NBCC (India) Ltd — Feb 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue / Beat on Margins **One-line:** Strong operating margins and redevelopment monetization are offset by a significant shortfall in project awarding and a necessary "pruning" of the order book, signaling slower-than-expected execution timelines.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline / Weak Beat	Revenue ₹1,508 Cr; EBITDA grew 34.33% YoY.	
Earnings Quality	Moderate	High EBITDA growth but significant "Other Income" (Interest on seed money) is accrued, not yet cash.	
Guidance Confidence	Weak	Management missed the ₹6,500 Cr awarding target significantly (only ₹1,921 Cr achieved by mid-Feb).	
Management Credibility	Neutral	Honest about descoping ₹6,200 Cr of "non-materializing" orders, but execution pace remains a laggard.	
Business Quality Signal	Stable	Transitioning to high-margin redevelopment; Nauroji Nagar monetization is the primary liquidity engine.	
Key Q&A Exchange	Q1: Awarding Shortfall	Analyst noted ₹4,500 Cr shortfall in awarding; Mgmt hopes to bridge ₹2,600 Cr by March 31.	
The Street's Primary Anxiety	Order Book Realism	Descoping of ₹6,200 Cr and slow conversion of the ₹55,000 Cr backlog into revenue.	
Capital Cycle Stage	Harvesting (Redevelopment)	Significant cash tied in "Seed Money" (₹908 Cr) now starting to yield accrued interest.	
Margin Trajectory	Improving	Operating margins benefited from the mix shift toward PMC and Redevelopment.	
Pricing Power	Stable	Cost-plus model (PMC) protects margins; Redevelopment inventory pricing is the key lever.	
FCF Conversion & Quality	Distorted	Consol. cash of ₹4,900 Cr is 80%+ client advances; own cash is only ~₹500 Cr.	
Competitive Moat Signals	Stable	Navratna status ensures a steady flow of Govt. redevelopment projects (7 GPRA, AIIMS).	
Balance Sheet Strength	Strong	Zero debt; significant float from client advances.	
Working Capital Efficiency	Stable	High dependency on project-specific funding (e.g., Amrapali bank consortium).	
Mgmt Guidance Track	Mixed	Revenue targets generally met; awarding and execution timelines frequently slip.	
Key Vulnerability	Audit Qualifications	Vigilance inquiry (IIT Kharagpur) and environmental stays (Kochi) create legal overhangs.	
Management Tone	Cautious Optimism	Confident on Redevelopment/Overseas but defensive on execution pace and order book reductions.	

