

CARE/HO/RR/2018-19/2721

Mr. Praveen Sood,
Group Chief Financial Officer,
Hindustan Construction Company Limited,
Hincon House, LBS Marg,
Vikhroli (West),
Mumbai – 400 083

April 04, 2019

Dear Sir,

Credit rating of Hindustan Construction Company Limited for bank facilities of Rs.7448.71 crore and NCDs of Rs.102.80 crore

Please refer to our letter dated March 27, 2019 on the above subject.

2. The rationale for the rating is attached as an **Annexure-I**.
3. We request you to peruse the annexed document and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 08, 2019, we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,



Sharmila Jain
Associate Director
sharmila.jain@careratings.com

Encl.: As above

Rating Rationale
Hindustan Construction Company Limited

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities- Term Loan	1607.53	CARE D (Single D)	Reaffirmed
Long term Bank Facilities- Cash Credit	1065.38	CARE D (Single D)	Reaffirmed
Long term/Short term Bank Facilities – Non Fund based	4775.80	CARE D (Single D)	Reaffirmed
Total	7448.71 (Rs. Seven thousand four hundred forty eight crore and seventy one lakh only)		
Non – Convertible Debenture I	46.73	CARE D (Single D)	Reaffirmed
Non – Convertible Debenture II	56.07	CARE D (Single D)	Reaffirmed
Total	102.80 (Rs. One hundred two crore and eighty lakh only)		

Details of facilities/instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities and instruments of Hindustan Construction Company Limited (HCC) takes into account the ongoing delays in servicing the debt obligations. The debt servicing capability of the company is stressed on account of a high debt burden and resultant finance costs being incurred along with stressed working capital cycle on account of delayed receipt of dues and claim settlement from customers.

On March 26, 2019, HCC Limited has signed terms with a consortium of investors led by Blackrock to monetize an identified pool of arbitration awards for a consideration of Rs. 1750 crore. The proposed transaction is expected to substantially deleverage the balance sheet of HCC.

Detailed description of the key rating drivers

Delays in Debt Servicing:

There are on-going delays in servicing of term loans and there are instances of overdrawals and devolvement in fund-based and non-fund based limits ranging between 30 to 90 days.

On March 26, 2019, HCC Limited has signed terms with a consortium of investors led by BlackRock with a view to monetize an identified pool of arbitration awards and claims for a consideration of Rs.1750 crore. Under the terms of the transaction, HCC will transfer its beneficial interest and rights in an identified portfolio of

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

arbitration awards & claims to a special purpose vehicle (SPV) controlled by a consortium of investors, including BlackRock. The proceeds will then be utilized to entirely repay the outstanding term loan of Rs.942 crore and Rs.308 crore of OCDs, while the balance funds would be used to meet the working capital requirements of HCC. This is substantially expected to deleverage the balance sheet position of the company, thereby reviving the company from its existing financial turmoil.

Elongated working capital cycle:

The working-capital cycle of the company continues to be elongated owing to delays in recoveries from customers and high amount of inventory held due to delays in commencement of projects.

Analytical approach: Standalone

Applicable Criteria

CARE's Policy on Default Recognition

About the Company

HCC was promoted by the late Mr. Walchand Hirachand in 1926 and is presently spearheaded by Mr. Ajit Gulabchand, Chairman and Managing Director. HCC is one of the large construction companies in India, engaged in construction activities which include roads, bridges, ports, power stations, water supply and irrigation projects. The company's construction capabilities include solutions for construction of projects in various complex industries including hydel power, water solution systems, nuclear power and process plants and transportation.

HCC group of companies comprises mainly of HCC Infrastructure Company Limited (HICL), HCC Real Estate Limited (HREL), Lavasa Corporation Limited (LCL), Steiner AG, Zurich (SAG), and Highbar Technologies Limited (HTL). HICL is engaged in construction and management of assets in the areas of transportation. HREL develops and executes high-value real estate projects including Integrated Urban Development and Management, IT Parks and Commercial Offices, Township Development, and Urban Renewal projects. LCL is India's first planned hill city which includes integrated development of five towns. SAG specializes in turnkey development of new buildings and refurbishments, and offers services in all facets of real estate development and construction. HTL provides IT solutions to the infrastructure industry.

Financial Performance:

	(Rs. crore)		
<i>For the period ended / as at Mar.31,</i>	2016	2017	2018
	<i>(12m, A)</i>	<i>(12m, A)</i>	<i>(12m, A)</i>
<u>Working Results</u>			
Total Operating income	4395	4444	4839
PBILDT	1015	1004	892
Interest	702	772	660
Depreciation	152	125	123
PBT	131	118	112
PAT (after deferred tax)	86	81	78
Gross Cash Accruals	265	201	215

