



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	INE549A07213	CARE Ratings Ltd.	CARE BB	Stable	New	-	06-10-2023	Verified	06-10-2023
2	INE549A08963								
3	INE549A08971								
4	INE549A07221								
5	INE549A07239								

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

¹Complete 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

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

Disclaimer:

The ratings issued by CARE Ratings 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 has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings 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 have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings 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 is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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
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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

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.

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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.
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Negative factors

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Outlook: Stable

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Detailed description of the key rating drivers:

Key strengths

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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).

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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

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Key weaknesses

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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.

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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

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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.

Disclaimer:

The ratings issued by CARE Ratings 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 has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings 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 have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings 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 is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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.
- Inordinate 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

¹Complete 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.

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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](#)

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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

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

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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.

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CARE/HO/RR/2018-19/2721

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

April 04, 2019

Dear Sir,

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

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

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

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

Thanking you,

Yours faithfully,



Sharmila Jain
Associate Director
sharmila.jain@careratings.com

Encl.: As above

Rating Rationale
Hindustan Construction Company Limited

Ratings

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

Details of facilities/instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

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

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

Detailed description of the key rating drivers

Delays in Debt Servicing:

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

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

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

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

Elongated working capital cycle:

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

Analytical approach: Standalone

Applicable Criteria

CARE's Policy on Default Recognition

About the Company

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

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

Financial Performance:

(Rs. crore)

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

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

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

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


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

About CARE Ratings:

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

Disclaimer

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

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

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Annexure-1: Details of Facilities

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

Annexure-2: Rating History of last three years

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

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

Long-term facilities

1.A. Term Loans

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

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1. B. Fund Based limits (Cash Credit)

(Rs. crore)

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

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

(Rs in crore)

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

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