HCC

HCC/SEC/2024

December 18, 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 Regulation 30(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015</u>

Pursuant to the provisions of Regulation 30 (2) read with Para A of Part A 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.

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 Exchanges 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=bc50dc8fee544ad089ebad9117cbd9b7, 2.5.4.20=85a282acf1b74a6ba8d538e01089e6d1b58b675e59040a9af4e4f835f71cc335, postalCode=410210, st=Maharashtra, serialNumber=ea422f12d8f4e8778bf2857e9d6c0509df9788526f7246d5a89164fa23df53e6, cn=NITESH KUMAR JHA
Date: 2024.12.18 16:58:29 +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

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/2024 September 05, 2024

BSE Limited	National Stock Exchange of India Ltd.
The Corporate Relationship Dept, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. Scrip Code – 500185, 974246, 974247, 974248, 974249, 974250	Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051. Symbol - 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 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 BB+; Positive	Revised from CARE BB; Stable
Long Term / Short Term Facilities	7313.28	CARE BB+; Positive / CARE A4+	Revised from CARE BB; Stable / CARE A4
Non-Convertible Debentures	753.00	CARE BB+; Positive	Revised from CARE BB; Stable
Optionally Fully Convertible Debenture	863.88	CARE BB+; Positive	Revised from CARE BB; Stable

The report from CARE Ratings Ltd. 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

Digitally signed by NITESH KUMAR JHA
DN: c=IN, o=PERSONAL, title=1979, pseudonym=bc50dc8fee544ad089ebad9117cbd9b7, 2.5.4.20=85a282acf1b74a6ba8d538e01089e6d1b58b675e59040a9af4e4f835f71cc335, postalCode=410210, st=Maharashtra, serialNumber=ea422f12d8f4e8778bf2857e9d6c0509df9788526f7246d5a89164fa23df53e6, cn=NITESH KUMAR JHA
Date: 2024.09.05 16:20:32 +05'30'

Nitesh Kumar Jha
Company Secretary
Encl: as above

Hindustan Construction Company Limited
August 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	121.12 (Reduced from 144.50)	CARE BB+; Positive	Revised from CARE BB; Stable
Long Term / Short Term Bank Facilities	7,313.28	CARE BB+; Positive / CARE A4+	Revised from CARE BB; Stable / CARE A4
Non Convertible Debentures	753.00 (Reduced from 823.90)	CARE BB+; Positive	Revised from CARE BB; Stable
Optionally Fully Convertible Debenture	863.88 (Reduced from 1,188.92)	CARE BB+; Positive	Revised from CARE BB; Stable

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) is on account of improvement in the financial performance of the company during FY24 (refers to period from April 01 to March 31) with the company reporting revenue of Rs.4,888 crore during FY24 with substantial improvement in the PBILDT margin during the year. PBILDT margin doubled from 5.05% during FY23 to 10.16% during FY24 due to execution of high margin projects, lower litigation expenses during the year and reduction in impact of legacy projects. The performance continued to remain satisfactory during Q1FY25 with revenue growth of 2.8% and PBILDT margin maintained at 12.60% during the quarter.

The rating also factors in satisfactory business growth prospects with order book position of Rs.10,475 crore as on Mar. 31, 2024, which provides revenue visibility for the next two years and also orders at L1 stage worth ~Rs.4,600 crore.

There has been marked improvement in the liquidity profile of the company led by fructification of fund raising plans via rights issue (of Rs.350 crore), monetization of assets as well as recovery of debtors under arbitration. The funds raised have supported the debt servicing obligations along with financing the working capital requirements. HCC has further proposed raising additional equity via Qualified Institutional Placement (QIP) by Q2FY25 which would support the business growth and augment the liquidity position.

The ratings continue to derive strength from the long-established track record, demonstrated project execution capabilities, experienced management and diversified order book position.

The ratings strengths, however, are tempered by stretched liquidity profile with 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. With significant debt repayments, cashflow from operations would not be sufficient to service the debt and is dependent on fund raising, planned monetisation and resolution of arbitration claims and awards in a timely manner.

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.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the order book position with scaling up of operation while maintaining profitability.
- Fructification of fund raising plans thereby augmenting the liquidity profile
- 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.

Analytical approach: Standalone

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

Outlook: Positive

The revision in the outlook from "Stable" to "Positive" factors in the expected improvement in liquidity profile with proposed fundraising plans via additional equity infusion which along with addition of new work orders is likely to support the long-term business growth.

Detailed description of the key rating drivers:

Key strengths

Satisfactory order book with geographical and segmental diversification

HCC's total order book position remained satisfactory at Rs.10,475 crore as on Mar. 31, 2024 (Rs.14,772 crore as on Mar. 31, 2023) 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, 48% of orders pertain to Transportation Segment followed by Hydro (20%), Water works (26%) and Nuclear and Special segment (6%). Also, the order book is geographically well diversified with orders spread across more than 10 states, i.e., Uttarakhand (33%), Maharashtra (20%), Gujarat (16%), Tamil Nadu (13%), Manipur (9%), Rajasthan (3%), Jammu & Kashmir (2%) and others (4%).

While the order book provides revenue visibility for the next 2 years, there has not been meaningful addition to order book during the last one year. HCC has secured orders at L1 of ~Rs.4,600 crore as on June 30, 2024. Addition of new work orders, thereby providing long term revenue visibility 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 Q1FY25, the performance has remained stable with 2.84% growth in operating revenue from Rs.1,231 crore in Q1FY24 to Rs.1,266 crore in Q1FY25 while maintaining PBILDT margin at ~10%.

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.830 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, management has articulated various fund raising plans going forward which include raising equity of Rs.600 crore through QIP, realization of awards and claims, monetization of non-core assets, and realization of awards through the issuance of court BGs. Fructification of the said plans is expected to improve the liquidity profile of the company and would be critical from rating perspective.

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 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.

Key weaknesses

High debt levels with dependence on non-core cash flow for debt repayment

HCC has high debt levels which along with losses in the past has eroded the networth resulting in leveraged capital structure and weak debt coverage metrics. TOL/TNW stood high at 8.13x as on Mar. 31, 2024

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. Also, 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.

The company has significant debt repayment obligations in the medium term with a ballooning repayment structure. The large debt repayments are planned to be funded through own cash flows along with funds recovered via resolution of arbitration claims and awards, equity raising and asset monetisations planned.

Stretched operating cycle:

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 operating cycle of the company has been extended at 200 days in FY24; although improved from 304 days in FY23. There has been some traction in resolution of disputed debtors with recovery of about Rs.139 crore in FY24; it remains nominal. Thus, the receivable days continue to remain on the higher side at 337 days during FY24 (336 days during FY23). With significant amount debtors stuck as disputed, the working capital cycle is expected to remain stretched. On the account of higher receivables days, GCA days have remained high at 362 days during FY24 although improved from 378 days during FY23. The company does not have fund based working capital limits and relies on advances from customers and creditor funding. The fund raising plans proposed would also support the working capital requirement in absence of tie up of fund based limits. Thus, timely fructification of said plans would be a key rating sensitivity.

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 in absence of tie up of fund based limits. As on June 30, 2024, HCC has cash balance of Rs.458 crore which is primarily supported by the equity raised in April 2024.

Assumptions/Covenants: Not applicable

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

Applicable criteria

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

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, 2023 (A)	March 31, 2024 (Abridged)	Q1FY25 (U/A)
Total operating income	4788	4888	1266
PBILDT	242	497	159
PAT	253	179	19
Overall gearing (times)	6.68	4.98	NA
Interest coverage (times)^	0.83	1.37	NA

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'
PBILDT calculation excludes arbitration income and expense.
^Adjusted for cash interest

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	121.12	CARE BB+; Positive
NCD	INE549A07213	26-Sep-2022	0.01	30-Jun-2029	266.90	CARE BB+; Positive
NCD	INE549A07221	26-Sep-2022	0.01	31-Mar-2029	80.70	CARE BB+; Positive
NCD	INE549A07239	26-Sep-2022	0.01	31-Mar-2026	1.60	CARE BB+; Positive
NCD	INE549A08963	26-Sep-2022	0.01	31-Mar-2029	198.40	CARE BB+; Positive
NCD	INE549A08971	26-Sep-2022	0.01	30-Jun-2031	205.40	CARE BB+; Positive
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	7313.28	CARE BB+; Positive / CARE A4+
OCD	INE549A07247	06-Jan-2017	0.01	31-Mar-2029	296.11	CARE BB+; Positive
OCD	INE549A07254	06-Jan-2017	0.01	31-Mar-2029	49.05	CARE BB+; Positive
OCD	INE549A07262	06-Jan-2017	0.01	31-Mar-2029	124.30	CARE BB+; Positive
OCD	INE549A07270	06-Jan-2017	0.01	31-Mar-2029	384.54	CARE BB+; Positive
OCD	INE549A07288	06-Jan-2017	0.01	31-Mar-2029	9.88	CARE BB+; Positive

ISIN INE549A07296 has been redeemed

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 2024-2025	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
1	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (30-Sep-22)	1)CARE D (01-Oct-21)
2	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (07-Oct-22) 2)CARE D (30-Sep-22)	1)CARE D (01-Oct-21)
3	Term Loan-Long Term	LT	-	-	-	-	1)CARE B+; Stable (30-Dec-22) 2)Withdrawn (30-Dec-22)	1)CARE D (01-Oct-21)
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	7313.28	CARE BB+; Positive / 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)
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)
6	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (07-Oct-22) 2)CARE D (30-Sep-22)	1)CARE D (01-Oct-21)
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)
8	Debentures-Non Convertible Debentures	LT	753.00	CARE BB+; Positive	-	1)CARE BB; Stable (06-Oct-23)	-	-
9	Debentures-Optionally Fully Convertible Debenture	LT	863.88	CARE BB+; Positive	-	1)CARE BB; Stable (06-Oct-23)	-	-
10	Fund-based - LT-External	LT	121.12	CARE BB+; Positive	-	1)CARE BB; Stable	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2021-2022
	Commercial Borrowings					(20-Sep-23)		

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

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
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 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	Puja Jalan Director **CARE Ratings Limited** Phone: 914040020131 E-mail: puja.jalan@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@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.

