

February 25, 2025

National Projects Construction Corporation Limited: Ratings reaffirmed and removed from Issuer Non-Cooperating category

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/Short-term – Non-fund based	500.00	500.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; Reaffirmed and removed from Issuer Not Cooperating category
Total	500.00	500.00	

*Instrument details are provided in Annexure I

Rationale

ICRA has reaffirmed the ratings assigned to the bank limits of National Projects Construction Corporation Limited (NPCC) and removed the same from 'Issuer Not Cooperating' category based on adequate information received from the client for carrying out a detailed credit assessment. Further, while reaffirming the ratings, ICRA has not considered any support from the NPCC's parent, WAPCOS Limited (WAPCOS, a Government of India owned company), against its earlier approach. The change in approach is driven by ICRA's inability to confirm the support philosophy for NPCC from WAPCOS, coupled with ICRA's current understanding of NPCC operating largely as a standalone entity without any material dependence on WAPCOS.

The ratings reaffirmation for National Projects Construction Corporation Limited (NPCC) takes comfort from its long track record in the civil construction and project management business as well as its sizeable order book position (~Rs. 12,500 crore as on December 31, 2024), which provides medium to long-term revenue visibility, though ramp-up in execution remains crucial. The company is classified as a Miniratna category-1 public sector undertaking (PSU), under the administrative control of the Ministry of Jal Shakti (MoJS), Government of India (GoI) with a long track record of undertaking projects of national importance, mostly for other Government entities. NPCC sub-contracts its entire orders on a back-to-back basis, which reduces its working capital requirement. Further, the liquidity remains comfortable, as reflected in NPCC's ability to maintain substantial unencumbered cash and bank balances, with the absence of any external term loans on its books.

The ratings, however, are constrained by NPCC's thin operating profitability (0.96% in FY2024) and highly leveraged capital structure as reflected by total outside liabilities (TOL)/tangible net worth (TNW) ratio (9.0 times as on March 31, 2024) and sizeable contingent liabilities (arising from claims against the company and the bank guarantees given to clients). The company has taken sizable interest free customer advances (~Rs. 980 crore as on March 31, 2024), which resulted in high total outside liabilities; however, a major share of these advances is invested in fixed deposits with scheduled commercial banks, excluding the impact of which, net TOL/TNW (excluding unencumbered cash and lien-free fixed deposits) stands relatively better at 2.7 times. The credit profile also remains exposed to execution risk, given significant dependence on smaller contractors for execution with the timeliness and quality of work done critically dependent on the choice of these sub-contractors and their performance. Further, the elongated receivable cycle of the company as reflected by sizeable debtors pending for more than a year, exposes NPCC to risk of recoverability or write-off.

The Stable outlook on the long-term rating reflects ICRA's opinion that NPCC will be able to capitalise and grow its top line due to its sizeable order book position and continue to fund its working capital requirements in a manner that will be commensurate with the existing credit metrics level.

Key rating drivers and their description

Credit strengths

Long track record and established name in the civil construction industry: NPCC, a Miniratna PSU, was incorporated in 1957 by the GoI for undertaking projects of national importance under the MoJS (GoI). It has over 60 years of experience in executing projects across multiple sectors in the country including water, buildings, housings, roads, bridges, civil construction, etc.

Sizeable order book position provides healthy revenue visibility: The company reported a sizeable order book of ~Rs. 12,500 crore as on December 31, 2024, which translates into an order book/operating income (OI) ratio of ~8 times of FY2024 revenue, providing medium to long-term revenue visibility. Orders inflow also remained healthy as reflected in orders of Rs. 1,344 crore received in FY2024 (FY2023: Rs 1,533 crore) and Rs. 1,060 crore during 9M FY2025.

Comfortable liquidity profile, with nil external debt on books: The liquidity remains comfortable, as reflected in NPCC's ability to maintain substantial unencumbered cash and bank balances. It stood at Rs. 1,739 crore as on March 31, 2024, a majority of which includes advances received from the customers and security deposits received from sub-contractors. Nevertheless, net of these advances and deposits, the balances stood at Rs. 758.9 crore, which is sizeable and support NPCC's working capital requirements. The company is expected to maintain such comfortable balances in the long term as well. Further, interest income on these balances contribute significantly to the net profitability of the company. In the absence of any external term loans, coupled with such balances, the liquidity profile remains comfortable.

