



# NCC

Ref. No.: NCCL/ Regulation 30/2019  
Date : 10-10-2019

**The Secretary**  
**National Stock Exchange of India Ltd**  
5<sup>th</sup> Floor, Exchange Plaza  
Bandra – Kurla Complex  
Bandra (E)  
**MUMBAI - 500 051.**

**The Secretary**  
**BSE Limited**  
Rotunda Building, P J Towers  
Dalal Street, Fort  
**M U M B A I – 400 001.**

Dear Sir(s),

**Scrip Code : NSE: NCC & BSE : 500294**

**Sub: Disclosure under regulation 30(4) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.**

Pursuant to regulation 30(4) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 read with SEBI Circular No.CIR/CFD/CMD/4/2015 Dt. September 09, 2015, we are forwarding herewith the letters received from ICRA and India Ratings & Research.

Kindly take the above information on record.

Thanking you,

Yours faithfully

**For NCC LIMITED.**

*10-10-2019*  
**M V Srinivasa Murthy**  
**Company Secretary & EVP (Legal)**

Encl : As above

**NCC Limited**

(Formerly Nagarjuna Construction Company Limited)

CIN: L72200TG1990PLC011146

NCC House, Madhapur, Hyderabad 500 081 T +91 40 2326 8888 F +91 40 2312 5555 ncclimited.com

Mr. Y. D. Murthy  
Executive Vice President (Finance)  
NCC Limited  
NCC house, Madhapur,  
Hyderabad-500081,  
Telangana.

October 7, 2019

**Kind Attn: Mr. Y. D. Murthy, Executive Vice President (Finance)**

Dear Sir,

**Re: Rating Letter for NCC Limited**

India Ratings and Research (Ind-Ra) has placed NCC Limited's Long-Term Issuer Rating of 'IND A' on Rating Watch Negative (RWN). The Outlook on the earlier rating was Stable. The instrument-wise rating actions are as follows:

Instrument Type	Size of Issue (billion)	Rating/Rating Watch	Rating Action
Fund-based working capital limits	INR20.58	IND A/RWN/IND A1/RWN	Placed on RWN
Non-fund-based limits	INR93.0	IND A/RWN/IND A1/RWN	Placed on RWN
Non-fund-based limits*	INR5.54	IND A/RWN/IND A1/RWN	Assigned & Placed on RWN
Term loans	INR3.0	IND A/RWN	Placed on RWN
Proposed non fund-based working capital limits#	INR0.88 (reduced from INR6.42)	Provisional IND A/RWN/ Provisional IND A1/RWN	Placed on RWN

#The ratings are provisional and shall be confirmed upon the sanction and execution of the loan documents for the above facilities by NCC to the satisfaction of Ind-Ra.

\*The final ratings have been assigned based on the sanction and execution of the loan documents by NCC to the satisfaction of Ind-Ra.

***Details of division wise bank facilities mentioned in the annexure***

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security.

The manner of India Ratings factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of India Ratings' ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts.

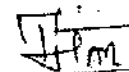
As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

India Ratings seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

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It will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient



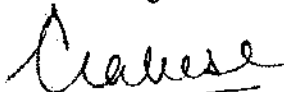
Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

In this letter, "India Ratings" means India Ratings & Research Pvt. Ltd. and any successor in interest.

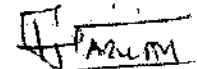
We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact the undersigned at +91 22 4000 1700.

