



## Press Release

### HCC Infrastructure Company Limited

August 01, 2024

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Short Term Facilities	120.00	IVR A4+ (IVR A Four Plus)	-	Assigned	<a href="#">Simple</a>
Proposed Short Term Facilities	30.00	IVR A4+ (IVR A Four Plus)	-	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>150.00</b> <b>(Rupees One hundred and fifty crore only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has assigned short term rating to the bank facilities of HCC Infrastructure Company Limited (HICL). The rating assigned to the bank facilities derive strength from long established track record of the HCC group, proven record of project execution and divestment of assets. The rating strengths are, however, constrained by modest scale of operations with limited revenue visibility, moderate tangible network and tender-based nature of operations with intense competition in the industry.

#### Key Rating Sensitivities:

##### Upward Factors

- Ability to secure orders, thus improving the operational and financial performance of the company.

##### Downward Factors

- Inability to secure orders thus leading to deterioration in operational and financial performance of the company.
- Sharp changes in leverage of the company.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Long established track record of the HCC Group**

HICL is a civil construction company engaged in the construction of roads and bridges. It is a 100% subsidiary of Hindustan Construction Company Limited (HCC) (rated IVR BBB-/Stable/IVR A3), founded by Mr Walchand Hirachand in 1926 and has an established track record of over nine decades in executing relatively complex hydro and tunnelling projects at geographically diverse locations. HCC Chairman and Managing Director, Mr. Ajit Gulabchand has extensive experience in the infrastructure industry. Mr. Arjun Dhawan, Vice Chairman of HCC and Director of HICL 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. Promoters are well supported by a team of experienced and qualified professionals.

##### **Proven record of project execution and divestment of assets**

HICL started its operations in 2010 and since then has successfully completed projects with aggregate value of ~Rs. 6800 crore. Nirmal BOT Ltd was made operational in July 2009, 100 days ahead of schedule and divested in December 2015. Delhi Faridabad Elevated Expressway was commissioned in November 2010, ahead of schedule and the project was closed in February 2018. Dhule Palesner Tollway Ltd commissioned in February 2012, four months ahead of schedule and divested in October 2015. Baharampore Farakka Highways Ltd (BFHL) started commercial operations from May 2014 onwards and divested to Cube Highways in March 2023. Farakka Raiganj Highways Ltd (FRHL) started commercial operations from October 2016 onwards and was divested to Cube Highways in September 2020. Raiganj Dalkhola Highways Ltd (RDHL) was closed by NHAI in March 2017, however HICL has arbitration awards for termination claim and EOT claim to the tune of Rs. 987 crore.

#### Key Rating Weaknesses

##### **Modest scale of operations with limited revenue visibility**

HICL reported multifold increase in its total operating income in FY24 to Rs. 92.17 crore as against Rs. 9.15 crore in FY23. Revenues of FY24 included primarily construction revenue and royalty income. The main streams of revenue for HICL are royalties on 75% overhead toll collections from FRHL and royalties on 100% overhead toll collections from BFHL along with



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escalation until the conclusion of the concession period, till FY41. HICL further has a Major Maintenance contract for BFHL for Rs.186 crore to be completed by March 2025. The company reported positive EBITDA of Rs.45.35 crore due to increase in construction revenue vis a vis negative EBITDA in FY23. The company has other income to the tune of Rs.20.15 crore in FY24 (PY: Rs.6.09 crore) mainly interest income from inter corporate deposits (ICDs) given to group companies and on fixed deposits and gain on settlement of claim from erstwhile subsidiary. Further, there are exceptional gains to the tune of Rs.124.35 crore in FY24 (PY: Rs.151.24 crore) on account of earn-out received from sale of erstwhile subsidiary and gain on sale of investment in foreign group company. Accordingly, the company reported PAT of Rs.160.92 crore in FY24 (PY: Rs.171.81 crore). However, HICL's ability to scale up operations will be critical going forward.

### **Moderate equity base**

The parent has provided inter corporate deposit to HICL which is treated as deemed equity contribution. The amount outstanding as on March 31, 2024, is Rs.1315.43 crore. After considering the same and adjusting for investments and accumulated losses the adjusted tangible networth stood moderate at Rs.298.48 crore. There is no defined timeline for repayment of ICD to parent and the interest on it is accrued however not paid out. The company expects to repay the same in future from the RDHL award of Rs.987 crore awarded to HICL which is currently under litigation. Total debt which stood at Rs. 50.20 crore as on March 31, 2024, is inter corporate deposit from group company. There are no bank borrowings. Accordingly, the overall gearing and TOL/ATNW stood comfortable at 0.17x and 0.52x respectively as on March 31, 2024.

### **Tender-based nature of operations with intense competition in the industry**

Orders are mainly tender based and floated by various government departments. The infrastructure industry is highly fragmented due to presence of many organized and unorganized players tender driven nature of business leads to volatility in revenue and profitability. Further, being in infrastructure segment the company is exposed to inherent risks associated in the industry like slowdown in new order inflows, risks of delays in execution, delay in payments from the government, fluctuating input costs etc. Further, since the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. HICL is focusing to bid for projects which are complex in nature and involves major structures wherein the competition will be minimal. The company will tie up with financial



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/ private equity investors for pre-bid / post bid partnership for the HAM/ BOT projects, wherein company will be the EPC contractor. HICL may also explore the possibility to take some equity to the extent of 26% to 33% in HAM projects and 8%-10% in BOT projects with an agreement to sell the stake to the investor post commercial operation of the projects at a pre-agreed IRR.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

HICL earnings include royalty income and income from major maintenance contract being executed in FY25. The company has no external borrowings as on March 31, 2024. HICL has sanctions of Bank Guarantee and overdraft facility which are backed by 100% cash margin, however not utilised yet. Further, HICL also has cash and cash equivalents of Rs.122.80 crore as on March 31, 2024.

### **About the Company**

HCC Infrastructure Company Limited is a wholly owned subsidiary of Hindustan Construction Company Ltd. and is entrusted with investment and development in the Public Private Partnership (PPP) mode under the various BOT/ BOOT / HAM / Annuity models.

Since 2008, HICL has developed Rs. ~6800 crore of road assets under India's National Highway Development Program on DBFOT (Design, Build, Finance, Operate and Transfer) basis, including international joint ventures and successful private equity partnerships with Xander, IDFC and Cube Highways.



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### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	10.59	92.17
EBITDA	-9.57	45.35
PAT	171.81	160.92
Total Debt	53.98	50.20
Tangible Net Worth	415.52	435.73
EBITDA Margin (%)	-90.38	49.20
PAT Margin (%)	333.50	139.38
Overall Gearing Ratio (x)	0.19	0.17
Interest Coverage (x)	-1.06	8.15

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: None.**

**Any other information: Nil.**

### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (Month XX, 20XX)	Date (Month XX, 20XX)	Date (Month XX, 20XX)
1.	Fund Based Facilities - Overdraft	Short Term	6.00	IVR A4+	-	-	-
2.	Non-fund Based Facilities - Bank Guarantee	Short Term	114.00	IVR A4+	-	-	-
3.	Proposed Bank Guarantee	Short Term	30.00	IVR A4+	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Facilities - Overdraft	-	-	-	-	6.00	IVR A4+
Non-fund Based Facilities - Bank Guarantee	-	-	-	-	114.00	IVR A4+
Proposed Bank Guarantee	-	-	-	-	30.00	IVR A4+

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-HICL-aug24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).