

## 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
<b>Total Bank Facilities</b>	<b>8,038.67</b> <b>(Rs. Eight Thousand Thirty-Eight Crore and Sixty-Seven Lakhs Only)</b>		
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
<b>Total Long-Term Instruments</b>	<b>64.12</b> <b>(Rs. Sixty-Four Crore and Twelve Lakhs Only)</b>		

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

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://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](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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