



Hindustan Construction Co Ltd

Investor / Analyst Presentation

Q3 FY 2019-20

Presentation Flow

| | | |
|---------------------------|---|---|
| HCC | - | Key Highlights & Financial Results |
| HCC Infrastructure | - | Updates |
| Steiner AG | - | Updates |

Key Highlights: Q3 FY20

- Total Income (excluding Other Income) was Rs.1,075 cr vs. Rs.1,102 cr in Q3 FY19
- EBITDA margin (excluding Other Income) was 20.4% vs. 18.1% in Q3 FY19
- Supreme Court struck down Section 87 of Arbitration and Conciliation (Amendment) Act, 1996, on Nov 27, 2019
 - SC declined interim reliefs, requiring S/34 and 37 proceedings to be complete as matters are considered to be “under challenge”
- CCEA amended its 2016 circular on Nov 20, 2019, such that Central PSUs / Agencies can only initiate proceedings to set aside an Arbitration Award, and any appeals thereto, with the Opinion of a Law Officer in consultation with Department of Legal Affairs
 - The amendment breaks a crucial chain in the process of mechanical challenges and will help accelerate conciliation – Company pursuing settlement of Awards/Claims of ~Rs.4,000 cr, mostly at HCC Concessions
 - Top-up interest BGs to be returned (Rs.805 cr)
- Company to carve-out >Rs.2,100 cr of Debt, effectively resulting in zero debt service obligations for the next 32 months and interest cost savings to the tune of Rs.240 cr p.a.
 - Smaller monetization transaction to be fine-tuned alongside carve-out transaction conclusion

Financial Performance : Q3 FY 2019-20 (y-o-y & q-o-q)

Results are in accordance with the Indian Accounting Standards (Ind AS) notified by the Ministry of Corporate Affairs

| | Q3 FY20 | Q3 FY19 | y-o-y | Q2 FY20 |
|---|--------------|--------------|-------------|--------------|
| | Rs. cr | Rs. cr | % | Rs. cr |
| Income from Operations | 1,075 | 1,102 | (2)% | 988 |
| Construction Cost (incl. material) / other exp. | 755 | 807 | (6)% | 689 |
| Employee Cost | 101 | 96 | 6% | 112 |
| EBITDA (excluding Other Income) | 219 | 199 | 10% | 187 |
| EBITDA margins (%) (excluding Other Income) | 20.4% | 18.1% | | 18.9% |
| Finance Cost | 171 | 173 | | 184 |
| Depreciation | 27 | 34 | | 30 |
| Profit / (Loss) Before Exceptional items | 28 | 17 | | (17) |
| Exceptional Item (Write-offs) | 331 | - | | - |
| Profit / (Loss) Before Tax After Exceptional items | 359 | 17 | | (17) |
| Tax expense | 125 | 7 | | 149 |
| Profit / (Loss) After Tax | 234 | 10 | | (165) |
| Other comprehensive income after tax | 0 | 4 | | (8) |
| Total Comprehensive Income (after Tax) | 233 | 14 | | (174) |

Awards status as on December 31, 2019

Rs Cr

| Award status | | | |
|-----------------------------------|-------------------------------------|------------------------|-------|
| High Court Single Judge (S/34) | High Court Division Bench (S/37) | Supreme Court (SLP) | Total |
| 5,385 | 543 | 740 | 6,668 |

| Award Status as on Dec 31, 2019 | (Rs. Crore) |
|--|--------------|
| Total Awards as on Dec 31, 2019 | 6,668 |
| Less: Collected through Court against BG | 1,086 |
| Less: Collected through CCEA mechanism (75%) | 1,531 |
| Balance to be Collected | 4,051 |

Pro forma estimated result of Debt Carve-out

| Particulars (as on Dec 31, 2019) | Existing | Post Carve-out | |
|---|----------------|------------------|---------------|
| | HCC | Claims Co. (SPV) | HCC |
| Awards and Claims | 12,138* | 5,273 | 6,865* |
| Awards | 4,051** | 2,109 (1.0x) | 1,942# |
| Claims | 8,087\$ | 3,164 (1.5x) | 4,923\$ |
| Total fund based debt | 4,717 | 2,109 | 2,608 |
| Term Loan | 805 | 805 | - |
| Cash Credit | 1,114 | 1,114 | - |
| OCD | 1,744 | - | 1,744 |
| LCL senioered debt | 864 | - | 864 |
| Estimated Interest dues up to effective date of carve-out | 190 | 190 | - |

* Excludes Rs.2,617 cr realised against Court / CCEA BGs

Includes Rs.560 cr of HCC Infrastructure Awards

\$ Includes Rs.1,831 cr of HCC Infrastructure Claims

Debt Carve-Out Transaction Summary

- Mirroring Monetization transaction >Rs.2,100 cr of near-term serviceable debt to move off Balance sheet with minimal recourse along with appropriate cover
 - Only OCDs (Rs.1,744 cr) and Lavasa seniored NCDs (Rs.864 cr) to remain on HCC's standalone Balance Sheet

