

13 May 2025

Delay in order inflows impacts visibility

Hindustan Construction Company (HCC IN) FY25 standalone core Engineering & Construction segment (E&C) financial performance witnessed revenue decline of 2% but pickup in order inflows to INR 3.5bn, up 46% YoY, improvement in EBITDA margin to 19%, including claims, and a PAT at INR 849mn vs loss YoY. Orderbook at INR 118bn provides a book-to-bill visibility of 2.5x. Although bid pipeline is healthy at INR 310bn, delay in order finalization, geopolitical crises, and increased competition are risks to our call. We expect revenue growth to remain muted in the near term and EBITDA margins ex of claims to moderate to 13-14% in FY26E. We maintain **Buy** with a lower TP of INR 35 on 12x FY27E P/E.

FY25 focus on deleveraging, asset monetization, and pickup in the core business: Consolidated revenue of INR 56bn was down 20% YoY from INR 70bn, due to divestment of Swiss subsidiary, Steiner AG and also E&C segment (94% of FY25 revenues) was down 16% YoY led by five project completions. Orderbook remains diversified, with transportation at 53% and hydro at 29% forming the core. Claims settlement helped expand consolidated margin to ~14.2% in FY25, up from 13.6% YoY. Consolidated PAT dropped to INR 11bn from INR 25bn, dragged by fair value losses from prolific resolution (PRPPL). Gross debt reduced by INR 6bn to INR 33bn, led by INR 5-6bn through repayments, INR 1-2bn prepayment of dues, and the sale of non-core assets.

Guided for accelerated revenue growth from FY27: HCC has outlined an ambitious plans for FY26, target an orderbook expansion of INR 200bn, up 69% YoY, from INR 118bn, led by bid pipeline of INR 310bn, L1 projects worth INR 35bn, and joint venture collaboration. The project pipeline is strategically focused on large ticket sizes of INR 20-30bn hydropower and urban infrastructure projects, including largescale bids for metro corridors across Maharashtra, Delhi, Patna & Chennai metro, and pumped storage projects in Bhutan and India (areas where HCC has strong technical credentials). Although FY26 revenue is expected to be flat due to muted inflows in FY25, management targets high double digit revenue growth from FY27, led by accelerated execution on new inflows. Margin ex of claims is set to sustain at ~13-14%. On the balance sheet front, in Q1FY26, management expects INR 2.5bn from arbitration settlement under the *Vivad se Vishwas* Scheme (V2V2) and settlement of large claims, which are under an advanced stage. Management targets deleveraging to INR 25bn by FY26. Recent reduction in corporate guarantee on debt of PRPPL to 20% from 100% is a positive, in our view, minimizing contingent liabilities (subject to approvals).

Retain Buy with a lower TP of INR 35: We trim earnings growth estimates to factor in flat execution guidance for FY26 on the back delayed order inflows. Although deleveraging is progressing well, pickup in new orders remains crucial for revival in execution from FY27. We revise down our earnings by 59% for FY26E and by 58% for FY27E to factor in the delay. We introduce FY28 estimates. We retain **Buy** with lower TP of INR 35 from INR 63 based on 12x (from 13x) FY27E core business and value of subsidiaries, outstanding awards and stake in PRPPL at INR 18 per share (from INR 21 earlier).

Key financials

YE March	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	48,956	48,011	48,052	50,252	54,986
YoY (%)	(0.4)	(1.9)	0.1	4.6	9.4
EBITDA (INR mn)	5,399	9,330	6,559	6,935	7,643
EBITDA margin (%)	11.0	19.4	13.6	13.8	13.9
Adj PAT (INR mn)	(1,371)	849	1,933	2,542	3,361
YoY (%)	(50.2)	(161.9)	127.7	31.5	32.2
Fully DEPS (INR)	(0.9)	0.5	1.1	1.4	1.8
RoE (%)	(16.7)	6.0	9.8	11.9	14.1
RoCE (%)	11.6	19.4	12.2	13.2	14.4
P/E (x)	(29.0)	56.4	24.8	18.8	14.2
EV/EBITDA (x)	10.6	6.1	8.7	8.2	7.5

Note: Pricing as on 12 May 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 35**

Upside: **35%**

CMP: **INR 26**

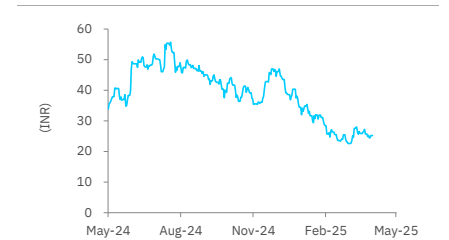
As on 12 May 2025

Key data

Bloomberg	HCC IN
Reuters Code	HCNS.NS
Shares outstanding (mn)	1,819
Market cap (INR bn/USD mn)	48/560
EV (INR bn/USD mn)	57/669
ADTV 3M (INR mn/USD mn)	707/8
52 week high/low	58/21
Free float (%)	81

