Hindustan Construction Company Limited

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	121.12	CARE BBB-; Stable	Upgraded from CARE BB+; Positive
Long Term / Short Term Bank Facilities	7,313.28	CARE BBB-; Stable / CARE A3	Upgraded from CARE BB+; Positive / CARE A4+
Non Convertible Debentures	753.00	CARE BBB-; Stable	Upgraded from CARE BB+; Positive
Optionally Fully Convertible Debenture	863.88	CARE BBB-; Stable	Upgraded from CARE BB+; Positive

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the instruments and bank facilities of Hindustan Construction Company Limited (HCC) factors in the improved liquidity profile, led by fructification of fund-raising plans with the company raising about Rs.950 crore (via Rights issue and QIP) during FY25 and improved business prospects with large order book addition, to the tune of Rs.7,312 crore (including L1 of Rs.3,400 crore), during H2FY25.

The funds raised during FY25 have supported financing the working capital requirements as well as comfortably meeting the debt servicing obligations. The company has repaid about 37% of opening Resolution Plan (RP) debt until Mar. 31, 2025 with overall debt reduction of ~10% (by end of FY25).

The rating upgrade also factors in the expected recovery from disputed debtors which are in advance stages of legal resolution. The recovery is expected to boost liquidity profile and support the relatively large debt servicing obligations in the medium term. CARE Ratings Ltd (CARE Ratings) understands that the HCC and its SPV (Prolific Resolution P. Ltd) are at an advanced stage of resolving arbitration claims/settlement of awards aggregating ~Rs.700 crore – Rs.1000 crore in FY26 and timely recovery of the same is a key rating sensitivity. In absence of fructification of said plans, HCC proposes to raise alternate funds to support the business requirement and the same shall be crucial.

The order book stood at Rs.9,758 crore as on Dec. 31, 2024, thereby providing revenue visibility for the next two years. CARE Ratings expect the order book addition along worth conversion of L1 to support the business growth in medium term.

The ratings also take into consideration the improvement in financial performance of the company during FY24 (refers to period from April 01 to March 31) and 9MFY25. Although revenue moderated to Rs.3,308 crore during 9MFY25 (Rs.3,506 crore during 9MFY24), on account of delay in the award of new projects due to general and state elections, the same remained at satisfactory level. The PBILDT margin of the company has remained at 10.80% during 9MFY25 (10.39% during 9MFY24). The ratings continue to take into account long-established track record, demonstrated project execution capabilities, experienced management and diversified order book position.

CARE Ratings Ltd (CARE Ratings) also notes that the HCC has extended corporate guarantee towards the debt transferred to PRPL as part of implementation of RP although the transferred debt has satisfactory moratorium period to realize the awards and claims before the debt repayments commences in September 2026. The company is in the process of getting lender approvals for the reduction of corporate guarantee extended to PRPL from 100% of the carved-out debt to 20% of that value, which would limit HCC's exposure to PRPL debt to Rs.571 crore.

The rating strengths are, however, tempered by the under recoveries in the monetisation plan and recovery of arbitration debtors. The company had proposed monetisation of real estate asset at Steiner AG, Switzerland. While HCC has entered into a stake sale agreement for the sale of entire shareholding of Steiner AG, Switzerland, there is no immediate cashflow inflow from the stake sale with rights over future cashflows. The same is contingent upon successful operation of the entity post change in management. The ratings also continue to remain constrained by extended working capital cycle on the account of high debtors under arbitration/claims, high debt level with ballooning debt repayment structure, absence of working capital lines to complement the growing scale of operation and presence in highly competitive and fragmented industry. Ability to raise working capital finance to support the business growth shall also be important from credit perspective.

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

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Continued addition of work orders thereby scaling up of operation while maintaining profitability.
- Rationalisation of debt level with improvement in total debt/EBITDA to 4x
- Improvement in the collection period with resolution of debtors under arbitration.

Negative factors

- Slowdown in work execution with impact on profitability and liquidity.
- Elongation of operating cycle with collection days remaining above 320 days.
- Non fructification of recoveries envisaged thereby stretching the liquidity profile

Analytical approach: Standalone

Outlook: Stable

HCC is expected to maintain stable risk profile backed by favourable sector outlook and strong order book aiding healthy growth prospects and steady improvement in the liquidity.