<i>For the period ended / as at Mar.31,</i>	2016	2017	2018
	(12m, A)	(12m, A)	(12m, A)
Financial Position			
Equity Capital	78	101	102
Net worth	1802	2689	2775
Total Debt	5053	4411	5377
Total capital employed	6863	7124	8190
Key Ratios			
<i>Growth</i>			
Growth in Total income (%)	2.95	1.10	8.67
Growth in PAT (after D.Tax) (%)	8.62	-ve	30.50
<i>Profitability</i>			
PBILDT/Total Op. income (%)	23.09	22.59	18.43
PAT (after deferred tax)/ Total income (%)	1.95	1.82	1.60
ROCE (%)	12.60	12.40	8.92
<i>Solvency</i>			
Long Term Debt Equity ratio (times)	1.67	1.21	1.57
Overall gearing ratio(times)	2.80	1.64	1.94
Interest coverage(times)	1.45	1.30	1.35
Term debt/Gross cash accruals(years)	11.33	16.20	20.25
Total debt/Gross cash accruals(years)	19.05	21.90	25.04
<i>Liquidity</i>			
Current ratio(times)	0.80	1.07	0.68
Quick ratio(times)	0.77	1.03	0.64
<i>Turnover</i>			
Average collection period (days)	575	628	602
Average creditors (days)	158	160	156
Operating cycle (days)	438	490	465

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Sharmila Jain

Tel: 022 6754 3638

Email:sharmila.jain@careratings.com

This follows our brief rationale for entity published on April 01, 2019


CARE Ratings Limited
 (Formerly known as Credit Analysis & Research Limited)

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	FY22	768.42	CARE D
Fund-based/Non-fund-based-LT/ST	-	-	-	4775.80	CARE D
Fund-based - LT-Cash Credit	-	-	-	1065.38	CARE D
Fund-based - LT-Term Loan	-	-	FY22	839.11	CARE D
Debentures-Non Convertible Debentures	-	-	FY22	46.73	CARE D
Debentures-Non Convertible Debentures	-	-	FY22	48.40	CARE D
Debentures-Non Convertible Debentures	-	-	FY22	7.66	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Debentures-Non Convertible Debentures	LT	46.73	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (19-Apr-17)	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)
2.	Debentures-Non Convertible Debentures	LT	48.40	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (19-Apr-17)	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)
3.	Term Loan-Long Term	LT	768.42	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (19-Apr-17)	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)
4.	Fund-based/Non-fund-based-LT/ST	LT/ST	4775.80	CARE D / CARE D	1)CARE D / CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D / CARE D (19-Apr-17)	-	1)CARE C / CARE A4 (18-Feb-16) 2)CARE C / CARE A4 (16-Apr-15)
5.	Fund-based - LT-Cash Credit	LT	1065.38	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (19-Apr-17)	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)
6.	Debentures-Non Convertible Debentures	LT	7.66	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (19-Apr-17)	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)
7.	Fund-based - LT-Term	LT	839.11	CARE D	1)CARE D; ISSUER	1)CARE D	-	1)CARE D

Loan				NOT COOPERATING* (06-Apr-18)	(19-Apr-17)	(18-Feb-16) 2) CARE D (16-Apr-15)
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Annexure-3: Details of Rated Facilities

Long-term facilities

1.A. Term Loans

Bank	Amount (in crores)
Axis Bank	168.93
Bank of Baroda	16.57
Bank of Maharashtra	16.11
Canara Bank	191.30
Central Bank of India	38.67
DBS Bank	5.42
EXIM	257.96
Federal Bank	13.20
IDBI Bank	143.21
IFCI Ltd	80.64
Indian Overseas Bank	44.70
LIC	50.15
Nabard	24.63
OBC	10.02
PNB	21.33
SREI	60.53
State Bank of Hyderabad	24.39
State Bank of Mysore	51.78
State Bank of Travancore	7.58
Syndicate Bank	103.01
United Bank of India	181.01
External Commercial Borrowing	
DBS Bank	29.94
SCB	39.97
EXIM US	26.50
Total	1607.53

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1. B. Fund Based limits (Cash Credit)

(Rs. crore)

Sr. No.	Bank	Fund Based Limits		
		CC	Others	Total
1.	Bank of Baroda	52.21	-	52.21
2.	Canara Bank	20.09	-	20.09
3.	DBS Bank	15.21	-	15.21
4.	Federal Bank	25.23	-	25.23
5.	ICIC Bank	140.70	-	140.70
6.	IDBI Bank	126.14	-	126.14
7.	Indian Bank	42.80	-	42.80
8.	J&K	65.31	-	65.31
9.	OBC	15.68	-	15.68
10.	PNB	212.09	-	212.09
11.	SCB	32.87	-	32.87
12.	SBI	157.08	-	157.08
13.	SBOP	68.69	-	68.69
14.	Union Bank	41.01	-	41.01
15.	Vijaya Bank	50.26	-	50.26
	Total	1065.38		1065.38

2. Long /Short term Facilities (Non fund based limits)

(Rs in crore)

Sr. No.	Name of lender	Non-fund-based limit		
		LCs/ BGs*	Others	Total
1	ICICI Bank Limited	1,321.42	-	1,321.42
2	Punjab National Bank	809.89	-	809.89
3	State Bank of India	716.00	-	716.00
4	Oriental Bank of Commerce	426.15	-	426.15
5	IDBI Bank Limited	418.21	-	418.21
6	Indian Bank	382.71	-	382.71
7	Canara Bank	294.50	-	294.50
8	The Jammu & Kashmir Bank Limited	106.67	-	106.67
9	Union Bank Of India	78.44	-	78.44
10	Bank of Baroda	40.80	-	40.80
11	Vijaya Bank	39.72	-	39.72
12	DBS Bank Limited	60.50	-	60.50
13	State Bank of Patiala	37.13	-	37.13
14	Federal Bank	22.06	-	22.06
15	Axis Bank (Non Consortium)	21.60	-	21.60
	Total	4775.80		4775.80

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