HCC/SEC/2024 July 2, 2024

BSE Limited	**National Stock Exchange of India Ltd.**
The Corporate Relationship Dept, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. Scrip Code – 500185, 974246, 974247, 974248, 974249, 974250	Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051. Symbol - 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 Bank facilities / Non-convertible Debentures / Optionally Convertible Debentures assigned by Infomerics Valuation and Rating Private Ltd.

Facilities/ Instruments	Amount (Rs. Crore)	Ratings	Rating Action
Non-Convertible Debentures	753.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Optionally Convertible Debenture	863.88	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term Facilities	121.12	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term / Short Term Facilities	7313.28	IVR BBB-/Stable/IVRA3 (IVR Triple B Minus with Stable Outlook/IVR A Three)	Assigned

The report from Infomerics Valuation and Rating Private Ltd 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

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

Mr. Arjun Dhawan,

Executive Vice Chairman

Hindustan Construction Company Limited,

Hincon House, LBS Marg,

Vikhroli (West),

Mumbai - 400083.

July 01,2024

Dear Sir,

Assignment of rating to the Bank facilities/Non-Convertible Debentures /Optionally Convertible Debentures of Hindustan Construction Company Limited

Please refer to the Mandate contract dated **March 19, 2024,** on the captioned subject and your letter dated **July 01, 2024,** accepting our rating & use thereof.

1. Our Rating Committee has assigned the following ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Non-Convertible Debentures	753.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Optionally Convertible Debentures	863.88	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term Facilities	121.12	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term /Short Term Facilities	7313.28	IVR BBB-/Stable/IVR A3 (IVR Triple B Minus with Stable Outlook/IVR A Three)	Assigned
Total	**9051.28 (Rupees Nine thousand and fifty-one crore and twenty-eight lakhs only)**		

2. Details of the credit facilities are attached in **Annexure I.** Our rating symbols for long-term and short-term ratings and explanatory notes thereon are attached in **Annexure II.**

3. The press release for the rating(s) will be communicated to you shortly.

Head Office : Flat No. 104/108, First Floor Golf Apartments, Sujan Singh Park, Maharishi Ramanna Marg, New Delhi - 110003, (INDIA)
Phone : 011 - 41410244, 40154576, 24611910, 24654796 Fax : 011 - 24627549
Corporate Office : Office No. 1102,1103,1104, B-Wing, Kanakia Wall Street, Off. Andheri Kurla Road,Andheri East, Mumbai-400093, (INDIA)
Phone No. : 022 - 62396023, 62396053 E-mail : info@infomerics.com, Website : www.infomerics.com
CIN : U32202DL1986PTC024575

4. If the proposed long term / short term facility (if any) is not availed within a period of six months / three months respectively from the date of this letter, then the rating may please be revalidated from us before availing the facility.

5. The above rating is normally valid for a period of one year from the date of the Rating Committee (that is valid till **June 27, 2025**).

6. A formal surveillance/review of the rating is normally conducted within 12 months from the date of initial rating/last review of the rating. However, INFOMERICS reserves the right to undertake a surveillance/review of the rating more than once a year if in the opinion of INFOMERICS, circumstances warrant such surveillance/review.

7. Further in terms of the mandate executed with us, you have undertaken to comply with the following: -

a) Inform INFOMERICS before availing any new bank facility/ies and/or of any changes in the terms, conditions and/or size of the facilities rated.

b) Furnish all material information and any other information in a timely manner as may be required by INFOMERICS, for monitoring the Rating assigned during the tenure of the bank facilities rated by INFOMERICS.

c) Co-operate with and enable INFOMERICS to arrive at and maintain a true and fair rating and in particular, provide INFOMERICS with true, adequate, accurate, fair, and timely information for the purpose.

d) Inform INFOMERICS, in writing and in a timely manner, of any other developments which may have a direct or indirect impact on the CLIENT's debt servicing capability including any proposal for re-schedulement or postponement of the repayment programs of the dues/ debts of the CLIENT with any lender (s)/ investor (s) within seven days from the date of such developments/ proposal.

8. You shall provide us a No Default Statement as at the last date of the month on the first date of succeeding month without fail. The NDS shall be mailed every month to nds@Infomerics.com and to the mail id of the undersigned.

9. You shall provide the quarterly performance results/quarterly operational data (being submitted to Banks) to us within 6 weeks from the close of each calendar quarter for our review/monitoring.

Infomerics Ratings

10. You shall furnish all material information and any other information called for by INFOMERICS in a timely manner, for monitoring the rating assigned by INFOMERICS. In the event of failure on your part in furnishing such information, to carry out continuous monitoring of the rating of the bank facilities, INFOMERICS shall carry out the review/annual surveillance on the basis of best available information throughout the lifetime of such bank facilities as per the policy of INFOMERICS.

11. INFOMERICS reserves the right to withdraw/revise/reaffirm the rating assigned on the basis of new information. INFOMERICS is also entitled to publicise/disseminate such withdrawal/revision in the assigned rating in any manner considered appropriate by it, without reference to you.

12. Please note that INFOMERICS ratings are not recommendations to buy, sell or hold any security or to sanction, renew, disburse or recall the bank facilities. INFOMERICS 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.

13. In case you require any clarification, you are welcome to communicate with us in this regard.

Thanking you,

With Regards,

Neha Khan	**Amod Khanorkar**
Senior Manager - Ratings	Chief Rating Officer
Email: neha.khan@infomerics.com	Email: amod.khanorkar@infomerics.com

Infomerics Ratings

<u>ANNEXURE I</u>

1. **Long-Term Limits - Fund Based**

Sl. No.	Bank	Facility	Amount (Rs. Crore)	Maturity
1.	Asia Opportunities IV (Mauritius) Ltd (AOML)	Term Loan	63.35	March 31,2029
2.	US Exim	Term Loan	57.77	December 31,2030
	Total		121.12	

2. Optionally Convertible Debentures

Name of the Instrument	ISIN	Issued to	Date of Issuance	Coupon Rate (Per annum)	Maturity Date	Outstanding size of Issue (Rs. Crore)
Optionally Convertible Debentures	INE549A07262	Bank of Baroda	January 06,2017	0.01%	March 31,2029	6.74
		Central bank of India				5.07
		IDBI Bank Ltd.				58.24
		SREI Equipment Finance Ltd.				24.31
		State Bank of India				3.07
		Union Bank of India				10.51
		Bank of Maharashtra				6.53
		Punjab National Bank				9.83
Optionally Convertible Debentures	INE549A07247	Central bank of India				10.65
		The Federal Bank Ltd.				5.37
		IFCI Ltd.				32.86
		Indian Overseas Bank				20.59
		National Bank for Agriculture and Rural Development				10.22
		State Bank of India				31.69
		Canara Bank				120.05
		Punjab National Bank				64.68
Optionally Convertible Debentures	INE549A07254	Bank of Baroda				0.90
		Central bank of India				1.89
		The Federal Bank Ltd.				0.71
		IDBI Bank Ltd.				7.64
		IFCI Ltd.				4.36
		National Bank for Agriculture and Rural Development				1.16
		SREI Equipment Finance Ltd.				5.02
		State Bank of India				3.82
		Union Bank of India				1.43
		Canara Bank				14.39
		Bank of Maharashtra				0.89
		Punjab National Bank				6.84
Optionally Convertible Debentures	INE549A07270	Bank of Baroda				44.62
		The Federal Bank Ltd.				11.64
		ICICI Bank Ltd.				63.00
		IDBI Bank Ltd.				58.03
		Indian Bank				19.72
		Jammu and Kashmir bank				30.08
		Standard Chartered Bank				1.81
		State Bank of India				27.03
		Union Bank of India				18.92
		Canara Bank				9.23
		Punjab National Bank				100.46
Optionally Convertible Debentures	INE549A07288	DBS Bank India Ltd.				9.89
Total						**863.88**

Covenants of OCD:

- Coupon shall be payable on March 31 each year.
- Yield to Maturity (YTM) @11.50%. p.a.
- HCC to pledge its 100% shares of claims company.