Sentiment: Neutral

Key Takeaways: * **Positives:** EBITDA margins are expanding as the company executes high-margin redevelopment projects like Nauroji Nagar (40% complete). The Amrapali project is finally getting a bank funding tie-up (□1,500 Cr), which should ramp up quarterly execution from □300 Cr to □500 Cr. * **Negatives:** There is a massive shortfall in contract awarding—management has awarded only ~□2,000 Cr against a target of □6,500 Cr for the year, making FY23 growth targets highly dependent on a massive Q4 rush. The order book was "pruned" by □6,200 Cr, admitting that a chunk of the backlog was stale or non-materializing. * **The Street's Concern:** Analysts are skeptical about the revenue run-rate. Management's response suggests that the gestation period for redevelopment is high (2-3 years), and they expect a "suitable jump" only in FY23. * **Forward Watchpoint:** Monitor the cash realization of the □220 Cr accrued interest on seed money and the final awarding tally by March 31, 2022.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr (Q3FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□ Cr)	□1,508	Not Stated	Not Stated	First Entry	Revenue growth hampered by NGT bans and COVID 3rd wave.
EBITDA (□Cr)	Not Stated	↑ 34.33%	Not Stated	First Entry	Significant improvement in operating margins.
PBT (□Cr)	Not Stated	↑ 10.37%	Not Stated	First Entry	Impacted by lower dividend income from subsidiaries vs LY.
PAT (□Cr)	Not Stated	Not Stated	Not Stated	First Entry	Growth attributed to core execution.
Order Book (Consol)	□65,000	Not Stated	Not Stated	First Entry	Includes HSCC and HSCL (mostly PMC).
Order Book (Stand.)	□55,000	Not Stated	↓ ~11%	↓	Descoping of □6,200 Cr of slow/stalled projects.
Order Inflows (YTD)	□4,800	Not Stated	Not Stated	First Entry	New business secured as of mid-Feb 2022.
Work Awarded (YTD)	□1,921	Not Stated	Not Stated	↓	Massive shortfall vs □6,500 Cr annual target.
Consol. Cash (□ Cr)	□4,900	Not Stated	Not Stated	First Entry	□4,000 Cr is client advances; □500 Cr is own cash.
Execution Rate	~12-14%	Not Stated	Not Stated	→	Execution run-rate remains low relative to backlog.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Avg	Key Development
PMC	~□25,000 (OB)	Not Stated	Standard	→	Inline	Includes AIIMS and IIM projects.
Redevelopment	~□30,000 (OB)	Not Stated	High	↑	Above	Nauroji Nagar (40% done); 7 GPRA starting.
Amrapali	□291 (Qtr)	Not Stated	Fixed Fee	↑	Below	Target ramp-up to □500 Cr/qtr post-funding.
Overseas	~$130M (OB)	N/A	High	↑	Above	Maldives & Burundi projects starting Q1FY23.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (FY22)	□7,500 Cr (Consolidated)	Needs ~□2,300 Cr in Q4; achievable if NGT bans stay lifted.	First Entry	Moderate
Guidance	Awarding (FY22)	□6,500 Cr (Standalone)	Needs □4,500 Cr in 1.5 months; highly unlikely.	Missed	High
Guidance	Amrapali Exec.	□500 Cr / Quarter	Requires bank funding (□1,500 Cr) tie-up by March.	Mixed	Moderate
Strategy	Descoping	Remove □6,200 Cr stale orders	Improves order book quality/realism.	Delivered	Low
Strategy	Redevelopment	Complete Nauroji Nagar	40% complete; majority work in FY23.	On Track	Low
Strategy	Overseas	Mobilize Maldives/ Burundi	Start revenue contribution in Q1 FY23.	New Target	Low
Balance	Cash Recovery	Recover □220 Cr Int.	□60 Cr sanctioned for Q4 recovery.	On Track	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	5.0	Rohit Natarajan (Antique)	Awarding Gap	Management Commentary	Why is the standalone awarding only □2,000 Cr against a □6,500 Cr target?	Management admitted the shortfall but claimed □2,600 Cr of tenders are currently in progress for award by March 31. This delay pushes the revenue conversion cycle into late FY23, creating a growth overhang for the next two quarters.	None	3.0	Target likely missed
2	4.0	Rohit Natarajan (Antique)	Execution Pace	Business Overview	How can the company grow revenue if it doesn't award enough work against its □18,000 Cr active sites?	Management argued that redevelopment projects have long gestation periods and that the 7 GPRA colonies clearing statutory hurdles will drive a "suitable jump" next year. The implication is that FY22 is a consolidation year, with the real growth inflection deferred to FY23.	None	4.0	Time-lag confirmed
3	4.5	Rohit Natarajan (Antique)	Amrapali Pace	Financials	Why is execution at Amrapali so slow (□200-300 Cr/qtr) despite □7,800 Cr of awards?	Management cited NGT bans and third-wave COVID, but highlighted that a fresh □1,500 Cr bank funding tie-up is	None	4.0	Funding is key

