HCC

HCC/SEC/Credit- Rating/2025

April 09, 2025

BSE Limited The Corporate Relationship Dept, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. Scrip Code – 500185, 974246, 974247, 974248, 974249, 974250	**National Stock Exchange of India Ltd.** Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051. Symbol - HCC

Dear Sir / Madam,

Sub : <u>Update on Credit Rating pursuant to Regulations 30 and 51 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015</u>

Pursuant to Regulations 30 and 51 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find below the details of the Credit Ratings of the Company's Bank Facilities / Non-convertible Debentures / Optionally Convertible Debentures assigned by CARE Ratings Ltd.:

Facilities/ Instruments	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	121.12	CARE BBB-; Stable	Upgraded from CARE BB+; Positive
Long Term / Short Term Facilities	7313.28	CARE BBB-; Stable / CARE A3	Upgraded from CARE BB+; Positive / CARE A4+
Non-Convertible Debentures	753.00	CARE BBB-; Stable	Upgraded from CARE BB+; Positive
Optionally Fully Convertible Debentures	863.88	CARE BBB-; Stable	Upgraded from CARE BB+; Positive

The letters from CARE Ratings Ltd. upgrading the abovementioned credit ratings are enclosed herewith.

Hindustan Construction Co Ltd
Hincon House,
LBS Marg, Vikhroli (West),
Mumbai - 400 083, India
Tel : +91 22 2575 1000 Fax : +91 22 2577 7568
CIN : L45200MH1926PLC001228

www.hccindia.com

The reports from CARE Ratings Ltd are enclosed.

We request you to kindly take the above on record.

Yours sincerely,
For Hindustan Construction Company Ltd.

NITESH
KUMAR
JHA

Digitally signed by NITESH KUMAR JHA
DN: c=IN, o=PERSONAL, title=1979,
pseudonym=ebcd2c690280495281de1c520fc
ccf9f,
2.5.4.20=85a282acf1b74a6ba8d538e01089e6
d1b58b675e59040a9af4e4f835f71cc335,
postalCode=410210, st=Maharashtra,
serialNumber=ea422f12d8f4e8778bf2857e9d
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cn=NITESH KUMAR JHA
Date: 2025.04.09 21:48:47 +05'30'

Nitesh Kumar Jha
Company Secretary

Encl.: As above

No. CARE/HRO/RL/2025-26/1006

Shri Rahul Shukla
AVP - Finance
Hindustan Construction Company Limited
Hincon House, LBS Marg, 247 Park,
Vikhroli West
Mumbai
Maharashtra 400083

April 08, 2025

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY24 (Audited) and 9MFY25 (U/A), our Rating Committee has reviewed the following ratings:

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	**121.12**	**CARE BBB-; Stable**	**Upgraded from CARE BB+; Positive**
Long Term / Short Term Bank Facilities	**7,313.28**	**CARE BBB-; Stable / CARE A3**	**Upgraded from CARE BB+; Positive / CARE A4+**

2. Refer **Annexure 1** for details of rated facilities.

3. The draft press release and rationale for the rating will be communicated to you separately.

4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

[1]Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.

5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

8. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.

9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

K Khan.

Tej Kiran

Kamal Khan
Assistant Director
kamal.khan@careedge.in

Tej Kiran
Assistant Director
tej.kiran@careedge.in

Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1.A. Rupee Equivalent of Foreign Currency Term Loan

Sr. No.	Name of Bank / Lender	Amount	Rated Amount (Rs. crore)	Remarks
1.	Asia Opportunities IV (Mauritius) Limited	7.56 (Mn. USD)	63.35	To be repaid in 7 structured annual instalments from March 2023
2.	Export Import Bank of United States	6.89 (Mn. USD)	57.77	To be repaid in 3 structured annual instalments from December 2028
	Total		**121.12**	

Total Long Term Facilities : Rs.121.12 crore

2. Long Term / Short Term Facilities

2.A. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Punjab National Bank	1,487.44	Operations BG: Rs.787.04 crore and Arbitration BG: Rs.700.40 crore
2.	ICICI Bank Ltd.	1,432.95	Operations BG: Rs.1062.95 crore and Arbitration BG: Rs.370 crore
3.	IDBI Bank Ltd.	862.55	Operations BG: Rs.225.69 crore and Arbitration BG: Rs.636.86 crore
4.	State Bank of India	854.65	Operations BG: Rs.608.35 crore and Arbitration BG: Rs.246.30 crore
5.	Export Import Bank of India	600.00	Arbitration BG
6.	Indian Bank	444.59	Operations BG: Rs.415.86 crore and Arbitration BG: Rs.28.73 crore
7.	Canara Bank	424.92	Operations BG: Rs.247.57 crore and Arbitration BG: Rs.177.35 crore
8.	Axis Bank Ltd.	283.80	Operations BG: Rs.21.60 crore and Arbitration BG: Rs.262.20 crore
9.	Bank of Baroda	209.35	Operations BG: Rs.68.75 crore and Arbitration BG: Rs.140.60 crore
10.	DBS Bank India Ltd.	165.49	Operations BG: Rs.101.49 crore and Arbitration BG: Rs.64 crore

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
11.	Union Bank of India	108.64	Operations BG: Rs.80.68 crore and Arbitration BG: Rs.27.96 crore
12.	Standard Chartered Bank	92.02	Arbitration BG
13.	Jammu and Kashmir Bank Limited	76.73	Operations BG: Rs.49.88 crore and Arbitration BG: Rs.26.85 crore
14.	Srei Equipment Finance Ltd.	70.42	Arbitration BG
15.	Indian Overseas Bank	45.79	Operations BG: Rs.13 crore and Arbitration BG: Rs.32.79 crore
16.	Federal Bank	44.52	Operations BG: Rs.14.52 crore and Arbitration BG: Rs.30.00 crore
17.	IFCI Ltd.	34.72	Arbitration BG
18.	Central Bank of India	26.27	Arbitration BG
19.	National Bank for Agriculture and Rural Development	24.18	Arbitration BG
20.	Proposed	24.25	-
	Total	**7,313.28**	

Total Long Term / Short Term Facilities : Rs.7,313.28 crore

Total Facilities (1.A+2.A) : Rs.7,434.40 crore

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401, Ashoka Scintilla, 3-6-520, Himayat Nagar,
Hyderabad - 500 029
Phone: +91-40-4010 2030

Corporate Office :4th Floor, Godrej Coliseum,
Somaiya Hospital Road, Off Eastern Express
Highway, Sion (E), Mumbai - 400 022
Phone: +91-22-6754 3456 • www.careedge.in

CIN-L67190MH1993PLC071691

No. CARE/HRO/RL/2025-26/1007

Shri Rahul Shukla
AVP - Finance
Hindustan Construction Company Limited
Hincon House, LBS Marg, 247 Park,
Vikhroli West
Mumbai
Maharashtra 400083

April 08, 2025

Confidential

Dear Sir,

Credit rating for Non-Convertible Debenture issue

On the basis of recent developments including operational and financial performance of your Company for FY24 (Audited) and 9MFY25 (U/A), our Rating Committee has reviewed the following ratings:

Sr. No.	Instrument	Amount (₹ crore)	Rating[1]	Rating Action
1.	Non Convertible Debentures	753.00	CARE BBB-; Stable	Upgraded from CARE BB+; Positive
2.	Optionally Fully Convertible Debenture	863.88	CARE BBB-; Stable	Upgraded from CARE BB+; Positive

2. The OCDs are repayable in 7 structured annual installments ending March 31, 2029 while NCDs are repayable between March 31, 2026 and June 30, 2031.

3. The draft press release and rationale for the rating will be communicated to you separately.

4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

[1]Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.

5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

7. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.

8. CARE Ratings Ltd. ratings are not recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

K Khan. Tej Kiran

Kamal Khan
Assistant Director
kamal.khan@careedge.in

Tej Kiran
Assistant Director
tej.kiran@careedge.in

Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

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401, Ashoka Scintilla, 3-6-520, Himayat Nagar,
Hyderabad - 500 029
Phone: +91-40-4010 2030

Corporate Office :4th Floor, Godrej Coliseum,
Somaiya Hospital Road, Off Eastern Express
Highway, Sion (E), Mumbai - 400 022
Phone: +91-22-6754 3456 • www.careedge.in

CIN-L67190MH1993PLC071691

Hindustan Construction Company Limited

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	121.12	CARE BBB-; Stable	Upgraded from CARE BB+; Positive
Long Term / Short Term Bank Facilities	7,313.28	CARE BBB-; Stable / CARE A3	Upgraded from CARE BB+; Positive / CARE A4+
Non Convertible Debentures	753.00	CARE BBB-; Stable	Upgraded from CARE BB+; Positive
Optionally Fully Convertible Debenture	863.88	CARE BBB-; Stable	Upgraded from CARE BB+; Positive

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the instruments and bank facilities of Hindustan Construction Company Limited (HCC) factors in the improved liquidity profile, led by fructification of fund-raising plans with the company raising about Rs.950 crore (via Rights issue and QIP) during FY25 and improved business prospects with large order book addition, to the tune of Rs.7,312 crore (including L1 of Rs.3,400 crore), during H2FY25.

The funds raised during FY25 have supported financing the working capital requirements as well as comfortably meeting the debt servicing obligations. The company has repaid about 37% of opening Resolution Plan (RP) debt until Mar. 31, 2025 with overall debt reduction of ~10% (by end of FY25).

The rating upgrade also factors in the expected recovery from disputed debtors which are in advance stages of legal resolution. The recovery is expected to boost liquidity profile and support the relatively large debt servicing obligations in the medium term. CARE Ratings Ltd (CARE Ratings) understands that the HCC and its SPV (Prolific Resolution P. Ltd) are at an advanced stage of resolving arbitration claims/settlement of awards aggregating ~Rs.700 crore – Rs.1000 crore in FY26 and timely recovery of the same is a key rating sensitivity. In absence of fructification of said plans, HCC proposes to raise alternate funds to support the business requirement and the same shall be crucial.

The order book stood at Rs.9,758 crore as on Dec. 31, 2024, thereby providing revenue visibility for the next two years. CARE Ratings expect the order book addition along worth conversion of L1 to support the business growth in medium term.