3. Non- Convertible Debentures

Name of the Instrument	ISIN Number	Issued to	Date of Issuance	Coupon Rate (Per annum)	Maturity Date	Outstanding size of Issue (Rs. Crore)
Non-Convertible Debentures	INE549A07221*	LIC	September 26,2022	0.01%	March 31,2029	80.70
Non-Convertible Debentures	INE549A08963^	ARCIL	September 26,2022	0.01%	March 31,2029	198.40
Non-Convertible Debentures	INE549A07213^	ACRE	September 26,2022	0.01%	June 30,2029	266.90
Non-Convertible Debentures	INE549A07239^	Karnataka Bank	September 26,2022	0.01%	March 31,2026	1.60
Non-Convertible Debentures	INE549A08971^	Bank of Baroda	September 26,2022	0.01%	June 30,2031	15.90
		Central Bank of India				34.90
		Punjab National Bank				77.00
		State Bank of India				42.00
		Union Bank of India				35.60
Total						**753.00**

***Covenants:**

- Coupon shall be payable on March 31 each year.
- Yield to Maturity (YTM) @11.50%. p.a.
- HCC to pledge its 100% shares of claims company.

^Covenants:

- Yield to Maturity (YTM) @ 9.50%. p.a.

4. Long Term/Short-Term Limits-Non- Fund Based

Sr No.	Bank	Facility	Amount (Rs. Crore)	Maturity
1	Axis Bank Ltd.	Bank Guarantee	21.60	-
2	Bank of Baroda	Bank Guarantee	68.75	-
3	Canara Bank	Bank Guarantee	247.57	-
4	DBS Bank India Ltd.	Bank Guarantee	101.49	-
5	The Federal Bank Ltd.	Bank Guarantee	14.52	-
6	ICICI Bank Ltd.	Bank Guarantee	1062.95	-
7	IDBI Bank Ltd.	Bank Guarantee	225.69	-
8	Indian Bank	Bank Guarantee	415.86	-
9	Indian Overseas Bank	Bank Guarantee	13.00	-
10	The Jammu & Kashmir	Bank Guarantee	49.88	-
11	Punjab National Bank	Bank Guarantee	787.04	-
12	State Bank of India	Bank Guarantee	608.35	-
13	Union Bank of India	Bank Guarantee	80.68	-
14	Axis Bank Ltd.	Arbitration Bank Guarantee	396.45	-
15	Bank of Baroda	Arbitration Bank Guarantee	140.60	-
16	Canara Bank	Arbitration Bank Guarantee	177.35	-
17	Central Bank of India	Arbitration Bank Guarantee	26.27	-
18	DBS Bank India Ltd.	Arbitration Bank Guarantee	64.00	-
19	EXIM Bank of India	Arbitration Bank Guarantee	600.00	-
20	The Federal Bank Ltd.	Arbitration Bank Guarantee	30.00	-
21	ICICI Bank Ltd.	Arbitration Bank Guarantee	260.00	-
22	IDBI Bank Ltd.	Arbitration Bank Guarantee	636.86	-
23	IFCI Ltd.	Arbitration Bank Guarantee	34.72	-
24	Indian Bank	Arbitration Bank Guarantee	28.73	-
25	Indian Overseas Bank	Arbitration Bank Guarantee	32.79	-
26	The Jammu & Kashmir	Arbitration Bank Guarantee	26.85	-
27	NABARD	Arbitration Bank Guarantee	24.18	-
28	Punjab National Bank	Arbitration Bank Guarantee	700.40	-
29	SREI Equipment Finance	Arbitration Bank Guarantee	70.42	-
30	Standard Chartered Bank	Arbitration Bank Guarantee	92.02	-
31	State Bank of India	Arbitration Bank Guarantee	246.30	-
32	Union Bank of India	Arbitration Bank Guarantee	27.96	-
	Total		**7313.28**	-

Infomerics Ratings

ANNEXURE II

Credit Rating – Long Term Rating Scale

Long term: Original maturity exceeding one year

Rating Symbol	Rating Definition
IVR AAA	Securities with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such securities carry lowest credit risk
IVR AA	Securities with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such securities carry very low credit risk
IVR A	Securities with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such securities carry low credit risk
IVR BBB	Securities with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such securities carry moderate credit risk
IVR BB	Securities with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations
IVR B	Securities with this rating are considered to have high risk of default regarding timely servicing of financial obligations
IVR C	Securities with this rating are considered to have very high risk of default regarding timely servicing of financial obligations
IVR D	Securities with this rating are in default or are expected to be in default soon

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AA to C. The modifiers reflect the comparative standing within the category.

The above rating scale also applies to the rating of bank loans, fixed deposits and other instruments.

Infomerics Ratings

Credit Rating - Short Term Rating Scale

Short term: Original maturity of up to one year

Rating Symbol	Rating Definition
IVR A1	Securities with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such securities carry lowest credit risk.
IVR A2	Securities with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such securities carry low credit risk.
IVR A3	Securities with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations. Such securities carry higher credit risk as compared to instruments rated in the two higher categories.
IVR A4	Securities with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations. Such securities carry very high credit risk and are susceptible to default.
IVR D	Securities with this rating are in default or expected to be in default on maturity in servicing of debt obligations.

Modifier {"+" (plus)} can be used with the rating symbols for the categories A1 to A4. The modifier reflects the comparative standing within the category.

The above rating scale also applies to the rating of bank loans, fixed deposits and other instruments.

HCC

HCC/SEC/2023

December 19, 2023

BSE Limited
The Corporate Relationship Dept,
1st Floor, 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 – Revision in Credit Rating

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 upgraded 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	Upgrade	-	12-12-2023	Verified	15-12-2023

The letter from ICRA Limited assigning the abovementioned credit rating is 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 Report covering the rationale for revision 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=bc50dc8fee544ad089ebad9117cbd9b7, 2.5.4.20=85a282acf1b74a6ba8d538e01089e6d1b58b675e59040a9af4e4f835f71cc335, postalCode=410210, st=Maharashtra, serialNumber=ea422f12d8f4e8778bf2857e9d6c0509df9788526f7246d5a89164fa23df53e6, cn=NITESH KUMAR JHA
Date: 2023.12.19 18:50:46 +05'30'

Nitesh Kumar Jha
Company Secretary

Encl: as above

ICRA Limited

ICRA

Ref: ICRA/Hindustan Construction Company Limited/15122023/01
Date: December 15, 2023

Mr. Rahul Rao
Chief Financial Officer,
Hindustan Construction Company Limited
Hincon House, LBS Marg,
Vikhroli (West),
Mumbai - 400 083

Dear Sir,

Re: Surveillance of ICRA-assigned Credit Rating for Rs. 823.90 crore Debentures Programme of Hindustan Construction Company Limited.

Please refer to the Rating Agreement dated May 06, 2022 executed between ICRA Limited ("ICRA") and your Company, whereby, ICRA is required to review its rating(s), on an annual basis, or as and when the circumstances so warrant. Based on a review of the latest developments, the Rating Committee of ICRA, after due consideration has **upgraded** the long-term Rating to **[ICRA]BB** (pronounced ICRA double B)("Rating") from [ICRA]B (pronounced ICRA B). The outlook on the long-term Rating is **Stable.** For Rating definition(s), please refer to ICRA website at www.icra.in.

In any of your publicity material or other document wherever you are using the above Rating(s), it should be stated as **[ICRA]BB(Stable).**

The Rating(s) are specific to the terms and conditions of the Debentures Programme 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 Debentures Programme, the same must be brought to our notice before the Debentures Programme 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 Debentures Programme from that specified in the first paragraph of 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 Debentures Programme 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.

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

With kind regards,
Yours sincerely,
For ICRA Limited

RAJESHWAR BURLA

Digitally signed by RAJESHWAR BURLA
Date: 2023.12.18 12:31:57 +05'30'

Rajeshwar Burla
Senior Vice President and Group Head
rajeshwar.burla@icraindia.com

Annexure

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

Instrument Name	Amount (Rs. crore)	Amount Outstanding (In Crores, as on March 31, 2023)	Rating	Rating Assigned on
NCD	823.9	788.1	**[ICRA]BB(Stable)**	**December 12, 2023**
Total	**823.9**	**788.1**		

HCC

HCC/SEC/2023 December 19, 2023

BSE Limited	National Stock Exchange of India Ltd.
The Corporate Relationship Dept, 1st Floor, 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.:Intimation under Regulation 30(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Revision in Credit Rating

Pursuant to the provisions of Regulation 30 (2) read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please take note that ICRA Limited (the Credit Rating Agency) has upgraded the long-term rating to [ICRA]BB(Stable) for Non-Convertible Debentures amounting to Rs. 823.9 Crore.

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

The Report covering the rationale for revision in credit rating shall be intimated to the Exchanges 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=bc50dc8fee544ad089ebad9117cbd9b7,
2.5.4.20=85a282acf1b74a6ba8d538e01089e6d1b58b675e59040a9af4e4f835f71cc335,
postalCode=410210, st=Maharashtra,
serialNumber=ea422f12d8f4e8778bf2857e9d6c0509df9788526f7246d5a89164fa23df53e6, cn=NITESH KUMAR JHA
Date: 2023.12.19 17:46:46 +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

Ref: ICRA/Hindustan Construction Company Limited/15122023/01
Date: December 15, 2023

Mr. Rahul Rao
Chief Financial Officer,
Hindustan Construction Company Limited
Hincon House, LBS Marg,
Vikhroli (West),
Mumbai - 400 083

Dear Sir,

Re: Surveillance of ICRA-assigned Credit Rating for Rs. 823.90 crore Debentures Programme of Hindustan Construction Company Limited.