Sincerely,

India Ratings



Rakesh Valecha  
Senior Director



Prashant Tarwadi  
Director

**Annexure: Details of Bank Facilities as on October 07<sup>th</sup> 2019**

<b>Bank</b>	<b>INR bn</b>	<b>Rating</b>
<b>Fund Based Limits</b>		
State Bank of India	6.23	IND A/RWN/IND A1/RWN
Canara Bank	1.73	IND A/RWN/IND A1/RWN
Andhra Bank	1.73	IND A/RWN/IND A1/RWN
Syndicate Bank	2.51	IND A/RWN/IND A1/RWN
Indian Overseas Bank	0.60	IND A/RWN/IND A1/RWN
Allahabad Bank	0.86	IND A/RWN/IND A1/RWN
ICICI Bank	1.00	IND A/RWN/IND A1/RWN
IDBI Bank	1.22	IND A/RWN/IND A1/RWN
Standard Chartered Bank	3.00	IND A/RWN/IND A1/RWN
Punjab National Bank	0.50	IND A/RWN/IND A1/RWN
Oriental Bank of Commerce	0.50	IND A/RWN/IND A1/RWN
Union Bank of India	0.40	IND A/RWN/IND A1/RWN
Punjab & Sind Bank	0.30	IND A/RWN/IND A1/RWN
<b>Total(A)</b>	<b>20.58</b>	
<b>Non- Fund Based Limits</b>		
State Bank of India	26.66	IND A/RWN/IND A1/RWN
Canara Bank	15.00	IND A/RWN/IND A1/RWN
Andhra Bank	8.05	IND A/RWN/IND A1/RWN
Syndicate Bank	11.23	IND A/RWN/IND A1/RWN
Indian Overseas Bank	7.90	IND A/RWN/IND A1/RWN
Allahabad Bank	6.59	IND A/RWN/IND A1/RWN
ICICI Bank	3.35	IND A/RWN/IND A1/RWN
IDBI Bank	3.12	IND A/RWN/IND A1/RWN
Standard Chartered Bank	4.50	IND A/RWN/IND A1/RWN
Punjab National Bank	1.64	IND A/RWN/IND A1/RWN
Oriental Bank of Commerce	2.75	IND A/RWN/IND A1/RWN
Union Bank of India	2.60	IND A/RWN/IND A1/RWN
Punjab & Sind Bank	2.15	IND A/RWN/IND A1/RWN
IndusInd Bank	3.00	IND A/RWN/IND A1/RWN
<b>Total(B)</b>	<b>98.54</b>	
<b>Term Loans</b>		
Canara Bank	1.83	IND A/RWN
A K Capital	0.20	IND A/RWN
Hero FinCorp	0.80	IND A/RWN
Unallocated Limits	0.17	IND A/RWN
<b>Total (C)</b>	<b>3.00</b>	
<b>Proposed Non Fund Based Limits (D)</b>	<b>0.88</b>	<b>Provisional IND A/RWN/ Provisional IND A1/RWN</b>
<b>Total(A+B+C+D)</b>	<b>123.00</b>	
<b>Source : NCC</b>		

*[Handwritten Signature]*

## India Ratings Places NCC on RWN

07

By Harsha Rekapalli

03 OCT 2019

India Ratings and Research (Ind-Ra) has placed NCC Limited's Long-Term Issuer Rating of 'IND A' on Rating Watch Negative (RWN). The Outlook on the earlier rating was Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon	Maturity	Size of Issue (INR)	Rating/Rating Watch	Rating Action
Fund-based working capital limits	-	-	-	INR20.58	IND A/RWN/IND A1/RWN	Placed on RWN
Non-fund-based limits	-	-	-	INR93.0	IND A/RWN/IND A1/RWN	Placed on RWN
Non-fund-based limits*	-	-	-	INR5.54	IND A/RWN/IND A1/RWN	Assigned & Placed on RWN
Term loans	-	-	FY23	INR3.0	IND A/RWN	Placed on RWN
Proposed non fund-based working capital limits#	-	-	-	INR0.88 (reduced from INR6.42)	Provisional IND A/RWN/Provisional IND A1/RWN	Placed on RWN

#The ratings are provisional and shall be confirmed upon the sanction and execution of the loan documents for the above facilities by NCC to the satisfaction of Ind-Ra.

\*The final ratings have been assigned based on the sanction and execution of the loan documents by NCC to the satisfaction of Ind-Ra.

**Analytical Approach:** Ind-Ra continues to factor in the support extended by NCC to its subsidiaries including corporate guarantees extended to Nagarjuna Construction Company International LLC, an Oman-based entity to arrive at the ratings.

The RWN reflects a decline in NCC's revenue visibility on account of cancellation of work orders by the government of Andhra Pradesh (GoAP) along with the uncertainty related to execution and payments of the remaining work orders exposed to AP. The company's net working capital lockup pertaining to the unexecuted order book in AP was around INR7.5 billion at June 2019. However, Ind-Ra derives comfort from NCC's ability to replenish the lost order book from other geographies, as witnessed in the past, and the management clarification regarding the initiation of discussions with the GoAP regarding commencement of Andhra Pradesh Township and Infrastructure Development Corporation (APTIDCO) projects amounting to INR43.1 billion of the overall unexecuted order book by end-October 2019. However, Ind-Ra would monitor the progress in the order book replenishment and the collections of receivables/work-in-progress orders from the GoAP.

