

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 and its bank loan facilities as follows:

Details of Instruments

Instrument Type	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating Assigned with Outlook/Watch	Rating Action
Issuer rating	#	-	-	-	-	IND AA-/Stable	Affirmed
Bank loan facilities	RBI	-	-	-	152,000	IND AA-/Stable/IND A1+	Affirmed

There is no instrument being rated and hence, Regulator of the instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

Analytical Approach

Ind-Ra continues to take a standalone view of NCC to arrive at the ratings while factoring in the equity commitment to its subsidiaries/special purpose vehicles (SPVs), 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, with a strong market position, diversified order book, and healthy revenue visibility, supported by an unexecuted order book of INR713 billion as of 30 June 2026. The affirmation further reflects the company's improved business performance, evidenced by the rebound in revenue in 1QFY27 (up 12% yoy to INR49.1 billion), and an improvement in the EBITDA margin, along with some easing of working-capital lock-up, especially the sizeable recovery of receivables from Jal Jeevan Mission (JJM) projects. Consequently, the debt levels moderated in 1QFY27, leading to the company's credit profile remaining resilient, supported by stable liquidity and debt protection metrics. The committed equity infusion towards the smart meter SPVs was completed in FY26, thus reducing funding risk.

The ratings also reflect the company's strong financial profile with a modest credit profile and adequate liquidity in FY26, which Ind-Ra expects to sustain in the medium term despite an elongation of the working capital cycle.

List of Key Rating Drivers

Strengths

- Robust order book with moderate concentration
- Large revenue scale but margin moderation likely in FY26-FY27
- Smart meter project investments and funding commitments

Weaknesses

- Modest credit metrics; although likely to improve in FY27
- Elongated working capital cycle; recovery of debtors including unbilled revenue remains crucial
- Susceptibility to raw material price volatility

Detailed Description of Key Rating Drivers

Robust Order Book with Moderate Concentration: NCC received orders worth INR33.89 billion during 1QFY27 and INR318.8 billion in FY26 (FY25: INR290 billion; FY24: INR273 billion), leading to a strong closing order book of INR713 billion at end-June 2026, with healthy revenue visibility of 4.1x the FY26 revenue. At end-FY26, the order book stood at INR723 billion. At FYE26, the order book displayed moderate geographical and segmental concentration, with Maharashtra accounting for 25% of the orders, followed by Andhra Pradesh (18%) and Uttar Pradesh (12%). Segment-wise the building segment formed 27% of the unexecuted orderbook, followed by transportation (20%), mining (18%), electrical (17%), and water and railways (12%). The key projects such as the Bharat Net Project (order value of INR52.8 billion), Ken Betwa Link Project (order value of INR33.9 billion) and Amrapali open-cast project (order value of INR68.3 billion) have begun execution and revenue from these projects is likely to be in the range of INR15.0 billion-20.0 billion in FY27.

Ind-Ra estimates that projects with an execution progress of less than 10% cumulatively, comprised 59% of the overall unexecuted order book in FY26. With the company receiving continuous new orders, the percentage of projects with less than 10% execution progress is likely to remain higher even over FY27-FY28; however, it does not necessarily pose any execution risk. The order book, excluding orders received during September 2025-March 2026, contains 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 5%-8% yoy in FY27-FY28, backed by strong order inflows during FY26 and 1QFY27 while the margins are likely to be in the range of 8.5% 9% during the same period, reflecting the sector's competitiveness as well as cost pressures from the legacy order book (orders awarded during FY22-FY25). During 1QFY27, the company's revenue grew 12% yoy while the margins have improved to 9% supported by improved execution. The company's revenue declined to INR174.6 billion in FY26 (FY25: INR192 billion; FY24: INR185 billion), due to sluggish execution in water and state-funded projects amid elongated payment cycles, and delays in project approvals/right-of-way availability. As a result, the company witnessed a reduction in its absolute EBITDA to INR14.5 billion (INR17.45 billion; INR16.48 billion), leading to margins of 8.3% (9.1%; 10.0%).

Ind-Ra believes the margins will remain stable at 8.5%-9% over FY27-FY28, supported by recovery in project execution and improving collections, particularly in the JJM segment. Further, approximately 81% of NCC's order book/contracts contain price variation clauses, providing partial pass-through of commodity cost inflation.

Smart Meter Project Investments and Funding Commitments: The company is executing three smart meter projects with an aggregate project value of INR50 billion, of which two projects are being undertaken through the SPVs - NCC AMISP Marathwada Private Limited and NCC AMISP Ray Private Limited. The third project is being executed in Bihar by NCC directly. The projects are proposed to be funded through a combination of equity contribution of INR5.65 billion and debt funding of INR24.42 billion. As of end-March 2026, the company had infused INR5.10 billion of equity, with the balance equity commitment likely to be funded through internal accruals during FY27. For the Bihar smart meter project, NCC raised term debt of INR5.98 billion at the standalone level, while the remaining equity commitment of INR0.55 billion is proposed to be infused in FY27 through internal accruals. NCC has extended sponsor undertakings for debt availed by its smart metering SPVs - NCC AMISP Marathwada, and NCC AMISP Ray as well as J. Kumar NCC Private Limited.

