NBCC (India) Ltd — Jun 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue / Quality Miss on Margins **One-line:** Management is finally clearing the "deadwood" from the order book and securing Amrapali funding, but the core execution remains sluggish and earnings are heavily distorted by accounting reversals and inventory write-downs.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	FY22 Consol Income ~□8,000 Cr met the "above □7,500 Cr" target.	□
Earnings Quality	Low	EBITDA aided by □42 Cr ECL reversal; PAT hit by □100 Cr real estate impairment.	□
Guidance Confidence	Neutral	FY23 Revenue target (□8,500 Cr Consol) implies ~6% growth; modest but realistic.	□
Management Credibility	Neutral	Admitted to another major project closure (Ghitorni) and missed FY22 awarding targets.	□
Business Quality Signal	Stable	Shift to high-margin Redevelopment continues (Nauroji Nagar 50% complete).	□
Key Q&A Exchange	Q4: Amrapali Pace	Analyst questioned execution run-rate; Mgmt points to bank funding as the "fix."	□
The Street's Primary Anxiety	Order Book Atrophy	Repeated pruning of order book (Ghitorni deletion) raising questions on "true" backlog.	□
Capital Cycle Stage	Harvesting	Realizing interest on seed money (□240 Cr cash received) from long-gestation projects.	□
Margin Trajectory	Volatile	Real Estate margins turned negative due to □100 Cr Gurgaon project write-down.	□
Pricing Power	Stable	Cost-plus model (PMC) remains protected; Redevelopment pricing is the main lever.	□
FCF Conversion & Quality	Improving	Finally seeing cash realization from accrued seed money interest (□240 Cr).	□
Competitive Moat Signals	Stable	Navratna status maintains monopolistic access to high-value central redevelopment.	□
Balance Sheet Strength	Strong	Cash-rich (client advances), zero debt.	□
Working Capital Efficiency	Stable	Dependency on external bank consortiums for Amrapali reduces NBCC's own capital risk.	□
Mgmt Guidance Track	Mixed	Revenue targets met, but awarding targets (FY22: □3,500 Cr vs □6,500 Cr target) missed.	□
Key Vulnerability	Inventory Risk	Further impairments in the □700 Cr land bank/inventory could surprise on the downside.	□
Management Tone	Defensive	Confident on Redevelopment/Overseas but defensive on execution delays and OB reductions.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** The funding logjam for the Amrapali project (₹2,150 Cr total tied up) is resolved, which should ramp up quarterly execution from the current sluggish levels. The Redevelopment segment is performing well at the operating level, with Nauroji Nagar 50% complete and generating consistent sales (₹4,500 Cr to date). Cash realization of accrued interest (₹240 Cr) improves the quality of the "Other Income" line. * **Negatives:** Management significantly missed its FY22 awarding target, achieving only ₹3,500 Cr (Standalone) against a ₹6,500 Cr goal. The order book continues to be "pruned" (deletion of the Ghitorni project), leading to a decline in standalone backlog to ₹50,000 Cr. Real estate remains a drag, evidenced by a ₹100 Cr impairment on the Gurgaon 37D project. * **The Street's Concern:** Analysts are focused on the "true" execution run-rate. While the order book is massive (₹60,000 Cr Consol), only ₹22,000 Cr is currently under construction, implying a significant portion of the backlog is either stalled or in very early pre-construction stages. * **Forward Watchpoint:** Monitor if the FY23 awarding target of ₹8,000 Cr is met in the first half; continued delays here will jeopardize the FY24/25 revenue trajectory.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — numbers from concall.