Please refer to the Rating Agreement dated May 06, 2022 executed between ICRA Limited ("ICRA") and your Company, whereby, ICRA is required to review its rating(s), on an annual basis, or as and when the circumstances so warrant. Based on a review of the latest developments, the Rating Committee of ICRA, after due consideration has **upgraded** the long-term Rating to **[ICRA]BB** (pronounced ICRA double B)("Rating") from [ICRA]B (pronounced ICRA B). The outlook on the long-term Rating is **Stable.** For Rating definition(s), please refer to ICRA website at www.icra.in.

In any of your publicity material or other document wherever you are using the above Rating(s), it should be stated as **[ICRA]BB(Stable).**

The Rating(s) are specific to the terms and conditions of the Debentures Programme 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 Debentures Programme, the same must be brought to our notice before the Debentures Programme 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 Debentures Programme from that specified in the first paragraph of 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 Debentures Programme 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.

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

With kind regards,
Yours sincerely,
For ICRA Limited

RAJESHWAR BURLA

Digitally signed by RAJESHWAR BURLA
Date: 2023.12.18 12:31:57 +05'30'

Rajeshwar Burla
Senior Vice President and Group Head
rajeshwar.burla@icraindia.com

Annexure

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

Instrument Name	**Amount (Rs. crore)**	**Amount Outstanding (In Crores, as on March 31, 2023)**	**Rating**	**Rating Assigned on**
NCD	823.9	788.1	**[ICRA]BB(Stable)**	**December 12, 2023**
Total	**823.9**	**788.1**		

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 – 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
Digitally signed by NITESH KUMAR JHA
Date: 2023.11.22 16:05:47 +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

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.
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
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.

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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.

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

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Macro Economic Indicator	Sector	Industry	Basic Industry
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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

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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.

HCC

HCC/SEC/2023 January 02, 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, we would like to inform you that CARE Ratings Ltd. (the Credit Rating Agency) has revised the ratings of bank facilities from CARE D (Single D) to CARE B+; Stable (Single B Plus; Outlook: Stable).

We enclose herewith copy of the CARE Ratings Ltd. Press Release in this regard.

We request you to kindly take the above on your 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=3e7a98e9d6a3bd35bfb251776bc23e0a58f412d194f019c44d25767e74c68f4d, postalCode=410210, st=Maharashtra, serialNumber=ea422f12d8f4e8778bf2857e9d6c0509df9788526f7246d5a89164fa23df53e6, cn=NITESH KUMAR JHA
Date: 2023.01.02 14:40:33 +05'30'

Nitesh Kumar Jha
Company Secretary

Encl: as above

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Mumbai - 400 083, India
Tel : +91 22 2575 1000 Fax : +91 22 2577 7568
CIN : L45200MH1926PLC001228
www.hccindia.com

Hindustan Construction Company Limited
December 30, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	3,697.38 (Reduced from 6,367.37)	CARE B+; Stable / CARE A4 (Single B Plus; Outlook: Stable/ A Four)	Revised from CARE D / CARE D (Single D / Single D); Stable outlook assigned
Long Term Bank Facilities (II)	-	-	Revised to CARE B+; Stable (Single B Plus; Outlook: Stable) from CARE D (Single D); Stable outlook assigned and Withdrawn
Total Bank Facilities	**3,697.38 (₹ Three Thousand Six Hundred Ninety-Seven Crore and Thirty-Eight Lakhs Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has revised the ratings of bank facilities from CARE D (Single D) to CARE B+; Stable (Single B Plus; Outlook: Stable) and withdrawn the outstanding ratings assigned to the bank facilities (II – referred above) of Hindustan Construction Company Ltd. (HCC) with immediate effect. The above action has been taken at the request of HCC and 'No Objection Certificate' received from the consortium leader for the aforementioned facilities (II) rated by CARE.

The revision in ratings factor in successful implementation of debt resolution plan (RP) with subsequent regularization of debt servicing. CARE Ratings expect the liquidity position to improve with debt reduction in books of HCC as well as benefits accruing with extended repayment tenor for the Optionally Convertible Debentures (OCD) and Non-Convertible Debenture (NCD) which is likely to provide support to cashflows. The debt reduction and corresponding interest cost decrease is expected to improve the profitability. The company is also at advanced stage of asset monetization which would support the cashflows. Any deviation from the likely timelines would be a key monitorable.

The ratings also factor in satisfactory order book position which provides a long term revenue visibility and established track record of the company in the construction business.

The rating strengths are however tempered by the elongated working capital with extended collection days and working capital gap with absence of working capital lines thereby resulting in dependence upon mobilization advances and creditors funding. HCC continued to report cash loss in FY22 (refers to period April 01 to March 31) and H1FY23 and the past losses have been eroding the networth position resulting in weak solvency position. Also, HCC has extended corporate guarantee in favour of PRPL's lenders for the debt novated by it to the SPV (i.e., Prolific Resolution Private Limited, PRPL) and pledged its shares in the PRPL to secure the NCDs issued by later. While the repayment obligations of PRPL are deferred till FY27, any cashflow mismatch in the SPV in future periods and crystallization of such guarantee would be important from credit perspective.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in collection period with subsequent easing of liquidity pressure
- Growth in scale of operation and profitability along with improvement in debt coverage metrics

Negative factors – Factors that could lead to negative rating action/downgrade:

- Significant elongation of operating cycle with pressure on working capital position
- Non fructification of envisaged asset monetization plans impacting the liquidity position

Detailed description of the key rating drivers

Key rating strengths

Implementation of Debt Resolution Plan with regularization of debt servicing

The company has successfully implemented Debt Resolution Plan as on September 30, 2022 effective from July 01, 2022. As per the RP, HCC has novated debt of Rs.2,854.4 crore along with beneficial economic interest in arbitration and claims of Rs.6,508 crore to Prolific Resolution Private Limited, a wholly owned subsidiary of the company. HCC does not have debt repayments (including interest) till March 2023 while the debt repayments of PRPL will commence from September 2026. The

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

debt servicing has been regularized with debt restructuring. The RP implementation is expected to result in improvement in liquidity profile with reduction in debt level and extension of repayment terms which would provide buffer to the cashflows. The associated interest cost reduction would also aid the profitability metrics and the cash generation during the period is expected to provide the required working capital to scale up the business.
HCC has entered into binding agreement with Cube Highways and Infrastructure V Pte Ltd. for 100% sale of Baharampore Farakka Highways Limited with the transaction likely to get completed in early fiscal of FY24. The monetization would support the liquidity profile and is important for the ensuing debt servicing in March 2023. The ability to complete the monetization would be critical from credit perspective.

Satisfactory and diversified order book position
HCC had an order book of Rs.13,784 crore as on Sept 30, 2022 which is about 3.3x the total operating income of the company during FY22 thereby providing medium term revenue visibility. The company has presence across various segments with order book spread across Transportation segment (49%), Hydro (24%), Water works (18%) and Nuclear and Special segment (9%).

Key rating weaknesses
Weak financial performance with losses reported
The company continued to report losses during FY22 on account of high interest expenses, although the quantum of loss has reduced vis-à-vis previous year. The company reported total operating income of Rs.4,261 crore during FY22 having improved from Rs.2,359 crore during FY21 on account of higher execution of projects post slowdown due to covid related issues. The PBILDT margin improved from 2.21% during FY21 to 8.44% during FY22.
For H1FY23, although HCC reported PAT of Rs.162 crore, the same is largely due to non-operating income in the form of reduction in liabilities to lenders due to restructuring of debt resulting in gain of Rs.223 crore. However, it continued to report cash loss.

Subdued leverage and debt coverage metrics
The losses incurred in the past have resulted in networth erosion which along with high debt level has resulted in leveraged capital structure and weak coverage metrics. While the RP implementation has resulted in reduction in debt level, the capital structure is expected to remain leveraged.

Extended working capital cycle
The operating cycle of the company has been extended with large debtors built up. The collection days has been significantly stretched with large debtors under arbitration/pending with clients. The company also does not have working capital lines for funding the gross current assets and relies on advances from customers/creditors funding.

Liquidity: Stretched
The liquidity profile although expected to improve post implementation of RP continues to remain stretched with moderate cash accrual generation vis-à-vis the debt repayment obligation due in March 2023. Comfort is drawn from the existing cash balance (Rs.120 crore as on December 27, 2022) available to partly fund the debt servicing obligation. Post March 2023, the next repayment liability falls due in March 2024.