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						expected within 15 days. If the funding closes, Amrapali will contribute ₹2,000 Cr annually to the top line, significantly de-risking the PMC segment.			
4	3.5	Nitin Gandhi (KIFS)	Project Details	Business Overview	Request for specific revenue figures for the top 10 projects in Q3.	Management listed AIIMS Deogarh, Nauroji Nagar, and Bharat Vandana Park as top contributors but deferred specific figures to an email. This makes it difficult to assess the exact concentration risk and progress on individual high-margin sites.	Specific numbers	3.0	Evasive on detail
5	4.0	Parvez Qazi (Edelweiss)	Cash Position	Financials	What is the actual "own cash" available at the consolidated level?	Of the ₹4,900 Cr cash, management clarified that ₹4,000 Cr is client advances, leaving only ~₹500 Cr of internal liquidity. This confirms NBCC's asset-light but dependency-heavy model where execution is	None	5.0	Clear disclosure

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						tied to client fund releases.			
6	4.5	Rohit Natarajan (Antique)	Audit Notes	Governance	Explanation on audit note #7 regarding vigilance inquiry at IIT Kharagpur.	Management stated the matter involves procedural lapses and a vigilance inquiry against involved officers, but claimed no financial impact on books. While not a balance sheet risk, it highlights the recurring governance/ compliance friction in large PSU projects.	None	3.0	Oversight risk
7	4.0	Rohit Natarajan (Antique)	Order Book Pruning	Management Commentary	Why did the order book drop from ~₹62,000 Cr to ₹55,000 Cr standalone?	Management confirmed they deleted ₹6,200 Cr of projects that were not materializing or were on hold by clients (e.g., Africa, Uttarakhand). This is a "clean-up" signal that suggests the order book is now more realistic, though it exposes previous overstatement.	None	4.0	Quality over quantity
8	3.0	Rajeev Rupani (Individual)	Monetization	Capex and Allocation	Status of land banks in Jaipur, Alwar, and Coimbatore.	Management intends to develop Jaipur first as the real estate market picks up, but	Timelines	2.5	Vague on non-core

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						gave no specific timeline. This remains a "latent value" play that is not currently contributing to the core execution thesis.			

PATTERN FLAGS & SENTIMENT

- **Order Book Realism:** Analysts focused heavily on the reduction of the order book and the slow pace of awarding. Management's defensive posture—calling it "pruning" and "gestation periods"—suggests they are prioritizing project viability over headline backlog numbers. The concern remains live as the awarding shortfall is significant.
- **Liquidity & Funding:** A recurring theme was the cash flow from Amrapali and the realization of interest on seed money. Management appeared confident that the bank consortium for Amrapali would close shortly, which is the primary catalyst for the PMC segment.
- **Analyst Sentiment Verdict:** Analysts were skeptical regarding the execution run-rate and "true" growth potential, given the awarding misses. Management's credibility was slightly bolstered by their transparency in deleting stagnant orders, but the friction regarding legal stays (Kochi) and vigilance inquiries (IIT) keeps the "governance discount" active. The primary unresolved issue is the massive Q4 awarding requirement to hit yearly targets.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening / Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Awarding	Target of □6,500 Cr for FY22.	Only □1,921 Cr achieved YTD (Mid-Feb).	~70% shortfall with 1.5 months left.	High: FY23 revenue growth will likely be back-ended or miss targets.
Order Book	Previously touted ~□62k-70k Cr levels.	Pruned to □55k Cr (Standalone).	Admit □6.2k Cr was "non-materializing".	Moderate: Backlog was inflated; current levels are more honest but lower.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Standalone Order Book	Not available	□55,000 Cr	First Entry
Amrapali Funding	Not available	Bank tie-up (□1,500 Cr) in final stages	↑
Awarding Status	Not available	Significant shortfall vs □6,500 Cr target	↓
Governance	Not available	New vigilance inquiry (IIT Kharagpur) disclosed	↓
Asset Monetization	Not available	□220 Cr interest accrued on seed money	↑
Order Book Quality	Not available	Descoping of □6,200 Cr stale orders	↑

CFO-to-PAT Divergence Note: While full CFO data wasn't in the transcript, the "Other Income" of □220 Cr (Interest on Seed Money) is largely accrued and non-cash. This suggests that PBT/PAT growth is partially driven by accounting accruals rather than immediate cash inflows, a point for investors to monitor regarding earnings quality.