NBCC (India) Ltd — Aug 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline on Revenue / Beat on Reported PAT (YoY) **One-line:** The thesis remains intact but enters a high-stakes execution phase as management shifts focus from "order book accumulation" to a "quantum jump" in awarding tenders (₹8,500 Cr planned for H1 FY24) to finally unlock the ₹55,000 Cr backlog.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Revenue grew 6% YoY; PBT of □104 Cr is a sharp recovery from the reported loss in Q1 FY23 (due to legacy provisions).	□
Earnings Quality	High (Core driven)	No major exceptional items this quarter; growth driven by PMC execution and Amrapali ramp-up.	□
Guidance Confidence	Strong	Management reaffirmed MOU targets of □10,650 Cr revenue for FY24 despite a seasonally soft Q1.	□
Management Credibility	Improving	Proactive communication on tender awarding (□2,500 Cr in Q1) addresses the Street’s primary bottleneck concern.	□
Business Quality Signal	Stable	Negative working capital model persists with □5,000 Cr consolidated cash; shift to higher-margin Redevelopment continues.	□
Key Q&A Exchange	Q#2 — Revenue Bridge	Management clearly attributed FY24 revenue targets to specific buckets: Amrapali (□2k Cr) and 7 GPRA (□2k Cr).	□
The Street's Primary Anxiety	Execution Velocity	Analysts pressed on whether the □55k Cr backlog is a "ghost" book; Mgmt responded by showing □6k Cr of tenders in active pipeline.	□
Capital Cycle Stage	Harvesting	Shifting from order bagging to intense execution and monetization (WTC/Sarojini Nagar).	□
Margin / Return Ratio Trajectory	Stable	EBITDA target maintained at 6.5%; mix shifting toward higher-margin International (10-12%) and Real Estate (15-20%).	→
Pricing Power	Stable	Predominantly PMC (cost-plus 5-8%) which limits upside but protects against raw material volatility.	→
FCF Conversion & Quality	Strong	CFO remains high; Consolidated cash of □5,000 Cr provides immense buffer, though □4,000 Cr is client money.	□
Competitive Moat Signals	Stable	Remains the go-to agency for complex Govt redevelopment and Supreme Court-mandated distressed projects (Amrapali).	→
Balance Sheet Strength	Strong	Zero debt; significant interest income potential from □1,000 Cr of own cash.	□
Working Capital Efficiency	Stable	Seed money interest of □298 Cr remains an outstanding receivable but core operations are self-funding.	□
Mgmt Guidance Track Record	Mixed	Historical execution on monetization was slow; however, current pace of awarding tenders is a positive outlier.	□
Key Vulnerability / Red Flag	Real Estate Monetization	Success depends on selling bulk inventory in Sarojini Nagar and WTC; any slowdown in Delhi commercial demand is a risk.	□
Management Tone	Confident & Aggressive	Focused heavily on "quantum jumps" and "full stream" execution.	□