### KEY RATING DRIVERS

**Cancellation of GoAP Orders:** In June 2019, the Chief Secretary of AP announced the new government's intent of cancelling work orders issued by the previous government prior to 1 April 2019, where work is yet to commence. Following which, NCC's order book amounting to around INR61.0 billion was cancelled. However, the adjusted order book, post the cancellation of orders, remained comfortable at INR351.0 billion at end-March 2019 (around 2.9x of FY19 revenue). As per discussions with the management, the agency understands that the capex incurred and the mobilisation advances availed for these cancelled orders are minuscule and would not impact NCC's credit profile in FY20. Excluding the cancelled orders, the execution risk still persists with exposure to orders persistent to the GoAP remaining around INR117.7 billion, where the progress is on hold.

However, Ind-Ra draws comfort from the company's ability to replenish the cancelled orders from other geographies backed by its strong business profile and execution capability. Excluding orders from AP, NCC's order book stood at INR233.3 billion at FYE19 (FYE18: INR125.7 billion), despite higher order execution in FY19, indicating NCC's ability to secure orders from other geographies/counterparties. In 1QFY20, NCC secured around INR6.0 billion of orders from outside AP.

**Working Capital Lock up Pertaining to AP:** The company's credit profile moderated in 1QFY20 due to an increase in net working capital lock up backed by an increase in debtor days, majorly pertaining to the orders executed in AP. The net working capital lock up from AP at end-June 2019 was around INR7.5 billion with

receivables of INR6.3 billion, unbilled revenue of INR5.8 billion and mobilisation advances of INR4.6 billion.

The agency expects NCC's liquidity profile to improve by FYE20 as the company is in discussions with the GoAP to commence APTIDCO projects, which could result in release in the locked working capital (1QFY20: INR2.0 billion). However, there is uncertainty involved regarding AP capital city developmental job works, which accounted around INR66.1 billion of NCC's order book and locked net working capital of around INR2.5 billion at end-June 2019. Any further delay in releasing the locked net working capital from AP-related orders would impact the company's liquidity profile and be negative for the ratings.

**Improved Operational Performance:** In FY19, NCC's revenue surged 60% yoy to INR120.8 billion backed by faster execution of the order book, while revenue contribution from AP was around 34%. Its EBITDA margin excluding one-off events improved to 11.8% in FY19 (FY18: 10.0%), majority on account of execution of high-margin orders availed in FY18-FY19, as well as increased scale of operations.

However, the revenue declined to around INR21.9 billion in 1QFY20, majority on account of election season prevailing across the country and uncertainty pertaining from the GoAP. Despite this, NCC was able to maintain EBITDA margin of 12.2% on account of its closing order book, which had high-margin orders. Basis discussion with NCC's management, Ind-Ra understands that the company has stopped execution works for the pending order book from AP. Ind-Ra expects NCC's FY20 revenue to be around INR100.0 billion-110.0 billion with existing profitability levels. [

**Credit Metrics Improves in FY19 before Moderating in 1QFY20:** NCC's net adjusted leverage (net adjusted debt/EBITDA) improved to around 1.3x in FY19 (FY18: 1.9x; FY17: 2.9x) and interest coverage (EBITDA/interest cost) to 3.2x (2.3x, 1.7x) owing the improvement in revenue and profitability. However, the net leverage deteriorated to 2.1x and interest cover to 2.1x in 1QFY20, largely on account of increase in working capital utilisation, backed by the increase in debtor days to 134 from 95 in FY19. The company's net adjusted debt increased to INR22.7 billion at 1QFYE20 (FYE19: INR17.9 billion). Revenue from AP accounted around INR4.5 billion of the total revenue in 1QFY20.

**Liquidity Indicator- Adequate:** NCC had sufficient cash balance of INR2.7 billion at FYE19 (FYE18: INR0.65 billion, 1QFYE20: INR2.0 billion) as against repayment obligations of around INR2.6 billion (FYE18: INR1.4 billion). It has modest capex requirement of INR2.0 billion for FY20 which is likely to be funded by INR1.5 billion debt. Its average use the fund-based limits was 80%-85% during the 12 months ended September 2019; NCC is looking to enhance its fund based bank lines to INR22.0 billion from INR20.56 billion in FY20-21. It had a comfortable debt service coverage ratio (DSCR) with a minimum DSCR at 1.3x in FY20 and through the tenure of its equipment term loan. In FY19, the promoters have subscribed to share warrants of about INR0.28 billion, and the remaining INR0.82 billion will be infused in FY20.