Further, investments in group companies increased as of end-March 2026 due to the infusion of INR4,602 million, comprising equity and unsecured loans, into smart meter projects through NCC Quantum Technologies Private Limited. With most of the committed funding already infused, Ind-Ra does not expect any material cash outflow towards these projects, other than which has been already disbursed. Ind-Ra draws comfort from the fact that all the projects have achieved financial closure and are progressing as per the planned schedule by the company. In case of any delays, the company can avail an extension of timelines, subject to necessary approvals.

Modest Credit Metrics; Although Likely to Improve in FY27: Ind-Ra expects NCC's credit metrics to remain stable in FY27 in line with the levels of FY26 with the gross interest coverage (operating EBITDA/gross finance cost) of 2.3x-2.7x and net leverage (gross debt including corporate guarantee less unencumbered cash/operating EBITDA) remaining below 1.5x, on a sustained basis, owing to higher absolute EBITDA generation despite increasing debt levels, along with the presence of orders providing non-interest bearing mobilisation advances.

The company's mobilisation advances remained substantial at INR31.16 billion as of June 2026, of which around 60% are interest-bearing. NCC's net leverage rose to 1.15x in FY26 (FY25: 0.41x; FY24: 0.3x) and gross interest coverage moderated to 2.2x (2.70x; 3.1x) due to the increase in debt levels and moderation in operating profitability. However, the interest coverage improved to 2.71x in 1QFY27 supported by improved operating performance. For the ongoing smart meter project at the standalone entity, the company has sanctioned debt facilities of INR5.98 billion, of which INR1.42 billion were availed as of end-June 2026. Ind-Ra expects the remaining debt to be drawn progressively over FY27, commensurate with project implementation requirements.

The total outside liabilities (TOL)/EBITDA moderated to 10.57x in FY26 (FY25: 7.10x; FY24: 5.7x) reflective of the working capital-intensive nature of the business. At FYE26, its TOL aggregated to around INR153 billion (FYE25: INR124 billion; FYE24: INR105 billion). The company's overall gross debt increased to INR22.37 billion at FYE26 (FYE25: INR14.84 billion; FYE24: INR10 billion) in line with its moderated working capital cycle. Ind-Ra expects NCC to reduce its working capital intensity over FY27-FY28 with the realisation of both receivables and unbilled revenue from projects majorly such as the JJM, with the scheme being extended by the central government. However, any delay in the certification of bills or undue delays in their realisation could impact the overall liquidity profile of the company, leading to an increase in debt levels and/or a higher interest outflow and could be negative for the ratings.

Ind-Ra notes that its consolidated debt is higher than that at the standalone level owing to loans raised for group companies. The management does not expect the company to provide support to any of the subsidiary or project SPVs, which can impact its cash flows.

Elongated Working Capital Cycle; Recovery of Debtors Including Unbilled Revenue Remains Crucial: Ind-Ra expects NCC's net working capital cycle to reduce below 100 days during FY27-FY28 (FY26: 132 days; FY25: 80 days; FY24: 41 days), due to the recoveries anticipated largely from JJM projects. The company's gross working capital (debtors, advances to suppliers/subcontractors, unbilled revenue, retention money, inventory) as a percentage of revenue rose to 92% in FY26 (FY25: 74%; FY24: 60.4%) and net working capital cycle as a percentage of revenue rose to 32% (20%; 11.5%) and is likely to stay around 30% over FY27-FY28, supported by recovery of receivables, particularly from JJM projects, and improving collection efficiency.

At end-June 2026, the company's unbilled revenue stood at INR74 billion (FY26: INR73 billion; FY25: INR66 billion; FY24: INR39 billion), with INR21 billion aged more than 90 days. The JJM-related unbilled revenue witnessed an improvement during 1QFY27, declining to INR22.77 billion as of June 2026 from INR30.15 billion as of March 2026. The reduction was supported by collections of approximately INR6.1 billion during the quarter, indicating a gradual recovery of pending project receivables.

Given the nature of the construction segment and order execution pipeline of 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 JJM projects, Haryana International Horticulture Marketing Corporation Limited and other counterparties remains crucial and is a key rating monitorable.

Susceptibility to Raw Material Price Volatility: NCC remains exposed to fluctuations in key input material prices, particularly steel, cement and other construction materials. The management has confirmed that moderate price increases have been observed in petroleum-linked commodities, aluminium, copper, and optical fiber cables used in the BharatNet projects, which could exert some pressure on project-level profitability, especially in fixed-price contracts. However, the risk is mitigated to a large extent by the presence of price variation clauses in around 81% of its unexecuted order book, enabling the company to pass through a significant portion of input cost escalations to customers and thereby support margin stability. The diversified order book across sectors and geographies further provides some cushion against volatility in commodity prices.

