

Hindustan Construction Company Limited

March 27, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities-Term Loan	584.93 (reduced from 1607.53)	CARE D (Single D)	Reaffirmed
Long term Bank Facilities-Cash Credit	1101.65 (enhanced from 1065.38)	CARE D (Single D)	Reaffirmed
Long term/Short term Bank Facilities – Non Fund based	6367.37 (enhanced from 4775.8)	CARE D (Single D)	Reaffirmed
Total	8053.95 (Rs. Eight thousand fifty three crore and ninety five lakh only)		
Non – Convertible Debenture I	18.48	CARE D (Single D)	Reaffirmed
Non – Convertible Debenture II	68.93	CARE D (Single D)	Reaffirmed
Total	87.41 (Rs. Eighty seven crore and forty one lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in Debt Servicing:

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

The company has decided to novate the interest bearing debt (term loan and cash credit) to a New Company (NewCo) along with an award cover of 1.0x and claim cover of 1.5x. The NewCo will be majorly owned by a third party investor (51% or more) and HCC will hold 49% or less in the NewCo. This will eliminate the need to service any debt in HCC for the next 36 months in addition to addressing the asset liability mismatch facing the Company. Term Loan and Cash Credit obligations along with current overdues of Rs. 2,223 crore are proposed to be novated along with a corresponding assignment 1.x Awards Cover and 1.5x of Claims. The final debt amount proposed to be novated will also include devolved BGs and interest overdue till cut-off date. Accordingly, the amount of Awards and Claims may vary to provide a cover of 2.5x on the debt transferred.

Elongated working capital cycle:

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

Analytical approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

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

About the Company

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

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

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	4838.89	4465.67
PBILD	891.93	618.50
PAT	77.53	-1961.75
Overall gearing (times)	1.34	2.55
Interest coverage (times)	1.35	0.88

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	584.93	CARE D
Fund-based/Non-fund-based-LT/ST	-	-	-	6367.37	CARE D / CARE D
Fund-based - LT-Cash Credit	-	-	-	1101.65	CARE D
Debentures-Non Convertible Debentures	-	-	-	18.48	CARE D
Debentures-Non Convertible Debentures	-	-	-	61.27	CARE D
Debentures-Non Convertible Debentures	-	-	-	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Debentures-Non Convertible Debentures	LT	18.48	CARE D	1)CARE D (01-Apr-19)	1)CARE D (15-May-18) 2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (19-Apr-17)	-
2.	Debentures-Non Convertible Debentures	LT	61.27	CARE D	1)CARE D (01-Apr-19)	1)CARE D (15-May-18) 2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (19-Apr-17)	-
3.	Term Loan-Long Term	LT	584.93	CARE D	1)CARE D (01-Apr-19)	1)CARE D (15-May-18) 2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (19-Apr-17)	-
4.	Fund-based/Non-fund-based-LT/ST	LT/ST	6367.37	CARE D / CARE D	1)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)	1)CARE D / CARE D (19-Apr-17)	-
5.	Fund-based - LT-Cash Credit	LT	1101.65	CARE D	1)CARE D (01-Apr-19)	1)CARE D (15-May-18) 2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (19-Apr-17)	-
6.	Debentures-Non Convertible Debentures	LT	7.66	CARE D	1)CARE D (01-Apr-19)	1)CARE D (15-May-18) 2)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (19-Apr-17)	-

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Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Name: Vikash Agarwal

Tel: 022-6837-4427

Email: vikash.agarwal@careratings.com

Business Development Contact

Name: Saikat Roy

Tel: 022-6754-3404

Email ID: saikat.roy@careratings.com

About CARE Ratings:

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