NCC Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	3,000.00 (Enhanced from 2,200.00)	CARE AA-; Stable	Reaffirmed
Long-term / Short-term bank facilities	21,000.00 (Enhanced from 19,100.00)	CARE AA-; Stable / CARE A1+	Reaffirmed
Commercial paper (Carved out)*	1,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.
*Carved out of working capital limits

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities and short-term instruments of NCC Limited (NCCL) reflects its long-standing presence and established track record in the construction industry spanning over four decades, large scale of operations, and diversified order book across segments, clientele, and geographies. NCCL has a strong order book of ₹55,548 crore as of December 31, 2024, which is 3.03x of FY24 revenue providing strong medium-term revenue visibility. It is well-diversified across segments, including buildings, water pipelines, irrigation, transmission, power generation, transportation, and urban infrastructure.

Supported by a robust order book, NCCL's revenue has achieved a compounded annual growth rate (CAGR) of 38% from FY21 to FY24, with a year-on-year (y-o-y) growth of 37% in FY24. However, execution slowed in 9MFY25 due to the general elections and state elections, and elongated billing and payment cycles in certain projects. Consequently, revenue growth stood at 7% in 9MFY25. However, the same is expected to pick up from FY26 onwards.

Profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins have remained stable at ~9%-10% in FY24-9MFY25. In FY24, the company's margins were impacted due to the settlement of certain arbitration claims, leading to a write-off of unrealised revenue from a project with Sembcorp India. As a result, PBILDT margins moderated to 9% (PY: 10.06%). Adjusting for this, margins remained stable at 10%. CARE Ratings Limited (CARE Ratings) expects that the margins are expected to remain ~9-10% in the medium term.

Adequate cash generation from business operations resulted in lower dependence on external borrowings with total debt (including mobilisation advance)/PBILDT consistently improving in the last six years and stands at 2.61x for FY24 (PY: 3.48x). The reliance on working capital increased in 9MFY25 due to the built-up of unbilled revenue resulting in incremental debtors by ~₹2,000 crore. Thus, while total debt to earnings before interest, taxation, depreciation, and amortisation (EBITDA) has moderated above 3x momentarily, the same is expected to improve with recovery likely from Q1FY26.

The company has entered the smart metering segment with three projects totalling ₹5,008 crore, requiring a promoter contribution of ₹691 crore over the next three years. NCCL is well-positioned to meet this commitment, and CARE Ratings understands that there are no additional investment obligations in other business verticals/subsidiaries or group entities. Corporate guarantees are not likely to be extended for the special purpose vehicles (SPVs) in the smart metering segment.

The rating strengths are tempered by the risk associated with commodity price fluctuations, exposure to state government projects, and working capital intensity resulting in moderation in gross current asset (GCA) days in fiscal FY25. There has been slower recovery and execution for the water projects, which is expected to pick up by Q1FY26 and the same shall be important from a credit perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growing scale of operations with improving profitability and reducing GCA days below 200 days.

Negative factors

- Delaying execution of order book impacting growth in scale of operations and PBILDT margins falling below 9% on a sustained basis.
- Increasing GCA days above 320 days on a sustained days.
- Higher-than-envisaged equity commitment for SPVs or support through the extension of corporate guarantee.

Analytical approach: Standalone while incorporating equity commitments to SPVs for smart metre projects.

Outlook: Stable

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The outlook is expected to remain stable supported by the strong orderbook position rendering revenue visibility and the execution track record underpinning cash flow generation.

Detailed description of key rating drivers:

Key strengths

Established track record and strong order book position

NCCL has played a significant role in India's infrastructure development, executing projects across diverse sectors, including buildings, water pipelines, irrigation, transmission, power generation, transportation, and urban infrastructure. With over four decades of extensive experience, the company has established itself as a key player in the industry.

NCCL has a robust order book of over ₹55,548 crore as on December 31, 2024, translating to 3.03x its gross billing for FY24. The company has consistently secured new projects, adding orders worth ~₹27,000 crore in FY24 and ₹13,600 crore in 9MFY25. The order book is well-diversified across 16 states. It spans multiple sectors, including water supply, civil construction, power, smart metering, and roads, ensuring sectoral diversification.