Metric	Current Qtr (Q4FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (FY22 Cr)	~₹8,000	Not Stated	Not Stated	First entry	Achieved total consol income nearing ₹8,000 Cr.
PBT (FY22 Cr)	~₹400	Not Stated	Not Stated	First entry	Operating/EBITDA margins "significantly better" than LY Q4.
PAT (FY22 Cr)	Not Stated	Not Stated	Not Stated	First entry	Impacted by ₹100 Cr inventory write-down in Real Estate.
Order Book (Consol)	₹60,000	Not Stated	↓ 7.7%	↓	Pruned due to Ghitorni project closure.
Order Book (Stand.)	₹50,000	Not Stated	↓ 9.1%	↓	vs ₹55,000 Cr in prior quarter.
Order Inflows (FY22)	₹8,000	Not Stated	Not Stated	First entry	Consolidated business secured during the year.
Work Awarded (FY22)	₹3,500	Not Stated	Not Stated	↓	Missed internal target of ₹6,500 Cr significantly.
Execution Rate	36.6%	Not Stated	Not Stated	First entry	₹22,000 Cr under construction vs ₹60,000 Cr Consol OB.
Real Estate Impairment	₹100	N/A	N/A	□	Project 37D (Gurgaon) written down to NRV.
Seed Money Invested	₹1,160	Not Stated	↑ 27.7%	↑	Principal ₹950 Cr, Interest ~₹200 Cr.

2B. SEGMENT BREAKDOWN

Segment	Revenue (FY22 Cr)	Target (FY23 Cr)	Margin	Trend	vs Avg	Key Development
PMC	Not Stated	~₹4,000+	Standard	→	Inline	Mainstay; health/education projects are core.
Redevelopment	Not Stated	~₹3,000	High	↑	Above	Nauroji Nagar 50% done; 7 GPRA starting.
Amrapali	₹1,200	~₹2,000+	Fixed Fee	↑	Below	Funding tied up; 2,200 flats ready for handover.
Real Estate	Not Stated	Not Stated	Negative	↓	Below	Hit by ₹100 Cr Gurgaon write-down; loss of ₹70 Cr.
Overseas	Negligible	Not Stated	High	↑	Above	Maldives Social Housing (₹1,000 Cr) mobilized.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (FY23 Stand.)	₹7,000 Cr	₹1,750 Cr/qtr; achievable given active sites of ₹18,000 Cr.	Met (FY22)	Low
Guidance	Revenue (FY23 Consol)	₹8,500 Cr	₹2,125 Cr/qtr; depends on Amrapali ramp-up.	Met (FY22)	Low
Guidance	Awarding (FY23)	₹8,000 Cr	Needs ₹2,000 Cr/qtr; historical avg is much lower.	Missed	High
Strategy	Amrapali Exec.	₹2,000 Cr+ in FY23	Needs ₹500 Cr/qtr; achieved ₹1,200 Cr in FY22.	Improving	Moderate
Strategy	Redevelopment	Target 7 GPRA & Ministry of Defence	High gestation; requires cabinet approvals and monetization.	Mixed	High
Strategy	Overseas	MEA/EXIM funded projects	Maldives mobilized; targeting more social housing.	Delivered	Low
Balance	Inventory Sale	₹150 Cr in 2 years	Alwar, Kochi, Patna projects prioritized.	Slow	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Rohit Natarajan (Antique)	Order Book	Business Overview	"What is your standalone order backlog as of now?"	Management confirmed Standalone OB is ₹50,000 Cr and Consol is ₹60,000 Cr, reflecting a decline from previous levels. This confirms the ongoing pruning of stalled projects like Ghitorni, making the backlog more realistic but smaller.	None	5.0	Pruning confirmed
1a	4.0	Rohit Natarajan (Antique)	Project Cancellation	Business Overview	"Was there a cancellation of 3000 Crores?"	Management admitted the Ghitorni redevelopment project was closed by the government and removed from the order book. This project removal is a negative for future revenue visibility but clarifies the "active" order book quality.	None	5.0	Closure admitted
2	4.5	Rohit Natarajan (Antique)	Execution Visibility	Business Overview	"How much is actually awarded to contractors or what is the quantum of work happening on ground?"	Of the ₹50,000 Cr OB, only ₹18,000 Cr (Standalone) and ₹22,000 Cr (Consol) are currently active construction sites. This implies that over 60% of the order book is yet to reach	None	5.0	Low active ratio

