

Hindustan Construction Company Ltd — 09 Apr 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	BBB- (Investment Grade) ← Upgraded from BB+ (1 Notch Move)
Outlook	Stable ← Revised from Positive
Key Drivers of Change	<ol style="list-style-type: none"> Equity Infusion: Raised ₹950 Cr via Rights Issue (₹350 Cr) and QIP (₹600 Cr) in FY25, fixing immediate liquidity gaps. Debt Reduction: Repaid ₹522 Cr on Mar 27, 2025; total debt reduced by ~10% in FY25 (37% of Resolution Plan debt cleared). Order Inflow: Robust addition of ₹7,312 Cr (including L1) in H2FY25, providing 2x revenue visibility. Margin Expansion: PBILDT margins doubled from 5.05% (FY23) to 10.80% (9MFY25) due to lower legal costs and high-margin execution.
Rated Instruments	<ul style="list-style-type: none"> • Bank Guarantees: ₹7,313.28 Cr (BBB-; Stable / A3) • OFCDs: ₹63.88 Cr (BBB-; Stable) • NCDs: ₹753.00 Cr (BBB-; Stable) • ECB: ₹121.12 Cr (BBB-; Stable)
Key Observations	<ul style="list-style-type: none"> • Positives: Oldest infra player with complex execution tech; diversified book (54% Transport, 21% Hydro); Gearing improved sharply from 6.68x to 2.79x. • Risks: Working capital "stretched" with 337 receivable days; No fund-based bank lines (relies on creditors); Steiner AG sale provides no immediate cash; ₹2,854 Cr contingent liability via guarantee to PRPL (though reduction to ₹571 Cr is underway).
Investor Impact	<ul style="list-style-type: none"> • Dilution Risk: Significant dilution already occurred in FY25 (QIP/Rights) to shore up capital; immediate further dilution unlikely. • Growth: Revenue visibility for 2 years; L1 pipeline of ₹3,400 Cr suggests momentum. • Leverage: Debt is "ballooning" (escalating repayments); survival depends on ₹700–1,000 Cr arbitration recovery in FY26.
Agency / Cross Analysis	Same Agency Internal Move: CARE has moved HCC from "Speculative" (BB+) to "Investment Grade" (BBB-). While the outlook shifted from Positive to Stable, this isn't a downgrade in sentiment; it reflects that the "event-driven" triggers (QIP/Rights) are now priced into the rating. Future upgrades depend on total debt/EBITDA dropping below 4x and collection cycles normalizing below 320 days .
Final Inference	Real Turnaround Signal: Transition to Investment Grade (BBB-) is a major milestone for cost of capital. However, equity value remains tethered to the ₹1,000 Cr arbitration recovery target ; any delay there makes the "ballooning" debt structure a high-risk factor.