Credit challenges

Significant dependence on smaller sub-contractors for execution: NPCC's order book is exposed to risks of timely execution as most of the projects in the order book (in terms of residual size) are either in early stages of execution or are yet to start. This apart, it sub-contracts project execution to private contractors, many of which are relatively smaller entities. Thus, the timeliness and quality of work done is critically dependent on the choice of these sub-contractors and their performance.

Moderate net worth base, modest operating profitability levels: During FY2024, NPCC earned thin profit margins of 0.96% at the operating level similar to FY2023 levels (0.98%), which is inherent to sub-contracting based execution. The net profitability, however, remains supported by the interest income on the bank balances and fixed deposits. Consequently, the net worth base remained moderate at Rs. 269 crore as on March 31, 2024. It has sizeable creditors and advances from customers that resulted in a high TOL/TNW ratio of 9.0 times as on March 31, 2024, though it improved marginally from last year (10.7 times as on March 31, 2023). Given the nature of its operations, it receives sizeable advances from customers, which leads to high outside liabilities at any point of time.

Risks associated with sizeable contingent liabilities: NPCC has sizeable off-balance sheet exposure, primarily claims pending for adjudication and bank guarantees given to clients. Sizeable claims under arbitration exposes it to any short-term liabilities that may arise out of materialisation of these contingent liabilities.

Liquidity position: Adequate

NPCC's liquidity position remains adequate with unencumbered cash and bank balances of Rs. 1,739 crore as on March 31, 2024. However, of this, a major portion (~Rs. 980 crore) is advance received from clients for specific projects and is not fungible across projects. Further, the company has nil external debt and no major capex plans.

Rating sensitivities

Positive factors - ICRA could upgrade NPCC's ratings, if it demonstrates a sustained improvement in operating profitability while maintaining a comfortable order book and adequate liquidity, along with a significant moderation in its leverage metrics.

Negative factors - Pressure on NPCC's ratings could arise, if there is a significant decline in its profitability, liquidity and debt coverage metrics on a sustained basis. Further, any large payments in the form of advances/dividends to its parent impacting NPCC's liquidity, or moderation in credit profile of its parent may also result in a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's standalone financial profile

About the company

Established in 1957, NPCC is a Miniratna category-I and a schedule-B PSU entity. WAPCOS (a GoI owned entity) holds 98.89% in NPCC, with the balance held directly by the GoI. The company has been in the business for over 60 years, and it offers project management consultancy services for civil construction projects, civil infrastructure for the power sector and real estate development.

Key financial indicators (audited)

NPCC – Standalone	FY2023	FY2024
Operating income	1,614.1	1,650.8
PAT	45.1	74.8
OPBDIT/OI	0.98%	0.96%
PAT/OI	2.8%	4.5%
Total outside liabilities/Tangible net worth (times)	10.7	9.0
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	15.3	13.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Feb-25-2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based limits	Long-term	-	-	-	-	-	-	-	-	Apr-07-21	[ICRA]A (Stable)
Non-fund based limits	Long-term/Short-term	500.00	[ICRA]BBB+ (Stable)/[ICRA]A2	Jul-26-24	[ICRA]BBB+ (Stable) ISSUER NOT COOPERATING/[ICRA]A2 ISSUER NOT COOPERATING	Aug-29-23	[ICRA]A (Stable)/[ICRA]A2+	May-09-22	[ICRA]A (Stable)/[ICRA]A2+	Apr-07-21	[ICRA]A (Stable)/[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Non-fund-based limits – Bank Guarantee*	NA	NA	NA	250.00	[ICRA]BBB+ (Stable)/ [ICRA]A2
NA	Non-fund-based limits – Unallocated Limits	NA	NA	NA	250.00	[ICRA]BBB+ (Stable)/ [ICRA]A2

* Rs. 250 crore of BG limits are sanctioned and rest are proposed and not yet sanctioned; Source: NPCL

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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