Hindustan Construction Company Ltd — 01 Jul 2025 Credit Rating Summary

Section	Details
Agency	Infomerics Ratings
Rating Change	**Reaffirmed** at IVR BBB- / IVR A3 (No notches moved)
Outlook (Current vs Previous)	Stable vs Stable
Key Drivers of Change	1. **Massive De-leveraging:** Equity infusion of ₹950 Cr (₹350 Cr Rights + ₹600 Cr QIP) improved Net Worth from ₹308 Cr to ₹1,711 Cr. 2. **Strong Revenue Visibility:** Order book of ₹11,852 Cr (2.47x FY25 revenue); including L1 bids, visibility jumps to ~₹17,902 Cr (3.7x revenue). 3. **Margin Expansion:** EBITDA margins rose to 19.43% (FY25) from 13.62% (FY24) despite a 5% dip in topline. 4. **Liquidity Tightrope:** Reaffirmation (vs upgrade) due to ₹1,000 Cr debt repayment looming in FY26 vs stretched internal cash flows.
Rated Instruments	• **Bank Guarantees:** ₹7,152.01 Cr (BBB-/Stable/A3) • **OCDs:** ₹701.90 Cr (BBB-/Stable) • **NCDs:** ₹700.50 Cr (BBB-/Stable) • **Term Loans:** ₹112.22 Cr (BBB-/Stable)
Key Observations	• **Strengths:** 9-decade track record; 53% order book in transportation; successful execution of complex hydro/tunnel projects. • **Gearing:** Drastic improvement in Overall Gearing to 1.38x (from 9.24x). • **Working Capital:** High stress; receivable cycle elongated to 218 days; gross current asset days at a massive 495 days. • **Debt Structure:** Repayments are bulleted for March each year to prevent mid-year ALM mismatches. • **Recovery:** Reliance on "Vivad Se Vishwaas" and arbitration awards to fund operations. • **Tax Impact:** Shift to new tax regime halved PAT margins to 1.73%.
Investor Impact	• **Growth:** Healthy L1 pipeline suggests a rebound in execution for FY26. • **Margins:** Operational efficiency is improving, but PAT is volatile due to tax and high interest. • **Leverage:** Balance sheet is significantly cleaner, reducing insolvency risk. • **Dilution Risk:** Management hinted at *more* fundraising in FY26 to meet the ₹1,000 Cr debt cliff, implying potential further equity dilution.
Agency / Cross Analysis	**Same Agency:** Reaffirmed despite significantly improved financials (Net worth +455%, Gearing down 85%). **Reasoning:** Agency maintains a "Stretched" liquidity stance because HCC's survival depends on "timely fundraise and award monetization" rather than purely operational cash flows. The rating won't move up until arbitration realizations become consistent.
Final Inference	**Balance Sheet cleanup is genuine, but liquidity remains a "high-stakes gamble."** Equity infusion has saved the company from a debt spiral, but the ₹1,000 Cr FY26 repayment requirement makes the stock highly sensitive to arbitration wins and further dilution.