Note: as on 12 May 2025; Source: Bloomberg

Price chart



Source: Bloomberg

	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Shareholding (%)				
Promoter	18.6	0.0	16.7	16.7
% Pledge	76.9	0.0	78.9	78.9
FII	9.6	0.0	13.3	10.6
DII	6.9	0.0	8.2	6.9
Others	64.9	0.0	61.8	65.8

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	8.2	4.4	13.0
HCC	(7.6)	(29.1)	(23.0)
NSE Mid-cap	4.2	(2.8)	6.7
NSE Small-cap	4.2	(8.8)	3.8

Source: Bloomberg

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Standalone Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	48,956	48,011	48,052	50,252	54,986
Gross Profit	13,077	17,162	12,493	13,065	14,296
EBITDA	5,399	9,330	6,559	6,935	7,643
EBIT	4,721	8,683	5,846	6,152	6,776
Interest expense	5,429	5,064	4,474	4,052	3,692
Other income	1,250	980	1,000	1,020	1,040
Exceptional/ Extra-ordinary items	1,686	-	-	-	-
PBT	2,227	4,600	2,372	3,119	4,124
Tax	1,913	3,751	439	577	763
Reported PAT	315	849	1,933	2,542	3,361
Adjusted PAT	(1,371)	849	1,933	2,542	3,361
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	9,211	19,160	20,149	22,425	25,404
Trade Payables	17,963	20,614	17,114	17,898	19,584
Provisions & Other Current Liabilities	21,880	19,532	23,949	23,949	24,055
Total Borrowings	31,386	29,782	26,761	24,216	22,229
Other long term liabilities	940	(1,655)	(3,248)	(3,471)	(3,100)
Total liabilities & equity	81,380	87,434	84,725	85,017	88,172
Net Fixed Assets	2,296	1,627	2,511	2,778	3,160
Goodwill	-	-	-	-	34
Intangible assets	-	-	2	2	2
Business Investments / other NC assets	32,235	27,188	29,764	28,803	28,330
Cash, Bank Balances & treasury investments	2,843	6,678	13,069	13,751	13,328
Inventories	1,264	1,236	1,316	1,377	1,506
Sundry Debtors	18,527	25,006	17,114	17,898	19,584
Other Current Assets	24,215	25,699	20,949	20,408	22,227
Total Assets	81,380	87,434	84,725	85,017	88,172
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	3,351	(7)	19,385	6,838	5,037
Capital expenditure	25	23	(1,600)	(1,050)	(1,250)
Acquisitions / divestitures	(2,601)	1,472	903	500	500
Other Business cashflow	2,188	4,556	(2,479)	1,480	1,014
Free Cash Flow	2,963	6,044	16,209	7,768	5,301
Cashflow from Financing	(4,953)	(2,208)	(9,818)	(7,086)	(5,724)
Net Change in Cash / treasury investments	(1,990)	3,835	6,391	682	(423)
Key assumptions & Ratios (%)	FY24	FY25	FY26E	FY27E	FY28E
Book value per share (INR)	6.1	10.5	11.1	12.3	14.0
RoCE (Pre-tax)	11.6	19.4	12.2	13.2	14.4
ROIC (Pre-tax)	12.8	21.7	15.4	18.4	20.2
ROE	(16.7)	6.0	9.8	11.9	14.1
Asset Turnover	18.5	24.5	23.2	19.0	18.5
Net Debt to EBITDA (x)	5.3	2.5	2.1	1.5	1.2
Interest cover (x) (Ebitda/ int exp)	1.0	1.8	1.5	1.7	2.1
Total Working capital days (WC/rev)	52.1	139.1	86.5	86.0	90.2
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	(29.0)	56.4	24.8	18.8	14.2
P/Sales (x)	1.0	1.0	1.0	1.0	0.9
EV/ EBITDA (x)	10.6	6.1	8.7	8.2	7.5
EV/ OCF (x)	17.1	-	2.9	8.4	11.3
FCF Yield	5.2	10.6	28.4	13.6	9.3
Price to BV (x)	4.3	2.5	2.4	2.1	1.9

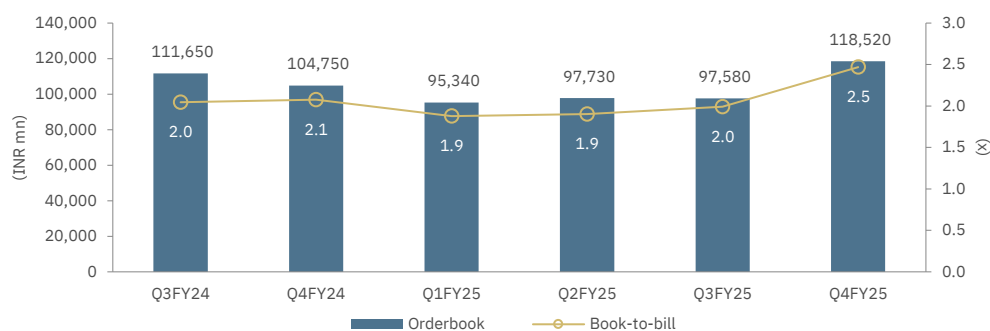
We expect a revenue CAGR of 4.6% during FY25-28E

