

India Ratings Affirms NCC and its Bank Loan Facilities at 'IND AA-/Stable'

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India Ratings and Research (Ind-Ra) has affirmed NCC Limited's (NCC) Long-Term Issuer Rating at 'IND AA-'. The Outlook is Stable. The detailed rating action is as follows:

Details of Instruments

Instrument Type	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/ Watch	Rating Action
Long-Term Issuer Rating	-	-	-	-	IND AA-/Stable	Affirmed
Bank loan facilities	-	-	-	INR152	IND AA-/Stable/IND A1+	Affirmed

Analytical Approach

Ind-Ra continues to rate NCC on a standalone basis after factoring in the support extended by the company to its subsidiaries to arrive at the ratings.

Detailed Rationale of the Rating Action

The affirmation reflects NCC's continued strong business, credit and financial profile in the engineering, procurement and construction industry and a diversified presence across all sub-segments and regions in the country. The ratings also reflect the company's strong financial profile with a low net leverage ratio and comfortable liquidity in FY25, which Ind-Ra expects to sustain in the medium term despite a likely increase in equity outflows and debt for implementing the company's smart meter projects.

The ratings reflect the company's healthy operational performance in FY25 and Ind-Ra's expectation of continued growth and healthy profitability in the near-to-medium term. Furthermore, the management stated that the financial closure of its smart-meter projects (NCC Limited - Bihar and NCC AMISP Marathwada Private Limited) are in progress and it does not require to provide any corporate guarantee for it.

List of Key Rating Drivers

Strengths

- Robust order book with moderate concentration
- Large revenue scale but margin moderation likely in FY26-FY27
- Sustained strong credit metrics

Weaknesses

- Elongated working capital cycle; recovery of debtors including unbilled revenue remains crucial

- Cash outflow towards smart meter projects

Detailed Description of Key Rating Drivers

Robust Order Book with Moderate Concentration: NCC received orders worth INR32 billion during 1QFY26 and INR290 billion in FY25 (FY24: INR 273 billion; FY23: INR259 billion), leading to a strong closing order book of INR618 billion at end-June 2025, with a healthy revenue visibility of 3.2x of the FY25 revenue. The orderbook displayed moderate geographical and segmental concentration, with Maharashtra accounting for 30%, followed by Andhra Pradesh (17%) and Madhya Pradesh (15%). The top 10 projects by value had a share of 39.3% of the overall order-book at end-1QFY26, indicating low revenue risk for FY26 and FY27.

Projects with an execution progress of less than 10% cumulatively comprised 54% of the overall unexecuted order book at end-1QFY26. With the company receiving new orders consistently, the percentage of projects with less than 10% execution progress would likely remain higher even over FY26-FY27; however, this does not necessarily pose any execution risk. The order book, excluding the orders received during September 2024 to June 2025, had a large number of projects requiring an increased run-rate of execution to meet the stipulated completion dates. The management stated that the extension of timelines is available in the regular course of business and it does not foresee any challenge in its order execution.

Large Revenue Scale but Margin Moderation likely in FY26-FY27: Ind-Ra expects NCC's revenue to grow 7%-10% yoy over FY26-FY27, backed by a strong order inflow during FY25-1QFY26 while the margins are likely to be rangebound between 8.5% and 9.5%, reflecting the sector's competitiveness as well as cost pressures from legacy order-book (orders awarded during FY22-FY24). The company's revenue grew 4% yoy to INR192 billion in FY25 (FY24: INR185 billion; FY23: INR133 billion) as against Ind-Ra's estimates of 10%, due to the sluggish execution in 1HFY25, accentuated by general elections, delayed take-off of smart meter orders as well as moderate funding disbursements in few major projects such as Jal Jeevan Mission. As a result, the company witnessed a 6% yoy reduction in its absolute EBITDA and the margins stood at 9.1% in FY25 (FY24: 10.0%; FY23: 10.1%).