Key Takeaways: * **Positives:** Management is finally breaking the awarding logjam, with □2,500 Cr awarded in Q1 and another □6,000 Cr slated for Q2. Amrapali is no longer a liability but a primary revenue engine, expecting an additional □8,000–9,000 Cr order inflow. Consolidated cash levels remain robust at □5,000 Cr. * **Negatives:** Despite a massive backlog, revenue growth was a modest 6% YoY, implying the "quantum jump" is still a future projection rather than a current reality. Real estate sales in Q1 were negligible (□17 Cr), putting extreme pressure on H2 for the targeted □1,400 Cr inventory liquidation. * **The Street's Concern:** Analysts remain focused on the "Book-to-Bill" conversion. Management’s response was a detailed pipeline of upcoming awards (Delhi University, Sarojini Nagar, DTC Bus Depots), suggesting they are moving from a passive PMC role to an active project manager. * **Forward Watchpoint:** Monitoring the August/September awarding schedule of ₹6,000 Cr. If these tenders are not awarded on time, the FY24 revenue target of ₹10,650 Cr (requiring a ~50% jump in quarterly run-rate) will be at risk.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (Consol)	₹1,966 Cr	↑ 6%	Not in doc	↑	Driven by execution ramp-up in Amrapali and 7 GPRA colonies.
EBITDA Margin %	6.5% (Target)	→	Not in doc	→	Target maintained per MOU with Ministry; currently seeing better margins in Intl/Real Estate.
PBT (Consol)	₹104 Cr	↑ 1,990%*	Not in doc	↑	Sharp jump due to low base (last year had ₹110 Cr provision for Gurgaon project).
PAT Margin %	4-5% (Target)	→	Not in doc	→	Long-term target remains stable despite cost pressures.
Order Book (Consol)	₹55,000 Cr	↓ 2%	Not in doc	→	Stable; includes ₹3,000 Cr new orders in Q1 offset by execution.
Order Book (SA)	₹45,000 Cr	↓ 3%	Not in doc	→	Standalone backlog remains the core execution engine.
Order Inflows (Consol)	₹3,000 Cr	Not in doc	Not in doc	→	Major wins: Printing presses (₹750 Cr) and HSCC orders (₹1,500 Cr).
Execution Rate	3.5%	↑ 20 bps	Not in doc	→	Qly Revenue / Closing Backlog; still below the needed 5% run-rate.
Net Cash (Consol)	₹5,000 Cr	→	Not in doc	→	Comprises ₹1,000 Cr own funds and ₹4,000 Cr client deposits.
Real Estate Sales	₹17 Cr	Not in doc	Not in doc	↓	Slow start; expects ₹1,400 Cr total sales for the full year.

**Last year Q1 PBT was - 5.5 Cr due to exceptional loss.*

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
PMC	Not stated	Not in doc	5-8%	→	Inline	Core business; awarding ₹6,000 Cr tenders in Q2.
Redevelopment	Not stated	Not in doc	6-8%	↑	Above Avg	Targeting ₹3,000 Cr new projects in Kerala and Mumbai.
Real Estate	₹17 Cr	Not in doc	15-20%	↓	High	Construction starting in Patna, Coimbatore, and Jaipur.
International	Not stated	Not in doc	10-12%	↑	High	Exploring $56 Mn project in Guinea; active in Seychelles.
Amrapali	~₹500 Cr*	Not in doc	8% + 1%	↑	Above Avg	Expecting ₹8,000-9,000 Cr additional work orders.

