Ongoing Projects based on the total outstanding contract value, include Indo Bangladesh Border Fencing Works at Meghalaya, Tripura, Mizoram & Assam, ESIC Mandi, ESIC, K.K. Nagar, Chennai, ESIC Medical College & Hospital Works, Bihta, ESIC Hospital, Parel (Mumbai).

The company presently has one overseas PMC Ongoing Project at Male, Maldives for construction of India – Maldives Friendship Faculty of Hospitality & Tourism Studies.

Further, as on January 31, 2012 they have three forthcoming projects at

- i. Police Academy work at Male
- ii. Renovation of Indira Gandhi Memorial Hospital Male
- iii. Renovation of Hospital at Male, Republic of Maldives.

As of January 31, 2012	PMC Projects	
	Ongoing Projects	Forthcoming Projects
Number of projects	141	78

As of January 31, 2012	PMC Projects	
	Ongoing Projects	Forthcoming Projects
Contract Value (₹ in million)	167,676.94	30,407.67 *
Outstanding Contract Value / Order Book (₹ in million)	72,800.72	30,407.67

\* There are 9 projects for which the contract value is yet to be determined.



➤ **Civil Infrastructure for power sector**

NBCC's civil Infrastructure for power sector segment includes providing engineering and construction services for power projects, including design and execution of (i) civil and structural works for power projects (ii) Cooling towers (iii) Chimneys.

Some of its clients in this segment include NTPC Limited, BHEL, APGENCO Limited, Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited, MAHAGENCO Limited and Karnataka Power Corporation Limited.

Its completed key projects, during the period April 01, 2006 till January 31, 2012 based on the total contract value, include construction of civil, structural and architectural works for 2x250 MW at Korba, Chhattisgarh; Rihand Main Plant – Civil Works in Uttar Pradesh; Site levelling work at Barh, Patna, Bihar and 220M/275M Twin Steel Flue with RCC Chimney Elevator at (i) Dadri, Uttar Pradesh, (ii) Mejia, West Bengal, (iii) Kadappa, Andhra Pradesh.

Further, its key Ongoing PMC Projects, based on the total outstanding contract value, include cooling tower, chimney at Farakka Super Thermal Power Project, West Bengal, Koderma Thermal Power Project at Jharkhand, Durgapur, Thermal Power Project at West Bengal, Rihand Super Thermal Power Project, Uttar Pradesh, Barh Super Thermal Power Project, Patna, Mauda and Vindhyachal Super Thermal Project at Maharashtra & Madhya Pradesh respectively.

<u>As of January 31, 2012</u>	<b>Civil Infrastructure for power projects</b>	
	<b>Ongoing Projects</b>	
<b>Number of projects</b>		<b>14</b>
<b>Contract Value(₹ in million)</b>		<b>7,875.43</b>
<b>Outstanding Contract Value / Order Book(₹ in million)</b>		<b>2,928.43</b>



### ➤ Real Estate Development

The Company's real estate development segment focuses on principally two types of projects, namely, (i) residential projects, such as apartments and townships and (ii) commercial projects, such as corporate office buildings and shopping malls. The Company has undertaken real estate projects which are spread across 10 states in India. As of January 31, 2012, its Land Reserves aggregate ~125.245 Acres. The company's Land Reserves are located in Delhi, Uttar Pradesh, Patna, Gurgaon, Kolkata, Kochi, Alwar and Lucknow. As on January 31, 2012, its completed commercial projects include commercial complex at Vadodara, Cuttack, Agartala, Ghaziabad (Uttar Pradesh), Ahmadabad and at Bhikaji Cama Place, Pragati Vihar and Pushp Vihar in New Delhi. Further, some of its key real estate development Ongoing Projects include residential complex at "NBCC Heights" at Sector-89, Gurgaon, Haryana; Khekra (Phase-I), Baghpat, Uttar Pradesh; residential-cum-commercial complex at Bahadurpur, Phase-I, Patna; NBCC Vibgyor Towers at Rajarhat, Kolkata; and commercial complex at "NBCC Centre" at Okhla- Phase-I, New Delhi, Sukias Lane at Kolkata and Hemanta Basu Sarani Complex at Kolkata.