**Proposed Investment in Road HAM Projects:** NCC is exploring bidding for road hybrid annuity model (HAM) projects, due to the significant number of projects being offered by National Highways Authority of India (IND AAA/Stable) under the model. However, the management wants to continue its focus on engineering, procurement and construction projects and would limit its investment in HAM projects. NCC received around INR0.83 billion in FY19 from its subsidiary NCC Urban Infrastructure Limited, a real estate entity, the management expects to receive additional INR1.0 billion in FY20. Ind-Ra has factored in the cash inflows from the subsidiary to be utilised for any equity requirement of HAM projects in FY20 and any incremental cash outflows beyond the factored amount of INR 1.0 billion would be negative for the ratings.

## RATING SENSITIVITIES

The RWN indicates that ratings may be either affirmed or downgraded. Ind-Ra will continue to closely monitor the ability of the company to replenish the cancelled order book of AP and impact of the liquidity profile based on collection of its receivables/MP from AP. Ind-Ra will undertake an appropriate rating action and will resolve the RWN by April 2020 post considering the developments.

## COMPANY PROFILE

NCC is a Hyderabad-based 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 subsidiaries in Muscat and Dubai, NCC also has interests in road and energy projects through its 62.1%-owned subsidiary NCC Infrastructure Holdings Limited and in real estate through its 80%-owned subsidiary NCC Urban Infrastructure.

### FINANCIAL SUMMARY

	FY19	FY18
Revenue (INR billion)	120.8	75.6
EBITDA (INR billion)	14.23	8.55
EBITDA margin (%)	11.8	11.3
Total adjusted debt (INR billion)	20.6	16.66
Cash and cash equivalent (INR billion)	2.7	0.64
Net adjusted debt (INR billion)	17.9	16.0
Source: NCC, Ind-Ra		

## RATING HISTORY

Instrument	Term	Face Value	Watch	Rating/Cy		
			Rating	Rating	Rating	
Issuer rating	Long-term	-	IND A/RWN	IND A/Stable	IND A/Stable	IND A-/Stable
Fund-based facilities	Short-term	INR20.58	IND A/RWN/IND A1/RWN	IND A/Stable/IND A1	IND A/Stable/IND A1	IND A-/Stable/IND A2+
Non-fund-based facilities	Short-term	INR99.42	IND A/RWN/IND A1/RWN	IND A/Stable/IND A1	IND A/Stable/IND A1	IND A-/Stable/IND A2+
Term loans	Long-term	INR3.0	IND A/RWN	IND A/Stable	IND A/Stable	IND A-/Stable

## COMPLEXITY LEVEL OF INSTRUMENTS

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

## SOLICITATION DISCLOSURES

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit [www.indiaratings.co.in](http://www.indiaratings.co.in).

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## Applicable Criteria

Corporate Rating Methodology

## Analyst Names



Harsha Rekapalli

**Harsha Rekapalli**

Senior Analyst

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Karun Tiwari

**Karun Tiwari**

Analyst

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Abhishek Bhattacharya

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Namita Sharma

**Namita Sharma**

Manager – Corporate Communication

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ICRA

ICRA Limited

Confidential

Ref.No.ICRA/HYD/NCCL/2019-20/1609

September 17, 2019

Mr. Y.D. Murthy  
Executive Vice President (Finance)  
NCC Limited  
NCC House, Madhapur  
Hyderabad – 500 081

Dear Sir,

Re: ICRA Credit Rating for Rs.12,300.00 Crore Line of Credit of NCC Limited  
(instrument details in Annexure 1)

As you are aware that in terms of the mandate letter received from its clients, ICRA is required to review all its ratings, on an annual basis, or as and when the circumstances so warrant.

Please note that the Rating Committee of ICRA, after due consideration, has placed the ratings under 'rating watch with developing implications'. The long-term rating is now denoted as [ICRA]A & (pronounced ICRA A) for Rs.12300.00 crore Lines of Credit of NCC Limited. The aforesaid ratings will be due for surveillance anytime before March 10, 2020.

