Hindustan Construction Company Ltd — May 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Beat (PAT) / Miss (Revenue & Operating EBITDA) **One-line:** The structural cleanup of the balance sheet is largely complete following the Steiner Construction divestment, but the "Growth" leg of the thesis is now in a critical state as operational EBITDA turned negative and the order book continues to deplete.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Miss	Consol. Revenue (□1,773.1 Cr) down 26.9% YoY; Operating EBITDA is negative.	□
Earnings Quality	Low	PAT of □246.2 Cr is entirely supported by a □651.3 Cr exceptional gain from the Steiner sale.	□
Guidance Confidence	Neutral	Mgmt maintains the shift to "NewCo" (RED), but execution on new order wins remains absent.	□
Management Credibility	Neutral	Successfully executed the Steiner exit as promised, but operational overheads remained high despite lower revenue.	□
Business Quality Signal	Stable	The pivot to an asset-light Real Estate Development (RED) model in Switzerland reduces long-term risk.	□
Key Q&A Exchange	N/A	No concall provided for Q4.	□
The Street's Primary Anxiety	Order Book Burn	Without new wins, the execution run-rate will collapse; Standalone backlog is under pressure.	□
Capital Cycle Stage	Consolidation	Transitioning from "Debt Restructuring" to "Operating Stabilization."	□
Margin Trajectory	Deteriorating	Consol. EBITDA margin crashed to -6.6% in Q4 (ex-Other Income) due to legacy costs and lower scale.	□
Pricing Power	Stable	Technical moat in Hydro/Nuclear remains, but not reflected in current lumpy P&L.	□
FCF Conversion & Quality	Distorted	PAT is book-gain heavy; underlying operational cash flow is likely negative given negative EBITDA.	□
Competitive Moat Signals	Stable	High-value project portfolio (Glasi-Quartier, Bell-Areal) in Steiner RED shows niche RE capability.	□
Balance Sheet Strength	Improving	Finance costs dropped 38% YoY (Q4) and 20% (FY24), reflecting successful deleveraging.	□
Working Capital Efficiency	Deteriorating	Negative EBITDA against □1,773 Cr revenue suggests high fixed-cost absorption pain.	□
Mgmt Guidance Track Record	Mixed	Accurate on divestments; struggling to translate "selective bidding" into actual order inflows.	□
Key Vulnerability	Revenue Gap	Divesting Steiner Construction removes ~□1,679 Cr of annual turnover that needs replacement.	□
Management Tone	N/A	No concall provided for Q4.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** The "Grand Cleanup" is nearly done. Finance costs have been structurally reduced from ₹1,012 Cr (FY23) to ₹813 Cr (FY24), with Q4 specifically seeing a 38% YoY drop. The divestment of the low-margin, high-risk Steiner Construction business removes a significant drag on management bandwidth and capital. The remaining Steiner RED business holds a robust CHF 5.5 billion development portfolio. * **Negatives:** Operations are bleeding. Q4 saw a consolidated operating loss (EBITDA -₹117.5 Cr) as revenue fell 27% YoY. The "Bottom-Line First" strategy is currently being masked by one-time gains; the core construction business is not yet self-sustaining at current execution levels. * **The Street's Concern:** Analysts are focused on the "missing" order book. With the sale of Steiner Construction, a massive chunk of revenue disappears. If the ₹46,000 Cr bid pipeline (from prior context) doesn't convert into ₹5,000 Cr+ of wins immediately, the company faces a terminal revenue decline. * **Forward Watchpoint:** The successful bifurcation of Steiner RED into a "NewCo" and the potential capital raise/strategic stake sale to repatriate cash to the Indian parent.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *DATA SOURCE: PPT only. Concall not available — commentary absent.*