(Area in Sq ft)

Type of real estate development	Completed projects		Ongoing Projects				Forthcoming Projects			
	No. of Projects	Developable Area	No. of Projects	Developable Area	Saleable Area	Leasable Area	No. of Projects	Developable Area	Saleable Area	Leasable Area
Residential	Nil	-	4	3,732,053	3,410,403	0	6	5,555,821	4,878,882	147,585
Commercial	8	1076,645	3	407,633	239,560	66624	6	2,323,908	1,724,101	290,768
<b>TOTAL</b>	<b>8</b>	<b>1076.645</b>	<b>7</b>	<b>4,139,686</b>	<b>3,649,963</b>	<b>66624</b>	<b>12</b>	<b>7,879,729</b>	<b>6,602,983</b>	<b>438,353</b>



## Investment Rationale

### ➤ Established Brand Name & Reputation

The company started its operations in 1960 and the Government granted it Schedule 'A' PSU status. It has established client relationships with different State and Central Government ministries, department and agencies and various public sector undertakings. Over the past five decades, its ability to successfully manage projects as well as maintain quality standards has helped NBCC in developing its brand as a trusted service provider. This provides them with access to business opportunities especially in its PMC segment. It has also received several awards and accreditations from time to time. It has been awarded ISO 9001:2008 from the Bureau of Indian Standards in respect of its Project management and consultancy divisions. It intend to continue to leverage the goodwill of its brand to enhance relationships with existing clients, seek new clients as well as diversify its business in allied sectors to help them grow their operations. It has also received for each of the Fiscal years 2004 to 2010; "Excellent" rating from MoUD and in this connection, the Ministry of Heavy Industries & Public Enterprises has awarded them with an "Excellence Award". Further in 2011, it received an 'Appreciation Shield' on quality and timely completion of NSEZ Noida Project from the Ministry of Commerce and Industry and the Development Commissioner, NSEZ.

### ➤ Operations in Diverse Sectors & Strong Order Book Position

NBCC over the years, leveraged its PMC expertise in diverse segments of the civil construction such as residential and commercial complexes, institutions, hospitals and other buildings, sewage treatment plants, roads; and civil infrastructure for power sector such as cooling towers, chimneys and other civil and structural works. Each of these segments / sub-segments requires specific skill sets and experience which have been developed by NBCC for the timely execution of the projects in these sectors. **As of January 31, 2012, its Order Book for the PMC and Civil Infrastructure for power sector was Rs 106,136.82 million.** As of January 31, 2012, the total Order Book comprised of 28.46% in the hospitals segment, 30.33% in the infrastructure segment, 25.85% in the institutional construction segment, 9.67% for commercial construction and 2.74% for residential construction. NBCC continues to add new orders to its Order Book. Furthermore, such a large Order Book will increase its operational efficiency by allowing them economies of scale. The size and diversification of its Order Book may enable them to sustain its financial condition and results of operations through difficult economic condition and reduce its dependence on any particular segment and negate cyclical risks associated with a particular industry or sector.