Liquidity

Adequate: Ind-Ra expects the liquidity profile to remain adequate over FY27-FY28. The company had an unutilised working capital limit of nearly INR13 billion and an unencumbered cash balance of INR4 billion at end-June 2026. The company's average utilisation of the fund-based and non-fund-based working capital limits was around 64% and 60% in the 12 months ended June 2026 and is likely to have risen marginally in 2QFY27. NCC's cash flow from operations (CFO) is likely to remain positive in FY27, supported by healthy operating performance. While the company's CFO increased to

INR4,087 million in FY26 (FY25: INR2,986 million), it remained modest due to the company's elongated working capital cycle, which continues to absorb a significant portion of operating cash flows.

The free cash flow moderated to around negative INR6.3 billion in FY26 (FY25: negative INR1.5 billion; FY24: INR3.9 billion; FY23: negative INR0.16 billion) and would largely remain negative over the course of FY27-FY28 due to impending capex. The company envisages an equity commitment of about INR500 million over FY27 and has a capex plan of INR5,000 million for FY27, 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 being debt funded. Given the presence of undrawn mobilisation advances and the overall unutilised fund-based working capital limits, the overall liquidity of NCC shall remain adequate. At the end-pls June 2026 the company the surety bonds outstanding were INR21.55 billion and Trade receivable Electronic Discounting system outstanding was INR7.83 billion.

Rating Sensitivities

Positive: The sustenance of 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 interest coverage remaining below 2.75x and the net leverage exceeding 3.0x, 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	1QFY27	FY26	FY25
Revenue (INR billion)	49.12	174.63	192.05
EBITDA (INR billion)	4.42	14.48	17.46
EBITDA margins (%)	9	8	9
Interest coverage (x)	2.71	2.24	2.67
Net leverage (x)	NM	1.15	0.41
TOL/EBITDA (x)	NM	10.57	7.10
Source: NCC, Ind-Ra NM - Not meaningful			

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (INR million)	Current Rating	8 September 2025	13 June 2024	25 January 2024
Issuer rating	Long-term	-	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable	IND A+/Positive
Bank loan facilities	Long-term/Short-term	152,000	IND AA-/Stable/IN D A1+	IND AA-/Stable/IN D A1+	IND AA-/Stable/IN D A1+	IND A+/Positive/IN D A1+

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Bank wise Facilities Details

The details are as reported by the issuer as on (06 Oct 2026)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	Andhra Bank	Fund Based Working Capital Limit	2130	IND AA-/Stable / IND A1+
2	Canara Bank	Fund Based Working Capital Limit	4660	IND AA-/Stable / IND A1+
3	ICICI Bank	Fund Based Working Capital Limit	1000	IND AA-/Stable / IND A1+
4	IDBI Bank	Fund Based Working Capital Limit	1720	IND AA-/Stable / IND A1+
5	Indian Bank	Fund Based Working Capital Limit	860	IND AA-/Stable / IND A1+
6	Indian Overseas Bank	Fund Based Working Capital Limit	600	IND AA-/Stable / IND A1+
7	Karnataka Bank Ltd	Fund Based Working Capital Limit	500	IND AA-/Stable / IND A1+
8	Punjab & Sind Bank	Fund Based Working Capital Limit	300	IND AA-/Stable / IND A1+
9	Punjab National Bank	Fund Based Working Capital Limit	1000	IND AA-/Stable / IND A1+

10	Standard Chartered bank	Fund Based Working Capital Limit	3000	IND AA-/Stable / IND A1+
11	State Bank of India	Fund Based Working Capital Limit	6230	IND AA-/Stable / IND A1+
12	Andhra Bank	Non-Fund Based Working Capital Limit	10650	IND AA-/Stable / IND A1+
13	Canara Bank	Non-Fund Based Working Capital Limit	35940	IND AA-/Stable / IND A1+
14	EXIM Bank	Non-Fund Based Working Capital Limit	3000	IND AA-/Stable / IND A1+
15	ICICI Bank	Non-Fund Based Working Capital Limit	2500	IND AA-/Stable / IND A1+
16	IDBI Bank	Non-Fund Based Working Capital Limit	5020	IND AA-/Stable / IND A1+
17	Indian Bank	Non-Fund Based Working Capital Limit	6590	IND AA-/Stable / IND A1+
18	Indian Overseas Bank	Non-Fund Based Working Capital Limit	7900	IND AA-/Stable / IND A1+
19	IndusInd Bank Limited	Non-Fund Based Working Capital Limit	3000	IND AA-/Stable / IND A1+
20	Karnataka Bank Ltd	Non-Fund Based Working Capital Limit	1500	IND AA-/Stable / IND A1+
21	Punjab & Sind Bank	Non-Fund Based Working Capital Limit	2150	IND AA-/Stable / IND A1+
22	Punjab National Bank	Non-Fund Based Working Capital Limit	9530	IND AA-/Stable / IND A1+
23	Standard Chartered bank	Non-Fund Based Working Capital Limit	4500	IND AA-/Stable / IND A1+
24	State Bank of India	Non-Fund Based Working Capital Limit	34720	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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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

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APPLICABLE CRITERIA AND POLICIES

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

Evaluating Corporate Governance

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