Step 1:

- HCC to incorporate new SPV, i.e. Claims Co., as 100% subsidiary

Step 2:

- Awards and Claims to be transferred on an Asset sale / Assignment basis
- Consideration to be discharged by takeover of debt (novation)

Step 3:

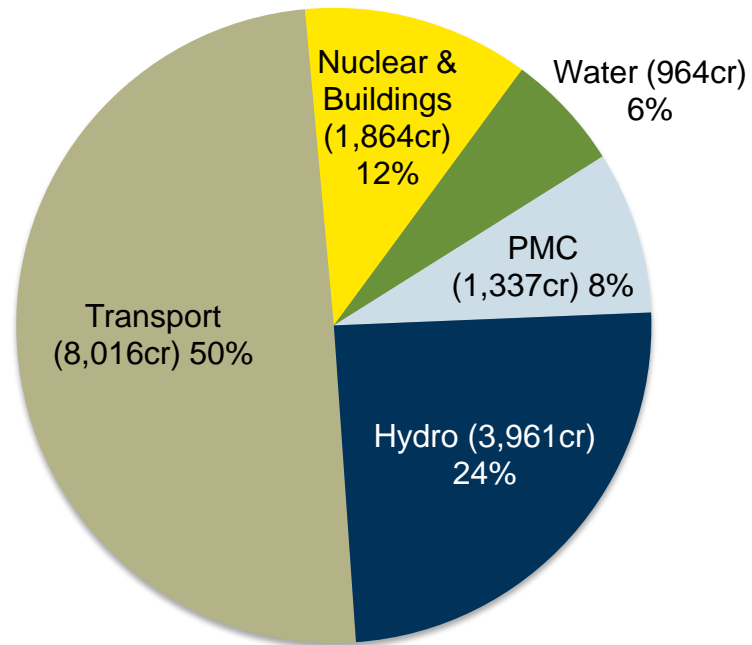
- New Investor to invest in SPV for majority stake (> 50%) through primary issuance of equity
- New Investor to invest priority debt for funding legal and other expenses
- Lenders to refinance the taken-over debt into a long-dated instrument

Key terms for existing lenders

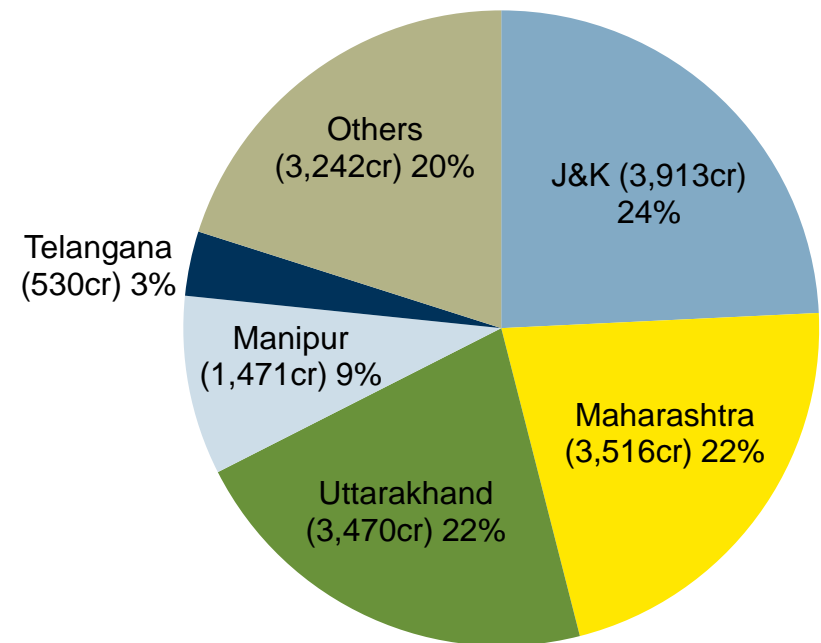
| | |
|---------------------------|---|
| IRR at SPV | <ul style="list-style-type: none">▪ Year 0 to Year 5 : 14.0%▪ Year 6 to Year 8 : 16.0% (retrospectively from year 1 on outstanding amount)▪ Year 8 to Year 10 : 17.5% (retrospectively from year 1 on outstanding amount) |
| Repayment schedule | 10-year, 0.01% coupon NCD; repayment from 6 th year onwards with accrued IRR |
| Fold back | Residual Awards & Claims post Investor pay-out & Lender pay-out to fold back to HCC |
| Security cover | 2.5x cover in SPV <ul style="list-style-type: none">▪ Awards:1.0x▪ Claims:1.5x |