Sustained Strong Credit Metrics: Ind-Ra expects NCC's credit metrics to remain stable in FY26, in line with the levels of FY25 with the gross interest coverage (operating EBITDA/gross finance cost) sustaining between 2.75x and 3.0x and the net leverage (gross debt including corporate guarantee less unencumbered cash/operating EBITDA) remaining below 1x, on a sustained basis, owing to higher absolute EBITDA generation despite debt levels rising further, along with the presence of orders providing non-interest bearing mobilisation advances. NCC's net leverage rose slightly to 0.4x in at FYE25 (FYE24: 0.3x; FYE23: 0.6x) and the gross interest coverage moderated to 2.7x (3.1x; 2.6x). The total outside liabilities (TOL)/EBITDA had weakened to 7.1x at FYE25 (FYE24: 5.7x; FYE23: 6.9x) reflective of the working capital-intensive nature of the business. At FYE25, the TOL aggregated around INR124 billion (FYE24: INR105 billion; FYE23: INR928 billion). The company's overall gross debt increased to INR14.8 billion at FYE25 (INR10 billion; INR9.8 billion), in line with its moderated working capital cycle during the year. Ind-Ra expects NCC to reduce its working capital intensity over FY26-FY27 with a realisation of both receivables and unbilled revenues from projects, majorly from the Jal Jeevan mission, with the scheme being extended by the Central Government. However, in case of any delay in the certification of bills or undue delays in the realisation of the same can impact the overall liquidity profile of the company, leading to an increase in the debt levels and/or a higher interest outflow; this could be negative for the ratings.

Elongated Working Capital Cycle; Recovery of Debtors Including Unbilled Revenue Remains Crucial: Ind-Ra expects NCC to improve its net working capital cycle to under 50 days during FY26-FY27 (FY25: 80 days; FY24: 41), due to the recoveries expected largely from Jal Jeevan Mission. The company's gross working capital (debtors, advances to suppliers/subcontractors, unbilled revenue, retention money, inventory) as a percentage of revenue declined to 74.4% in FY25 (FY24: 60.4%; FY23: 79.1%). At end-June 2025, the company's unbilled revenues stood at INR66 billion (FY24: INR66 billion; FY23: INR39 billion), with INR10 billion ageing more than 90 days. Consequently, the net working capital cycle as a percentage of the revenue weakened to 20% in FY25 (FY24: 11.5%; FY23: 19%) and is likely to stay around 20% over FY26-FY27. Given the nature of the construction segment and with the presence of orders to be executed over one-to-three years, Ind-Ra expects the working capital requirements to be funded by a combination of working capital debt, mobilisation advances and sundry creditors. The recovery of

debtors from Jal Jeevan Mission projects, Haryana International Horticulture Marketing Corporation Limited and other counterparties remains crucial and is a key monitorable for the agency.

Cash Outflow Towards Smart Meter Projects: The company has set up two special purpose vehicles (SPVs) for executing smart meter orders and is pursuing a strategic equity partner. The execution of smart meter orders (two SPVs and one directly executed by NCC) is likely to entail an equity outflow of INR7 billion and a debt tie-up of about INR24 billion, which is in progress. The company has completed the financial closure of NCC AMISP Ray Private Limited while the financial closure is in progress for both NCC AMISP Marathwada and the project being executed in Bihar by NCC directly. The company does not expect NCC to extend corporate guarantees towards the debt raised at the SPV level; however, debt worth about INR5 billion would be raised by NCC at a standalone level. Since the company is yet to fully achieve financial closure for the projects, any upward deviation towards the estimated equity support other than envisaged INR7 billion or the provision of any other support in terms of corporate guarantee could be negative for the ratings.

Liquidity

Adequate: Ind-Ra expects NCC's liquidity profile to remain adequate over FY26-FY27. The company had an unutilised working capital limit of nearly INR14 billion and an unencumbered cash balance of INR7.7 billion at end-March 2025. The company's average utilisation of the working capital limits (around 70% over the 12 months ended April 2025) is likely to have remained in the range of 65%-70% for 1QFY26. At end-1QFY26, the company had unutilised fund-based limits of nearly INR10 billion and unencumbered cash of nearly INR3.5 billion.

NCC generated cash flow from operations (CFO) of INR3.0 billion in FY25 (FY24: INR8.1 billion; INR4.5 billion), lower than FY24 levels due to working capital lock-up in FY25 while its free cash flows turned negative at INR1.5 billion in FY25 (FY24: INR3.9 billion; FY23: negative INR0.16 billion) and would remain negative over FY26-FY27 due to impending capex and equity outflows. The company envisages an equity commitment of about INR7 billion over FY26-FY27 and has a capex plan of INR7,500 million in FY26; the same is unlikely to pose any liquidity challenges given the strong cash flow generation capability of the company as well as the majority of capex is likely to be debt funded.

Furthermore, the timely realisation of funds from the concluded sale of NCC Vizag Urban Infrastructure shall improve NCC's overall liquidity profile, and is likely to provide an additional liquidity cushion. The management expects NCC Vizag Urban Infrastructure to service its debt from end-2QFY26.

Rating Sensitivities

Positive: The sustenance of the CFO, the profitability and the maintenance of its segmental, geographic and project-wise diversification could lead to a positive rating action.