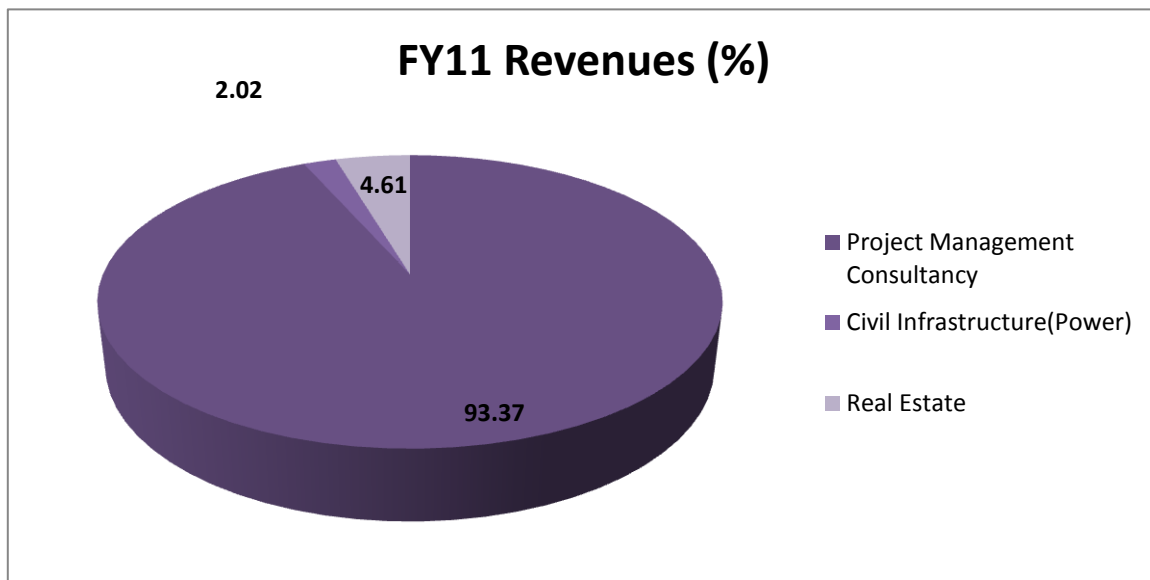
➤ **Healthy Financial Position**

It is completely debt free and has a healthy balance sheet with steady cash flows. As on H1FY12, its cash balance stood at Rs 1368.2 cr, which is ~ Rs 114/share. The company has consistently maintained a dividend payout ratio of 20% .The Company has financial flexibility and strong liquidity position. Further there has been consistent growth in income and comfortable interest coverage ratio

➤ **Strong Clientele & Support from GOI**

NBCC being a GOI enterprise has strong backing and support from the government Projects are awarded to NBCC on nomination basis by the GOI. It has handled various government projects such as infrastructure works for security personnel, border fencing, re-development of buildings etc as well as infrastructure projects such as roads, water-supply systems and so on. Some of its key clients are The Ministry of Defence, The Ministry of Home Affairs, External Affairs, Ministry of Finance etc

**Break up of Revenues FY11**



NBCC derives majority of i.e. 93.37% from PMC services for civil construction projects for the central & state governments.





## Strategy

### ➤ Focus on high value projects to benefit from economies of scale

In PMC segment and civil infrastructure for power projects segment, NBCC intends to focus on undertaking projects having a high order value, which it consider to be projects above Rs100 cr in value. It intends to focus on, inter alia, redevelopment projects whereby old buildings, complexes and colonies are redeveloped. It aims to focus on establishing itself as a leading player in the large order size projects so that it can take advantage of these barriers to entry leading to lower levels of competition and higher profit margins.

### ➤ Expand its real estate development business

As of January 31, 2012, NBCC has successfully completed 8 real estate development projects. It has in hand 4 residential Ongoing Projects, 6 residential Forthcoming Projects and 3 commercial Ongoing Projects and 6 Forthcoming Projects and intends to expand its presence through a diverse range of projects in these Segments. It also intends to secure lands available with Central and State Government agencies for its real estate development projects and to continue to selectively enter into joint ventures agreements to increase the amount of land or land development rights available to it for development. This model helps it to spread the risk of its real estate projects portfolio in addition to reducing its capital investment and beneficially utilizing its PMC, sales and marketing capabilities.

