

Hindustan Construction Company Ltd — Rating update 1d Credit Rating Summary

Section	Details
Agency	Infomerics Valuation and Rating Ltd.
Rating Change	IVR BBB- (Reaffirmed) • Notches moved: 0 • Outlook revised from Stable to Positive
Outlook (Current vs Previous)	Positive vs Stable
Key Drivers of Change	Capital Infusion: Raised ~₹1,950 Cr via Rights Issue/QIP over 2 years (₹1,000 Cr in FY26), boosting Tangible Net Worth (TNW) to ₹1,897.67 Cr. Aggressive Deleveraging: Total Debt reduced to ₹1,933.75 Cr (FY26) from ₹2,556.12 Cr (FY25); Gearing improved to 1.02x. Order Book Momentum: Strong inflows of ₹7,829 Cr in FY26; total order book at ₹12,971.32 Cr (3.29x FY26 Revenue). Contingent Liability Reduction: PRPL corporate guarantee slashed from 100% to 20% (~₹571 Cr), limiting group contagion risk.
Rated Instruments	1. Bank Loan Facilities: ₹7,412.00 Cr
Key Observations	Strengths: - Prepaid ₹1,537 Cr debt in FY26 (vs scheduled ₹984 Cr). - PAT Margin improved to 4.06% in FY26 (from 1.97% in FY25). - High revenue visibility with 3.29x cover and diversified segments (Transport/Hydro/Water). Risks: Revenue Drop: FY26 Operating Income fell 29% to ₹3,969.59 Cr due to projects in mobilization stage. Working Capital: High receivable cycle (161 days) and nil fund-based limits; relies on supplier credit. Execution Risk: 39% of order book is in <10% execution stage. Concentration: Top 10 projects account for ~75% of the order book.
Investor Impact	Growth: Revenue likely to spike in FY27-28 as FY26-awarded projects exit mobilization. Leverage: Significant balance sheet repair (Gearing 1.02x vs 3.98x) reduces solvency risk. Dilution: Recent rights issues have strengthened capital, but further growth depends on successful award monetization (~₹700–1000 Cr target).
Agency / Cross Analysis	Same Agency: Reaffirmed rating but upgraded outlook to Positive. What Changed: The agency shifted to a Consolidated Approach due to financial support to group companies. The upgrade reflects the successful transition from a "restructuring phase" to "liquidity stability" following equity infusions. Conclusion: Improvement. The rating recognizes the fundamental shift in capital structure despite a temporary dip in FY26 operational revenue.
Final Inference	Real improvement in credit quality. The Positive outlook signals a potential upgrade in 12-18 months if revenue execution catches up to the order book. The narrative has shifted from "debt survival" to "execution-led growth," though high receivables remain a persistent drag.