

Prolific Resolution Private Limited

September 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non Convertible Debentures	2,854.40	CARE BB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the instruments of Prolific Resolution Private Limited (PRPL) continues to derive strength from the long moratorium period providing cushion to cashflows with reasonable time to realize the awards and claims before the commencement of debt repayment in September 2026. As part of debt resolution plan of Hindustan Construction Company Ltd. (HCC; rated CARE BB+; Positive/CARE A4+), arbitration award and claims of Rs.6,508 crore were novated to PRPL along with debt of Rs.2,854 crore. As on Mar. 31, 2024, the awards and claims (principal) amounts to Rs.5,754 crore which includes favourable awards of Rs.2,529 crore. During FY24, the company realized awards of about Rs.140 crore and claims amounting to Rs.424 crore were converted into awards.

The rating takes into consideration the corporate guarantee extended by HCC towards the entire debt transferred to PRPL and the corporate guarantee shall remain valid during the tenure of the loan. With improvement in credit profile of HCC, CARE Ratings Ltd (CARE Ratings) expects that HCC would extend need based support to PRPL.

The rating strength, is however, tempered by risk associated with timely realization of awards and claims and uncertainty associated with the recovery value. As on March 31, 2024, the company had 5% of awards pending in Supreme Court, 89% in High Court and 6% are yet to be challenged by the clients. Further, as on the same date, ~26% claims are under arbitration and ~74% are pending with the clients. With the recovery entirely dependent upon the timeliness associated with realization of the awards/claims, the progress in this front shall be a key monitorable.

CARE Ratings notes that, in line with resolution plan, majority shareholding of PRPL (51%) was transferred to an external investor, Jadeja Investments Management Private Limited, part of Ahmedabad based Ashapura Group while HCC continues to hold remaining 49% of shareholding in the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Faster realization of awards and claims vis-à-vis estimated timelines.
- Reduction in debt and/or higher than envisaged recovery improving the debt coverage metrics

Negative factors

- Delay in the recovery as envisaged thereby impacting the cashflow position.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects company's comfortable asset cover which along with comfortable moratorium period of 2 more years is expected to provide sufficient cushion in the cashflows before the commencement of debt repayment in Sept. 2026.

Detailed description of key rating drivers:

Key strengths

Comfortable asset cover for novated debt with long moratorium period:

As per the debt resolution plan of HCC, debt of Rs.2,854 crore along with award and claims of Rs.6,508 crore were transferred to PRPL. As on Mar. 31, 2024, the awards and claims (principal value) stood at Rs.5,754 crore which includes favourable awards

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

of Rs.2,529 crore. The debt has a moratorium period of 2 more years with repayment commencing from September 30, 2026 which provides sufficient time for PRPL to realize the awards and claims and meet the debt obligations.

As per historical data, the overall realization of claims is estimated to be ~56% while award realization is estimated at ~95%. During FY24, the company realized awards of about Rs.140 crore and converted claims of Rs.424 crore into awards of Rs.157 crore. Since the implementation of resolution plan, about Rs.786 crore of claims of the company were converted into awards of Rs.193 crore.

Improvement in the credit profile of HCC

The credit profile of HCC has improved during FY24 marked by improvement in financial performance with improvement in margins and fructification of fund-raising plans via rights issue (of Rs.350 crore), monetization of assets as well as recovery of debtors under arbitration. HCC has further proposed raising additional equity via Qualified Institutional Placement (QIP) by Q2FY25 which would support the business growth and augment the liquidity position. HCC has extended corporate guarantee to towards the debt transferred to PRPL for the entire tenure of the loan.

Key weaknesses

Timely repayment of debt obligations contingent on realization of claims and awards

As on March 31, 2024, the company had outstanding awards and claims (principal amounts) of Rs.2,529 crore and Rs.3,225 crore respectively. Out of the aforementioned claims, as on March 31, 2024, ~74% are pending with clients while the remaining ~26% are under arbitration process. Further, out of the total awards of Rs.2,529 crore as on March 31, 2024, 5% are pending Supreme Court, 89% are pending at High court while the 6% are yet to be contested by the client in the courts (arbitration awarded to HCC by Tribunal which is yet to be challenged by the client in the court). The company is dependent on the cashflows from claims and awards for the timely repayment of debt obligations. Any delay in the realization of awards and claims against the original plan can impact the debt repayment obligations of the company.

Liquidity: Stretched

The company is dependent on support from HCC to meet legal expenses in the short term, till material realization of awards and claims. While the debt repayment obligations are expected to commence from FY27 onwards, repayment of the same is contingent on adequacy and timely realization of awards and claims.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Investment Holding Companies](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Investment Company

Prolific Resolution Private Limited (PRPL) is a wholly owned subsidiary of Hindustan Construction Company Limited and was incorporated as part of implementation of Debt Resolution Plan of HCC wherein HCC's debt along with awards & claims were transferred to PRPL.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	221	547
PBILDT	210	447
PAT	-59	55
Overall gearing (times)	429.35	39.56
Interest coverage (times)	0.78	1.18

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	INE08YT07019	20-09-2022	0.01	30-09-2030	2,303.00	CARE BB; Stable
Debentures-Non Convertible Debentures	INE08YT07027	20-09-2022	0.01	30-09-2030	551.40	CARE BB; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT*	2854.40	CARE BB; Stable	-	1)CARE BB; Stable (06-Oct-23)	-	-

*LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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