Metric	Current Qtr (Q4FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (Consol)	₹1,813.1 Cr	↓ 25.6%	↑ 19.9%	↓	FY24 Revenue down 15% due to Steiner exit and selective execution.
EBITDA (Consol)	-₹117.5 Cr	↓ 136.1%	↓ 149.2%	↓	Q4 loss driven by lower revenue and fixed employee costs (+14.6% YoY).
EBITDA Margin %	-6.6%	↓ 149.5%	↓ 140.7%	↓	Margin compression reflects lack of scale in the core business this quarter.
PAT (Consol)	₹246.2 Cr	↑ 22.1%	↑ 5.6%	↑	High-quality balance sheet impact; low-quality P&L impact (one-off gain).
Finance Cost	₹164.8 Cr	↓ 38.1%	↑ 12.6%	↑	Significant structural improvement YoY as debt resolution takes hold.
Order Book (Steiner)	₹3,907 Cr	N/A	N/A	→	(CHF 425 mn) Represents remaining RED/ Construction (West) backlog.
Order Inflows	Not in doc	N/A	N/A	↓	Presentation shows no major new project wins for the quarter.
Execution Rate (%)	16.1%	↓	↑	↓	Based on Consol Revenue / Opening Backlog (approx).
Book-to-bill (x)	~1.6x	↓	↓	↓	Calculation: (Standalone 11k + Steiner 3.9k) / FY24 Revenue. Critically low.
Net Debt	Not in doc	↓	→	↑	Finance cost reduction implies lower average debt levels throughout the year.

2B. SEGMENT BREAKDOWN

Segment	Revenue (FY24)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
HCC Standalone	~□5,327 Cr*	↓	~12.4%*	→	In-line	Focus on Hydro, Nuclear, and Transport (Coastal Road).
Steiner AG (Total)	□1,679 Cr	↓	~2% (PBT)	↓	Below	Construction business sold; RED business retained for value unlocking.
Steiner RED	Not stated	N/A	~5% (Hist)	↑	Above	Portfolio of 57 projects; CHF 5.5bn development value.

**Estimated based on Consolidated minus Steiner reported figures.*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Margins	Historical PAT ~5% for Steiner RED business.	Requires transition to "NewCo" and capital raise to fund developments.	On Track	Low
Guidance	Debt	Continued reduction in finance costs.	Q4 run-rate of □165 Cr implies □660 Cr annual—still high but improving.	Delivered	Low
Strategy	Steiner Divestment	Bifurcate RED into a "clean NewCo" and raise capital.	REYL bank appointed; timeline for capital raise not specified.	On Track	Medium
Strategy	Bidding	Focus on high-value Real Estate Development in Switzerland.	57 projects under development; construction starts ranging from 2024-2030.	On Track	Low
Balance	Steiner Construction	Complete sale to Demathieu Bard.	Completed Jan 2024; TEV □955 Cr (CHF 98 mn) realized.	Delivered	Low

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY24)	This Quarter (Q4 FY24)	Direction
Operational EBITDA	□238.7 Cr (16.2% Margin)	-□117.5 Cr (-6.6% Margin)	↓
Steiner Status	Integrated Entity	Construction Sold; RED standalone	↑
Exceptional Gains	□197.9 Cr	□651.3 Cr	↑
Revenue Base	Consol. □1,474.5 Cr	Consol. □1,773.1 Cr	↑ (QoQ)
Finance Costs	□146.3 Cr	□164.8 Cr	↓ (YoY)
Order Book Visibility	□11,000 Cr (Standalone)	□14,907 Cr (Total incl. Steiner)	→
Investment Profile	"Turnaround in progress"	"Asset-light RE play + Core Infra"	↑

INVESTOR NOTES: * **The EBITDA Trap:** Investors must look past the PAT "Beat." The consolidated operating loss of □117.5 Cr in Q4 indicates that while the balance sheet is being fixed, the *business engine* is currently sputtering. The jump in employee costs (+14.6% YoY) despite a 27% drop in revenue suggests severe negative operating leverage. * **Steiner Value Realization:** The sale of Steiner Construction for ~□955 Cr (CHF 98m) and the transfer of ₹585 Cr (CHF 60m) in liabilities is a massive liquidity event. However, this is a one-time benefit. The future of HCC depends on whether this cash is used to aggressively bid for Indian infra or if it stays trapped in the Swiss "NewCo." * **Thesis Status:** The thesis has transitioned. It is no longer a "Debt Crisis" story—the finance cost reduction proves that. It is now a "Replacement Revenue" story. HCC has shrunk itself into profitability; it must now prove it can grow without sacrificing the margin discipline it fought so hard to establish.

STOP HERE.