Detailed description of key rating drivers:

Key strengths

Improved liquidity position with fund raising and asset monetisation
The company has witnessed improved liquidity position with growth in business operations & profitability, satisfactory cashflow from operations as well as fructification of the fund-raising plans, as articulated by the management.
While the overall collection days remain on the higher side, excluding the disputed debtors which are on account of various arbitrations filed for completed projects, the collection days have improved from ~340 days in FY23 to ~240 days in FY24. Besides, liquidity has been supported via funds raised (~Rs.950 crore) through equity, asset monetisation and recovery of certain arbitration claims. During April 2024, the company raised equity of Rs.350 crore through rights issue towards funding working capital requirements and general corporate purposes. Further, during December 2024, the company raised Rs.600 crore through QIP towards debt repayment of HCC/associates/JVs, funding working capital requirements and general corporate purposes. Management has articulated additional fund-raising plans going forward along with endeavour to recover the arbitration awards via issuance of bank guarantees and settlement of disputed receivables. CARE Ratings Ltd (CARE Ratings) understands that the HCC and its SPV (Prolific Resolution P. Ltd) are at an advanced stage of resolving arbitration claims/settlement of awards aggregating ~Rs.700 crore – Rs.1000 crore in FY26. Fructification of same thereby augmenting liquidity further would be critical from rating perspective.

Satisfactory order book with geographical and segmental diversification with orders added during H2FY25
HCC's total order book position remained satisfactory at Rs.9,758 crore as on Dec. 31, 2024 (Rs.10,475 crore as on Mar. 31, 2024) which is about 2x the total operating income of FY24, thereby providing medium term revenue visibility in the company. Out of the total order book, 54% of orders pertain to Transportation Segment followed by Hydro (21%), Water works (21%) and Nuclear and Special segment (4%). Also, the order book is geographically well diversified with orders spread across more than 10 states, i.e., Maharashtra (27%), Uttarakhand (27%), Gujarat (15%), Manipur (12%), Tamil Nadu (10%), Rajasthan (3%), and others (6%).
The company has added orders to the tune of ~Rs.4000 crore during last one year. HCC has secured orders at L1 of ~Rs.3,400 crore as on Dec. 31, 2024. Continued addition of new work orders, thereby providing long term revenue visibility and improving the cashflows from operation is important from credit perspective.

Improvement in financial performance:
The total operating income (TOI) of the company has remained stable at Rs.4,888 crore during FY24 (Rs.4,788 crore during FY23) with y-o-y growth rate of ~2%. Post implementation of Resolution Plan in September 2022, the business performance of the company has gradually picked up with HCC reporting revenue of Rs.4,788 crore in FY23 and stable revenue reported for FY24 as well. On the profitability front, however, the company has reported substantial improvement with PBILDT margin doubling from 5.05% during FY23 to 10.16% during FY24. The growth is led by lower legal expenses (reduction of ~Rs.100 crore), completion of past legacy projects and execution of high margin projects.

During 9MFY25, the TOI of the company moderated to Rs.3,308 (Rs.3,506 crore during 9MFY24) on account of delay in the award of new projects due to general and state elections. However, the PBILDT margin of the company remained intact at 10.80% during 9MFY25.

Extensive experience in the construction industry

HCC was founded by Seth Walchand Hirachand in 1926 and is one of the oldest infrastructure development companies in the country. HCC has its forte in undertaking complex engineering projects high rise bridges, hydel power plans, nuclear power works, etc. The company is spearheaded by Mr. Ajit Gulabchand, Chairman who has extensive experience in the infrastructure industry and demonstrated capabilities in executing relatively complex projects in civil, hydro and transportation segments. Mr. Arjun Dhawan, Vice Chairman of HCC is an active member of World Economic Forum and has experience of working as investment banker. The management is supported by a team of experienced and qualified professionals.

Key weaknesses

High debt levels

Debt level remains high for HCC. Post implementation of RP, the debt of HCC is restructured such that the principal amount including interest will be repaid annually in the month of March. The same has thus given time for the company to mobilize funds by the end of the year preventing short term asset liability mismatches during the year. The company has repaid its debt obligations (principal along with yield) of Rs.522 crore on Mar. 27, 2025. With the said repayment, the company has repaid ~37% of opening RP debt.

As part of RP implementation, HCC has transferred Rs.2,854 crore of debt along with awards and claims of Rs.6,500 crore to Prolific Resolution Private Limited (PRPL). HCC has given corporate guarantee towards the debt transferred to PRPL, whose repayments would commence from September 2026. HCC is in the process of reducing the guaranteed exposure to 20% with lenders approval awaited.

The company has significant debt repayment obligations in the medium term (FY26 – ~Rs.930 crore) with a ballooning repayment structure and yields getting accrued. The large debt repayments are planned to be funded through funds raised, own cash flows and resolution of arbitration claims and awards which are at an advanced stage. With successful fund raising demonstrated in FY24-25, and progress w.r.t the recoveries articulated, there exists fair visibility of fructification of aforementioned plans.

Extended GCA days:

HCC has been witnessing extended collection days mainly due to high unbilled revenue, disputed debtors under arbitration and retention proceeds. HCC has completed some of the complex marquee projects for which there have been unapproved cost escalations resulting in built up of debtors. While the normal debtors and retention recovery is faster, disputed debtors (cost portion without profit) and unbilled comprise the majority of debtors which largely are due to the ongoing arbitration claims with the clients. The receivable days continue to remain on the higher side at 337 days during FY24 (336 days during FY23). The company does not have fund based working capital limits and relies on advances from customers and creditor funding.