Order Backlog – Rs.16,142 cr

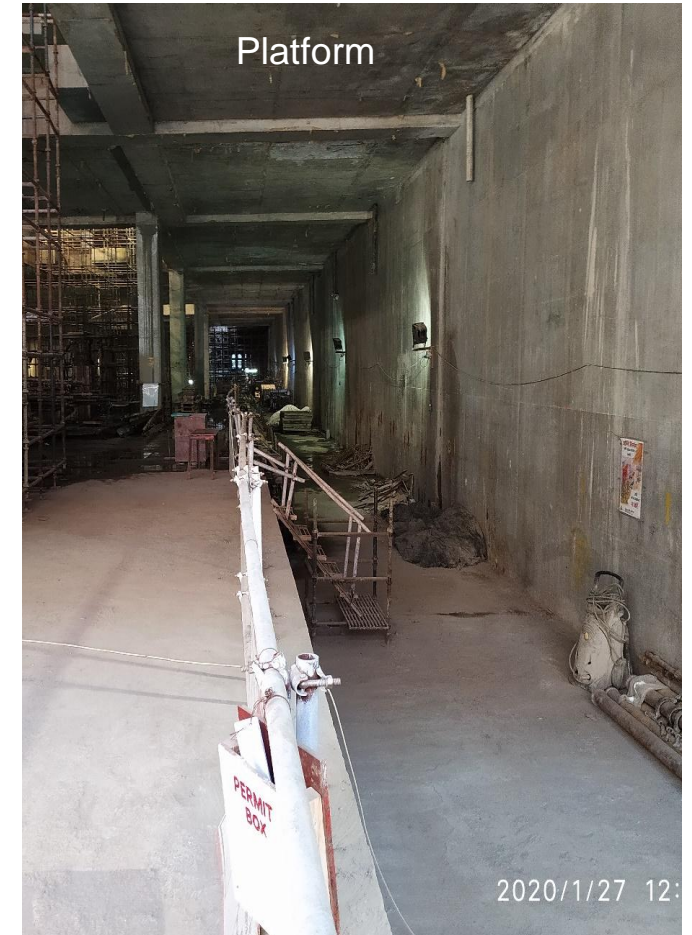
Order Backlog - Business Line wise Breakup



Order Backlog - Geographic Breakup



Pictorial Highlights (Mumbai Metro)



Pictorial Highlights (Vishnugad Pipalkoti HEP)



Pictorial Highlights (Coastal Road)





HCC Infrastructure / HCC Concessions

- **Baharampore–Farakka–Raiganj (NH-34 Packages 3 & 4)**
 - Baharampore-Farakka (Pkg 3): Average daily revenue was Rs.43.0 lakh in Q3 FY20 and traffic grew by 4.4% y-o-y
 - Farakka-Raiganj (Pkg 4): Average daily revenue was Rs.49.1 lakh in Q3 FY20 and traffic grew by 42.5% y-o-y
 - Traffic had declined on both stretches in Q3 FY19 by 5% and 23% y-o-y, respectively, due to temporary diversion of traffic owing to comprehensive repairs to Farakka Barrage. Repairs were finally completed in April 2019
 - Sale of Farakka-Raiganj to Cube Highways and Infrastructure II Pte. Ltd. has received NOC from NHAI and lenders
 - Company is in the process of conciliating matters with NHAI and lenders to its Badarpur Faridabad project, which was terminated due to force majeure, i.e. an order of the Supreme Court effectively preventing commercial vehicle traffic entering New Delhi along the project stretch



Farakka Raiganj Highway: Toll Plaza at Km 297



Km 341 (Farakka Raiganj Highway)



Steiner AG

- Steiner AG, Headquartered in Zurich, is a leading Real Estate Developer and Total Services Contractor in the Swiss real estate market. Specializes in turnkey development of new buildings and renovation of existing properties
- Closing order backlog as of December 31, 2019, CHF1.29 billion (Rs.9,450 cr)
- Order intake during Q3 FY 2019-20 CHF209 million (Rs.1,489 cr) as against CHF184 million (Rs.1,305 cr) in the same quarter last year; company has further secured orders worth CHF469 million (Rs.3,338 cr) where contracts are yet to be signed

Key financials

| As per IndAS | Q3 FY20 | Q3 FY20 | Q3 FY19 | Q3 FY19 |
|--------------|-------------|---------|-------------|---------|
| | CHF Million | Rs. Cr | CHF Million | Rs. cr |
| Turnover | 173.1 | 1,232 | 220.7 | 1,562 |
| PAT/ (Loss) | 0.5 | 3.8 | 0.4 | 2.8 |

(for P&L: exchange rate of 1 CHF = Rs.70.76 for quarter ended Dec 31, 2018)

(for P&L: exchange rate of 1 CHF = Rs.71.17 for quarter ended Dec 31, 2019)

(for BS : exchange rate of 1 CHF = Rs.73.23 for quarter ended Dec 31, 2019)



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Disclaimer

This presentation contains certain forward looking statements concerning future business prospects and profitability of HCC, which are subject to a number of risks and uncertainties and actual results could materially differ from those in such forward looking statements, important developments that could affect the company's operations include a downtrend in the infrastructure sector, significant changes in political and economic environment in India, tax laws, labour relations, litigation etc. The company does not undertake to make any announcement in case any of these forward looking statements become materially incorrect in future or update any forward looking statements made from time to time by or on behalf of the company.