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						the revenue-generating stage, creating a significant growth lag.			
3	4.0	Rohit Natarajan (Antique)	Awarding Guidance	Management Commentary	"How much do you propose to award it to the contractors in this particular year?"	Management plans to award ₹8,000 Cr in FY23. After missing the FY22 target of ₹6,500 Cr (awarding only ₹3,500 Cr), this target appears ambitious and remains a key execution risk.	None	3.0	Aggressive target
4	4.5	Rohit Natarajan (Antique)	Amrapali Execution	Financials	"Why are we doing 1200 Cr odd Crores in Amrapali when funding is in place?"	Management explained that FY22 was hindered by funding gaps, but with ₹2,150 Cr now secured from SBI Cap and a bank consortium, execution will ramp up. If achieved, Amrapali could contribute ~25-30% of consolidated revenue, becoming a major margin engine.	None	4.0	Funding unlocked
5	4.0	Rohit Natarajan (Antique)	Monetization	Business Overview	"Redevelopment projects continue to be disappointing in terms of monetization... what exactly is the problem?"	Management blamed a sluggish real estate market over the last two years but expressed hope for improvement in FY23.	None	2.0	Market-dependent

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						Continued slow monetization delays the "Seed Money" recovery and hampers the high-margin redevelopment thesis.			
6	4.5	Rohit Natarajan (Antique)	Margin Quality	Financials	"EBITDA margin is almost 3.5%... is there a provision write back?"	Management confirmed a ₹16 Cr ECL provision reversal in Q4 (₹42 Cr for FY22) due to recovery from old debtors. This one-off boost inflates operating margins, masking the underlying core performance.	None	5.0	Quality warning
7	4.0	Rohit Natarajan (Antique)	Seed Money Cash	Financials	"How much of the seed money income is booked as cash?"	Management clarified that of the ₹1,160 Cr seed money/ interest, they received ₹240 Cr in cash during FY22. This is a positive for earnings quality, showing that "Other Income" is finally starting to convert to cash.	None	5.0	Cash receipt verified
8	3.5	Parvez Qazi (Edelweiss)	FY22 Awarding	Business Overview	"How much orders did we award to various contractors in FY2022?"	Standalone awarding was only ₹3,500 Cr against a target of ₹6,500 Cr.	None	5.0	Target miss confirmed

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						This 46% miss on awarding targets explains the stagnant revenue run-rate and remains the primary bottleneck for growth.			
9	4.0	Parvez Qazi (Edelweiss)	Guidance FY23	Management Commentary	"What is the kind of revenues and EBITDA margins expected in FY2023?"	Management guided for □7,000 Cr Standalone and □8,500 Cr Consol revenue with Consol EBITDA around □300-400 Cr. This implies a conservative margin of ~4-5%, reflecting a cautious outlook on input costs or project mix.	None	4.0	Conservative guidance
10	4.5	Rohit Natarajan (Antique)	Real Estate Losses	Financials	"Real estate margins seem to be negative, what exactly is the nature of the loss?"	Management revealed a □100 Cr inventory write-down for the Gurgaon 37D project as NRV fell below cost. This led to a □70 Cr segment loss, highlighting the risk of NBCC's legacy real estate inventory.	None	5.0	Impairment disclosed
11	3.0	Rohit Natarajan (Antique)	Land Bank	Business Overview	"What is the cumulative land	NBCC holds 17 land parcels across	None	4.0	Latent value