The ratings also take into consideration the improvement in financial performance of the company during FY24 (refers to period from April 01 to March 31) and 9MFY25. Although revenue moderated to Rs.3,308 crore during 9MFY25 (Rs.3,506 crore during 9MFY24), on account of delay in the award of new projects due to general and state elections, the same remained at satisfactory level. The PBILDT margin of the company has remained at 10.80% during 9MFY25 (10.39% during 9MFY24). The ratings continue to take into account long-established track record, demonstrated project execution capabilities, experienced management and diversified order book position.

CARE Ratings Ltd (CARE Ratings) also notes that the HCC has extended corporate guarantee towards the debt transferred to PRPL as part of implementation of RP although the transferred debt has satisfactory moratorium period to realize the awards and claims before the debt repayments commences in September 2026. The company is in the process of getting lender approvals for the reduction of corporate guarantee extended to PRPL from 100% of the carved-out debt to 20% of that value, which would limit HCC's exposure to PRPL debt to Rs.571 crore.

The rating strengths are, however, tempered by the under recoveries in the monetisation plan and recovery of arbitration debtors. The company had proposed monetisation of real estate asset at Steiner AG, Switzerland. While HCC has entered into a stake sale agreement for the sale of entire shareholding of Steiner AG, Switzerland, there is no immediate cashflow inflow from the stake sale with rights over future cashflows. The same is contingent upon successful operation of the entity post change in management.

The ratings also continue to remain constrained by extended working capital cycle on the account of high debtors under arbitration/claims, high debt level with ballooning debt repayment structure, absence of working capital lines to complement the growing scale of operation and presence in highly competitive and fragmented industry. Ability to raise working capital finance to support the business growth shall also be important from credit perspective.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Continued addition of work orders thereby scaling up of operation while maintaining profitability.
- Rationalisation of debt level with improvement in total debt/EBITDA to 4x
- Improvement in the collection period with resolution of debtors under arbitration.

Negative factors

- Slowdown in work execution with impact on profitability and liquidity.
- Elongation of operating cycle with collection days remaining above 320 days.
- Non fructification of recoveries envisaged thereby stretching the liquidity profile

Analytical approach: Standalone

Outlook: Stable

HCC is expected to maintain stable risk profile backed by favourable sector outlook and strong order book aiding healthy growth prospects and steady improvement in the liquidity.

Detailed description of key rating drivers:

Key strengths

Improved liquidity position with fund raising and asset monetisation
The company has witnessed improved liquidity position with growth in business operations & profitability, satisfactory cashflow from operations as well as fructification of the fund-raising plans, as articulated by the management.
While the overall collection days remain on the higher side, excluding the disputed debtors which are on account of various arbitrations filed for completed projects, the collection days have improved from ~340 days in FY23 to ~240 days in FY24. Besides, liquidity has been supported via funds raised (~Rs.950 crore) through equity, asset monetisation and recovery of certain arbitration claims. During April 2024, the company raised equity of Rs.350 crore through rights issue towards funding working capital requirements and general corporate purposes. Further, during December 2024, the company raised Rs.600 crore through QIP towards debt repayment of HCC/associates/JVs, funding working capital requirements and general corporate purposes. Management has articulated additional fund-raising plans going forward along with endeavour to recover the arbitration awards via issuance of bank guarantees and settlement of disputed receivables. CARE Ratings Ltd (CARE Ratings) understands that the HCC and its SPV (Prolific Resolution P. Ltd) are at an advanced stage of resolving arbitration claims/settlement of awards aggregating ~Rs.700 crore – Rs.1000 crore in FY26. Fructification of same thereby augmenting liquidity further would be critical from rating perspective.

Satisfactory order book with geographical and segmental diversification with orders added during H2FY25
HCC's total order book position remained satisfactory at Rs.9,758 crore as on Dec. 31, 2024 (Rs.10,475 crore as on Mar. 31, 2024) which is about 2x the total operating income of FY24, thereby providing medium term revenue visibility in the company. Out of the total order book, 54% of orders pertain to Transportation Segment followed by Hydro (21%), Water works (21%) and Nuclear and Special segment (4%). Also, the order book is geographically well diversified with orders spread across more than 10 states, i.e., Maharashtra (27%), Uttarakhand (27%), Gujarat (15%), Manipur (12%), Tamil Nadu (10%), Rajasthan (3%), and others (6%).
The company has added orders to the tune of ~Rs.4000 crore during last one year. HCC has secured orders at L1 of ~Rs.3,400 crore as on Dec. 31, 2024. Continued addition of new work orders, thereby providing long term revenue visibility and improving the cashflows from operation is important from credit perspective.

Improvement in financial performance:
The total operating income (TOI) of the company has remained stable at Rs.4,888 crore during FY24 (Rs.4,788 crore during FY23) with y-o-y growth rate of ~2%. Post implementation of Resolution Plan in September 2022, the business performance of the company has gradually picked up with HCC reporting revenue of Rs.4,788 crore in FY23 and stable revenue reported for FY24 as well. On the profitability front, however, the company has reported substantial improvement with PBILDT margin doubling from 5.05% during FY23 to 10.16% during FY24. The growth is led by lower legal expenses (reduction of ~Rs.100 crore), completion of past legacy projects and execution of high margin projects.

During 9MFY25, the TOI of the company moderated to Rs.3,308 (Rs.3,506 crore during 9MFY24) on account of delay in the award of new projects due to general and state elections. However, the PBILDT margin of the company remained intact at 10.80% during 9MFY25.

Extensive experience in the construction industry

HCC was founded by Seth Walchand Hirachand in 1926 and is one of the oldest infrastructure development companies in the country. HCC has its forte in undertaking complex engineering projects high rise bridges, hydel power plans, nuclear power works, etc. The company is spearheaded by Mr. Ajit Gulabchand, Chairman who has extensive experience in the infrastructure industry and demonstrated capabilities in executing relatively complex projects in civil, hydro and transportation segments. Mr. Arjun Dhawan, Vice Chairman of HCC is an active member of World Economic Forum and has experience of working as investment banker. The management is supported by a team of experienced and qualified professionals.

Key weaknesses

High debt levels

Debt level remains high for HCC. Post implementation of RP, the debt of HCC is restructured such that the principal amount including interest will be repaid annually in the month of March. The same has thus given time for the company to mobilize funds by the end of the year preventing short term asset liability mismatches during the year. The company has repaid its debt obligations (principal along with yield) of Rs.522 crore on Mar. 27, 2025. With the said repayment, the company has repaid ~37% of opening RP debt.

As part of RP implementation, HCC has transferred Rs.2,854 crore of debt along with awards and claims of Rs.6,500 crore to Prolific Resolution Private Limited (PRPL). HCC has given corporate guarantee towards the debt transferred to PRPL, whose repayments would commence from September 2026. HCC is in the process of reducing the guaranteed exposure to 20% with lenders approval awaited.

The company has significant debt repayment obligations in the medium term (FY26 – ~Rs.930 crore) with a ballooning repayment structure and yields getting accrued. The large debt repayments are planned to be funded through funds raised, own cash flows and resolution of arbitration claims and awards which are at an advanced stage. With successful fund raising demonstrated in FY24-25, and progress w.r.t the recoveries articulated, there exists fair visibility of fructification of aforementioned plans.

Extended GCA days:

HCC has been witnessing extended collection days mainly due to high unbilled revenue, disputed debtors under arbitration and retention proceeds. HCC has completed some of the complex marquee projects for which there have been unapproved cost escalations resulting in built up of debtors. While the normal debtors and retention recovery is faster, disputed debtors (cost portion without profit) and unbilled comprise the majority of debtors which largely are due to the ongoing arbitration claims with the clients. The receivable days continue to remain on the higher side at 337 days during FY24 (336 days during FY23). The company does not have fund based working capital limits and relies on advances from customers and creditor funding.

Presence in a highly fragmented and competitive construction industry:

HCC operates in the intensely competitive construction industry wherein projects are awarded on the basis of relevant experience of the bidder, financial capability and most attractive bid price. The high competition in the construction industry is due to the presence of large number of small and medium players resulting in aggressive bidding which exerts pressure on the margins. However, HCC has rich experience in handling complex projects with national importance, long standing track record in the construction industry and cordial relations with its clients which fares well against the peers in the industry.

Liquidity: Stretched

HCC has high debt repayment obligations vis-à-vis the cash accruals generated with the gap bridged through funds raised via equity/asset monetisation and recovery of debtors under arbitration. Working capital requirement is funded via resorting to creditors and mobilisation advances.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

HCC is exposed to the environmental risk emanating from the disruption of economic resources while construction activities are under progress. The same may result in environmental pollution and ecological dislocation thereby requiring requisite regulatory approvals. The business profile of HCC also has social impact with large labour force involvement and hence has associated occupational risk. The risk factors are mitigated by presence of well-established ESG framework by the company governed by independent board of directors, which encompasses sustainable procurement, occupational healthy and safety, energy consumption, carbon emission, etc.

Applicable criteria

- Definition of Default
- Liquidity Analysis of Non-financial sector entities
- Rating Outlook and Rating Watch
- Financial Ratios – Non financial Sector
- Construction Sector
- Infrastructure Sector Ratings
- Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

HCC was promoted by late Mr. Walchand Hirachand in 1926 and is presently spearheaded by Mr. Ajit Gulabchand, Chairman and Managing Director. HCC is one of the largest 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.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (U/A)
Total operating income	4788	4888	3,308
PBILDT	242	497	357
PAT	253	179	-143
Overall gearing (times)	6.68	4.98	2.79
Interest coverage (times)	0.83	1.37	0.90

A: Audited U/A: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)*	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	INE549A07213	26-Sep-2022	0.01	30-Jun-2029	266.90	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE549A08963	26-Sep-2022	0.01	31-Mar-2029	198.40	CARE BBB-; Stable

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)*	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	INE549A08971	26-Sep-2022	0.01	30-Jun-2031	205.40	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE549A07221	26-Sep-2022	0.01	31-Mar-2029	80.70	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE549A07239	26-Sep-2022	0.01	31-Mar-2026	1.60	CARE BBB-; Stable
Debentures-Optionally Fully Convertible Debenture	INE549A07247	06-Jan-2017	0.01	31-Mar-2029	296.11	CARE BBB-; Stable
Debentures-Optionally Fully Convertible Debenture	INE549A07254	06-Jan-2017	0.01	31-Mar-2029	49.05	CARE BBB-; Stable
Debentures-Optionally Fully Convertible Debenture	INE549A07262	06-Jan-2017	0.01	31-Mar-2029	124.30	CARE BBB-; Stable
Debentures-Optionally Fully Convertible Debenture	INE549A07270	06-Jan-2017	0.01	31-Mar-2029	384.54	CARE BBB-; Stable
Debentures-Optionally Fully Convertible Debenture	INE549A07288	06-Jan-2017	0.01	31-Mar-2029	9.88	CARE BBB-; Stable
Fund-based - LT-External Commercial Borrowings	-	-	-	December 31, 2030	121.12	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	7313.28	CARE BBB-; Stable / CARE A3