### ➤ Continue to focus on quality and timely project delivery

NBCCCL intends to continue to focus on quality and timely project execution thereby maximizing customer satisfaction in all its business segments. It intends to continue building its in-house design capabilities, including, building its on-the-job expertise through participation in design projects, recruiting qualified personnel, expanding its equipment base and selectively acquiring specialized businesses with design capabilities. This strategy can help strengthen its ability to engage in complex projects.

### ➤ Capturing the high growth opportunities in the Infrastructure segment

NBCC intends to take advantage of opportunities in the infrastructure space by Bidding for BOT / BOLT / BOOM projects under PPP mode. An additional advantage of BOT / BOLT / BOOM projects is that they offer long-term revenue streams. It also intends to leverage on its PMC and real estate development businesses to procure large infrastructure projects and to pursue strategic alliances with established domestic as well as international players, which will augment its prospects of securing such projects





➤ **Expansion of PMC business overseas:**

NBCC has significant experience in executing PMC projects across India. In addition, it has also executed a few projects outside India. Currently it has one ongoing overseas PMC project at Maldives. In the last five fiscal years, its PMC segment has significantly contributed to its total income, most of which has been from projects undertaken in India. If NBCC undertakes projects overseas, it could implement the best practices developed outside on such projects to other PMC projects in India as well as abroad. As part of its strategy for future growth and expansion, it intends to take advantage of the significant growth opportunities by diversifying into new locations outside India.



## Risks & Concerns

- NBCC's contingent liabilities as at the end of the past fiscal years have been greater than its profit after tax for such respective periods. In the event that any such contingent liability was to materialize, it may have an adverse effect on their financial condition and results of operations. As of September 30, 2011, the aggregate contingent liabilities were ~ Rs. 13.48 bn.
- NBCC's robust order Order Book may be delayed; modified, cancelled or not fully paid for by their clients and therefore, Order Book may not be an accurate or reliable indicator of their future business or earnings.
- NBCC depend on sub-contractors for timely and successful completion of its projects. Projects may be delayed on account of the performance of sub-contractors, resulting in delayed or no payments from their clients or in some cases payment of penalties to their clients.
- NBCC revenues are significantly dependant on its PMC business. Any decline in PMC business, could, in turn, adversely affect its business prospects, financial condition and results of operations.
- NBCC has not executed any BOT/BOLT/BOOM projects in the past and hence have no experience of executing such projects
- The company's Registered and Corporate Office in New Delhi and their zonal office in Mumbai, though owned by them, are not registered in its name. In case of any dispute arising in the future with respect to their title, its business operations may be impaired till such they are able make alternate arrangements.
- NBCC do not hold a trademark registration for their trade name and logo if they are not successful in enforcing their intellectual property rights for any reason, it may have an adverse effect on their business and competitive position.
- NBCC is currently awarded projects on nomination basis by GOI any change in this policy could pose significant risks to business visibility & operations.



## FINANCIALS

### Profit & loss Account

Particulars (Rs in Mn)	FY09	FY10	FY11	H1FY12
Total Income from Operations	19503.2	29328.4	31267.7	12765.7
Other Income	939.4	867.5	1039.6	763.5
<b>Total Income</b>	<b>20442.6</b>	<b>30195.9</b>	<b>32307.3</b>	<b>13529.2</b>
Expenditure	17971	28369.7	30137.9	12337.1
% of Sales	92.1	96.7	96.4	96.6
<b>Operating Profit</b>	<b>2471.6</b>	<b>1826.2</b>	<b>2169.4</b>	<b>1192.1</b>
OPM %	12.7	6.2	6.9	9.3
Int Charges	32.1	48.7	43.2	72.7
Depreciation	30.7	31.2	32.1	10.4
Add/(Less) Prior Period Items	9.3	0.4	-2.1	-4.1
<b>Profit Before Tax</b>	<b>2399.5</b>	<b>1745.9</b>	<b>2096.2</b>	<b>1113.1</b>
PBTM (%)	12.3	6	6.7	8.71
Tax(Incl FBT & DT)	808	581	692.9	363.5
Effective tax Rate %	33.7	33.3	33.1	32.7
<b>Profit After Tax</b>	<b>1591.5</b>	<b>1164.9</b>	<b>1403.3</b>	<b>749.6</b>
PAT Margin (%)	8.2	4	4.5	5.9
Equity	900	900	900	1200
EPS -Pre Issue	17.68	12.94	15.59	6.24
EPS Post Issue	-	-	15.59	6.24



