

Hindustan Construction Company Ltd — 08 Apr 2026 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	Reaffirmed at CARE BBB- (Current). Historically upgraded from BB+ to BBB- in April 2025 (1 notch movement).
Outlook (Current vs Previous)	Stable vs Stable
Key Drivers of Change	<ol style="list-style-type: none"> Aggressive Deleveraging: Debt reduced from ₹3,279 Cr (Mar-25) to ₹2,016 Cr (Mar-26) via ₹1,000 Cr Rights Issue and ₹720 Cr arbitration recovery. Contingent Liability Slash: Corporate guarantee to SPV (PRPL) reduced from 100% to 20%, limiting exposure to ₹571 Cr (vs ~₹2,800 Cr earlier). Equity Infusion: Total ₹1,950 Cr raised via Rights Issue & QIP over 2 years, bridging cash flow gaps. Revenue Visibility: Order book of ₹13,148 Cr (~2.9x FY25 revenue) provides medium-term stability.
Rated Instruments	<ol style="list-style-type: none"> Bank Guarantees (LT/ST): ₹7,313.28 Cr (CARE BBB-; Stable / CARE A3) NCDs: ₹457.90 Cr (CARE BBB-; Stable) OFCDs: ₹275.37 Cr (CARE BBB-; Stable) ECB: ₹98.72 Cr (CARE BBB-; Stable)
Key Observations	<p>Strengths:</p> <ul style="list-style-type: none"> Marquee execution track record in complex infra (Hydro, Nuclear, Bridges). EBITDA margins improved to 13.43% in FY25 (vs 10.16% in FY24) due to lower legal costs and high-margin mix. Management's ability to monetize arbitration awards (~₹700–1,000 Cr expected in FY27). <p>Risks:</p> <ul style="list-style-type: none"> Stagnant Revenue: FY25 revenue fell 7.4% to ₹4,526 Cr; 9MFY26 down 15% YoY due to election delays and early-stage mobilization. Weak Working Capital: No fund-based limits; reliance on mobilization advances and creditors. Legacy Drag: GCA days remain elevated at 448 days due to disputed debtors and arbitration. Leverage: Debt/EBITDA still high at ~3.5x–4.0x.
Investor Impact	<ul style="list-style-type: none"> De-risking: Significant reduction in default risk; the shift from BB category to BBB- (Investment Grade) lowers the cost of future debt. Growth: Short-term revenue "dip" is expected as new projects mobilize; recovery hinges on execution ramp-up in FY27. Dilution: Massive equity raises (₹1,950 Cr) have repaired the balance sheet but diluted equity significantly. Margins: Sustaining 11%+ margins is critical for debt servicing.
Agency / Cross Analysis	<p>Same Agency: CARE notes a material improvement in the financial risk profile compared to 2024. The reaffirmation at BBB- reflects that the "equity-led repair" phase is largely complete, and the company must now prove "execution-led growth."</p> <p>Conclusion: Real Improvement. The rating is now supported by a leaner balance sheet rather than just "hopes" of arbitration wins.</p>
Final Inference	Real improvement in solvency, but execution remains the bottleneck. HCC has successfully transitioned from a distressed debt story to a stabilized infrastructure player. For equity investors, the "balance sheet risk" has been replaced by "revenue execution risk" and slow receivable cycles.