*outstanding as on December 31, 2024

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (30-Sep-22)
2	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (07-Oct-22) 2)CARE D (30-Sep-22)
3	Term Loan-Long Term	LT	-	-	-	-	-	1)CARE B+; Stable (30-Dec-22) 2)Withdrawn (30-Dec-22)
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	7313.28	CARE BBB-; Stable / CARE A3	-	1)CARE BB+; Positive / CARE A4+ (30-Aug-24)	1)CARE BB; Stable / CARE A4 (20-Sep-23)	1)CARE B+; Stable / CARE A4 (30-Dec-22)
5	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (30-Dec-22) 2)CARE B+; Stable (30-Dec-22)
6	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (07-Oct-22) 2)CARE D (30-Sep-22)
7	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)CARE B+; Stable (30-Dec-22) 2)Withdrawn (30-Dec-22)
8	Debentures-Non Convertible Debentures	LT	753.00	CARE BBB-; Stable	-	1)CARE BB+; Positive (30-Aug-24)	1)CARE BB; Stable (06-Oct-23)	-
9	Debentures-Optionally Fully Convertible Debenture	LT	863.88	CARE BBB-; Stable	-	1)CARE BB+; Positive (30-Aug-24)	1)CARE BB; Stable (06-Oct-23)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
10	Fund-based - LT-External Commercial Borrowings	LT	121.12	CARE BBB-; Stable	-	1)CARE BB+; Positive (30-Aug-24)	1)CARE BB; Stable (20-Sep-23)	-

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Debentures-Optionally Fully Convertible Debenture	Simple
3	Fund-based - LT-External Commercial Borrowings	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Puja Jalan Director **CARE Ratings Limited** Phone: 914040020131 E-mail: puja.jalan@careedge.in Tej Kiran Ghattamaneni Assistant Director **CARE Ratings Limited** Phone: 914040020131 E-mail: tej.kiran@careedge.in Kamal Khan Assistant Director **CARE Ratings Limited** E-mail: kamal.khan@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information,
please visit www.careedge.in

HCC/SEC/2024

December 20, 2024

BSE Limited	National Stock Exchange of India Ltd.
The Corporate Relationship Dept, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. Scrip Codes – 500185, 974246, 974247, 974248, 974249, 974250	Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051. Scrip Code - HCC

Dear Sir/Madam,

Sub.: <u>Intimation under Regulations 30 and 51 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Updates on Credit Rating</u>

In continuation to earlier letter no HCC/SEC/2024 dated December 18, 2024 and pursuant to the provisions of Regulations 30 and 51 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the rationale letter received from ICRA Limited (the Credit Rating Agency) with respect to reaffirmation of the long-term rating to [ICRA]BB(Stable) for Non-Convertible Debentures amounting to Rs. 823.9 Crore.

Kindly take the above on record.

Thanking you,
Yours faithfully,

For Hindustan Construction Company Ltd.

NITESH
KUMAR
JHA

Digitally signed by NITESH KUMAR JHA
DN: c=IN, o=PERSONAL, title=1979,
pseudonym=bc50dc8fee544ad089ebad91
17cbd9b7,
2.5.4.20=85a282acf1b74a6ba8d538e0108
9e6d1b58b675e59040a9af4e4f835f71cc33
5, postalCode=410210, st=Maharashtra,
serialNumber=ea422f12d8f4e8778bf2857
e9d6c0509df9788526f7246d5a89164fa23
df53e6, cn=NITESH KUMAR JHA
Date: 2024.12.20 19:04:10 +05'30'

Nitesh Kumar Jha
Company Secretary

Encl.: As above

Hindustan Construction Co Ltd
Hincon House,
LBS Marg, Vikhroli (West),
Mumbai - 400 083, India
Tel : +91 22 2575 1000 Fax : +91 22 2577 7568
CIN : L45200MH1926PLC001228

www.hccindia.com

December 18, 2024

Hindustan Construction Company Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture (NCD)	823.9	823.9	[ICRA]BB(Stable); reaffirmed
Total	**823.9**	**823.9**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation factors in Hindustan Construction Company Limited's (HCC) adequate order book position of Rs. 9,773 crore (order book to construction income ratio of 2.1 times) as on September 30, 2024[1], providing near-term revenue visibility and diversified order book across segments, geographies and clientele. The rating derives comfort from the improvement in operating margin from the core engineering, procurement and construction (EPC) business in FY2024 and H1 FY2025. HCC's operating margin from the EPC business improved to 8.6% in FY2024 (12.5% in H1 FY2025) from 4.0% in FY2023. Improved operating leverage, presence of price escalation clauses in most of the contracts, along with lower sub-contracting dependence supported margin expansion in FY2024 and H1 FY2025. ICRA expects the company to ramp-up its gross billing from the core EPC business with inflow of new orders, while maintaining adequate operating margins. ICRA has factored in the likely support to the liquidity profile from the planned fund infusion through Qualified Institutional Placement (QIP), which is expected to be completed by the end of December 2024. The rating favourably notes HCC's long track record of operations of over nine decades, supported by an experienced management and demonstrated capabilities in executing relatively complex tunnelling and hydro projects.

The rating, however, is constrained by HCC's high TOL/TNW, which stood at 5.1 times as on September 30, 2024 (FY2024: 7.2 times). The same is likely to improve over the medium term but will remain elevated in the near term. HCC's receivables and work in progress remain elevated due to ongoing arbitration/claims pending with the clients. It has been able to manage the working capital requirements, partly by availing an extended credit period from suppliers/sub-contractors and mobilisation advances from clients. Going forward, any material deterioration in the working capital intensity from the anticipated levels can impact its liquidity position and will be a key rating sensitivity. HCC is in the process of monetising some of its non-core investments as a part of its resolution plan. HCC realised Rs. 395 crore in FY2024 from awards and non-core assets sale, which was utilised for debt repayment and towards working capital requirement. ICRA notes that the realisation from claims and awards has remained slower than the earlier expected levels. HCC raised Rs. 350 crore through rights issue in April 2024 and is expecting to realise Rs. 1,137 crore through QIP and award proceeds over the next three months. Timely realisation of these funds remains critical for debt repayments in March 2025. Going forward, timely monetisation of non-core assets and realisation of awards remains crucial to materially improve its liquidity position. In absence of sanctioned fund-based working capital lines, the company is maintaining over Rs. 200 crore of liquidity on a sustained basis. ICRA draws comfort from the cushion available in the form of unutilised arbitration/court BGs that could be used to realise some of the awards pending in the higher courts, in case of funding shortfall. In FY2024, the lenders have permitted HCC to utilise ~Rs. 163 crore of court BGs to avail the arbitration money, which was used to prepay the fund-based credit facilities of the respective lenders whosoever have sanctioned such BGs.

[1] *Has further received orders worth Rs.1,032 crore in October 2024 and been declared L1 for projects worth Rs.3,860 crore.*

HCC has provided a corporate guarantee (CG) for the entire debt (including interest) at Prolific Resolution Private Limited (PRPL). Hence, any crystallisation of those guarantees will impact HCC's credit profile. Recently, HCC has received in-principle approval from the lead bank - ICICI Bank and State Bank of India for reducing the CG extended to PRPL, from 100% of the debt at carveout, to 20% of that value, limiting HCC's exposure to PRPL debt to Rs. 571 crore. These two lenders constitute 26.5% in value of the total PRPL debt. Approvals from the remaining lenders are awaited. The condition stipulated by lenders against this approval is that HCC has to give Rs. 400 crore to PRPL over the next three years. Accordingly, HCC plans to infuse Rs. 200 crore in PRPL in Q4 FY2025 from the part proceeds of the QIP, planned in December 2024. PRPL plans to use Rs. 200 crore of likely infusion from the HCC and Rs. 170 crore expected claim settlement in Q4 FY2025, towards prepayment of debt due in September 2026 during the current fiscal year itself. Further, PRPL has cash and bank balance of Rs. 42.4 crore as on September 30, 2024, and the debt repayments would commence from September 2026 providing satisfactory pay-in and pay-out gap between the realisation of award proceeds and debt obligations. The rating considers the company's exposure to sizeable contingent liabilities in the form of BGs, mainly for contractual performance, mobilisation advance and security deposits. The rating is constrained by moderate execution risks as about 12% of the order book as on March 31, 2024, is in the preliminary/early stage of execution with less than 25% progress. Notwithstanding HCC's strong execution capabilities, any sizeable invocation of performance guarantees would affect the company's liquidity and financial risk profile. In this regard, ICRA takes comfort from the non-invocation of BG post RP implementation (December 2022). With improved operating performance, the company is able to ramp-up execution in various ongoing projects, which has led to a reduction in the number of stuck projects, which mitigates the BG invocation risk to an extent.

The Stable outlook reflects ICRA's opinion that the company will continue to improve its operating performance and benefit from its satisfactory order book position and strong execution capabilities.

Key rating drivers and their description

Credit strengths

Adequate and diversified order book position provides healthy near-term revenue visibility – The company had an adequate order book position of Rs. 9,773 crore (order book to construction Income ratio of 2.1 times) as on September 30, 2024[2], providing near-term revenue visibility. Timely commencement and execution of these orders are critical to sustain revenue visibility going forward. HCC's current outstanding order book is well-diversified in terms of geography with pan-India presence, along with international operations in Bhutan, across multiple segments such as transportation, hydro power, water, and nuclear projects. The transportation segment accounted for 47% of the unexecuted order book as on March 31, 2024. The order book is fairly diversified in terms of projects and clients, with top three clients contributing to 50% and the top five orders constituting 61% of the unexecuted order book as on March 31, 2024.

Established track record and extensive experience of management team in civil construction sector – HCC has an established track record of operations of over nine decades, supported by the experienced management and demonstrated capabilities in executing relatively complex hydro and tunnelling projects at geographically diverse locations. It has proven its execution capabilities by constructing large value and technologically complex long-duration projects. The company has a fleet of well-maintained specialised equipment in its portfolio, a qualified and experienced senior management, and technical collaborations, boosting its project execution capabilities.