The ratings as stated above are specific to the terms and conditions of the LOC as indicated to us by you. In case there is any change in the terms and conditions, or the size of the rated LOC, the same must be brought to our notice immediately. Any such change would warrant a rating review, following which there could be a change in the ratings assigned. Notwithstanding the foregoing, any change in the over-all limit of the LOC from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

ICRA reserves the right to review and/or, revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

† For complete rating definition please refer to ICRA Website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications

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Helpdesk : +91.124.3341580

Registered Office : 1105, Kailash Building, 11<sup>th</sup> Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +91.11.23357940-45

RATING • RESEARCH • INFORMATION

64227



ICRA

*'No Default Statement on the Company Letter Head'*

To

Mr. Abhishek Lahoti  
ICRA Limited  
401, 4th Floor, 6-3-927/A&B  
Shobhan, Rajbhavan Road  
Somajiguda  
Hyderabad – 500 082

Dear Sir,

1. We hereby Confirm that as on date there are no Over dues or default on our debt obligations
2. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of our debt obligations.
3. We also confirm that there has not been any instance of devolvement of Letter of Credit in the month ended <Month and Year name>.
4. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of debt obligations guaranteed by us.
5. We also confirm that there has been no overdraw of the drawing power sanctioned by the bank for a period of more than 30 consecutive days in case of bank facilities which do not have scheduled maturity/repayment dates.
6. Details of delay/ default/ rescheduling of interest or principal as on date/ in the month ended<Month and Year name>, in any of the above case (if any):

Name of the Instrument	ISIN	Amount to be paid	Due Date of Payment	Actual Date of Payment	Remarks

Thanking You,

Yours faithfully,

<Authorized Signatory of Issuer>





ICRA

You are requested to furnish a monthly 'No Default Statement (NDS)' (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme [interest and principal obligations for fund based as well as obligations under LOC/BG for non-fund based facility]. This is in accordance with requirements prescribed in circular dated June 30, 2017 on '*Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)*' issued by the Securities and Exchange Board of India.

You are also requested to inform us forthwith of any default or delay in the payment of interest and/or principal against the rated debt programme, or any other debt instruments and/or borrowings of your company. Further, you are requested to keep us informed of any other developments that could have a direct or indirect impact on the debt servicing capability of your company, with such developments including, but not limited to, any proposal for re-schedulement or postponement of repayment against any dues and/or debts of your company with any lender(s) and/or investor(s).

We thank you for your kind co-operation extended during the course of the rating exercise. Please let us know if you need any clarification.

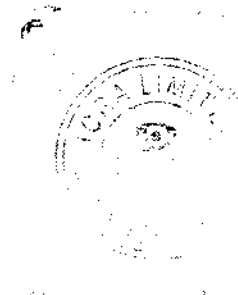
We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,  
For ICRA Limited

[Rajeshwar Burla]  
Vice President

rajeshwar.burla@icraindia.com



[Abhishek Lahoti]  
Senior Analyst

abhishek.lahoti@icraindia.com



ICRA

**Annexure 1**

**Details of the bank limits rated by ICRA (Rated on Long Term Scale)**

Name of the Bank	Instrument Details	Amount (Rs. Cr.)	Rating Assigned	Rating Assigned On
State Bank of India	Cash Credit	623.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	2475.00	[ICRA]A &	September 16, 2019
	Letter of Credit	191.00	[ICRA]A &	September 16, 2019
Canara Bank	Term loan	183.00	[ICRA]A &	September 16, 2019
	Cash Credit	173.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	1350.00	[ICRA]A &	September 16, 2019
	Letter of Credit	150.00	[ICRA]A &	September 16, 2019
Andhra Bank	Cash Credit	173.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	745.00	[ICRA]A &	September 16, 2019
	Letter of Credit	60.00	[ICRA]A &	September 16, 2019
Syndicate Bank	Cash Credit	251.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	863.00	[ICRA]A &	September 16, 2019
	Letter of Credit	60.00	[ICRA]A &	September 16, 2019
Indian Overseas Bank	Cash Credit	60.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	620.00	[ICRA]A &	September 16, 2019
	Letter of Credit	66.00	[ICRA]A &	September 16, 2019
ICICI Bank	Cash Credit	100.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	330.00	[ICRA]A &	September 16, 2019
	Letter of Credit	5.00	[ICRA]A &	September 16, 2019
Allahabad Bank	Cash Credit	86.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	614.00	[ICRA]A &	September 16, 2019
	Letter of Credit	45.00	[ICRA]A &	September 16, 2019
IDBI Bank	Cash Credit	122.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	287.00	[ICRA]A &	September 16, 2019
	Letter of Credit	25.00	[ICRA]A &	September 16, 2019