Analytical approach: Standalone

Applicable criteria
CARE's Policy on Default Recognition
Rating Outlook and Rating Watch
Rating Methodology-Construction
Rating Methodology - Infrastructure Sector Ratings
Policy on withdrawal of ratings
Financial ratios – Non-Financial Sector
Policy on curing period
Liquidity Analysis of Non-Financial Sector Entities

About the company

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, 2021 (A)	March 31, 2022 (A)	H1FY23 (U/A)
Total operating income	2359	4261	2252
PBILDT	52	360	360
PAT	-566	-153	162
Overall gearing (times)	9.32	11.39	NA
Interest coverage (times)	0.06	0.38	0.95

A: Audited; U/A: Un-audited; NA – Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	0.00	CARE B+; Stable and Withdrawn
Fund-based - LT-Term Loan	-	-	-	-	0.00	CARE B+; Stable and Withdrawn
Fund-based/Non-fund-based-LT/ST	-	-	-	-	3697.38	CARE B+; Stable / CARE A4
Term Loan-Long Term	-	-	-	-	0.00	CARE B+; Stable and Withdrawn

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (30-Sep-22)	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)	1)CARE D (27-Mar-20) 2)CARE D (01-Apr-19)
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)	1)CARE D (27-Mar-20) 2)CARE D (01-Apr-19)
3	Term Loan-Long Term	LT	-	-	-	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)	1)CARE D (27-Mar-20) 2)CARE D (01-Apr-19)
4	Fund-based/Non-fund-based-LT/ST	LT/ST*	3697.38	CARE B+; Stable / CARE A4	-	1)CARE D / CARE D (01-Oct-21)	1)CARE D / CARE D (08-Oct-20)	1)CARE D / CARE D (27-Mar-20) 2)CARE D / CARE D (01-Apr-19)
5	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)	1)CARE D (27-Mar-20) 2)CARE D (01-Apr-19)
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)	1)CARE D (27-Mar-20) 2)CARE D (01-Apr-19)
7	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE D (01-Oct-21)	1)CARE D (08-Oct-20)	1)CARE D (27-Mar-20) 2)CARE D (01-Apr-19)

*Long term/Short term.

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

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Term Loan-Long Term	Simple

Annexure-5: Bank lender details for this company

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

Note on 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.

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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.

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

HCC

HCC/SEC/2022 December 21, 2022

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

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, we would like to inform you that ICRA Limited (the Credit Rating Agency) has **finalised provisional ratings** as **[ICRA]B (Stable)** for Non-Convertible Debentures amounting to Rs. 823.9 crore.

We enclose herewith copy of the ICRA Press Release in this regard.

We request you to kindly take the above on your 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=3e7a98e9d6a3bd35bfb251776bc23e0a58f412d194f019c44d25767e74c68f4d, postalCode=410210, st=Maharashtra, serialNumber=ea422f12d8f4e8778bf2857e9d6c0509df9788526f7246d5a89164fa23df53e6, cn=NITESH KUMAR JHA
Date: 2022.12.21 15:18:43 +05'30'

Nitesh Kumar Jha
Company Secretary

Encl: as above

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Mumbai - 400 083, India
Tel : +91 22 2575 1000 Fax : +91 22 2577 7568
CIN : L45200MH1926PLC001228

www.hccindia.com

December 20, 2022

Hindustan Construction Company Limited: Provisional ratings finalised for NCD amount Rs. 823.9 crore and ratings reaffirmed for Rs. 76.1 crore NCD and Rs 300 crore OCD

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Optionally Convertible Debentures (OCD)	300.0	300.0	Provisional [ICRA]B (Stable); Reaffirmed
Non-Convertible Debenture (NCD)	900.0	76.1	Provisional [ICRA]B (Stable); Reaffirmed
Non-Convertible Debenture (NCD)		823.9	[ICRA]B (Stable); Provisional rating finalised
Total	**1,200.0**	**1,200.0**	

Rating in the absence of pending actions/documents	[ICRA]B

**Instrument details are provided in Annexure I*

Rationale

ICRA has finalised the provisional rating assigned to the NCD programme of Hindustan Construction Company Limited (HCC) post completion of the documentation for the resolution plan and issuance of these NCDs.

The rating of HCC factors in its strong order book position (order book to OI ratio of 3.3 times after adjusting for slow moving and stuck orders), which provides medium-term revenue visibility. The rating continues to favourably factor in HCC's diversified order book across segments, geographies and clientele. In the past, it faced liquidity pressure as substantial amount of receivables were stuck in arbitration or under claims pending with the clients, which impacted its operations and resulted in delays in debt servicing. However, with the implementation of the resolution plan (RP) by the lenders, the company's operational and financial performance is expected to improve over the medium term.

The rating, however, is constrained by HCC's elongated working capital cycle, primarily due to sizeable receivables/work in progress being stuck in arbitration or under claims pending with the clients, leading to high NWC/OI of 78% as on March 31, 2022. However, the company has been able to manage the working capital requirements, partly by availing extended credit period from suppliers/sub-contractors and mobilisation advances from clients. Its financial performance remained weak with erosion in net worth due to losses during the last four years and high working capital intensity resulting in an elevated leverage level (TOL/TNW, which stood at 21.5 times as on March 31, 2022). Post RP implementation, Rs. 2,854 crore of debt along with Rs. 6,508 crore of awards and claims were transferred to a new entity, i.e. Prolific Resolution Private Limited (PRPL), which has helped in improvement of the working capital cycle. Further, ICRA draws comfort from the cushion available in the form of unutilised arbitration BG/court BG that could be used to realise some of the awards pending in the higher courts post RP implementation. Going forward, any material deterioration in the working capital cycle from the anticipated levels over the medium term can affect its liquidity position/credit profile and will be a key rating sensitivity. ICRA notes that HCC has provided guarantees for the entire debt getting transferred at PRPL, and hence crystallisation of those guarantees will impact its credit profile.

The rating notes the stiff competition in the construction sector and the company's exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation advance and security deposits. The rating is constrained by execution risks as a sizeable part of the order book is in preliminary/early stage of execution with less than 25% progress.

ICRA notes that HCC has sizeable claims awarded by arbitration tribunal/courts but pending in higher courts, which can be realised in the interim by providing bank guarantees (BG) post RP implementation. While the company's operating margin is expected to improve in the near to medium term, the coverage indicators are likely to remain subdued on account of a leveraged capital structure. HCC is planning to monetise some of its non-core investments to deleverage its capital structure and improve its liquidity position. Going forward, the timely monetisation of the non-core assets and improvement in the working capital intensity remains remain crucial to boost its financial performance and liquidity position.

The Stable outlook reflects ICRA's opinion that the company will continue to benefit from its healthy order book position, strong execution capabilities, and improved liquidity position post RP implementation.

Key rating drivers and their description

Credit strengths

Strong and diversified order book position; expected improvement in financial profile post implementation of RP – The company had a strong order book position of Rs. 15,967 crore as on March 31, 2022. Adjusting for slow moving and stuck orders, OB/OI ratio was adequate at 3.3 times of the operating income in FY2022, providing healthy medium-term revenue visibility. Timely commencement and execution of these orders is critical to sustain the revenue visibility, going forward. HCC's current outstanding order-book is well-diversified with projects spread across India, from multiple segments such as transportation, hydro power, nuclear, and water projects. The transportation segment formed ~52% of the unexecuted order book as on March 31, 2022, given the company's technical expertise in this segment. Further, the order book is fairly diversified in terms of projects and clients. HCC's financial profile and liquidity position are expected to improve considerably with the implementation of the RP. Post RP implementation, Rs. 2,854 crore of debt along with Rs. 6,508 crore of awards and claims were transferred to a new entity, i.e. PRPL, which has helped in improving HCC's working capital intensity and coverage metrics. Additionally, it will be able to secure fresh orders, given the unutilised BG available to bid for new projects, which is expected to drive the operating margins.

Established track record and extensive experience of management team in civil construction sector – HCC has an established track record of operations of over ten decades, supported by 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. It is one of the oldest infrastructure development companies in India, founded by Seth Walchand Hirachand in 1926.

Credit challenges

Elongated working capital cycle and stretched liquidity position – As a substantial amount of receivables is stuck in arbitration or under claims pending with the clients, HCC's working capital intensity remained high with NWC/OI of 78% as on March 31, 2022. However, the company has been able to manage the working capital requirements, partly by availing extended credit period from suppliers/sub-contractors and mobilisation advances from clients. Its financial performance remained weak, with erosion in net worth due to losses during the last four years and high working capital intensity resulting in an elevated leverage level (TOL/TNW, which stood at 21.5 times as on March 31, 2022). Post RP implementation, Rs. 2,854 crore of debt along with Rs. 6,508 crore of awards and claims were transferred to a new entity, i.e. Prolific Resolution Private Limited (PRPL), which has helped to improve its working capital cycle. ICRA draws comfort from the cushion available in the form of unutilised arbitration BG/court BG that could be used to realise some of the awards pending in the higher courts post RP implementation. Going forward, any material deterioration in the working capital cycle from the anticipated levels over the medium term can affect its liquidity position/credit profile and will be a key rating sensitivity. ICRA notes that HCC has provided guarantees for the entire debt getting transferred at PRPL, and hence crystallisation of those guarantees will impact its credit profile.

High execution risk – HCC's revenue remains exposed to time and cost overrun risks, given the complex nature of the projects being executed. Moreover, ~49% of its outstanding order book is in the preliminary stage with less than 25% progress. Out of the 10 projects with less than 25% progress, two projects worth Rs. 973 crore are yet to start and Rs. 3,158-crore orders are stuck/slow moving. HCC's ability to achieve scheduled progress within the budgeted costs and timelines would remain important to achieve meaningful profits. Any material deviation from the anticipated billing would increase its dependence on realisation of claims to meet its debt servicing requirements.

Dependence on asset monetisation – The company plans to monetise some of its non-core investments to deleverage its capital structure and improve its liquidity position. Going forward, timely monetisation of the non-core assets and an improvement in the working capital intensity remain crucial to boost its financial performance and liquidity position.