## Balance Sheet

Balance Sheet (Rs In Mn)	FY09	FY10	FY11	H1FY12
<b>Fixed Assets</b>				
<b>Gross Block</b>	234.2	358.1	359.3	361.9
Less: Dep	101	106.7	116.8	122.8
<b>Net Block</b>	133.2	251.4	242.5	239.1
<b>Total Fixed Assets</b>	133.2	251.4	242.5	239.1
<b>Investments</b>	1432.5	2501.4	1725.8	1276.9
<b>Current Assets, Loans &amp; Adv</b>				
<b>Inventory</b>	148.5	148.7	134.1	134.3
<b>WIP</b>	1811.7	2517.7	3960.8	3978.8
<b>Sundry Debtors</b>	7784	8820.8	8689.6	6432.1
<b>Cash &amp; Bank Bal</b>	9096.5	9439.2	11698	13681.9
<b>Other Current Assets</b>	89.1	82	233.1	314
<b>Loans &amp; Adv</b>	5811	6512.6	8085.9	8663.3
<b>Sub Total</b>	24740.8	27521	32801.5	33204.3
<b>Deferred Tax Assets</b>	58.6	64.6	62.7	63.1
<b>Total Assets</b>	26365.1	30338.4	34832.5	34783.4
<b>Liabilities &amp; Provisions</b>				
<b>Current Liabilities</b>	18716.9	22592.2	25304.6	24121
<b>Provisions</b>	3036.7	2247.3	2974.5	3363.9
<b>Total Current Liabilities &amp; Provisions</b>	21753.6	24839.5	28279.1	27484.9
<b>Deferred Tax Liabilities</b>	8.5	11	10.6	10.2
<b>Total Liabilities</b>	21762.1	24850.5	28289.7	27495.1
<b>Net worth</b>				
<b>Represented by</b>				
<b>Share Capital</b>	900	900	900	1200
<b>Reserve &amp; Surplus</b>	3703.3	4587.9	5642.8	6088.3
<b>Misc Exp</b>	0.3	0	0	0
<b>Net worth</b>	4603	5487.9	6542.8	7288.3



## Valuations...

- NBCC is a debt free company. The total income of the company has grown CAGR 12% during FY08 –FY11. NBCC enjoys the benefit of repeated orders from the central & state government bodies.
- NBCC enjoys a healthy Return on Net worth ~23 %during FY11 since it derives ~90% of the revenues from Project Management Consultancy for civil construction projects which are low capital intensive & working capital intensive. PMC business model projects segment includes diverse areas such as residential and commercial complexes, redevelopment of buildings and colonies, hospitals, educational institutions, infrastructure works for security personnel, border fencing as well as infrastructure projects such as roads, water supply systems, storm water systems and water storage solutions.
- NBCC cash balance as on H1FY12 stood at Rs 1368.2 cr, which is ~ Rs 114/share.
- The company has consistently maintained a dividend payout ratio of 20%
- NBCC has a healthy unexecuted order book position of Rs 10,623 Cr which is 3.3x sales of FY11.
- At the upper band of the issue price of Rs 106/-, NBCC is valued at ~8.5x – H1FY12 Annualized EPS/share of Rs. 12.48/- . The company has a book Value of Rs 60.70 and P/BV of 1.75x at upper end of the price band

**We Recommend Investors to “Subscribe” to the NBCC IPO.**

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