Credit challenges

High leverage; stretched liquidity position and dependence on asset monetisation – HCC has a high leverage as reflected in high TOL/TNW, which stood at 5.1 times as on September 30, 2024 (FY2024: 7.2 times). The same is expected to improve over the medium term but remain elevated in the near term. HCC's receivables and work in progress remain elevated due to ongoing arbitration/claims pending with the clients. It has been able to manage the working capital requirements, partly by availing an

[2] *Has further received orders worth Rs. 1,032 crore in October 2024 and been declared L1 for projects worth Rs.3,860 crore.*

extended credit period from suppliers/sub-contractors and mobilisation advances from clients. Going forward, any material deterioration in the working capital intensity from the anticipated levels can impact its liquidity position and will be a key rating sensitivity. HCC is in the process of monetising some of its non-core investments as a part of its resolution plan. HCC realised Rs. 395 crore in FY2024 from awards and non-core assets sale, which was utilised for debt repayment and towards working capital requirement. ICRA notes that the realisation from claims and awards has remained slower than the earlier expected levels. HCC raised Rs. 350 crore through rights issue in April 2024 and is expecting to realise Rs. 1,137 crore through QIP and award proceeds over the next three months. Timely realisation of these funds remains critical, for debt repayments in March 2025. Going forward, timely monetisation of non-core assets, subscription of QIP and realisation of awards remains crucial to materially improve its liquidity position. ICRA draws comfort from the cushion available in the form of unutilised arbitration/court BGs that could be used to realise some of the awards pending in the higher courts, in case of funding shortfall. In FY2024, the lenders have permitted HCC to utilise ~Rs. 163 crore of court BGs to avail the arbitration money, which was used to prepay the fund-based credit facilities of the respective lenders whosoever have sanctioned such BGs.

Moderate execution risk; sizeable contingent liabilities and risk of BG invocation – HCC has provided a corporate guarantee (CG) for the entire debt (including interest) at Prolific Resolution Private Limited (PRPL). Hence, any crystallisation of those guarantees will impact HCC's credit profile. Recently, HCC has received in-principle approval from the lead bank - ICICI Bank and State Bank of India for reducing the CG extended to PRPL, from 100% of the debt at carveout, to 20% of that value, limiting HCC's exposure to PRPL's debt to Rs. 571 crore. These two lenders constitute 26.5% in value of the total PRPL's debt. Approvals from the remaining lenders are awaited. The condition stipulated by lenders against this approval is that HCC has to give Rs. 400 crore to PRPL over the next three years. Accordingly, HCC plans to infuse Rs. 200 crore in PRPL in Q4 FY2025 from part proceeds of the QIP, planned in December 2024. PRPL plans to use Rs. 200 crore of likely infusion from HCC and Rs. 170 crore expected claim settlement in Q4 FY2025, towards prepayment of debt due in September 2026 during the current fiscal year itself. Further, PRPL has cash and bank balance of Rs. 42.4 crore as on September 30, 2024, and the debt repayments would commence from September 2026 providing satisfactory pay-in and pay-out gap between the realisation of award proceeds and debt obligations. The rating considers the company's exposure to sizeable contingent liabilities in the form of BGs, mainly for contractual performance, mobilisation advance and security deposits. The rating is constrained by moderate execution risks as about 12% of the order book as on March 31, 2024, is in the preliminary/early stage of execution with less than 25% progress. Notwithstanding HCC's strong execution capabilities, any sizeable invocation of performance guarantees would affect the company's liquidity and financial risk profile. In this regard, ICRA takes comfort from the non-invocation of BG post RP implementation (December 2022). With improved operating performance, the company has ramped up execution in various ongoing projects, leading to a reduction in the number of stuck projects, which mitigates the BG invocation risk.

Heightened competition, input costs spike could exert pressure on profitability – The domestic civil construction industry is fragmented and highly competitive, evident from the moderate bid to success ratios. Garnering adequate number of projects and ensuring their movement remains the key for optimal use of resources and ultimately profitability. The competition has increased because of the relaxation in the bidding criteria. This, coupled with the rise in input cost, could exert pressure on HCC's profitability. ICRA notes that there is a built-in price escalation clause in most of the contracts, which protects the operating margin from raw material price fluctuation risk to some extent.

Environment and social consideration

HCC operates at multiple project sites at any point of time. Therefore, the risk of business disruptions on account of physical climate risks is low. Given that construction activity generates air pollution, entities in this sector remain exposed to the risk of temporary bans on operations in cities that are more sensitive to deteriorating air quality. Construction entities could also face social risks stemming from the health and safety concerns of workers, which could invite regulatory or legal action, besides reputational harm. HCC has a track record of maintaining healthy relationships with its workers/employees, including contractual labour with no material incidents of a slowdown in execution because of workforce management issues.

Liquidity position: Stretched

In absence of sanctioned fund-based working capital lines, HCC relies on on-balance sheet liquidity and elongated credit support from its creditors to support its working capital cycle. It had unencumbered cash and bank balance of Rs. 512.1 crore as on September 30, 2024. It is expected to maintain cash and liquid investment of over Rs. 200 crore, on a sustained basis, to support its working capital and other operational requirements. Nonetheless, given the increasing scale of operations and consequent working capital requirement, along with sizeable debt repayment obligations (~Rs. 530 crore as of March 2025), timely realisation of claims, asset monetisation, and fund raise will remain crucial for the company to improve its liquidity.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case of a sustained improvement in construction revenue while maintaining its margins, and realisation from non-core assets sale/awards resulting in material improvement in liquidity and coverage metrics.

Negative factors – Negative pressure on HCC's rating could arise if there is a slowdown in execution or sustained pressure in earnings. Moreover, any delay in realisation of awards/non-core asset sale or worsening in working capital cycle, impacting the liquidity position will be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	Consolidation

About the company

Incorporated in 1926, HCC is the flagship company of Hindustan Construction Company Group (HCC Group) and is involved in engineering and construction of infrastructure projects such as dams, tunnels, bridges, hydro, nuclear and thermal power plants, expressways and roads, marine works, water supply, irrigation systems and industrial buildings across the country. The HCC Group's principal business areas can be classified into four broad verticals: 1) engineering and construction (E&C), 2) infrastructure development, 3) real estate and 4) urban development and management. While the E&C vertical is undertaken by HCC, the rest of the activities are carried out through separate subsidiary companies. It is one of the oldest infrastructure development companies in India, founded by Mr. Seth Walchand Hirachand.

Key financial indicators (audited)

HCC -Standalone	FY2023	FY2024	H1 FY2025*
Operating income (Rs. crore)	5,200.6	5,015.7	2468.7
PAT (Rs. crore)	216.8	143.5	72.9
OPBDIT/OI (%)	12.6%	12.5%	15.1%
PAT/OI (%)	4.2%	2.9%	3.0%
Total outside liabilities/Tangible net worth (times)	9.6	7.2	5.1
Total debt/OPBDIT (times)	3.0	2.8	2.3
Interest coverage (times)	1.0	1.2	1.4

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations;*

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

<table>
<tr><th></th><th colspan="3">Current (FY2025)</th><th colspan="6">Chronology of rating history for the past 3 years</th></tr>
<tr><th></th><th></th><th></th><th></th><th colspan="2">FY2024</th><th colspan="2">FY2023</th><th colspan="2">FY2022</th></tr>
<tr><th>Instrument</th><th>Type</th><th>Amount Rated (Rs. crore)</th><th>Dec 18, 2024</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th></tr>
<tr><td rowspan="2">Non-convertible debenture</td><td rowspan="2">Long term</td><td rowspan="2">823.9</td><td rowspan="2">[ICRA]BB (Stable)</td><td>Dec 19, 2023</td><td>[ICRA]BB (Stable)</td><td>Dec 20, 2022</td><td>[ICRA]B (Stable)</td><td>-</td><td>-</td></tr>
<tr><td>Aug 22, 2023</td><td>[ICRA]B (Stable)</td><td>Aug 12, 2022</td><td>Provisional [ICRA]B (Stable)</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Optionally convertible debentures*</td><td rowspan="2">Long term</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">Aug 22, 2023</td><td rowspan="2">Provisional [ICRA]B (Stable); withdrawn</td><td>Dec 20, 2022</td><td>Provisional [ICRA]B (Stable)</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>Aug 12, 2022</td><td>Provisional [ICRA]B (Stable)</td></tr>
<tr><td rowspan="2">Non-convertible debenture*</td><td rowspan="2">Long-term</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">Aug 22, 2023</td><td rowspan="2">Provisional [ICRA]B (Stable); withdrawn</td><td>Dec 20, 2022</td><td>Provisional [ICRA]B (Stable)</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>Aug 12, 2022</td><td>Provisional [ICRA]B (Stable)</td></tr>
</table>

**Withdrawn*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture	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
INE549A07221	**Non-convertible debenture**	26-Sep-2022	0.01%	31-Mar-29	101.3	[ICRA]BB(Stable)
INE549A07213	**Non-convertible debenture**	26-Sep-2022	0.01%	30-Jun-29	267.0	[ICRA]BB(Stable)
INE549A07239	**Non-convertible debenture**	26-Sep-2022	0.01%	31-Mar-26	1.7	[ICRA]BB(Stable)
INE549A08963	**Non-convertible debenture**	26-Sep-2022	0.01%	31-Mar-29	248.0	[ICRA]BB(Stable)
INE549A08971	**Non-convertible debenture**	26-Sep-2022	0.01%	30-Jun-31	205.9	[ICRA]BB(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Prolific Resolution Private Limited	49.00%	Full Consolidation; HCC has provided guarantees for the entire debt at PRPL

ANALYST CONTACTS

Ashish Modani
+91 22 6169 3300
ashish.modani@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Rohit Agarwal
+91 22 6169 3329
rohit.agarwal@icraindia.com

Ritik Sundarka
+91 80 4332 6414
ritik.sundarka@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@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.