Heightened competition, input cost 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 the adequate number of projects and ensuring their movement remains the key for optimal use of resources and ultimately profitability. The competition has further increased because of the relaxation in the bidding criteria. This, coupled with the increase 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.

Sizeable contingent liabilities and risk of BG invocation – Notwithstanding HCC's strong execution capabilities, any sizeable invocation of performance guarantees (BG) would affect the company's liquidity and financial risk profile. In this regard, ICRA takes comfort from the condition in RP wherein, any number of BGs devolved up to six months post RP implementation are to be considered for conversion into OCDs and to be repaid as per the existing OCD payment terms. Further, with creation of adequate liquidity buffer, the company would be able to provide cash support to its various projects that have been stuck due to the lack of fund availability for its working capital requirements. This will get the stuck projects moving with efficient execution rate resulting in reduction in BG invocation risk.

Liquidity position: Stretched

HCC had unencumbered cash and bank balance of ~Rs. 307 crore as on June 30, 2022. However, it has near-term debt obligation including interest of ~Rs. 307 crore in FY2023. Timely realisation of claims, asset monetisation, and improvement in the working capital intensity will remain crucial for the company to improve its liquidity.

Rating sensitivities

Positive factors – ICRA could upgrade the rating upon demonstration of material improvement in its working capital intensity, operating profitability, debt coverage metrics, and the liquidity profile while maintaining its overall scale of operations.

Negative factors – Negative pressure on HCC's rating could arise if delay in asset monetisation or inability to improve working capital cycle or continued pressure on earnings impacts the company's liquidity or the overall financial profile.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Construction Entities Methodology ICRA's Policy on Assigning Provisional Ratings
Parent/Group Support	Not Applicable
Consolidation/Standalone	Consolidation

Pending actions/documents required to be completed for conversion of provisional rating into final

The assigned rating is provisional and would be converted into final upon:

1. Finalisation/ signing of the term sheet by all the lenders for the restructured loan (proposed NCD/OCD)

Validity of the provisional rating

In case the debt instrument/borrowing facility for which a provisional rating has been assigned is subsequently issued, the provisional rating would have to be converted into a final rating within 90 days (validity period) from the date of issuance of the debt instrument. If considered appropriate, the validity period may be extended by a further 90 days for converting the provisional rating into final, in circumstances where the rated entity expressly indicates its intention to complete the pending actions/documents over the near term. Under no circumstances shall the validity period be extended beyond 180 days from the date of issuance. For further details, refer to ICRA's Policy on Provisional Ratings available at www.icra.in.

If neither the pending actions/documents nor the issuance is completed after one year of the assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at www.icra.in.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed by the entity within 90 days (validity period) from the date of issuance, the provisional rating will be converted into final upon the review of the required actions/documents to the extent these are completed by the end of the validity period. This implies that the provisional rating may even be revised at the end of the validity period, while being converted into final, to a level commensurate with the rating in absence of the pending actions/documents (as disclosed earlier in the rationale). ICRA may consider extending the validity period in accordance with its Policy on Provisional Ratings available at www.icra.in.

About the company

Incorporated in 1926, Hindustan Construction Company Limited (HCC) is the flagship company of the 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)

Standalone	FY2021	FY2022	H1 FY2023
Operating income (Rs. crore)	2589.7	4666.3	2221.8
PAT (Rs. crore)	-566.5	-153.1	162.0
OPBDIT/OI (%)	11.6%	16.9%	14.8%
PAT/OI (%)	-21.9%	-3.3%	7.3%
Total outside liabilities/Tangible net worth (times)	15.4	21.5	11.4
Total debt/OPBDIT (times)	14.3	8.2	3.2
Interest coverage (times)	0.4	0.8	0.9

Source: Company data; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current Rating (FY2023)					Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Nov 30, 2022 (Rs. crore)	Date & Rating in		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Dec 20, 2022	Aug 12, 2022	-	-	-
1	**Optionally Convertible Debentures**	Long-term	300.0	-	**Provisional [ICRA]B (Stable)**	**Provisional [ICRA]B (Stable)**	-	-	-
2	**Non-Convertible Debenture**	Long-term	76.1	-	**Provisional [ICRA]B (Stable)**	**Provisional [ICRA]B (Stable)**	-	-	-
3	**Non-Convertible Debenture**	Long-term	823.9	823.9	**[ICRA]B (Stable)**	**Provisional [ICRA]B (Stable)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Optionally Convertible Debentures	Simple
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 No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA*	**Optionally Convertible Debentures**	-	-	-	300.0	Provisional [ICRA]B (Stable)
NA*	**Non-Convertible Debenture**	-	-	-	76.1	Provisional [ICRA]B (Stable)
INE549A07221	**Non-Convertible Debenture**	September 2022	11.50%	March 2029	101.3	[ICRA]B (Stable)
INE549A07213	**Non-Convertible Debenture**	September 2022	9.50%	June 2029	267.0	[ICRA]B (Stable)
INE549A07239	**Non-Convertible Debenture**	September 2022	9.50%	March 2026	1.7	[ICRA]B (Stable)
INE549A08963	**Non-Convertible Debenture**	September 2022	9.50%	March 2029	248.0	[ICRA]B (Stable)
INE549A08971	**Non-Convertible Debenture**	September 2022	9.50%	June 2031	205.9	[ICRA]B (Stable)

Source: Company

**not yet placed/issued*

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Prolific Resolution Private Limited	100.00%	Full Consolidation

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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

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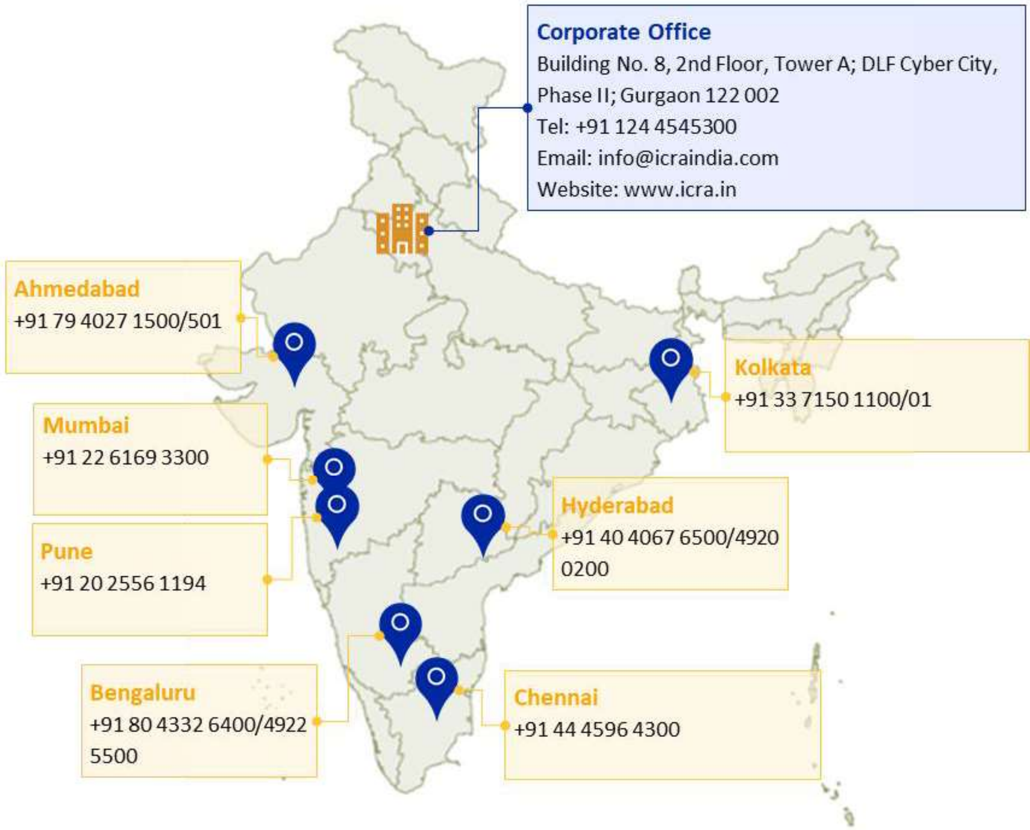
Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

HCC

HCC/SEC/2022 August 16, 2022

BSE Limited The Corporate Relationship Dept, 1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. Scrip Code - 500185	**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 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, we would like to inform you that ICRA Limited (the Credit Rating Agency) has assigned a long-term rating of **Provisional [ICRA] B** (pronounced Provisional ICRA B) to the proposed Non-Convertible Debentures and Optionally Convertible Debentures. The Outlook on the long-term Rating is **Stable**.

We enclose herewith copy of the ICRA Press Release in this regard.

We request you to kindly take the above on your record.

Thanking you,

Yours faithfully,
For Hindustan Construction Company Ltd.

