

Hindustan Construction Company Limited

April 19, 2017

Ratings

Facilities/ Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities – Term Loan	1067.53 (2672.91)	CARE D (Single D)	Reaffirmed
Long-term Bank Facilities – Cash Credit	1065.38 (1500.00)	CARE D (Single D)	Reaffirmed
Long/Short-term Bank Facilities – Non-fund- based	4775.80 (5300.00)	CARE D (Single D)	Revised from CARE C; / CARE A4 (Single C/ A Four)
Total	6908.71 (Rupees Six Thousand Nine hundred Eight crore and Seventy One lakh only)		
Non - Convertible Debenture I	46.73 (89.00)	CARE D (Single D)	Reaffirmed
Non - Convertible Debenture II	56.07 (106.80)	CARE D (Single D)	Reaffirmed
Total	102.80 (Rupees One Hundred Two crore and Eighty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities and Instruments of Hindustan Construction Company Limited (HCC) have been reaffirmed and revised on account of the ongoing delays in the servicing of debt obligations. The debt servicing capability of the company is stressed on account of high debt burden and resultant finance cost along-with stretched working capital cycle on account of delayed receipt of dues and claims settlement from customers.

However, the recent implementation of the Scheme for Sustainable Structuring of Stressed Assets (S4A) has reduced the debt burden significantly and also expected receipt of 75% of the arbitral award amount pursuant to the directive of the NITI Aayog are expected to ease the liquidity pressure to some extent in the near future.

HCC's ability to improve profitability margins, efficiently manage working capital cycle, receipt of claim amounts awarded and timely servicing of debt obligations remain the key rating sensitivities.

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 were instances of overdrawals and devolvments in fund-based and non-fund based limits ranging between 30 to less than 90 days during the six months ended March 31, 2017.

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

Elongated working capital cycle: The working-capital cycle of the company continues to be elongated during FY16 (refers to the period April 1 to March 31) 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](#)

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. The order book position of the company stood at Rs 21,309 crore as on February 28, 2017.

HCC group of companies comprises mainly of HCC Infrastructure Company Limited (HICL), HCC Real Estate Limited (HREL), Lavasa Corporation Limited (LCL; rated 'CARE C (SO); Negative/CARE D' for bank facilities and instruments), Steiner AG, Zurich (SAG), and Highbar Technologies Limited (HTL; rated 'CARE D' for bank facilities). 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.

On January 19, 2017 the S4A scheme was accepted by the lenders and the debt of the company of Rs.5,091 crore was divided into two parts; sustainable portion of Rs.2,673 crore and unsustainable portion of Rs.2,418 crore, which was converted to Optionally Convertible Debentures of Rs.1,441.49 crore and balance to equity. The Company has achieved Profit After Tax (PAT) of Rs. 85 crore on Total Operating Income (TOI) of Rs.4,229 crore in FY16 against PAT of Rs. 79 crore on TOI of Rs.4,269 crore in FY15.

Status of non-cooperation with previous CRA: Not Applicable

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

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

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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

Disclaimer

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

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

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	-	-	-	768.42	CARE D
Fund-based/Non-fund-based-LT/ST	-	-	-	4775.80	CARE D / CARE D
Fund-based - LT-Cash Credit	-	-	-	1065.38	CARE D
Fund-based - LT-Term Loan	-	-	-	839.11	CARE D
Debentures-Non Convertible Debentures	-	-	-	46.73	CARE D
Debentures-Non Convertible Debentures	-	-	Oct. 15, 2021	48.40	CARE D
Debentures-Non Convertible Debentures	-	-	Oct. 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Debentures-Non Convertible Debentures	LT	46.73	CARE D	-	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)	1)CARE D (16-Apr-14)
2.	Debentures-Non Convertible Debentures	LT	48.40	CARE D	-	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)	1)CARE D (16-Apr-14)
3.	Commercial Paper	ST	-	-	-	-	-	1)Withdrawn (16-Apr-14)
4.	Commercial Paper	ST	-	-	-	-	-	1)Withdrawn (16-Apr-14)
5.	Term Loan-Long Term	LT	768.42	CARE D	-	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)	1)CARE D (16-Apr-14)

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		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
6.	Fund-based/Non-fund-based-LT/ST	LT/ST	4775.80	CARE D / CARE D	-	-	1)CARE C / CARE A4 (18-Feb-16) 2)CARE C / CARE A4 (16-Apr-15)	1)CARE C / CARE A4 (16-Apr-14)
7.	Fund-based - LT-Cash Credit	LT	1065.38	CARE D	-	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)	1)CARE C (16-Apr-14)
8.	Debentures-Non Convertible Debentures	LT	7.66	CARE D	-	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)	1)CARE D (16-Apr-14)
9.	Fund-based - LT-Term Loan	LT	839.11	CARE D	-	-	1)CARE D (18-Feb-16) 2)CARE D (16-Apr-15)	1)CARE D (16-Apr-14)

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