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					bank that you have?"	43 acres with an inventory value of ~₹700 Cr. Monetization of these non-core assets remains slow, with Alwar and Kochi being the next focus areas.			
12	3.0	Pankaj Kumar (Kotak)	Ongoing Work	Business Overview	"What is the figure for ongoing construction on standalone?"	Standalone active work is ₹18,000 Cr. This confirms that revenue growth is capped by the current execution pace on these specific sites.	None	5.0	Execution ceiling
13	3.5	Pankaj Kumar (Kotak)	Cancellation Risk	Business Overview	"Which are the orders where we see some risk of cancellation?"	Management denied cancellation risks but admitted 7 GPRA redevelopment is slow due to poor inventory sales at Nauroji Nagar. This segment is the "swing factor" for NBCC's high-margin targets.	None	3.0	Sales bottleneck
14	3.0	Pankaj Kumar (Kotak)	New Inflow Targets	Management Commentary	"What are the order inflows looking at for next year?"	Target of ₹6,500 Cr new inflows, primarily from PMC and land parcels for Defence, Power, and Naval authorities. This shift	None	4.0	PMC-heavy mix

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						towards PMC suggests a return to lower-margin, safer government work.			

PATTERN FLAGS & SENTIMENT * **Order Book Realism vs. Headline:** Analysts are consistently challenging the utility of the ₹60,000 Cr order book when execution is only active on 36% of it. Management's defensive stance on project "pruning" (Ghitorni deletion) suggests they are cleaning up the books, but it also reveals that historical backlog numbers were inflated by unviable projects. * **Earnings Quality Noise:** The mix of ECL reversals (+₹42 Cr) and inventory impairments (-₹100 Cr) created a volatile PBT/PAT profile. Analysts pressed on these "non-linear" elements, indicating that the Street is looking past the reported numbers to find sustainable operating margins, which remain thin (~3-4%). * **Amrapali as a Catalyst:** There was a shift in focus toward the successful funding tie-up for Amrapali. This was the most confident part of the management's commentary, suggesting that the primary bottleneck for this high-visibility project is now resolved.

Analyst Sentiment Verdict: Analysts were **skeptical but appreciative of the transparency**. The credibility of the order book remains the biggest friction point, especially after the missed awarding targets for FY22. However, the cash realization of seed money interest and the resolution of Amrapali funding provided some comfort. The sentiment is "show-me" — the market will likely wait for FY23 awarding and execution to ramp up before re-rating the stock.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Awarding | Target of ₹6,500 Cr for FY22. | Achieved only ₹3,500 Cr. | 46% miss on contracting. | High: Future revenue growth is deferred by 12-18 months. | | Order Book | Standalone OB was ₹55,000 Cr. | Standalone OB is now ₹50,000 Cr. | ₹5,000 Cr reduction due to Ghitorni closure. | Moderate: Ongoing "pruning" reduces total revenue potential. | | Margins | Expectation of margin expansion. | Real Estate loss of ₹70 Cr. | ₹100 Cr Gurgaon impairment hit margins. | Moderate: Legacy inventory remains an unpredictable bottom-line risk. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Standalone Order Book	□55,000 Cr	□50,000 Cr	↓
Amrapali Funding	In final stages (consortium)	Fully tied up (□2,150 Cr total)	↑
Awarding Performance	Shortfall expected	46% miss vs original annual target	↓
Real Estate Quality	Stagnant	□100 Cr impairment on Gurgaon 37D	↓
Cash Quality	Accrued interest only	□240 Cr cash received from seed money interest	↑
Project Pruning	□6,200 Cr removed (Africa/ Uttrakhand)	Ghitorni redevelopment removed	↓
Revenue Guidance	FY22 focus	FY23 guidance set: □7,000 Cr Stand. / □8,500 Cr Consol	→

Earnings Quality Check: CFO-to-PAT divergence is notable as management received □240 Cr cash from interest income, which exceeded the PBT impact of the interest booked this year (~□120 Cr). This "lumpy" cash inflow from old accruals significantly improves the cash position even if PAT was hit by the □100 Cr non-cash impairment. Management is effectively trading accounting profit (impairment) for liquidity (interest recovery).