Nitesh Kumar Jha
Company Secretary

August 12, 2022

Hindustan Construction Company Limited: Provisional [ICRA]B (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Optionally Convertible Debentures (OCD)	300.0	Provisional [ICRA]B (Stable); Assigned
Non-Convertible Debenture (NCD)	900.0	Provisional [ICRA]B (Stable); Assigned
Total	**1,200.0**	

Rating in the absence of pending actions/documents	[ICRA]D

**Instrument details are provided in Annexure I*

Rationale

The assigned rating factors in Hindustan Construction Company Limited's (HCC) strong order book position (order book to OI ratio of 3.3 times after adjusting for slow moving and stuck orders), which provides medium-term revenue visibility. The rating favourably factors in HCC's diversified order book across segments, geographies and clientele. In the past, it faced liquidity pressure as substantial amount of receivables were stuck in arbitration or under claims pending with the clients, which impacted its operations and resulted in delays in debt servicing. However, post implementation of the resolution plan (RP) by the lenders, the company's operational and financial performance is expected to improve.

The rating, however, is constrained by HCC's elongated working capital cycle, primarily due to sizeable receivables/work in progress being stuck in arbitration or under claims pending with the clients, leading to high NWC/OI of 78% as on March 31, 2022. However, the company has been able to manage the working capital requirements, partly by availing extended credit period from suppliers/sub-contractors and mobilisation advances from clients. Its financial performance remained weak with erosion in net worth due to losses during the last four years and high working capital intensity resulting in an elevated leverage level (TOL/TNW, which stood at 21.5 times as on March 31, 2022). Post RP implementation, Rs. 2,852 crore of debt along with Rs. 6,508 crore of awards and claims will be transferred to a new entity, i.e. Prolific Resolution Private Limited (PRPL, rated Provisional [ICRA]B (Stable)), which will help in improvement of the working capital cycle. Further, ICRA draws comfort from the cushion available in the form of unutilised arbitration BG/court BG that could be used to realise some of the awards pending in the higher courts post RP implementation. Going forward, any material deterioration in the working capital cycle from the anticipated levels over the medium term can affect its liquidity position/credit profile and will be a key rating sensitivity. ICRA notes that HCC has provided guarantees for the entire debt getting transferred at PRPL, and hence crystallisation of those guarantees will impact its credit profile.

The rating notes the stiff competition in the construction sector and the company's exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation advance and security deposits. The rating is constrained by execution risks as about 49% of the order book as on March 31, 2022 is in preliminary/early stage of execution with less than 25% progress.

ICRA notes that HCC has sizeable claims awarded by arbitration tribunal/courts but pending in higher courts, which can be realised in the interim by providing bank guarantees (BG) post RP implementation. While the company's operating margin is expected to improve in the near to medium term, the coverage indicators are likely to remain subdued on account of a leveraged capital structure. HCC is planning to monetise some of its non-core investments to deleverage its capital structure and improve its liquidity position. Going forward, the timely monetisation of the non-core assets and improvement in the working capital intensity remains remain crucial to boost its financial performance and liquidity position.

The Stable outlook reflects ICRA's opinion that the company will continue to benefit from its healthy order book position, strong execution capabilities, and improved liquidity position post RP implementation.

Key rating drivers and their description

Credit strengths

Strong and diversified order book position; expected improvement in financial profile post implementation of RP – The company had a strong order book position of Rs. 15,967 crore as on March 31, 2022. Adjusting for slow moving and stuck orders, OB/OI ratio was adequate at 3.3 times of the operating income in FY2022, providing healthy medium-term revenue visibility. Timely commencement and execution of these orders is critical to sustain the revenue visibility, going forward. HCC's current outstanding order-book is well-diversified with projects spread across India, from multiple segments such as transportation, hydro power, nuclear, and water projects. The transportation segment formed 52% of the unexecuted order book as on March 31, 2022, given the company's technical expertise in this segment. Further, the order book is fairly diversified in terms of projects and clients, with the top three clients contributing 39% to the total unexecuted order book and the top 10 orders accounting for 68% the unexecuted order book as on March 31, 2022. HCC's financial profile and liquidity position are expected to improve considerably post the implementation of the proposed RP. The RP is in the advance stage with the pending documentation expected to be completed shortly as per the management's commentary. Post RP implementation, Rs. 2,852 crore of debt along with Rs. 6,508 crore of awards and claims will be transferred to a new entity, i.e. PRPL (rated Provisional [ICRA]B (Stable)), which will help in improving HCC's working capital intensity and coverage metrics. Additionally, it will be able to secure fresh orders, given the unutilised BG available to bid for new projects, which is expected to drive the operating margins.

Established track record and extensive experience of management team in civil construction sector – HCC has an established track record of operations of over ten decades, supported by 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. It is one of the oldest infrastructure development companies in India, founded by Seth Walchand Hirachand in 1926.

Credit challenges

Elongated working capital cycle and stretched liquidity position – As a substantial amount of receivables is stuck in arbitration or under claims pending with the clients, HCC's working capital intensity remained high with NWC/OI of 78% as on March 31, 2022. However, the company has been able to manage the working capital requirements, partly by availing extended credit period from suppliers/sub-contractors and mobilisation advances from clients. Its financial performance remained weak, with erosion in net worth due to losses during the last four years and high working capital intensity resulting in an elevated leverage level (TOL/TNW, which stood at 21.5 times as on March 31, 2022). Post RP implementation, Rs. 2,852 crore of debt along with Rs. 6,508 crore of awards and claims will be transferred to a new entity, i.e. Prolific Resolution Private Limited (PRPL, rated Provisional [ICRA]B (Stable)), which will help to improve its working capital cycle. ICRA draws comfort from the cushion available in the form of unutilised arbitration BG/court BG that could be used to realise some of the awards pending in the higher courts post RP implementation. Going forward, any material deterioration in the working capital cycle from the anticipated levels over the medium term can affect its liquidity position/credit profile and will be a key rating sensitivity. ICRA notes that HCC has provided guarantees for the entire debt getting transferred at PRPL, and hence crystallisation of those guarantees will impact its credit profile.

High execution risk – HCC's revenue remains exposed to time and cost overrun risks, given the complex nature of the projects being executed. Moreover, ~49% of its outstanding order book is in the preliminary stage with less than 25% progress. Out of the 10 projects with less than 25% progress, two projects worth Rs. 973 crore are yet to start and Rs. 3,158-crore orders are stuck/slow moving. HCC's ability to achieve scheduled progress within the budgeted costs and timelines would remain important to achieve meaningful profits. Any material deviation from the anticipated billing would increase its dependence on realisation of claims to meet its debt servicing requirements.

Dependence on asset monetisation – The company plans to monetise some of its non-core investments to deleverage its capital structure and improve its liquidity position. Going forward, timely monetisation of the non-core assets and an improvement in the working capital intensity remain crucial to boost its financial performance and liquidity position.

Heightened competition, input cost 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 the adequate number of projects and ensuring their movement remains the key for optimal use of resources and ultimately profitability. The competition has further increased because of the relaxation in the bidding criteria. This, coupled with the increase 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.

Sizeable contingent liabilities and risk of BG invocation – Notwithstanding HCC's strong execution capabilities, any sizeable invocation of performance guarantees (BG) would affect the company's liquidity and financial risk profile. In this regard, ICRA takes comfort from the condition in RP wherein, any number of BGs devolved up to six months post RP implementation are to be considered for conversion into OCDs and to be repaid as per the existing OCD payment terms. Further, with creation of adequate liquidity buffer, the company would be able to provide cash support to its various projects that have been stuck due to the lack of fund availability for its working capital requirements. This will get the stuck projects moving with efficient execution rate resulting in reduction in BG invocation risk.

Liquidity position: Stretched

HCC had unencumbered cash and bank balance of ~Rs. 307 crore as on June 30, 2022. It has near-term debt obligation including interest of ~Rs. 307 crore in FY2023. Timely realisation of claims, asset monetisation, and improvement in the working capital intensity will remain crucial for the company to improve its liquidity.

Rating sensitivities

Positive factors – ICRA could upgrade the rating upon demonstration of material improvement in its working capital intensity, operating profitability, debt coverage metrics, and the liquidity profile while maintaining its overall scale of operations.

Negative factors – Negative pressure on HCC's rating could arise if delay in asset monetisation or inability to improve working capital cycle or continued pressure on earnings impacts the company's liquidity or the overall financial profile.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	[Corporate Credit Rating Methodology] [Construction Entities Methodology] [ICRA's Policy on Assigning Provisional Ratings]
Parent/Group Support	Not Applicable
Consolidation/Standalone	Consolidation

Pending actions/documents required to be completed for conversion of provisional rating into final

The assigned rating is provisional and would be converted into final upon:

1. Finalisation/ signing of the term sheet by all the lenders for the restructured loan (proposed NCD/OCD)

Validity of the provisional rating

In case the debt instrument/borrowing facility for which a provisional rating has been assigned is subsequently issued, the provisional rating would have to be converted into a final rating within 90 days (validity period) from the date of issuance of the debt instrument. If considered appropriate, the validity period may be extended by a further 90 days for converting the provisional rating into final, in circumstances where the rated entity expressly indicates its intention to complete the pending actions/documents over the near term. Under no circumstances shall the validity period be extended beyond 180 days from the date of issuance. For further details, refer to ICRA's Policy on Provisional Ratings available at www.icra.in.

