November 29, 2017

NCC Limited

Bank Guarantee Invocation of NCC Limited on November 9, 2017.

BG invocation by Sembcorp Gayatri Power Limited (SGPL): NCC Limited (NCC) was the Engineering Procurement and Construction (EPC) contractor for the 1320 MW thermal power project owned by SGPL. The project has two units (660 MW each), commissioned in November, 2016 and February, 2017 respectively. Despite withholding retention money of Rs. 343 crore and final bill of Rs. 25 crore for this project, SGPL invoked performance BG on November 9, 2017 worth Rs 291.5 crore towards liquidated damages on account of delays in execution. The BG encashment was honored by NCC on the same day from undrawn cash credit facilities and existing cash surplus. ICRA notes that NCC has initiated arbitration proceedings against SGPL in this regard (as on date, the arbitration panel has been constituted and the first meeting happened) and resolution is expected in next one year. Meanwhile, NCC started invoking performance BGs of the balance of plant (BOP) suppliers (back to back arrangement); Rs. 58 crore has been encashed till November 16, 2017.

Order book addition continues to remain healthy: During 7MFY2018, NCC secured orders worth Rs.14,800 crore largely from buildings, roads and metro rail segments. Majority of these orders provide mobilisation advances equivalent to 10% of the contract value. As on October 2017, NCC availed Rs. 900 crore of mobilization advances from the new orders. The pending order book to OI ratio is healthy at more than 2.5 times thereby providing medium term revenue visibility.

Lower than anticipated billing in H1FY2018: The operating income in H1FY2018 has been lower than anticipated at Rs. 3313.85 crore (Rs. 3849 crore in H1 FY2017) due to lower billing in Q2FY2018 on account of GST transition related issues. Pending clarity on tax rates for some of the irrigation projects, there has been increase in debtors. However, there has been considerable movement in debtors with ageing of greater than six months with receipt of payments from RGGVY.

Liquidity position continues to remain satisfactory: Rs.900 crore of fresh mobilisation advances and invocation of performance BGs from BOP suppliers has supported the liquidity position of NCC. The company is also in the process of availing a medium term general purpose corporate loan to the tune of Rs. 200 crore. During Q2FY2018, the company concluded the sale of land at Tellapur from which Rs. 63 crore of cash inflow is expected by end of FY2018 which will further support the liquidity position. Notwithstanding the outflow of Rs. 291.5 crore on account of BG encashment, the liquidity position continues to remain satisfactory.

The outstanding rating for the entity is [ICRA]A-(Stable).

The previous rating rationale is available on the following link: Click here

Contact Details

Analyst Contacts

K. Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Shubham Jain
+91 124 4545306
shubhamj@icraindia.com

Rajeshwar Burla
+91 40 4067 6527
rajeshwar.burla@icraindia.com

Abhishek Lahoti
+91 40 4067 6534
abhishek.lahoti@icraindia.com

Relationship Contact

L Shiva kumar
+91 22 3047 0005
shivakumar@icraindia.com

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit **www.icra.in**

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20- 6606 9999; Fax: +91-20-25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	