Presence in a highly fragmented and competitive construction industry:

HCC operates in the intensely competitive construction industry wherein projects are awarded on the basis of relevant experience of the bidder, financial capability and most attractive bid price. The high competition in the construction industry is due to the presence of large number of small and medium players resulting in aggressive bidding which exerts pressure on the margins. However, HCC has rich experience in handling complex projects with national importance, long standing track record in the construction industry and cordial relations with its clients which fares well against the peers in the industry.

Liquidity: Stretched

HCC has high debt repayment obligations vis-à-vis the cash accruals generated with the gap bridged through funds raised via equity/asset monetisation and recovery of debtors under arbitration. Working capital requirement is funded via resorting to creditors and mobilisation advances.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

HCC is exposed to the environmental risk emanating from the disruption of economic resources while construction activities are under progress. The same may result in environmental pollution and ecological dislocation thereby requiring requisite regulatory approvals. The business profile of HCC also has social impact with large labour force involvement and hence has associated occupational risk. The risk factors are mitigated by presence of well-established ESG framework by the company governed by independent board of directors, which encompasses sustainable procurement, occupational healthy and safety, energy consumption, carbon emission, etc.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction Sector
Infrastructure Sector Ratings
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

HCC was promoted by late Mr. Walchand Hirachand in 1926 and is presently spearheaded by Mr. Ajit Gulabchand, Chairman and Managing Director. HCC is one of the largest 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.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (U/A)
Total operating income	4788	4888	3,308
PBILDT	242	497	357
PAT	253	179	-143
Overall gearing (times)	6.68	4.98	2.79
Interest coverage (times)	0.83	1.37	0.90

A: Audited U/A: Unaudited; 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	INE549A07213	26-Sep-2022	0.01	30-Jun-2029	266.90	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE549A08963	26-Sep-2022	0.01	31-Mar-2029	198.40	CARE BBB-; Stable

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	INE549A08971	26-Sep-2022	0.01	30-Jun-2031	205.40	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE549A07221	26-Sep-2022	0.01	31-Mar-2029	80.70	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE549A07239	26-Sep-2022	0.01	31-Mar-2026	1.60	CARE BBB-; Stable
Debentures-Optionally Fully Convertible Debenture	INE549A07247	06-Jan-2017	0.01	31-Mar-2029	296.11	CARE BBB-; Stable
Debentures-Optionally Fully Convertible Debenture	INE549A07254	06-Jan-2017	0.01	31-Mar-2029	49.05	CARE BBB-; Stable
Debentures-Optionally Fully Convertible Debenture	INE549A07262	06-Jan-2017	0.01	31-Mar-2029	124.30	CARE BBB-; Stable
Debentures-Optionally Fully Convertible Debenture	INE549A07270	06-Jan-2017	0.01	31-Mar-2029	384.54	CARE BBB-; Stable
Debentures-Optionally Fully Convertible Debenture	INE549A07288	06-Jan-2017	0.01	31-Mar-2029	9.88	CARE BBB-; Stable
Fund-based - LT-External Commercial Borrowings	-	-	-	December 31, 2030	121.12	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	7313.28	CARE BBB-; Stable / CARE A3

*outstanding as on December 31, 2024

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 2025-2026	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
1	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (30-Sep-22)
2	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (07-Oct-22) 2)CARE D (30-Sep-22)
3	Term Loan-Long Term	LT	-	-	-	-	-	1)CARE B+; Stable (30-Dec-22) 2)Withdrawn (30-Dec-22)
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	7313.28	CARE BBB-; Stable / CARE A3	-	1)CARE BB+; Positive / CARE A4+ (30-Aug-24)	1)CARE BB; Stable / CARE A4 (20-Sep-23)	1)CARE B+; Stable / CARE A4 (30-Dec-22)
5	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (30-Dec-22) 2)CARE B+; Stable (30-Dec-22)
6	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (07-Oct-22) 2)CARE D (30-Sep-22)
7	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)CARE B+; Stable (30-Dec-22) 2)Withdrawn (30-Dec-22)
8	Debentures-Non Convertible Debentures	LT	753.00	CARE BBB-; Stable	-	1)CARE BB+; Positive (30-Aug-24)	1)CARE BB; Stable (06-Oct-23)	-
9	Debentures-Optionally Fully Convertible Debenture	LT	863.88	CARE BBB-; Stable	-	1)CARE BB+; Positive (30-Aug-24)	1)CARE BB; Stable (06-Oct-23)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	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
10	Fund-based - LT-External Commercial Borrowings	LT	121.12	CARE BBB-; Stable	-	1)CARE BB+; Positive (30-Aug-24)	1)CARE BB; Stable (20-Sep-23)	-

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Debentures-Optionally Fully Convertible Debenture	Simple
3	Fund-based - LT-External Commercial Borrowings	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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