If neither the pending actions/documents nor the issuance is completed after one year of the assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at www.icra.in.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed by the entity within 90 days (validity period) from the date of issuance, the provisional rating will be converted into final upon the review of the required actions/documents to the extent these are completed by the end of the validity period. This implies that the provisional rating may even be revised at the end of the validity period, while being converted into final, to a level commensurate with the rating in absence of the pending actions/documents (as disclosed earlier in the rationale). ICRA may consider extending the validity period in accordance with its Policy on Provisional Ratings available at www.icra.in.

About the company

Incorporated in 1926, Hindustan Construction Company Limited (HCC) is the flagship company of the 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)

Standalone	FY2021	FY2022
Operating income (Rs. crore)	2589.7	4666.3
PAT (Rs. crore)	-566.5	-153.1
OPBDIT/OI (%)	11.6%	16.9%
PAT/OI (%)	-21.9%	-3.3%
Total outside liabilities/Tangible net worth (times)	15.4	21.5
Total debt/OPBDIT (times)	14.3	8.2
Interest coverage (times)	0.4	0.8

Source: Company data; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on July 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					August 12, 2022	-	-	-
1	Optionally Convertible Debentures	Long-term	300.0	-	Provisional [ICRA]B (Stable)	-	-	-
2	Non-Convertible Debenture	Long-term	900.0	-	Provisional [ICRA]B (Stable)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Optionally Convertible Debentures	Simple
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: www.icra.in

Annexure-I: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Optionally Convertible Debentures**	-	-	-	300.0	Provisional [ICRA]B (Stable)
NA	**Non-Convertible Debenture**	-	-	-	900.0	Provisional [ICRA]B (Stable)

Source: Company

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Prolific Resolution Private Limited	100.00%	Full Consolidation

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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

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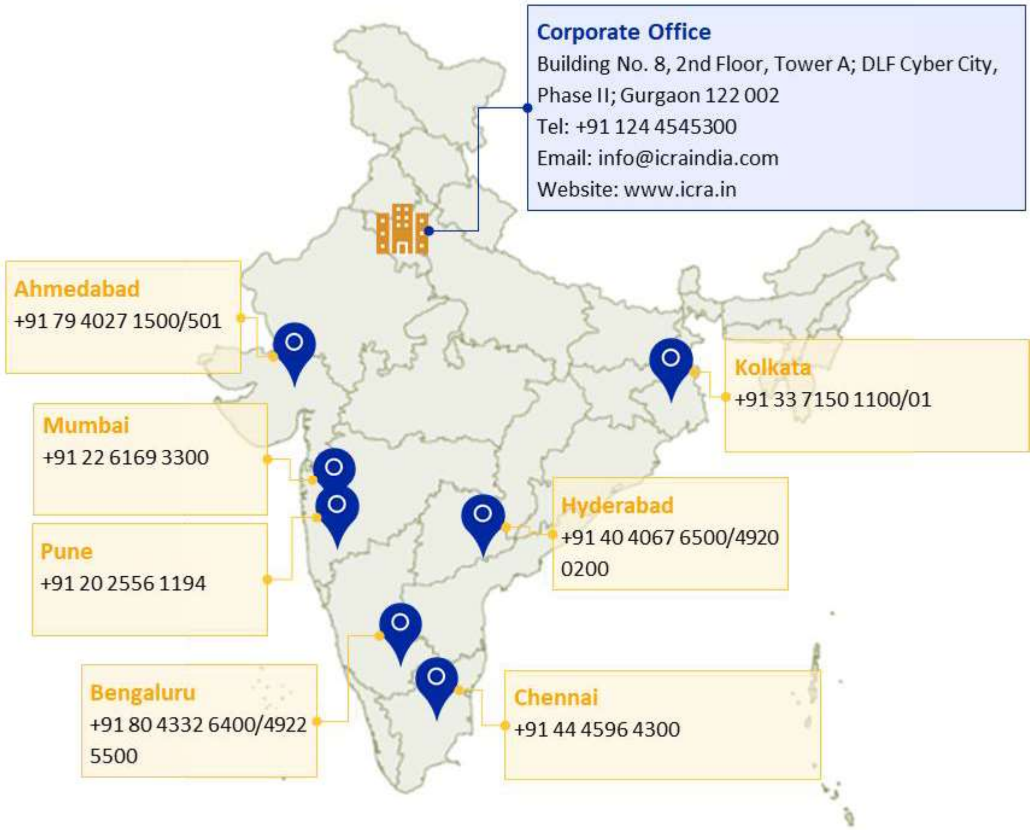

Hindustan Construction Company Limited

October 01, 2021

Ratings

Facilities	**Amount (Rs. crore)**	**Rating1**	**Rating Action**
Long Term Bank Facilities	1,671.30 (Reduced from 1,686.58)	CARE D (Single D)	Reaffirmed
Long Term / Short Term Bank Facilities	6,367.37	CARE D / CARE D (Single D / Single D)	Reaffirmed
Total Bank Facilities	**8,038.67 (Rs. Eight Thousand Thirty-Eight Crore and Sixty-Seven Lakhs Only)**		
Non-Convertible Debentures	15.28 (Reduced from 18.48)	CARE D (Single D)	Reaffirmed
Non-Convertible Debentures	48.84 (Reduced from 68.93)	CARE D (Single D)	Reaffirmed
Total Long-Term Instruments	**64.12 (Rs. Sixty-Four Crore and Twelve Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities and instruments of Hindustan Construction Company Limited (HCC) is on account of ongoing delays in debt servicing obligations. The debt servicing capability of the company is stressed on account of delays in execution of orders resulting in lower turnover coupled with higher borrowings resulting in higher interest outflow than the operating profit, thereby incurring net losses continuously.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- To ease the liquidity and meet the debt servicing obligations on time at least for 3 months continuously.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in debt servicing

There are continuous delays in meeting debt servicing obligations of bank facilities and NCD instruments due to delays in execution of orders resulting in lower turnover coupled with higher borrowings resulting in higher interest outflow than the operating profit, thereby incurring net operating losses continuously. The net-worth has been significantly eroded from Rs 1,353 crore as on March 2019 to Rs 611 crore as on March 31, 2021. However, the company is under advanced stages of restructuring proposal.

Liquidity: Poor

The liquidity profile of the company is poor considering ongoing delays and defaults with the lenders. The financial profile of the company also deteriorated significantly due to continuous losses resulting in significant erosion of net worth.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short term Instruments
Rating Methodology-Construction Sector
Financial Ratios-Non-Financial Sector
Liquidity Analysis – Non-Financial Sector

About the Company

Hindustan Construction Company Limited (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

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

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), 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. 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.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	3679.14	2642.38
PBILDT	483.02	352.26
PAT	-168.72	-566.45
Overall gearing (times)	NM	NM
Interest coverage (times)	0.65	0.42

A: Audited; NM: Not meaningful

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 for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	October 2021	180.43	CARE D
Fund-based/Non-fund-based-LT/ST	-	-	-	-	6367.37	CARE D / CARE D
Fund-based - LT-Cash Credit	-	-	-	-	1101.65	CARE D
Fund-based - LT-Term Loan	-	-	-	October 2021	389.22	CARE D
Debentures-Non Convertible Debentures	INE549A07130	June 04, 2014	10%	October 15, 2021	15.28	CARE D
Debentures-Non Convertible Debentures	INE549A07148	June 04, 2014	10%	October 15, 2021	41.18	CARE D
Debentures-Non Convertible Debentures	INE549A07148	July 17, 2014	10%	October 15, 2021	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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Debentures-Non Convertible Debentures	LT	15.28	CARE D	-	1)CARE D (08-Oct-20)	1)CARE D (27-Mar-20)2)CARE D (01-Apr-19)	1)CARE D (15-May-18)2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)
2	Debentures-Non Convertible Debentures	LT	41.18	CARE D	-	1)CARE D (08-Oct-20)	1)CARE D (27-Mar-20)2)CARE D (01-Apr-19)	1)CARE D (15-May-18)2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)
3	Term Loan-Long Term	LT	180.43	CARE D	-	1)CARE D (08-Oct-20)	1)CARE D (27-Mar-20)2)CARE D (01-Apr-19)	1)CARE D (15-May-18)2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)
4	Fund-based/Non-fund-based-LT/ST	LT/ST*	6367.37	CARE D / CARE D	-	1)CARE D / CARE D (08-Oct-20)	1)CARE D / CARE D (27-Mar-20)2)CARE D / CARE D (01-Apr-19)	1)CARE D / CARE D (15-May-18)2)CARE D / CARE D; ISSUER NOT COOPERATING* (06-Apr-18)
5	Fund-based - LT-Cash Credit	LT	1101.65	CARE D	-	1)CARE D (08-Oct-20)	1)CARE D (27-Mar-20)2)CARE D (01-Apr-19)	1)CARE D (15-May-18)2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)
6	Debentures-Non Convertible Debentures	LT	7.66	CARE D	-	1)CARE D (08-Oct-20)	1)CARE D (27-Mar-20)2)CARE D (01-Apr-19)	1)CARE D (15-May-18)2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)
7	Fund-based - LT-Term Loan	LT	389.22	CARE D	-	1)CARE D (08-Oct-20)	1)CARE D (27-Mar-20)2)CARE D (01-Apr-19)	1)CARE D (15-May-18)2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)

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

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based/Non-fund-based-LT/ST	Simple
5	Term Loan-Long Term	Simple

Annexure 5: Bank Lender Details for this Company

Click here to view Bank Lender Details

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

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