

## Hindustan Construction Company Limited

October 08, 2020

### Ratings

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

*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 days to 90 days.

The company has decided to novate the interest bearing debt (term loan and cash credit) to a New Company (New Co) along with an award cover of 1.0x and claim cover of 1.2x. The proposed new entity will be majorly owned by a third party investor (51% or more) and HCC will hold 49% or less in the proposed entity. 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. 2,816 crore are proposed to be novated along with a corresponding assignment 1.x Awards Cover and 1.2x 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 2.2x on the debt transferred. The aforementioned resolution plan is under process.

##### **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](#)

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://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)	FY19 (A)	FY20 (A)
Total operating income	4,465.67	3,679.14
PBILDT	618.50	483.02
PAT	-1961.75	-168.72
Overall gearing (times)	2.55	2.86
Interest coverage (times)	0.88	0.65

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	ISIN	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	October 2021	184.93	CARE D
Fund-based/Non-fund-based-LT/ST	-	-	-	-	6367.37	CARE D / CARE D
Fund-based - LT-Cash Credit	-	-	-	-	1101.65	CARE D
Fund-based - LT-Term Loan	-	-	-	October 2021	400.00	CARE D
Debentures-Non Convertible Debentures	June 04, 2014	INE549A07130	10%	October 15, 2021	18.48	CARE D
Debentures-Non Convertible Debentures	June 04, 2014	INE549A07148	10%	October 15, 2021	61.27	CARE D
Debentures-Non Convertible Debentures	July 17, 2014	INE549A07148	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	18.48	CARE D	-	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)	1)CARE D (19-Apr-17)
2.	Debentures-Non Convertible Debentures	LT	61.27	CARE D	-	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)	1)CARE D (19-Apr-17)
3.	Term Loan-Long Term	LT	184.93	CARE D	-	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)	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 (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)	1)CARE D / CARE D (19-Apr-17)
5.	Fund-based - LT-Cash Credit	LT	1101.65	CARE D	-	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)	1)CARE D (19-Apr-17)
6.	Debentures-Non Convertible Debentures	LT	7.66	CARE D	-	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)	1)CARE D (19-Apr-17)
7.	Fund-based - LT-Term Loan	LT	400.00	CARE D	-	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)	1)CARE D (19-Apr-17)

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 the 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

**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](http://www.careratings.com). 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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