**Estimated based on 2,000 Cr annual guidance.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (Consol)	₹10,650 Cr for FY24	Needs ₹2,895 Cr/qtr for next 3 quarters. Requires 47% increase over Q1 run-rate.	Mixed	High
Guidance	Order Inflows	₹11,000-12,000 Cr	Needs ~₹3,000 Cr/qtr. Achieved in Q1; highly feasible given Amrapali pipeline.	Delivered	Low
Guidance	EBITDA Margin	6.5%	Consistent with PMC and redevelopment fee structures.	Delivered	Low
Guidance	Awarding Tenders	₹10,000 Cr for FY24	₹2,500 Cr done in Q1; ₹6,000 Cr in pipeline for Q2. Very high feasibility.	Improving	Low
Strategy	Inventory Sale	₹1,400 Cr Real Estate	Needs ₹461 Cr/qtr. Q1 was only ₹17 Cr. Extreme reliance on H2.	Mixed	High
Strategy	WTC Monetization	Sell remaining ₹5k Cr	Aiming for ₹1k Cr in Aug auction. Requires robust commercial demand.	Mixed	Medium
Strategy	Amrapali Completion	Handover within 3 yrs	New ₹8k-9k Cr project has a 36-month clock from award.	Delivered	Medium
Balance	Cash Levels	Maintain ₹1,000 Cr+	Currently at ₹1,000 Cr own funds; self-funding business model.	Delivered	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	3.5	Rohit Natarajan, Antique	Project Risk	Management Commentary	"We have heard some news that NBCC is seeking not to cut additional trees... Does this impact any of your awarding pipeline?"	Management clarified that tree sanctions for Sarojini Nagar are received and Netaji Nagar applications are cleared by the Supreme Court. This removes a major ESG and regulatory overhang that previously stalled these high-value redevelopment projects.	None	4.0	Reassuring
2	4.5	Rohit Natarajan, Antique	Revenue Bridge	Management Commentary	"In the 9,000 Crores stand-alone revenue... what kind of... top projects that will contribute?"	Management expects Amrapali and 7 GPRA colonies to contribute □2,000 Cr each to the total revenue. This provides a clear roadmap for ~45% of the annual revenue target, though it highlights high concentration risk.	None	4.5	Specific details
3	4.0	Rohit Natarajan, Antique	Backlog	Financials	"what is the outstanding projects awarded position? The last time... it was somewhere in 21,000 Crores."	Management stated that approximately □19,000 Cr remains to be awarded, with □6,000 Cr currently being tendered for August/ September. This awarding activity is the lead indicator for revenue	None	5.0	Quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						growth in H2 FY24 and FY25.			
4	4.0	Rohit Natarajan, Antique	WTC Sale	Business Overview	"monetization of the World Trade Centre... What is the situation over there?"	Management noted a drastic improvement in response, with ₹6,500 Cr sold to date and Bentley (luxury cars) recently purchasing space. Successful monetization of WTC is the primary source of cash for the self-funding GPRA redevelopment model.	None	4.0	Positive signal
5	5.0	Dhananjay Mishra, Sunidhi	Amrapali Margins	Financials	"Amrapali project, what kind of margin we make... and what is the revenue we already booked?"	Management confirmed 8% PMC fees plus 1% marketing fees on a ₹8,300 Cr project, with ₹5,000 Cr already booked. The high-margin nature of the remaining ₹3,300 Cr and the upcoming ₹8,000-9,000 Cr addition significantly pads the PBT.	None	5.0	Thesis critical
6	4.0	Dhananjay Mishra, Sunidhi	MOU Targets	Management Commentary	"what is the target for FY '24 and '25 in this MOU?"	Management guided for ₹10,650 Cr revenue in FY24 and ₹11,700 Cr in FY25 with a 6.5% EBITDA margin. Meeting these targets would represent a significant	None	5.0	Clear guidance

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						scale-up from historical □7,000-8,000 Cr levels.			
7	3.5	Dhananjay Mishra, Sunidhi	Real Estate	Business Overview	"are we thinking on that side... expand [own real estate] business, because that will be a high margin business?"	Management is starting construction in Patna, Coimbatore, and Jaipur to liquidate land parcels worth □1,400 Cr total. This is a high-margin (15-20%) lever that can provide a "kicker" to core PMC earnings.	None	4.0	Timeline given
8	3.0	Vasudev, Nuvama	Order Mix	Business Overview	"consolidated order book... split between PMC and redevelopment... how much amount is the ongoing works?"	Consolidated ongoing works are □23,000 Cr, with the □55,000 Cr backlog split roughly 50/50 between traditional PMC and high-margin Redevelopment. The shift toward Redevelopment is structurally positive for blended margins.	None	4.0	Contextual
9	4.0	Vasudev, Nuvama	Liquidity	Financials	"can you tell me the cash balance on the consolidated level...?"	Consolidated cash is □5,000 Cr, but crucially only □1,000 Cr is NBCC's "own funds," while □4,000 Cr belongs to clients. Investors should not mistake total cash for investible/ distributable capital.	None	5.0	Specific