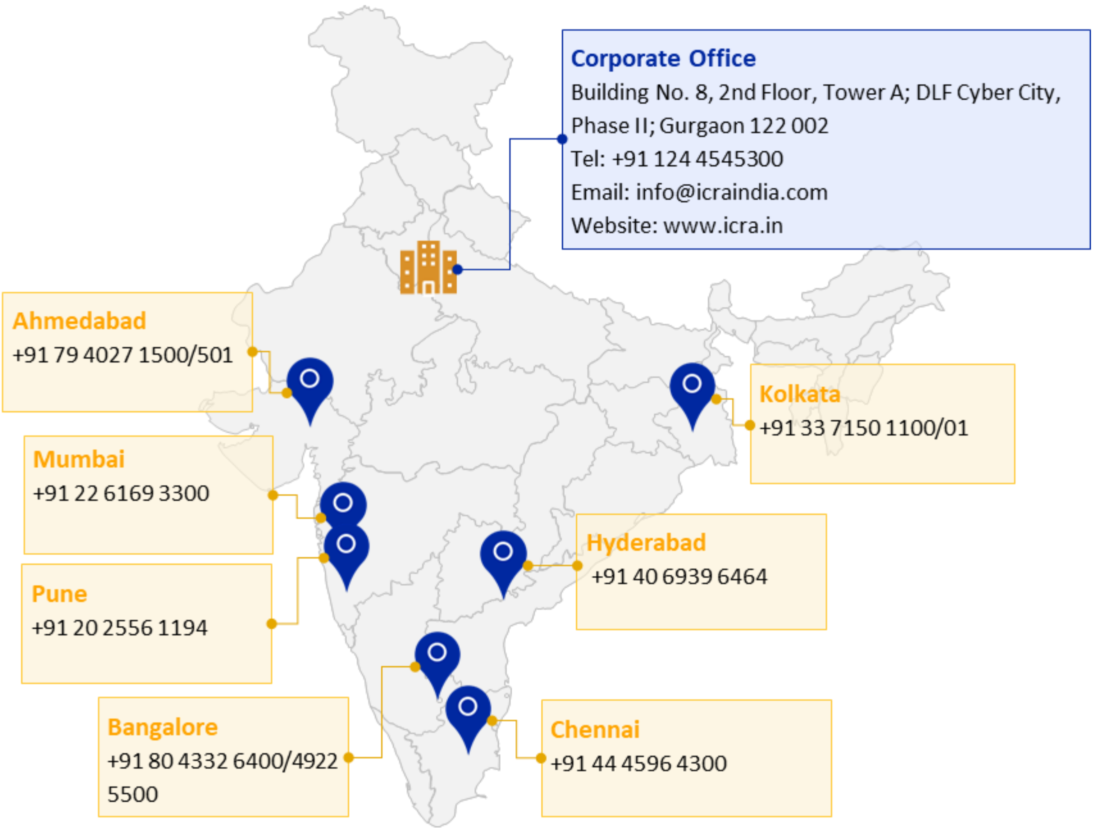
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



HCC/SEC/2024 December 18, 2024

BSE Limited
The Corporate Relationship Dept,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400 001.
Scrip Codes – 974246, 974247, 974248,
974249, 974250

Dear Sir/Madam,

Sub.: Intimation under Regulations 51 and 55 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to the provisions of Regulations 51 and 55 read with Part B of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please take note that ICRA Limited (the Credit Rating Agency) has reaffirmed the long-term rating to [ICRA]BB(Stable) for Non-Convertible Debentures amounting to Rs. 823.9 Crore.

Please find below the details of the Credit Ratings of the Company's Non-Convertible Debentures:

Details of Credit rating									
Current rating details									
Sr. No	ISIN	Name of the Credit Rating Agency	Credit rating assigned	Outlook (Stable/ Positive/ Negative/ No Outlook)	Rating Action (New/ Upgrade/ Downgrade/ Re-affirm/ Other)	Specify other rating action	Date of Credit rating	Verification status of Credit Rating Agencies	Date of verification
1	2	3	4	5	6	7	8	9	10
1 2 3 4 5	INE549A07213 INE549A08963 INE549A08971 INE549A07221 INE549A07239	ICRA Limited	[ICRA]BB (Stable)	Stable	Re-affirm	-	13-12-2024	Verified	17-12-2024

The letter from ICRA Limited reaffirming the abovementioned credit rating is enclosed herewith.

The Report covering the rationale for reaffirmation in credit rating shall be intimated to the Exchange upon receival from ICRA Limited.

Kindly take the above on record.

Thanking you,
Yours faithfully,
For Hindustan Construction Company Ltd.

NITESH
KUMAR
JHA

Digitally signed by NITESH KUMAR JHA
DN: c=IN, o=PERSONAL, title=1979,
pseudonym=bc50dc8fee544ad089ebad911
7cbd9b7,
2.5.4.20=85a282acf1b74a6ba8d538e01089e
6d1b58b675e59040a9af4e4f835f71cc335,
postalCode=410210, st=Maharashtra,
serialNumber=ea422f12d8f4e8778bf2857e9
d6c0509df9788526f7246d5a89164fa23df53
e6, cn=NITESH KUMAR JHA
Date: 2024.12.18 16:57:47 +05'30'

Nitesh Kumar Jha
Company Secretary

Encl.: As above

ICRA/Hindustan Construction Company Limited/17122024/1

Date: December 17, 2024

Mr. Rahul Shukla
Vice President - Finance

Hindustan Construction Company Limited
Hincon House, LBS Marg,
Vikhroli (West),
Mumbai - 400 083

Dear Sir,

Re: ICRA's Credit Rating for below mentioned instruments of Hindustan Construction Company Limited

As per the Rating Agreement/Statement of Work executed with ICRA Limited, ICRA's Rating Committee has taken the following rating actions for the mentioned instruments of your company.

Instrument	Rated Amount (Rs. crore)	Rating Action[1]
Non-Convertible Debentures	823.9	[ICRA]BB(Stable); reaffirmed
Total	**823.9**	

Once the instrument is issued, the rating is valid throughout the life of the captioned programme until withdrawn. However, ICRA reserves the right to review and/or, revise the above rating(s) at any time based on new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the rating(s). Therefore, request the lenders and investors to visit ICRA website at www.icra.in for latest rating(s) of the company.

The rating(s) are specific to the terms and conditions of the instruments as indicated to us by you, and any change in the terms or size of the same would require a review of the rating(s) by us. In case there is any change in the terms and conditions or the size of the rated instrument, the same must be brought to our notice before the instrument is used by you. In the event such changes occur after the rating(s) have been assigned by us and their use has been confirmed by you, the rating(s) would be subject to our review, following which there could be a change in the rating(s) previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the instrument from that specified in this letter, would constitute an enhancement that would not be covered by or under the said Rating Agreement.

The rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated NCD availed/issued by your company.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s), or occurrence of any significant development that could impact the ability of the company to raise funds such as restriction imposed by any authority from raising funds through issuance of debt securities through electronic bidding system. Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

[1] Complete definitions of the ratings assigned are available at www.icra.in.

In line with SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/160 dated November 18, 2024, issuers are encouraged to utilize the penny-drop verification service as provided by banks. This measure is intended to prevent payment failures when disbursing principal and/or interest to respective investors or debenture holders.

Penny-drop verification serves as an efficient method for confirming the bank account details of persons designated to receive payments. Once an account has been verified through this facility, it can be used for subsequent transactions related to interest and principal payments, thereby ensuring successful remittance and avoiding failure.

We look forward to your communication and assure you of our best services.

With kind regards,
Yours sincerely,
For ICRA Limited

SUPRIO BANERJEE

Digitally signed by SUPRIO BANERJEE
Date: 2024.12.17 15:19:12 +05'30'

Suprio Banerjee
Vice President and Co-group Head
supriob@icraindia.com

Annexure

Details of Limits Rated by ICRA (Rated on Long-Term Scale)

Instrument Name	Amount (Rs. Crore)	Rating	Rating Assigned on
Non-convertible debenture	823.9	[ICRA]BB(Stable)	December 13, 2024
Total	**823.9**		

HCC

HCC/SEC/2023

November 22, 2023

BSE Limited
The Corporate Relationship Dept,
1st Floor, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400 001.
Scrip Code – 974246, 974247, 974248,
974249, 974250

Dear Sir,

Sub: : Update on Credit Rating pursuant to Regulation 55 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 55 of the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, please find below the details of the Credit Ratings of the Company's non-convertible debentures:

Details of Credit rating									
Current rating details									
Sr. No	ISIN	Name of the Credit Rating Agency	Credit rating assigned	Outlook (Stable/ Positive/ Negative/ No Outlook)	Rating Action (New/ Upgrade/ Downgrade/ Re- Affirm/ Other)	Specify other rating action	Date of Credit rating	Verification status of Credit Rating Agencies	Date of verification
1	2	3	4	5	6	7	8	9	10
1 2 3 4 5	INE549A07213 INE549A08963 INE549A08971 INE549A07221 INE549A07239	CARE Ratings Ltd.	CARE BB	Stable	New	-	06-10-2023	Verified	06-10-2023

The Report from CARE Ratings Limited covering the rationale for credit rating is enclosed herewith.

Kindly take the above on record.

Thanking you,

Yours faithfully,
For Hindustan Construction Company Ltd.

Nitesh Kumar Jha
Company Secretary
Encl: as above

Hindustan Construction Co Ltd

Hincon House,
LBS Marg, Vikhroli (West),
Mumbai - 400 083, India
Tel : +91 22 2575 1000 Fax . +91 22 2577 7568
CIN : L45200MH1926PLC001228

www.hccindia.com

Hindustan Construction Company Limited
October 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non Convertible Debentures	823.90	CARE BB; Stable	Assigned
Optionally Fully Convertible Debenture	1,188.92	CARE BB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the instruments of Hindustan Construction Company Limited (HCC) derives strength from improvement in the performance of the company during FY23 (refers to period from April 01 to March 31) and Q1FY24 marked by improvement in the total operating income and profitability margins. With improved work execution and generation of revenue from core business operation, the profit from operations have improved to ~10-11% during FY23-Q1FY24. CARE Ratings Ltd. (CARE Ratings) expect the margins to remain around 9-10% going forward. The scale of operation is expected to continue register growth over the next three years backed by a healthy order book position aggregating Rs.14,772 crore as on March 31, 2023.

The ratings also factors in liquidity cushion available to the company post implementation of Debt Resolution Plan (RP) in October 2022 (w.e.f. July 01, 2022). The debt of HCC is structured such that the principal amount including interest will be repaid annually in the month of March, thereby providing cushion for the company while preventing short term asset liability mismatches during the year.

The ratings strengths, however, are tempered by stretched liquidity profile with extended working capital cycle, high debt level with large debt repayment obligations, absence of working capital lines to complement the growing scale of operation and presence in highly competitive and fragmented industry.