A significant portion of the orderbook is from state government agencies posing counterparty credit risk, NCCL's management has indicated the philosophy of restricting exposure to a single state agency to not over 25% and therefore the state profile remains diversified.

NCCL remains focused on domestic operations, having withdrawn from international markets. CARE Ratings notes that ~40% of the outstanding order book is at an early stage, with less than 10% progress. However, the same is major attributable to recently awarded projects and in other cases adequate extensions are available. CARE Ratings anticipates a significant ramp-up in operations in FY26-27, driven by the execution of large-scale projects.

Expansion of portfolio with entry into smart metering projects

NCCL has taken three smart meter installation projects of value ₹5,008 crore, of which two are being executed through separate SPVs. There is a likely promoter contribution of ₹691 crore to be infused over the next two fiscals and a term debt aggregating to ₹2,390 crore for these projects. NCCL is comfortably placed to meet this equity commitment. NCCL has indicated the likelihood of bringing in a strategic investor for these projects to whom the management shall be offloading a stake in these SPV for equity and a strategic premium. Financial closure for these SPVs is at an advanced stage with principal sanctions in place for both SPVs. NCCL management has articulated to CARE Ratings that the debt for these SPVs shall not entail a corporate guarantee from NCCL. Apart from the said projects, there is no other investment requirement in the other business verticals/entities of the group and deviation from said stance would be important from a credit perspective.

Satisfactory financial performance

The total operating income (TOI) witnessed CAGR growth in the period (FY21-24) of 38% from ₹7,180 crore in FY21 to ₹18,160 crore for FY24 with the company growing by 37% in FY24. However, execution slowed in 9MFY25 due to the general elections and state elections, and elongated billing and payment cycles in certain projects. Consequently, revenue growth stood at 7% in 9MFY25. Growth is expected to pick up from FY26.

The PBILDT margin has been robust between 10% and 12% for past fiscals. In FY24, due to the settlement of some arbitration claims, the company charged off unrealised revenue for the project of Sembcorp India, which moderated margins in FY24 at 9% (PY: 10.06%). However, the cash flow generation is expected to continue to be robust with the adjustment in the revenues being of non-cash nature. Adjusting for arbitration claims, margins remained stable at 10%. In 9MFY25, PBILDT margins stood at 9.04%, compared to 8.85% in 9MFY24. CARE Ratings believes that the growth in scale of operations is likely to continue in the near term and the PBILDT margins are likely to recuperate to the former levels going forward.

Comfortable leverage and debt coverage

NCCL maintains a low reliance on long-term borrowings, with overall gearing at 0.78x as of December 31, 2024 (compared to 0.63x as on March 31, 2024). The majority of leverage on the company's books stems from working capital financing, including mobilisation advances, working capital bank borrowings, and Letter of Credit (LC-backed acceptances). As a result, total debt/PBILDT stood at 2.61x in FY24, which moderated in 9MFY25 due to higher reliance on working capital amid delays in debtor realisations. However, debt coverage indicators are expected to improve with the expected recovery in debtors and a reduction in working capital borrowings from FY26.

Backed by a strong net worth, the company's total outside liabilities (TOL)/total net worth (TNW) stood at a comfortable 1.55x in FY24 and 1.59x in 9MFY25. The company is planning to avail debt on its books for smart metering projects; nevertheless, despite the increase in borrowing, the leverage and debt coverage are expected to remain comfortable as the revenue for smart metering projects is realised from the first year.

Key weaknesses

Elevated working capital intensity

NCCL continues to operate with high working capital intensity, primarily due to a significant portion of its current assets being tied up in unbilled revenue and advances to suppliers. GCA days improved from 335 in FY23 to 269 in FY24, led by a significant recovery of receivables. While NCCL has made strides in improving its working capital cycle, unbilled revenue accounted for 21% of revenue in FY24, while advances to suppliers stood at 8%. However, they are expected to rise again in FY25 due to stuck receivables in water projects with some recovery witnessed in February 2025 onwards and major recovery expected by Q1FY26. The unbilled revenue has increased from ₹3,893 in April 2024 to ₹ 5,897 crore in December 2024 with 34% from water projects. Thus, GCA days moderated above 300 days in 9MFY25, driven by an increase in both unbilled revenue and trade receivables. This has in turn resulted in increased reliance on working capital borrowings by the end of fiscal FY25. Any further elongation of the GCA days thereby impacting the debt coverage shall be important going forward.

