

Surya Construction Company

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	91.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

Surya Construction Company has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on Surya Construction Company's bank facilities will now be denoted as CARE BB+; Stable; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating assigned to the bank facilities of Surya Construction Company is constrained from business concentration risk which arises from most of the orders from one company (sub-contract) in the order book. The rating also factors in firm's presence in a fragmented industry, susceptibility to fluctuation in the prices of raw materials, and the constitution of the firm being partnership. However, the rating draws strength from experienced partners, strong order book position of the firm, reputed clientele base and moderate capital structure.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on November 23, 2023, following were the rating strengths and weaknesses (updated based on information available from the firm).

Key weaknesses

Business concentration risk

The firm is exposed to the business concentration risk since most of the orders in the order book are on a sub-contract basis with Gawar Construction Limited [rated CARE AA; Stable/ CARE A1+ (via PR dated December 11, 2024)]. The ability of the firm to diversify its clientele would remain a key monitorable.

Volatility of raw material prices

The construction industry is susceptible to volatility in the input prices which may impact on the profitability of the firm because they procure raw material from local vendors in the absence of any backward integration. Although, SCC does have Price escalation clauses in their contracts. Thus, the ability of the firm to pass on increased price burden in a timely manner and maintain profitability margins is critical from the credit perspective.

Highly competitive and fragmented industry

SCC operates in a highly competitive construction industry, which is highly fragmented with various organized and unorganized players in the market given the low barriers to entry, and limited bargaining power of the firm. The government has undertaken several initiatives for boosting the infrastructure and economic development. The major challenge which the companies face is receiving tender-based and subcontract-based orders. The client base of SCC includes government departments such as Haryana PWD. Thus, any changes in the government policy or government spending on projects are likely to affect the revenues of the firm. Furthermore, the government projects are awarded through the tender based system. This exposes the firm towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Constitution of the entity being a partnership firm: SCC being a partnership firm, there is an inherent risk that partners may withdraw funds in the event of a personal emergency, and the firm may be dissolved if a partner dies, retires, or becomes bankrupt. Moreover, partnership firms have

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

Key strengths

Healthy order book position and growing scale of operations

The firm has positive revenue visibility with healthy order book position. The orders in hand of SCC are of Rs. 756.20 crore. Also, the scale of operations of the firm increased by total operating income of Rs. 358.74 crore during FY24 as against Rs. 109.09 crore in FY23 on account of higher order execution. The margins decreased level marked by PBILDT and PAT of 10.03% and 6.76% as against 16.10% and 7.94% respectively.

Experienced Partners

The firm is currently managed by Mr. Rajender Singh Sangwan and his son Mr. Navdeep Singh Sangwan. The Partners have more than three decades of experience in the industry. Mr. Rajender Singh Sangwan was engaged in civil construction business (road contractor) in individual capacity in construction industry. In 1992, he started construction business in the name of "New Tiwala Labour and Construction Society". In 2006, he started M/s Surya Construction Company as a Hindu Undivided Family and later in 2011, reconstituted it to a Partnership firm. Both the partners are involved in Finalization of New Work Orders, Liaison with Government Departments, Procurement of Raw Material & Machinery and timely completion of projects and administrative work at sites.

Moderate capital structure

As on March 31, 2024, the total debt of Rs. 43.06 crores of the firm comprise of term loan of Rs. 11.70 crore, working capital borrowings of Rs. 27.73 crore, unsecured promoter loans of Rs. 3.43 crore as against the net worth base of Rs. 56.99 crore. The overall gearing of the firm improved from 1.16x as on March 31, 2023, to 0.76x as on March 31, 2024, despite an increase in working capital borrowings of the firm, which were in tandem with the increased scale of operations.

Reputed clientele base

The client base of SCC includes government departments such as Haryana PWD (B&R) and private companies such as Gawar Construction Limited.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Surya Construction Company (SCC) was established in the year 2006 by Mr. Rajender Singh Sangwan as a Hindu Undivided Family. In March 2011, the HUF was reconstituted to Partnership firm between Mr. Rajender Singh Sangwan, Mr. Navdeep Singh Sangwan, Mr. Dharambir Singh, and Mr. Joginder Singh. In April 2018, Mr. Joginder Singh and Mr. Dharambir Singh retired from the firm, and since then, Mr. Navdeep Singh Sangwan and Mr. Rajender Singh Sangwan are the partners of the firm with sharing profits and losses in the ratio of 50:50. The firm has its office located in Charkhi Dadri (Haryana). It is engaged in the civil construction business wherein it undertakes construction of roads on a contractual or sub contractual basis. The customer base of SCC includes government departments such as Haryana PWD (B&R) and private companies such as Gawar Construction Limited. SCC obtains contracts from government departments on a tender basis and from private companies on a subcontract basis. SCC is a registered Class 1 contractor with the Public Works Department (Haryana) and works as a subcontractor for Gawar Construction Limited on order-to-order basis.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	109.09	358.74
PBILDT	17.56	35.97
PAT	8.66	24.26
Overall gearing (times)	1.16	0.76
Interest coverage (times)	6.35	8.87

A: Audited Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork has kept the ratings assigned to the bank facilities of SCC into 'Issuer not-cooperating' category vide press release dated May 24, 2024, on account of non-availability of requisite information from the firm.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	-	91.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working Capital Limits	LT	91.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (23-Nov-23) 2)CARE B-; Stable; ISSUER NOT COOPERATING* (24-May-23)	1)CARE B; Stable; ISSUER NOT COOPERATING* (20-May-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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