NBCC (India) Ltd — 01 Aug 2023 Credit Rating Summary

This credit research summary is prepared for equity investors to assess the fundamental health and growth prospects of NBCC (India) Ltd.

1. RATING ACTION

Field	Detail
Agency	CRISIL Ratings
Current Rating	CRISIL AA
Previous Rating	CRISIL AA
Action	Reaffirmed
Outlook	Stable
Outlook Change	None

Rated Instruments

Instrument	Amount (₹Cr)	Rating	Outlook
Bank Guarantee (Long Term)	1,750	CRISIL AA	Stable

2. UPGRADE / DOWNGRADE TRIGGERS

For Upgrade	For Downgrade
Cash accruals exceeding **₹300 Cr** backed by a diversified order book.	Operating margins (OPBITDA) falling below **2%** on a sustained basis.
Operating margins improving above **5%** on a sustained basis.	Significant weakening of business profile due to slow execution or lower order inflows.
Maintenance of strong financial risk profile and cash surplus.	Substantial stretch in the working capital cycle or weakening of capital structure.

3. AGENCY'S KEY OBSERVATIONS

Strengths: * **Massive Revenue Visibility:** Holds a robust order book of ~**₹45,000 Cr** (as of May 2023), representing an order book-to-revenue ratio of **5.2x**. * **Zero-Debt Status:** Maintains a debt-free position with no plans for external borrowing in the near term, ensuring a strong capital structure. * **Asset-Light Business Model:** Operates primarily as a PMC (Project Management Consultant) where work is sub-contracted on a back-to-back basis, mitigating execution and price-escalation risks. * **Strong Government Support:** As a Navratna PSU under the Ministry of Housing and Urban Affairs, it receives many projects on a nomination basis.

Concerns: * **Thin Operating Margins:** Operating margins are modest and range-bound at **3-4%** due to the high-volume, low-margin nature of PMC work. * **Execution Risks:** A significant portion of the order book (~**₹32,000 Cr**) is tied to large redevelopment projects (e.g., Nauroji Nagar, Netaji Nagar) which are subject to regulatory and environmental clearances. * **Contingent Liabilities:** Exposure to significant contingent liabilities related to arbitration and bank guarantees, typical for the construction sector.

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4. FINANCIAL METRICS (Consolidated)

Metric	Value (FY23)	Period	Agency's View
Total Revenue	₹8,648 Cr	FY23	Improved from ₹7,574 Cr in FY22 due to better execution.
PAT Margin	3.21%	FY23	Marginal improvement from 3.1% in FY22; remains modest.
Adjusted Gearing	0.00x	FY23	Exceptional; company remains completely debt-free.
Interest Coverage	46.24x	FY23	Strong coverage; increased from 13.37x in FY22.
Total Cash & Bank	₹5,500 Cr	FY23	High liquidity; however, only **₹650 Cr** is unencumbered.

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5. INVESTOR IMPLICATION

For equity investors, NBCC presents a "low-risk, low-margin" profile with significant top-line visibility. The **5.2x order-to-sales ratio** guarantees revenue growth for the next several years, while the debt-free balance sheet provides a safety net against interest rate cycles. However, the investment thesis remains constrained by tight operating margins (3-4%) and the company's dependency on the pace of government project clearances. Potential upside for the stock resides in the company's ability to transition into higher-margin redevelopment projects and improve cash accruals beyond the **₹300 Cr** threshold.