

Press Release

HCC-AI Faraa JV

June 20, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 220.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 220.00 crore bank facilities of HCC-AI Faraa JV. The outlook is '**Stable**'.

HCC - Alfaraa JV (HAJV) is a joint venture entity between Hindustan Construction Company Limited (HCC) and Alfaraa Infraprojects Private Limited (AIPL) with profit sharing ratio of 51:49, HCC is the lead member in the joint venture. HAJV is formed for the construction of Pune metro rail project under Project -1. HAJV is responsible for construction, testing and commissioning of the permanent works which will include designing and construction of nine metro stations for Pune Metro Corridor -I. The construction of metro rail is spread over 11.570 kms of elevated line including nine stations. The total cost of the project is Rs.497.09 crore which is expected to be funded through equity of Rs.10.00 crore, working capital facility of Rs.242.27 crore and ~Rs.49 crore interest free loans from Maharashtra Metro Rail Corporation Limited (MMRCL) for mobilisation and cash flow support. HAJV signed the Letter of Acceptance with MMRCL on November 11, 2017 and the project is expected to be completed by December 2019.

Key Rating Drivers

Strengths

- **Established position and experience in EPC**

HCC - Alfaraa JV (HAJV) is a joint venture between Hindustan Construction Company Limited (HCC) and Alfaraa Infraprojects Private Limited (AIPL) with profit sharing ratio of 51:49. HCC has executed several infra projects like Bandra-Worli Sea Link, Mumbai-Pune Express way, and India's 1st and 2nd metro systems in Kolkata and Delhi. Alfaraa Infraprojects Private Limited (AIPL) is a part of Alfaraa group. The group has been engaged in executing construction projects like, residential, commercial, multistoried buildings of high rise towers on EPC basis including Civil and MEP Works, HVAC, Fire Fighting, Interiors, BMS, Interior Works, External Development works among others.

Weaknesses

- **Funding risk**

HAJV is yet to achieve financial closure for its project funding from the banks. Further, MMRCL has already disbursed mobilisation advance (at 5 percent) of Rs.24.85 crore. The total project cost of Rs.497.09 crore is to be funded by equity of Rs.10.00 crore and working capital facility (Fund Based and Non Fund Based) of Rs.220.00 crore from banks. Acuite believes that the project is exposed to funding risk at this stage though the members of joint ventures have infused equity of Rs.10.00 crore. Considering the fact that one of the JV members, i.e., HCC (lead member in Joint Venture) is in a bad shape and is facing liquidity issues with the lenders. Any delay in funding and/or change in the HCC's credit profile will be a key rating sensitivity.

- **Project execution and implementation risk**

The construction has already started from the month of November 2017 and as of now, the construction work is around 1.75 percent ahead of schedule. However, any deviation in project execution and implementation will remain a key rating sensitivity factor. Any adverse developments in HCC and/or Alfaraa Infraprojects Private Limited may also have an impact on HAJV's project

execution and completion of the project.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the HAJV to arrive at this rating.

Outlook: Stable

Acuite believes that the outlook on HAJV will remain 'Stable' over the medium term on account of its established track record of operations in the real estate sector of the entities in the Joint Venture and its experienced management. The outlook may be revised to 'Positive' in case of a substantial and sustainable increase in revenue and margins while maintaining the leverage at conservative levels. The outlook may be revised to 'Negative' if there is a considerable delay in project implementation, or significant increase in exposure to new projects, necessitating sizeable equity investment and impacting the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.00
EBITDA	Rs. Cr.	0.00	0.00	0.00
PAT	Rs. Cr.	0.00	0.00	0.00
EBITDA Margin	(%)	0.00	0.00	0.00
PAT Margin	(%)	0.00	0.00	0.00
ROCE	(%)	0.00	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	0.00	0.00	0.00
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	0	0	0

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE B+ / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	120.00	ACUITE A4
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A4

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Kashish Shah Analyst - Rating Operations Tel: 022-67141152 kashish.shah@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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