Liquidity: Strong

NCCL's liquidity position remains strong backed by gross cash accruals of ₹831 crore generated in FY24 against low debt repayments. The fund-based working capital limits utilisation has been at an average of 68% for the past 12 months ended December 2024. Unencumbered liquidity as on December 31, 2024, stands at ₹71 crore.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

The ESG issues are credit neutral or have only a minimal credit impact on NCCL. The same are enlisted below:

	Risk factors	Mitigating measures
Environmental	1. Material selection 2. Water consumption 3. Method of Construction 4. Waste management 5. Greenhouse emissions 6. Recycling	Through integrating data collection & sustainability indicator tracking across operational sites, the company is targeting to produce well-established goals that would catalyse the sustainability of the operations.
Social	1. Workmen safety 2. Community Impact 3. Emergency response planning	NCC Foundation which is the CSR arm of NCC Limited delivers high-impact CSR projects for community upliftment & reducing the rural-urban divide. The community interventions are focused on education in rural areas, skill development & job opportunities for rural youth, access to primary healthcare, rural infrastructure development & community support. There have been 2520 trainings for workers, conducted on health & safety awareness in FY24.
Governance	1. Stakeholder engagement, supply chain management 2. Internal controls 3. Composition of the board 4. Diversity 5. Code of conduct	50% of the board of NCC comprises Independent Directors rendering strong internal controls. Per the sustainability and corporate governance report for FY24, there have not been penalties/fines/settlements/imprisonment faced by the entity or any of its directors or KMPs. There is a well-defined **code of conduct** applicable to Directors/HODs/Regional heads.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial Sector Entities
Rating Outlook and Rating Watch
Financial Ratios – Non-financial Sector
Construction Sector
Infrastructure Sector Ratings
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

NCCL, a construction and infrastructure sector company, was established as a Partnership Firm in 1978 and converted into a Limited Company on March 22, 1990. Over the years, NCCL has evolved from a mere contractor to a full-fledged infrastructure solutions provider. NCCL has expanded its presence in various sectors of construction and infrastructure development. Its construction endeavours span across the nation and encompass Buildings, Transportation, Water and Environment, Electrical Transmission and Distribution, Irrigation, Mining, and Railways projects.

NCCL has also executed infrastructure public-private partnership (PPP) projects through its holding company (Holdco) (a subsidiary of NCC), NCC Infrastructure Holdings Limited (NCCIHL). The company also has exposure to real estate projects through its 100% subsidiary NCC Urban Infrastructure Limited. NCCIHL was incorporated as a Systemically Important Non-Deposit Taking NBFC (Investment Company) whose NBFC status was cancelled by the RBI on March 11, 2022. Per the discussions, NCCIHL's merger with its parent, NCC Limited, is in process.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	13,351	18,314	13,829
PBILDT	1,342	1,648	1,250
PAT	569	631	547
Overall gearing (times)	0.74	0.63	0.78
Interest coverage (times)	2.63	2.77	2.61

A: Audited UA: Unaudited; Note: these are the latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument/facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Carved out)	INE868B14153	27-03-2025	8.60	23-03-2026	50.00	CARE A1+
Commercial Paper-Commercial Paper (Carved out)	Proposed	-	-	1-364 days	950.00	CARE A1+
Fund-based - LT-Working Capital Limits		-	-	-	3000.00	CARE AA-; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	21000.00	CARE AA-; Stable / CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial Paper-Commercial Paper (Carved out)	ST	1000.00	CARE A1+	1)CARE A1+ (17-Sep-24)	1)CARE A1+ (26-Mar-24)	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	21000.00	CARE AA-; Stable / CARE A1+	1)CARE AA-; Stable / CARE A1+ (17-Sep-24)	1)CARE AA-; Stable / CARE A1+ (26-Mar-24)	-	-
3	Fund-based - LT-Working Capital Limits	LT	3000.00	CARE AA-; Stable	1)CARE AA-; Stable (17-Sep-24)	1)CARE AA-; Stable (26-Mar-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Carved out)	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender-wise details of bank facilities please click here.

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by methodologies congruent with international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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