Note: Pricing as on 12 May 2025; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

YE March (INR mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E	Variance (%)
Net sales	13,302	14,284	(6.9)	10,021	32.7	12,685	4.9
EBITDA	4,128	2,146	92.4	1,471	180.6	2,030	103.4
EBITDA Margins (%)	31.0	15.0		14.7		16.0	
Other income	281	453	(37.9)	262	7.3	233	20.8
Interest	1,085	1,400	(22.5)	1,384	(21.6)	1,326	(18.1)
Depreciation	155	123	25.9	165	(6.2)	164	(5.6)
PBT	3,169	1,076	194.6	184	1,621.3	772	310.3
Tax	885	1,494	(40.8)	2,348	(62.3)	195	354.8
Effective Tax Rate (%)	27.9	138.9		1,275.5		25.2	
PAT	2,284	(419)	(645.5)	(2,164)	(205.5)	578	295.3
Reported NPM (%)	17.2	(2.9)		(21.6)		4.6	
EPS (INR)	1.3	0.3	390.0	(1.2)	(205.5)	0.3	295.3

Source: Company, Elara Securities Estimate

Exhibit 2: Orderbook at INR 118.5bn with a book-to-bill visibility at 2.5x


Source: Company, Elara Securities Research

Exhibit 3: SOTP valuation

Particulars (INR mn)	Value	Per share (INR)
PAT FY27E	2,542	
P/E (x)	12	
Construction business	30,508	17
HICL - 100%	12,940	7
Awards in favor of company	15,669	9
Prolific - 49%	4,030	2
Shares (mn)	1,819	
Target price (INR)		35

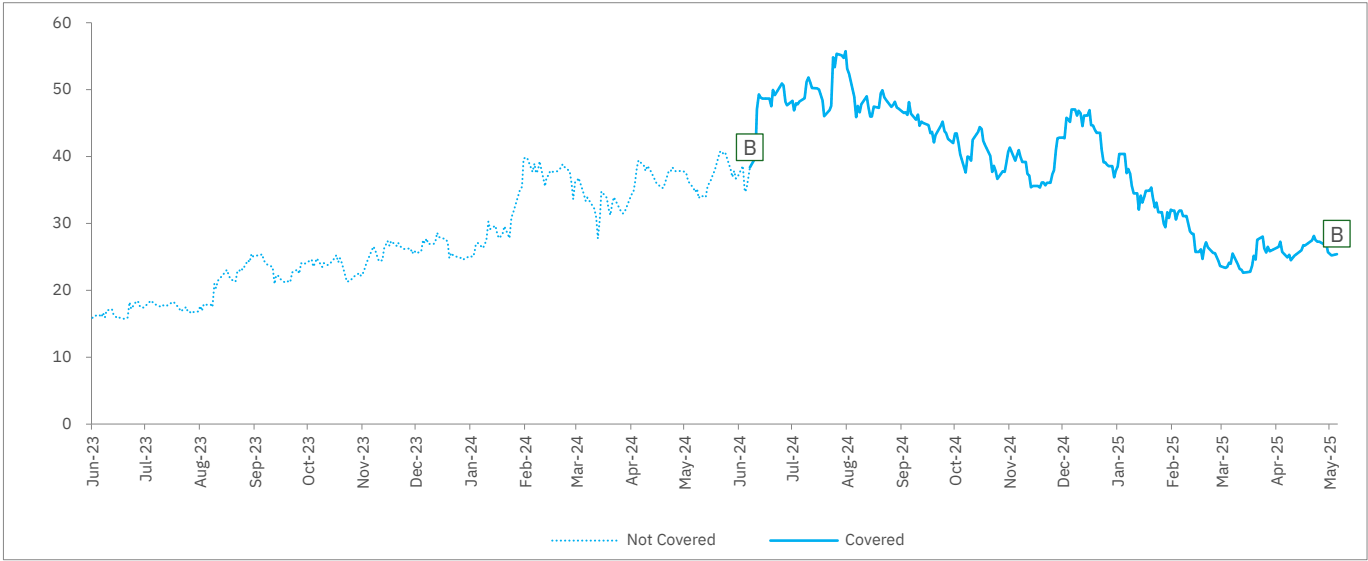
Source: Elara Securities Estimate

Exhibit 4: Change in estimates

(INR mn)	Old		New		% Change		New
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY28E
Revenue	74,285	87,707	48,052	50,252	(35.3)	(42.7)	54,986
EBITDA	10,400	12,279	6,559	6,935	(36.9)	(43.5)	7,643
PAT	4,710	6,039	1,933	2,542	(59.0)	(57.9)	3,361

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
7-Jun-2024	Buy	63	38
12-May-2025	Buy	35	26

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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