ICRA

Name of the Bank	Instrument Details	Amount (Rs. Cr.)	Rating Assigned	Rating Assigned On
Standard Chartered Bank	Cash Credit	300.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	266.00	[ICRA]A &	September 16, 2019
	Letter of Credit	34.00	[ICRA]A &	September 16, 2019
Punjab National Bank	Cash Credit	50.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	100.00	[ICRA]A &	September 16, 2019
	Letter of Credit	64.00	[ICRA]A &	September 16, 2019
Oriental Bank of Commerce	Cash Credit	50.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	225.00	[ICRA]A &	September 16, 2019
	Letter of Credit	50.00	[ICRA]A &	September 16, 2019
Union Bank of India	Cash Credit	40.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	200.00	[ICRA]A &	September 16, 2019
	Letter of Credit	60.00	[ICRA]A &	September 16, 2019
Punjab & Sind Bank	Cash Credit	30.00	[ICRA]A &	September 16, 2019
	Bank Guarantee	100.00	[ICRA]A &	September 16, 2019
	Letter of Credit	115.00	[ICRA]A &	September 16, 2019
IndusInd Bank	Bank Guarantee	300.00	[ICRA]A &	September 16, 2019
Hero Fincorp	Term Loan	100.00	[ICRA]A &	September 16, 2019
Unallocated limits		559.00	[ICRA]A &	September 16, 2019
<b>Total limits rated on long-term scale</b>		<b>12,300.00</b>		

& - rating watch with developing implications



## NCC Limited

September 23, 2019

### NCC Limited: Rating placed on Watch with Developing Implications

#### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Term Loan	283.00	283.00	[ICRA]A &; placed under rating watch with developing implication
Fund-based Cash Credit	2058.00	2058.00	[ICRA]A &; placed under rating watch with developing implication
Non-fund Based Limits	9400.00	9400.00	[ICRA]A &; placed under rating watch with developing implication
Unallocated Limits	559.00	559.00	[ICRA]A &; placed under rating watch with developing implication
<b>Total</b>	<b>12300.00</b>	<b>12300.00</b>	

\*Instrument details are provided in Annexure-1

#### Rationale

ICRA in its earlier release dated June 10, 2019 ([link](#)) has taken note of the cancellation of Rs. 6,100 crore worth orders from NCC's order book. Adjusting for these orders, the orderbook stood at Rs. 33,495 crore as on June 30, 2019 with orders from Government of Andhra Pradesh (GoAP) accounting for Rs. 12,068 crore (36% of order book). Currently, all works in AP (barring Asian Development Bank (ADB) funded projects) are stalled and the company has de-mobilised its resources from many of these sites to projects in other states. These orders can be broadly segregated into three categories—affordable housing (11 packages) from Andhra Pradesh Township and Infrastructure Development Corporation (APTIDCO); urban infrastructure projects for development of core capital city from the Amravati Development Corporation Limited (ADCL) and Andhra Pradesh Capital Region Development Authority (APCRDA); and others (largely funded by ADB). ICRA is given to understand that the works from APTIDCO are expected to re-commence execution by October 2019, while there is no clarity with respect to timelines for ADCL, APCRDA and APSFL projects. As on June 30, 2019, Rs. 578.8 crore of unbilled revenue, Rs. 634.3 crore of receivables are pending from the AP projects, against Rs. 463 crore of mobilisation advances availed from these projects. Of these, the net exposure (unbilled revenues plus receivables minus mobilisation advances) from non-moving projects viz. ADCL, APCRDA and APSFL is Rs. 257.5 crore. The liquidity position of the company is adequate with unencumbered cash of Rs. 115.37 crore as on June 30, 2019 and undrawn working capital limits of Rs. 259 crore as on August 31, 2019. Considering the situation of AP projects, the rating has been placed under watch with developing implications. ICRA will closely monitor the developments and would keep the investors updated on the implication of the same on the credit profile of the company. Any prolonged delay in resolution of stuck projects in AP beyond Q3FY2020 that results in build up of receivables and unbilled revenue, thereby impacting liquidity adversely, would be a credit negative.