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
10	3.0	Nikhil Abhyankar, ICICI	New Markets	Management Commentary	"targeting redevelopment projects... quantify the opportunity size... and what kind of projects will these be?"	Management is targeting ₹3,000 Cr of residential and commercial redevelopment in Kerala and Mumbai. Success here would prove NBCC's ability to replicate the Delhi redevelopment model in other high-value states.	None	3.0	Directional
11	3.0	Akshay Patil	Margin Drivers	Management Commentary	"what kind of measures are you taking for better margin improvement... diversification for the into the foreign business?"	Management is focusing on International projects (10-12% margins) in Seychelles and Guinea and mass housing in Zambia. Geographical diversification reduces reliance on the Delhi real estate cycle.	None	3.5	Contextual

PATTERN FLAGS & SENTIMENT

- **Execution Anxiety:** Analysts repeatedly questioned the awarding pipeline and the transition from "order book" to "turnover." Management's consistent use of the term "quantum jump" and specific deadlines for ₹6,000 Cr of tenders (August/September) suggests they are highly aware of this bottleneck and are pivoting toward an execution-first mindset. This concern is currently "neutralized" but will turn "hostile" if Q2 results don't show the awarding numbers.
- **Asset Monetization:** The slow pace of real estate sales (only ₹17 Cr in Q1) was a quiet but significant friction point. While management was bullish on the ₹1,400 Cr annual target, the lack of immediate traction in the commercial "bulk sale" of Sarojini Nagar suggests that commercial real estate demand remains a sensitive spot.
- **Amrapali as a Growth Engine:** Amrapali has fully transitioned from a complex litigation risk to a massive revenue visibility tool. Analysts were clearly satisfied with the 8+1% margin structure and the upcoming ₹8,000 Cr+ in additional orders, which provides a long-term tailwind.

Analyst Sentiment Verdict: Cautiously optimistic. The tone was much more positive than the prior year (which was marred by the Gurgaon project loss). The primary focus has moved from "surviving legacy issues" to "managing a massive scale-up." Management's credibility is high on the Amrapali/Redevelopment models but remains under observation regarding the actual quarterly revenue run-rate.

5. WHAT CHANGED vs PRIOR QUARTER

Trajectory Signal: Improving. The company has moved past the "kitchen-sinking" of legacy provisions seen in Q1FY23 and is now entering an aggressive execution cycle.

What Changed	Prior Quarter (Q1 FY23)	This Quarter (Q1 FY24)	Direction
Reported Profitability	Negative PBT (-□5.5 Cr) due to □110 Cr provision.	Clean PBT of □104 Cr with no major provisions.	□
Awarding Momentum	Sluggish; analysts concerned about "dead" orders.	"Quantum jump" in awards; □2,500 Cr done, □6,000 Cr in pipeline.	□
Amrapali Visibility	Focus was on execution of existing □8k Cr.	Expecting massive □8k-9k Cr of additional orders via Supreme Court.	□
Real Estate Strategy	Slow monetization of legacy land.	Active construction starting in Patna/Jaipur/ Coimbatore for □1.4k Cr sale.	□
Regulatory Hurdles	Tree cutting issues in Delhi were a major risk.	Tree sanctions for Sarojini Nagar received; Netaji Nagar cleared.	□
Revenue Targets	FY23 target was □8,500 Cr (Consol).	FY24 target increased to □10,650 Cr (Consol) per MOU.	□
Inventory Sales	□341 Cr (Nauroji Nagar).	Negligible (□17 Cr) - creates a back-ended year.	□

INVESTOR NOTES: * **CFO-to-PAT Divergence:** CFO remains significantly higher than PAT due to the negative working capital model (client advances). Standalone cash of □1,000 Cr against PAT of ~□80-90 Cr indicates excellent earnings quality. * **Working Capital Lever:** The main lever remains "client deposits" (□4,000 Cr). As execution in Amrapali and 7 GPRA picks up, these advances will be consumed, but the cash-rich balance sheet currently acts as a significant interest-income generator. * **Forensic Watch:** Watch for any further delays in the "bulk sale" of Sarojini Nagar commercial space; management's plan to sell to a single investor who then sub-divides shops is a high-risk/high-reward strategy for liquidation.