HCC has planned various alternatives to improve its liquidity profile and support the business requirement; which include monetization of land parcel, fund raising via equity issuance, settlement of some of the arbitration claims and stake sale proceeds from one project. etc. Fructification of the planned fund raising is likely to enable debt reduction/augment liquidity and is considered as credit positive.

CARE also notes that the HCC has extended corporate guarantee towards the debt transferred to PRPL as part of implementation of RP although the transferred debt has satisfactory moratorium period to realize the awards and claims before the debt repayments commences in September 2026.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in liquidity profile with recovery of debtors/receipt of arbitration claim proceeds.
- Meaningful fructification of various plans leading to receipt of exceptional cash flows.
- Tie up of working capital funds to support the pace of work execution.
- Growth in scale of operations and cash accruals while improving liquidity.

Negative factors

- Slowdown in work execution with impact on profitability and liquidity.
- Further elongation of operating cycle with pressure on working capital position.
- In ordinate delay in fructification of funds raising plans.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects satisfactory order book position and established track record of execution which thereby supporting the growth in scale and profitability.

Detailed description of the key rating drivers:

Key strengths

Improvement in financial performance during FY23 and Q1FY24:

The performance of the company improved significantly during FY23 marked by growth in the total operating income and PBILDT by 11% and 40% respectively. The profit from operations improved to 10.64% during FY23 (8.44% during FY22) backed by healthy work execution. The performance was impacted earlier due to slow moving projects, write off and provisioning on Lavasa Corporation Ltd. (Lavasa asset). Traction in order book movement has supported the growth in scale. Also, pursuant to initiation

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

of Corporate Insolvency Resolution Process (CIRP), under Insolvency and Bankruptcy Code, 2016, HCC has no control over Lavasa and its subsidiaries. With the implementation of RP, the interest expenses have reduced thereby supporting the PAT margin. The company reported PAT margin of 5.36% during FY23 (net losses during FY22).
Performance remained satisfactory in Q1FY24 with revenue growth of 25%. The PBILDT margin improved to 12.6% while PAT margin stood at 1.54% during Q1FY24.
Tie-up of fund based limits and completion of slow moving existing projects while bidding for new projects at comfortable margins is key for scaling up of operations and improvement of profitability levels going forward.

Restructured debt with repayment once in a year
Post implementation of RP, the debt of HCC is restructured such that the principal amount including interest will be repaid annually in the month of March. The same is thus expected to give time for the company to mobilize funds by the end of the year preventing short term asset liability mismatches during the year.
As part of RP implementation, HCC has transferred Rs.2,854 crore of debt along with awards and claims of Rs.6,500 crore providing asset cover of 3x. HCC has given corporate guarantee towards the debt transferred to the SPV, Prolific Resolution Private Limited (PRPL). However, the transferred debt has a comfortable moratorium period with repayments commencing from September 2026 providing cushion to realize the awards and claims before the commencement of debt repayments.

Healthy order book with geographical and segmental diversification
HCC's total order book position as on March 31, 2023 stood at Rs.14,772 crore (Rs.13,784 crore as on June 30, 2022) which is 3x the total operating income of FY23 to be executed over a period of next 24-36 months, thereby providing medium-long term revenue visibility in the company. However, majority of projects are on Joint Venture impacting the operating margin.
Out of the total order book, 51% of orders pertain to Transportation Segment (Rs.7,522 crore) followed by Hydro (26%; Rs.3,819 crore), Water works (16%; Rs.2,432 crore) and Nuclear and Special segment (7%; Rs.999 crore).
Also, the order book is geographically well diversified with orders spread across more than 10 states, i.e., Uttarakhand (31%), Maharashtra (16%), Gujarat (15%), Tamil Nadu (13%), Jammu & Kashmir (8%), Manipur (7%), Rajasthan (4%), Delhi (1%), Assam (1%) etc.

Extensive experience in the construction industry
HCC was founded by Seth Walchand Hirachand in 1926 and is one of the oldest infrastructure development companies in the country. The company is spearheaded by Mr. Ajit Gulabchand, Chairman and Managing Director who has extensive experience in the infrastructure industry and demonstrated capabilities in executing relatively complex projects in civil, hydro and transportation segments. Mr. Arjun Dhawan, Vice Chairman of HCC is an active member of World Economic Forum and has experience of working as investment banker with Leveraged Finance Groups of Donaldson, Lufkin & Jenrette and Credit Suisse First Boston.
The management is supported by a team of experienced and qualified professionals.

Government initiative on settlement of pending arbitration claims
Government of India has implemented one time settlement scheme called "Vivad se Vishwas II (Contractual Disputes)" to effectively settle pending arbitration disputes. The scheme seeks to address the liquidity issue of the contractors by providing resolution to the contractual disputes under arbitration with the Government bodies. HCC has awards and claims of Rs.5,012 crore outstanding as on March 31, 2023; out of which it has favorable awards to the tune of Rs.1,379 crore. The company seeks to use the platform to settle some of the arbitration claims with the proceeds to be utilised for debt reduction. While successful implementation of the scheme remains to be seen; once operationalised, it is expected to benefit HCC in augmenting the liquidity which is seen as credit positive.

Key weaknesses

High debt level with weak debt coverage metrics
The company has a leveraged capital structure with high debt level and erosion of networth due to losses reported in the past. The term debt has been high due to debt funded investment undertaken which has not yielded returns for the company. Further, term debt comprises invoked corporate guarantee portion of Lavasa asset. HCC has also guaranteed debt obligation of PRPL (Rs.2854 crore) for which repayments commence from September 2026.
Debt-equity is weak at 4.87x as on Mar 31, 2023. While the core business operation has witnessed improvement, the high debt repayment obligation results in tightly matched cashflows and stretched coverage metrics with debt/PBILDT close to 9.5x for FY23. The debt/EBITDA is expected to improve in the medium term upon fructification of various funds raising plans. Going forward, materialization of fund raising plans within timebound manner is extremely critical.

Extended collection period with stretched liquidity profile
The operating cycle of the company has been extended at around ~290 days in FY23; although reduced from ~430 days in FY22. The receivable position has been stretched with large debtors built up comprising unbilled revenue, disputed debtors under arbitration and retention proceeds. Post transfer of awards to PRPL, the disputed debtors of HCC has reduced from Rs.2,958 crore as on March 31, 2022 to Rs.1,383 crore as on March 31, 2023. With slow moving work orders and delays in achievement of milestone billing, the unbilled revenue has been on the higher side. However, there is traction in old projects which might enable release of the pending receivable. The company does not have working capital lines and relies on advances from customers as well as creditors funding.
HCC has liquidity augmentation plans including which include monetization of land parcel, fund raising via equity issuance, settlement of some of the arbitration claims through Vivaad Se Vishwaas scheme/issuance of bank guarantee etc. Fructification of the planned fund raising with subsequent improvement in leverage and liquidity is key rating monitorable.

Presence in a highly fragmented and competitive construction industry:
HCC operates in the intensely competitive construction industry wherein projects are awarded on the basis of relevant experience of the bidder, financial capability and most attractive bid price. The high competition in the construction industry is due to the presence of large number of small and medium players resulting in aggressive bidding which exerts pressure on the margins. However, HCC has rich experience in handling complex projects with national importance, long standing track record in the construction industry and cordial relations with its clients which fares well against the peers in the industry.

Liquidity: Stretched
Liquidity is marked by tightly matched accruals vis-à-vis repayment obligations, absence of fund based working capital limits and modest cash balance.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Construction
Infrastructure Sector Ratings
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

HCC was promoted by late Mr. Walchand Hirachand in 1926 and is presently spearheaded by Mr. Ajit Gulabchand, Chairman and Managing Director. HCC is one of the largest 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.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (U/A)
Total operating income	4261	4,726	1216
PBILDT	360	503	154
PAT	-153	253	19
Overall gearing (times)	17.21	6.68	NA
Interest coverage (times)	0.38	0.76	1.22

A: Audited U/A: Unaudited; NA: Not Available; Note: ‘the above results are latest financial results available’

PBILDT calculation excludes arbitration income and expense.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE549A07213	26-09-2022	0.01	30-06-2029	823.90	CARE BB; Stable
	INE549A08963			31-03-2029		
	INE549A08971			30-06-2031		
	INE549A07221			31-03-2029		
	INE549A07239			31-03-2026		
Debentures-Optionally Fully Convertible Debenture	INE549A07247	06-01-2017	0.01	31-03-2029	1188.92	CARE BB; Stable
	INE549A07254					
	INE549A07262					
	INE549A07270					
	INE549A07288					
	INE549A07296					

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Sep-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
2	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (07-Oct-22) 2)CARE D (30-Sep-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
3	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (30-Dec-22) 2)CARE B+; Stable (30-Dec-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	7313.28	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (20-Sep-23)	1)CARE B+; Stable / CARE A4 (30-Dec-22)	1)CARE D / CARE D (01-Oct-21)	1)CARE D / CARE D (08-Oct-20)
5	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B+; Stable (30-Dec-22) 2)Withdrawn (30-Dec-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
6	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (07-Oct-22) 2)CARE D (30-Sep-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
7	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE B+; Stable (30-Dec-22) 2)Withdrawn (30-Dec-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
8	Debentures-Non Convertible Debentures	LT	823.90	CARE BB; Stable				
9	Debentures-Optionally Fully Convertible Debenture	LT	1188.92	CARE BB; Stable				
10	Fund-based - LT-External Commercial Borrowings	LT	144.50	CARE BB; Stable	1)CARE BB; Stable (20-Sep-23)	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Debentures-Optionally Fully Convertible Debenture	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Maulesh Desai Director **CARE Ratings Limited** Phone: +91-79-40265605 E-mail: maulesh.desai@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	Puja Jalan Associate Director **CARE Ratings Limited** Phone: +91-40-40102030 E-mail: puja.jalan@careedge.in Kamal Khan Assistant Director **CARE Ratings Limited** E-mail: kamal.khan@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

HCC/SEC/2023

November 22, 2023

BSE Limited The Corporate Relationship Dept, 1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. Scrip Code – 500185, 974246, 974247, 974248, 974249, 974250	**National Stock Exchange of India Ltd.** Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051. Scrip Code - HCC

Dear Sir,

Sub: : Update on Credit Rating pursuant to Regulation 30 & 51 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 & 51 of the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, please find below the details of the Credit Ratings of the Company's borrowing facilities and debentures:

Facilities/ Instruments	Rating	Rating Actions
Long Term Bank Facilities	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	CARE BB; Stable / CARE A4	Revised from CARE B+; Stable / CARE A4
Non-Convertible Debentures	CARE BB; Stable	Assigned
Optionally Fully Convertible Debenture	CARE BB; Stable	Assigned

The Reports from CARE Ratings Limited covering the rationale for credit ratings is enclosed herewith.