The rating continues to take into account the healthy revenue visibility in the medium term on account of healthy order book accretion of Rs. 25,612 crore in FY2019 and Rs. 636 crore in Q1 FY2020 across various segments, resulting in robust unexecuted order book of Rs. 33,495 crore (adjusted for Rs. 6076 crore of AP order cancellations) as on June 30, 2019, which is 2.8 times of the operating income (OI) in FY2019. The company's leverage and coverage indicators are healthy, with gearing and TOL/TNW at 0.4 times and 1.7 times, respectively. The interest coverage and TD/OPDBIT were at 3.2 times and 1.4 times as on March 31, 2019. Further, NCC's order book is well diversified across segments viz. buildings

(accounts for 44% of the outstanding order book as on June 30, 2019), roads (25%), water supply, environment and railways (13%), electrical (5%), irrigation (5%) and others (8%). The rating continues to draw comfort from the experienced management and NCC's four decades of operational track record with demonstrated execution capabilities across the segments. The company has completed large-sized marquee projects within the stipulated timelines, which enhances its chances to win repeat orders.

The rating, however, remains constrained by the execution risks as ~35% of the outstanding order book is in preliminary stages of execution, with less than 5% financial progress, and 14% of the order book yet to start execution as on June 2019. Further, orders worth Rs. 12,068 crore from AP are at standstill, with no execution in the past three-four months. The unbilled revenue from AP projects is around Rs. 578.8 crore and the receivables is around Rs. 634.3 crore. Therefore, timely resolution of stuck projects based in AP would remain a key rating sensitivity and any further delay will result in buildup of receivables and inventory, which could adversely affect NCC's liquidity. The rating is also constrained by the high loans and advances extended to various real estate subsidiaries viz. NCC Urban Infrastructure Limited, NCC Vizag Urban Infrastructure etc. in the past, which remains a drag on the consolidated balance sheet. Further, the company has extended Rs. 83 crore loans and advances to NCC Urban in Q1 FY2020. The company has long pending receivables with 10.6% of the debtors as on June 30, 2019, amounting to Rs.317.2 crore pending for more than one year. Of these, Rs.132.8 crore has been pending for more than two years.

## Key rating drivers and their description

### Credit strengths

**Robust order book position provides medium-term revenue visibility** - The revenue visibility in the medium term is healthy on account of strong order book accretion of Rs. 25,612 crore in FY2019 and Rs. 636 crore in Q1 FY2020 across various segments. The unexecuted order book of Rs. 33,495 crore (adjusted for Rs. 6076 crore of AP order cancellations) as on June 30, 2019, is robust, and is 2.8 times of the OI in FY2019.

**Healthy leverage and coverage indicators** - The company's leverage and coverage indicators are healthy with gearing and TOL/TNW at 0.4 times and 1.7 times respectively. The interest coverage and TD/OPDBIT were at 3.2 times and 1.4 times at the end of FY2019.

**Strong execution capabilities and diversified order book** - The experienced management and NCC's four decades of operational track record with demonstrated execution capabilities across the segments are credit positives. The company has a record of completing large-sized marquee projects within the stipulated timelines, which enhances its chances to win repeat orders. Further, NCC's order book is well diversified across segments viz. buildings (accounts for 44% of outstanding order book as on June 30, 2019), roads (25%), water supply, environment and railways (13%), electrical (5%), irrigation (5%) and others (8%).

### Credit challenges

**AP order execution in abeyance** – Currently, all works in AP (barring ADB funded projects) are stalled and the company has de-mobilised its resources from many of these sites to projects in other states. The outstanding orderbook from AP is Rs. 12,068 crore (36% of total orderbook). These orders can be broadly segregated into three categories – affordable housing APTIDCO; development of core capital city ADCL and APCRDA; and others. ICRA is given to understand that the works from APTIDCO are expected to re-commence execution by October 2019, while there is no clarity with respect to timelines for ADCL, APCRDA and APSFL projects. As on June 30, 2019, Rs. 578.8 crore of unbilled revenue, Rs. 634.3 crore of receivables are pending from the AP projects against Rs. 463 crore of mobilisation advances availed from these



projects. Of these, the net exposure (unbilled revenues plus receivables minus mobilisation advances) from non-moving projects viz. ADCL, APCRDA and APSFL is Rs. 257.5 crore. Any prolonged delay in resolution of stuck projects in AP beyond Q3 FY2020 that results in build up of receivables and unbilled revenue thereby impacting liquidity adversely would be a credit negative.