Negative: Lower-than-Ind-Ra-expected CFO or profitability or an increase in the working capital lock-up, leading to a rise in the debt, and/or higher-than-expected cash outflows to its SPVs resulting in the TOL/EBITDA remaining above 6.0x, on a sustained basis, could lead to a negative rating action.

Any Other Information

Not applicable

About the Company

Hyderabad-based NCC is a construction company listed on the National Stock Exchange Limited and BSE Limited. It is engaged in the construction of roads, buildings, irrigation, water and environment, electrical, metals, mining and railways. Apart from executing projects across India, the company has a presence in the Middle East through its subsidiaries in Muscat and Dubai. NCC also has interests in road and energy projects through its 100%-owned

subsidiary NCC Infrastructure Holdings Limited and in real estate through its 80%-owned subsidiary NCC Urban Infrastructure Limited.

Key Financial Indicators

Particulars	FY25	FY24
Revenue (INR billion)	192	183
EBITDA (INR billion)	17.5	18.5*
EBITDA margins (%)	9.1	10.0*
Interest coverage (x)	2.7	3.1*
Net leverage (x)	0.4	0.3*
TOL/EBITDA (x)	7.1	5.7*
*Adjusted EBITDA Source: NCC, Ind Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Ratings	Historical Rating/Outlook			
				13 June 2024	25 January 2024	19 January 2023	12 December 2022
Bank loan facilities	Long-term/Short-term	INR152	IND AA-/Stable / IND A1+	IND AA-/Stable / IND A1+	IND A+/Positive / IND A1+	IND A+/Stable / IND A1/	IND A+/Stable / IND A1/
Issuer Rating	Long-term	-	IND AA-/Stable	IND AA-/Stable	IND A+/Positive	IND A+/Stable	IND A+/Stable

Bank wise Facilities Details

The details are as reported by the issuer as on (08 Sep 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	State Bank of India	Fund Based Working Capital Limit	6230	IND AA-/Stable/IND A1+
2	Canara Bank	Fund Based Working Capital Limit	4660	IND AA-/Stable/IND A1+
3	Andhra Bank	Fund Based Working Capital Limit	2130	IND AA-/Stable/IND A1+
4	Indian Overseas Bank	Fund Based Working Capital Limit	600	IND AA-/Stable/IND A1+
5	ICICI Bank	Fund Based Working Capital Limit	1000	IND AA-/Stable/IND A1+

6	IDBI Bank	Fund Based Working Capital Limit	1720	IND AA-/Stable/IND A1+
7	Standard Chartered bank	Fund Based Working Capital Limit	3000	IND AA-/Stable/IND A1+
8	Punjab National Bank	Fund Based Working Capital Limit	1000	IND AA-/Stable/IND A1+
9	Punjab & Sind Bank	Fund Based Working Capital Limit	300	IND AA-/Stable/IND A1+
10	State Bank of India	Non-Fund Based Working Capital Limit	34720	IND AA-/Stable/IND A1+
11	Canara Bank	Non-Fund Based Working Capital Limit	35940	IND AA-/Stable/IND A1+
12	Andhra Bank	Non-Fund Based Working Capital Limit	10650	IND AA-/Stable/IND A1+
13	Indian Bank	Fund Based Working Capital Limit	860	IND AA-/Stable/IND A1+
14	Indian Overseas Bank	Non-Fund Based Working Capital Limit	7900	IND AA-/Stable/IND A1+
15	Indian Bank	Non-Fund Based Working Capital Limit	6590	IND AA-/Stable/IND A1+
16	ICICI Bank	Non-Fund Based Working Capital Limit	2500	IND AA-/Stable/IND A1+
17	IDBI Bank	Non-Fund Based Working Capital Limit	5020	IND AA-/Stable/IND A1+
18	Standard Chartered bank	Non-Fund Based Working Capital Limit	4500	IND AA-/Stable/IND A1+
19	Punjab National Bank	Non-Fund Based Working Capital Limit	9530	IND AA-/Stable/IND A1+
20	Punjab & Sind Bank	Non-Fund Based Working Capital Limit	2150	IND AA-/Stable/IND A1+
21	IndusInd Bank Limited	Non-Fund Based Working Capital Limit	3000	IND AA-/Stable/IND A1+
22	EXIM Bank	Non-Fund Based Working Capital Limit	3000	IND AA-/Stable/IND A1+
23	Karnataka Bank Ltd	Non-Fund Based Working Capital Limit	1500	IND AA-/Stable/IND A1+

24	Karnataka Bank Ltd	Fund Based Working Capital Limit	500	IND AA-/Stable/IND A1+
25	Yes Bank Ltd	Non-Fund Based Working Capital Limit	3000	IND AA-/Stable/IND A1+

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process

Short-Term Ratings Criteria for Non-Financial Corporates

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