Kindly take the above on record.

Thanking you,

Yours faithfully,
For Hindustan Construction Company Ltd.

Nitesh Kumar Jha
Company Secretary
Encl: as above

Hindustan Construction Co Ltd
Hincon House,
LBS Marg, Vikhroli (West),
Mumbai - 400 083, India
Tel : +91 22 2575 1000 Fax : +91 22 2577 7568
CIN : L45200MH1926PLC001228

www.hccindia.com

Hindustan Construction Company Limited
September 20, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	144.50	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	7,313.28 (Enhanced from 3,697.38)	CARE BB; Stable / CARE A4	Revised from CARE B+; Stable / CARE A4

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the long term rating assigned to the bank facilities of Hindustan Construction Company Limited (HCC) derives strength from improvement in the performance of the company during FY23 (refers to period from April 01 to March 31) and Q1FY24 marked by improvement in the total operating income and profitability margins. With improved work execution and generation of revenue from core business operation, the profit from operations have improved to ~10-11% during FY23-Q1FY24. CARE Ratings Ltd. (CARE Ratings) expect the margins to remain around 9-10% going forward. The scale of operation is expected to continue register growth over the next three years backed by a healthy order book position aggregating Rs.14,772 crore as on March 31, 2023.

The ratings also factors in liquidity cushion available to the company post implementation of Debt Resolution Plan (RP) in October 2022 (w.e.f. July 01, 2022). The debt of HCC is structured such that the principal amount including interest will be repaid annually in the month of March, thereby providing cushion for the company while preventing short term asset liability mismatches during the year.

The ratings strengths, however, are tempered by stretched liquidity profile with extended working capital cycle, high debt level with large debt repayment obligations, absence of working capital lines to complement the growing scale of operation and presence in highly competitive and fragmented industry.

HCC has planned various alternatives to improve its liquidity profile and support the business requirement; which include monetization of land parcel, fund raising via equity issuance, settlement of some of the arbitration claims and stake sale proceeds from one project. etc. Fructification of the planned fund raising is likely to enable debt reduction/augment liquidity and is considered as credit positive.

CARE also notes that the HCC has extended corporate guarantee towards the debt transferred to PRPL as part of implementation of RP although the transferred debt has satisfactory moratorium period to realize the awards and claims before the debt repayments commences in September 2026.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in liquidity profile with recovery of debtors/receipt of arbitration claim proceeds.
- Meaningful fructification of various plans leading to receipt of exceptional cash flows.
- Tie up of working capital funds to support the pace of work execution.
- Growth in scale of operations and cash accruals while improving liquidity.

Negative factors

- Slowdown in work execution with impact on profitability and liquidity.
- Further elongation of operating cycle with pressure on working capital position.
- In ordinate delay in fructification of funds raising plans.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects satisfactory order book position and established track record of execution which thereby supporting the growth in scale and profitability.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers:

Key strengths

Improvement in financial performance during FY23 and Q1FY24:
The performance of the company improved significantly during FY23 marked by growth in the total operating income and PBILDT by 11% and 40% respectively. The profit from operations improved to 10.64% during FY23 (8.44% during FY22) backed by healthy work execution. The performance was impacted earlier due to slow moving projects, write off and provisioning on Lavasa Corporation Ltd. (Lavasa asset). Traction in order book movement has supported the growth in scale. Also, pursuant to initiation of Corporate Insolvency Resolution Process (CIRP), under Insolvency and Bankruptcy Code, 2016, HCC has no control over Lavasa and its subsidiaries. With the implementation of RP, the interest expenses have reduced thereby supporting the PAT margin. The company reported PAT margin of 5.36% during FY23 (net losses during FY22).
Performance remained satisfactory in Q1FY24 with revenue growth of 25%. The PBILDT margin improved to 12.6% while PAT margin stood at 1.54% during Q1FY24.
Tie-up of fund based limits and completion of slow moving existing projects while bidding for new projects at comfortable margins is key for scaling up of operations and improvement of profitability levels going forward.

Restructured debt with repayment once in a year
Post implementation of RP, the debt of HCC is restructured such that the principal amount including interest will be repaid annually in the month of March. The same is thus expected to give time for the company to mobilize funds by the end of the year preventing short term asset liability mismatches during the year.
As part of RP implementation, HCC has transferred Rs.2,854 crore of debt along with awards and claims of Rs.6,500 crore providing asset cover of 3x. HCC has given corporate guarantee towards the debt transferred to the SPV, Prolific Resolution Private Limited (PRPL). However, the transferred debt has a comfortable moratorium period with repayments commencing from September 2026 providing cushion to realize the awards and claims before the commencement of debt repayments.

Healthy order book with geographical and segmental diversification
HCC's total order book position as on March 31, 2023 stood at Rs.14,772 crore (Rs.13,784 crore as on June 30, 2022) which is 3x the total operating income of FY23 to be executed over a period of next 24-36 months, thereby providing medium-long term revenue visibility in the company. However, majority of projects are on Joint Venture impacting the operating margin.
Out of the total order book, 51% of orders pertain to Transportation Segment (Rs.7,522 crore) followed by Hydro (26%; Rs.3,819 crore), Water works (16%; Rs.2,432 crore) and Nuclear and Special segment (7%; Rs.999 crore).
Also, the order book is geographically well diversified with orders spread across more than 10 states, i.e., Uttarakhand (31%), Maharashtra (16%), Gujarat (15%), Tamil Nadu (13%), Jammu & Kashmir (8%), Manipur (7%), Rajasthan (4%), Delhi (1%), Assam (1%) etc.

Extensive experience in the construction industry
HCC was founded by Seth Walchand Hirachand in 1926 and is one of the oldest infrastructure development companies in the country. The company is spearheaded by Mr. Ajit Gulabchand, Chairman and Managing Director who has extensive experience in the infrastructure industry and demonstrated capabilities in executing relatively complex projects in civil, hydro and transportation segments. Mr. Arjun Dhawan, Vice Chairman of HCC is an active member of World Economic Forum and has experience of working as investment banker with Leveraged Finance Groups of Donaldson, Lufkin & Jenrette and Credit Suisse First Boston.
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Key weaknesses

High debt level with weak debt coverage metrics
The company has a leveraged capital structure with high debt level and erosion of networth due to losses reported in the past. The term debt has been high due to debt funded investment undertaken which has not yielded returns for the company. Further,

term debt comprises invoked corporate guarantee portion of Lavasa asset. HCC has also guaranteed debt obligation of PRPL (Rs.2854 crore) for which repayments commence from September 2026.
Debt-equity is weak at 4.87x as on Mar 31, 2023. While the core business operation has witnessed improvement, the high debt repayment obligation results in tightly matched cashflows and stretched coverage metrics with debt/PBILDT close to 9.5x for FY23. The debt/EBITDA is expected to improve in the medium term upon fructification of various funds raising plans. Going forward, materialization of fund raising plans within timebound manner is extremely critical.

Extended collection period with stretched liquidity profile
The operating cycle of the company has been extended at around ~290 days in FY23; although reduced from ~430 days in FY22. The receivable position has been stretched with large debtors built up comprising unbilled revenue, disputed debtors under arbitration and retention proceeds. Post transfer of awards to PRPL, the disputed debtors of HCC has reduced from Rs.2,958 crore as on March 31, 2022 to Rs.1,383 crore as on March 31, 2023. With slow moving work orders and delays in achievement of milestone billing, the unbilled revenue has been on the higher side. However, there is traction in old projects which might enable release of the pending receivable. The company does not have working capital lines and relies on advances from customers as well as creditors funding.
HCC has liquidity augmentation plans including which include monetization of land parcel, fund raising via equity issuance, settlement of some of the arbitration claims through Vivaad Se Vishwaas scheme/issuance of bank guarantee etc. Fructification of the planned fund raising with subsequent improvement in leverage and liquidity is key rating monitorable.

Presence in a highly fragmented and competitive construction industry:
HCC operates in the intensely competitive construction industry wherein projects are awarded on the basis of relevant experience of the bidder, financial capability and most attractive bid price. The high competition in the construction industry is due to the presence of large number of small and medium players resulting in aggressive bidding which exerts pressure on the margins. However, HCC has rich experience in handling complex projects with national importance, long standing track record in the construction industry and cordial relations with its clients which fares well against the peers in the industry.

Liquidity: Stretched

Liquidity is marked by tightly matched accruals vis-à-vis repayment obligations, absence of fund based working capital limits and modest cash balance.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Construction
Infrastructure Sector Ratings
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

HCC was promoted by late Mr. Walchand Hirachand in 1926 and is presently spearheaded by Mr. Ajit Gulabchand, Chairman and Managing Director. HCC is one of the largest 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.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (U/A)
Total operating income	4261	4,726	1216
PBILDT	360	503	154
PAT	-153	253	19
Overall gearing (times)	17.21	6.68	NA
Interest coverage (times)	0.38	0.76	1.22

A: Audited U/A: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'
PBILDT calculation excludes arbitration income and expense.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-External Commercial Borrowings	-	-	-	December 31, 2030	144.50	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	7313.28	CARE BB; Stable / CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Sep-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
2	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (07-Oct-22) 2)CARE D (30-Sep-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
3	Term Loan-Long Term	LT	-	-	-	1)CARE B+; Stable (30-Dec-22) 2)Withdrawn (30-Dec-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	7313.28	CARE BB; Stable / CARE A4	-	1)CARE B+; Stable / CARE A4 (30-Dec-22)	1)CARE D / CARE D (01-Oct-21)	1)CARE D / CARE D (08-Oct-20)
5	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B+; Stable (30-Dec-22) 2)Withdrawn (30-Dec-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
6	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (07-Oct-22) 2)CARE D (30-Sep-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
7	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (30-Dec-22) 2)CARE B+; Stable (30-Dec-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
8	Fund-based - LT-External Commercial Borrowings	LT	144.50	CARE BB; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-External Commercial Borrowings	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Maulesh Desai Director **CARE Ratings Limited** Phone: +91-79-40265605 E-mail: maulesh.desai@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	Puja Jalan Associate Director **CARE Ratings Limited** Phone: +91-40-40102030 E-mail: puja.jalan@careedge.in Kamal Khan Assistant Director **CARE Ratings Limited** E-mail: kamal.khan@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Hindustan Construction Company Limited

October 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non Convertible Debentures	823.90	CARE BB; Stable	Assigned
Optionally Fully Convertible Debenture	1,188.92	CARE BB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the instruments of Hindustan Construction Company Limited (HCC) derives strength from improvement in the performance of the company during FY23 (refers to period from April 01 to March 31) and Q1FY24 marked by improvement in the total operating income and profitability margins. With improved work execution and generation of revenue from core business operation, the profit from operations have improved to ~10-11% during FY23-Q1FY24. CARE Ratings Ltd. (CARE Ratings) expect the margins to remain around 9-10% going forward. The scale of operation is expected to continue register growth over the next three years backed by a healthy order book position aggregating Rs.14,772 crore as on March 31, 2023.