**Execution risks** - NCC is exposed to execution risks as ~35% of the outstanding order book is in preliminary stages of execution, with less than 5% of the financial progress, and 14% of the order book yet to begin execution as on June 2019.

**Exposure to group entities** – High loans and advances extended to various real estate subsidiaries viz. NCC Urban Infrastructure Limited, NCC Vizag Urban Infrastructure etc. in the past remains a drag on the consolidated balance sheet.

**Long pending receivables** - The company has long pending receivables with 10.6% of the debtors as on June 30, 2019 amounting to Rs.317.2 crore pending for more than one year. Of these, Rs.132.8 crore has been pending for more than two years.

### Liquidity position: Adequate

The liquidity position of the company is adequate with unencumbered cash of Rs. 115.37 crore as on June 2019 and undrawn working capital facilities. The average utilisation of fund-based facilities during September 2018 to August 2019 remained at 82%. The company's principal debt repayment obligation in FY2020 is Rs. 257.0 crore, which can be comfortably met through the cash accruals.

### Rating sensitivities

**Positive triggers** - ICRA could upgrade NCC's rating if TOL/TNW falls below 1.2 times and there is a cushion of 25% in the working capital limits on a sustained basis.

**Negative triggers** - Negative pressure on NCC's rating could arise if TOL/TNW increases beyond 2.0 times and/or any further delay in resolution of stuck projects in AP results in build up of receivables and unbilled revenue, thereby impacting liquidity adversely.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<u>Corporate Credit Rating Methodology</u> <u>Rating Methodology for Construction Entities</u>
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has used limited consolidation approach, under which only the proposed equity investments/funding commitments to various subsidiaries towards debt servicing and operational shortfall have been considered. The list of companies that are consolidated to arrive at the rating are given in Annexure 2

## About the company

NCC Limited (NCC) was established as a partnership firm in 1978, which was subsequently converted into a Limited Company in 1990. The operations can be broadly classified into EPC business (both domestic and international and development business), BOT projects in infrastructure and real estate development. Under EPC, the company is into the construction of industrial and commercial buildings, roads, bridges and flyovers, water supply and environment projects, housing, irrigation, security services etc. The shares of the company were listed on the stock exchanges in India in 1992.

## Key financial indicators (standalone, audited)

	FY2018	FY2019
Operating Income (Rs. crore)	7,559.3	12078.8
PAT (Rs. crore)	286.8	563.9
OPBDIT/OI (%)	11.3%	11.8%
RoCE (%)	14.2%	21.8%
Total Debt/TNW (times)	0.3	0.4
Total Debt/OPBDIT (times)	1.5	1.4
Interest Coverage (times)	2.3	3.2

Source: NCC

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

	Instrument	Type	Rating (FY2020)					Rating History for the Past 3 Years		
			Amount Rated	Amount Outstanding	Current Rating	Earlier Rating	Earlier Rating	FY2019	FY2018	FY2017
					September 2019	June 2019	May 2019	June 2018	November 2017	March 2017
1	Fund-based Cash Credit	Long Term	2058.00	2058.00	[ICRA]A &	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Fund-based Term Loan	Long Term	283.00	283.00	[ICRA]A &	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
3	Non-fund-based limits	Long Term	9400.00	9400.00	[ICRA]A &	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
4	Unallocated	Long Term	559.00	559.00	[ICRA]A &	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)

## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	October 2017	10.5%	December 2021	283.00	[ICRA]A &
NA	Cash Credit	-	10.0%	-	2058.00	[ICRA]A &
NA	Bank Guarantee and Letter of Credit	-	-	-	9400.00	[ICRA]A &
NA	Unallocated Limits	-	-	-	559.00	[ICRA]A &

Source: NCC

### Annexure-2: List of companies considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
NCC Infrastructure Holdings Private Limited	62.13%	Limited Consolidation
NCC Urban Infrastructure Limited	80.00%	Limited Consolidation
NCC Infrastructure Holdings Mauritius Pte. Limited	100.00%	Limited Consolidation
Nagarjuna Construction Company International LLC (Dubai)	100.00%	Limited Consolidation
OB Infrastructure Limited	64.02%	Limited Consolidation
Pondicherry Tindivanam Tollway Limited	47.80%	Limited Consolidation

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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For more information, visit [www.icra.in](http://www.icra.in)

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