The ratings also factors in liquidity cushion available to the company post implementation of Debt Resolution Plan (RP) in October 2022 (w.e.f. July 01, 2022). The debt of HCC is structured such that the principal amount including interest will be repaid annually in the month of March, thereby providing cushion for the company while preventing short term asset liability mismatches during the year.

The ratings strengths, however, are tempered by stretched liquidity profile with extended working capital cycle, high debt level with large debt repayment obligations, absence of working capital lines to complement the growing scale of operation and presence in highly competitive and fragmented industry.

HCC has planned various alternatives to improve its liquidity profile and support the business requirement; which include monetization of land parcel, fund raising via equity issuance, settlement of some of the arbitration claims and stake sale proceeds from one project. etc. Fructification of the planned fund raising is likely to enable debt reduction/augment liquidity and is considered as credit positive.

CARE also notes that the HCC has extended corporate guarantee towards the debt transferred to PRPL as part of implementation of RP although the transferred debt has satisfactory moratorium period to realize the awards and claims before the debt repayments commences in September 2026.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in liquidity profile with recovery of debtors/receipt of arbitration claim proceeds.
- Meaningful fructification of various plans leading to receipt of exceptional cash flows.
- Tie up of working capital funds to support the pace of work execution.
- Growth in scale of operations and cash accruals while improving liquidity.

Negative factors

- Slowdown in work execution with impact on profitability and liquidity.
- Further elongation of operating cycle with pressure on working capital position.
- In ordinate delay in fructification of funds raising plans.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects satisfactory order book position and established track record of execution which thereby supporting the growth in scale and profitability.

Detailed description of the key rating drivers:

Key strengths

Improvement in financial performance during FY23 and Q1FY24:

The performance of the company improved significantly during FY23 marked by growth in the total operating income and PBILDT by 11% and 40% respectively. The profit from operations improved to 10.64% during FY23 (8.44% during FY22) backed by healthy work execution. The performance was impacted earlier due to slow moving projects, write off and provisioning on Lavasa Corporation Ltd. (Lavasa asset). Traction in order book movement has supported the growth in scale. Also, pursuant to initiation

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

of Corporate Insolvency Resolution Process (CIRP), under Insolvency and Bankruptcy Code, 2016, HCC has no control over Lavasa and its subsidiaries. With the implementation of RP, the interest expenses have reduced thereby supporting the PAT margin. The company reported PAT margin of 5.36% during FY23 (net losses during FY22).
Performance remained satisfactory in Q1FY24 with revenue growth of 25%. The PBILDT margin improved to 12.6% while PAT margin stood at 1.54% during Q1FY24.
Tie-up of fund based limits and completion of slow moving existing projects while bidding for new projects at comfortable margins is key for scaling up of operations and improvement of profitability levels going forward.

Restructured debt with repayment once in a year
Post implementation of RP, the debt of HCC is restructured such that the principal amount including interest will be repaid annually in the month of March. The same is thus expected to give time for the company to mobilize funds by the end of the year preventing short term asset liability mismatches during the year.
As part of RP implementation, HCC has transferred Rs.2,854 crore of debt along with awards and claims of Rs.6,500 crore providing asset cover of 3x. HCC has given corporate guarantee towards the debt transferred to the SPV, Prolific Resolution Private Limited (PRPL). However, the transferred debt has a comfortable moratorium period with repayments commencing from September 2026 providing cushion to realize the awards and claims before the commencement of debt repayments.

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HCC was founded by Seth Walchand Hirachand in 1926 and is one of the oldest infrastructure development companies in the country. The company is spearheaded by Mr. Ajit Gulabchand, Chairman and Managing Director who has extensive experience in the infrastructure industry and demonstrated capabilities in executing relatively complex projects in civil, hydro and transportation segments. Mr. Arjun Dhawan, Vice Chairman of HCC is an active member of World Economic Forum and has experience of working as investment banker with Leveraged Finance Groups of Donaldson, Lufkin & Jenrette and Credit Suisse First Boston.
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Key weaknesses

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The company has a leveraged capital structure with high debt level and erosion of networth due to losses reported in the past. The term debt has been high due to debt funded investment undertaken which has not yielded returns for the company. Further, term debt comprises invoked corporate guarantee portion of Lavasa asset. HCC has also guaranteed debt obligation of PRPL (Rs.2854 crore) for which repayments commence from September 2026.
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Liquidity: Stretched
Liquidity is marked by tightly matched accruals vis-à-vis repayment obligations, absence of fund based working capital limits and modest cash balance.

Assumptions/Covenants: Not applicable

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Construction
Infrastructure Sector Ratings
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Interest coverage (times)	0.38	0.76	1.22

A: Audited U/A: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

PBILDT calculation excludes arbitration income and expense.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

<table>
<tr><th>Name of the Instrument</th><th>ISIN</th><th>Date of Issuance (DD-MM-YYYY)</th><th>Coupon Rate (%)</th><th>Maturity Date (DD-MM-YYYY)</th><th>Size of the Issue (₹ crore)</th><th>Rating Assigned along with Rating Outlook</th></tr>
<tr><td rowspan="5">Debentures-Non Convertible Debentures</td><td>INE549A07213</td><td rowspan="5">26-09-2022</td><td rowspan="5">0.01</td><td>30-06-2029</td><td rowspan="5">823.90</td><td rowspan="5">CARE BB; Stable</td></tr>
<tr><td>INE549A08963</td><td>31-03-2029</td></tr>
<tr><td>INE549A08971</td><td>30-06-2031</td></tr>
<tr><td>INE549A07221</td><td>31-03-2029</td></tr>
<tr><td>INE549A07239</td><td>31-03-2026</td></tr>
<tr><td rowspan="6">Debentures-Optionally Fully Convertible Debenture</td><td>INE549A07247</td><td rowspan="6">06-01-2017</td><td rowspan="6">0.01</td><td rowspan="6">31-03-2029</td><td rowspan="6">1188.92</td><td rowspan="6">CARE BB; Stable</td></tr>
<tr><td>INE549A07254</td></tr>
<tr><td>INE549A07262</td></tr>
<tr><td>INE549A07270</td></tr>
<tr><td>INE549A07288</td></tr>
<tr><td>INE549A07296</td></tr>
</table>

Annexure-2: Rating history for the last three years

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Name of the Instrument/Bank Facilities</th><th colspan="3">Current Ratings</th><th colspan="4">Rating History</th></tr>
<tr><th>Type</th><th>Amount Outstanding (₹ crore)</th><th>Rating</th><th>Date(s) and Rating(s) assigned in 2023-2024</th><th>Date(s) and Rating(s) assigned in 2022-2023</th><th>Date(s) and Rating(s) assigned in 2021-2022</th><th>Date(s) and Rating(s) assigned in 2020-2021</th></tr>
<tr><td>1</td><td>Debentures-Non Convertible Debentures</td><td>LT</td><td>-</td><td>-</td><td>-</td><td>1)Withdrawn (30-Sep-22)</td><td>1)CARE D (01-Oct-21)</td><td>1)CARE D (08-Oct-20)</td></tr>
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2)CARE D (30-Sep-22)</td><td>1)CARE D (01-Oct-21)</td><td>1)CARE D (08-Oct-20)</td></tr>
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2)CARE B+; Stable (30-Dec-22)</td><td>1)CARE D (01-Oct-21)</td><td>1)CARE D (08-Oct-20)</td></tr>
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4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	7313.28	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (20-Sep-23)	1)CARE B+; Stable / CARE A4 (30-Dec-22)	1)CARE D / CARE D (01-Oct-21)	1)CARE D / CARE D (08-Oct-20)
5	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B+; Stable (30-Dec-22) 2)Withdrawn (30-Dec-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)
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8	Debentures-Non Convertible Debentures	LT	823.90	CARE BB; Stable				
9	Debentures-Optionally Fully Convertible Debenture	LT	1188.92	CARE BB; Stable				
10	Fund-based - LT-External Commercial Borrowings	LT	144.50	CARE BB; Stable	1)CARE BB; Stable (20-Sep-23)	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Debentures-Optionally Fully Convertible Debenture	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Maulesh Desai Director **CARE Ratings Limited** Phone: +91-79-40265605 E-mail: maulesh.desai@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	Puja Jalan Associate Director **CARE Ratings Limited** Phone: +91-40-40102030 E-mail: puja.jalan@careedge.in Kamal Khan Assistant Director **CARE Ratings Limited** E-mail: kamal.khan@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

CARE Ratings
Professional Risk Opinion

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

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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

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

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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)

For the period ended / as at Mar.31,	*2016*	*2017*	*2018*
	(12m, A)	*(12m, A)*	*(12m, A)*
Working Results			
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

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For the period ended / as at Mar.31,	*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			
Growth			
Growth in Total income (%)	2.95	1.10	8.67
Growth in PAT (after D.Tax) (%)	8.62	-ve	30.50
Profitability			
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
Solvency			
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
Liquidity			
Current ratio(times)	0.80	1.07	0.68
Quick ratio(times)	0.77	1.03	0.64
Turnover			
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)
4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai - 400 022.
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About CARE Ratings:

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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

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	Loan				NOT COOPERATING* (06-Apr-18)	(19-Apr-17)		(18-Feb-16) 2)CARE D (16-Apr-15)

Annexure-3: Details of Rated Facilities

Long-term facilities

<u>1.A. Term Loans</u>

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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