

Swarnaa Techno Constructions Private Limited

April 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2.36	CARE BBB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE BB+; Stable
Long-term / Short-term bank facilities	99.64	CARE BBB-; Stable / CARE A3	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE BB+; Stable / CARE A4+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings of Swarnaa Techno Constructions Private Limited (STCPL) were earlier placed under the 'Issuer not cooperating (INC)' category as the company had not provided information for carrying out the surveillance exercise. STCPL has now shared the requisite information with CARE Ratings Limited (CARE Ratings), and accordingly, the rating has been removed from 'INC'.

Revision in ratings assigned to Bank facilities of STCPL primarily factor in improvement in scale of operation with satisfactory profitability in FY24 and 8MFY25 on account of improved execution of work orders coupled with regular order inflow in FY23 and FY24. Ratings continue to derive its strengths from its satisfactory orderbook position that exhibits medium-to-short term revenue visibility and comfortable leverage and coverage indicators. Ratings continue to draw comfort from its experienced promoters with long-proven track record of business.

However, rating strengths are partially offset by the working capital-intensive operations, concentration risk due to a majority orders coming from Indian Railways, and the susceptibility of profitability margins to fluctuations in raw material prices. Additionally, there are execution risks associated with large orders, the challenges of tender-based operations, and intense competition in the civil construction sector due to its fragmented nature.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement marked by total operating income (TOI) growing by 25-30% and profit before interest, lease rentals, depreciation and taxation (PBILDT) margin at 12% on sustained basis.
- Steady flow of orders and timely execution of the order book.

Negative factors

- Deterioration of the overall gearing ratio to 1.5x and above.
- Notable decline in TOI by over 30% or PBILDT margin falling below 5% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

STCPL is expected to maintain a stable risk profile backed by comfortable order book to sales providing short-medium term revenue visibility, and steady cash generation with rationalisation of gross current asset days.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with an established track record in civil construction industry

STCPL is promoted by V S V Prasad and is currently managing the company's overall operations. V S V Prasad is a qualified civil engineer and has vast experience in the civil construction industry. STCPL has an operational track record of over three decades in the construction industry and has executed government and railways contracts. In addition, promoters are supported by a team of qualified professionals.

Satisfactory order book indicating revenue visibility albeit execution risk

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

STCPL had an outstanding order book of ₹979 crore as of December 31, 2024, forming orderbook to TOI ratio of 2.59x in FY24. However, the company has few orders aggregating to ~₹336 crore, for which movement is considerably slower largely owing to delay in land acquisition by the authority and non-allocation of funds in the budget. Hence, the active order book stands at ~₹643 Crore (PY: ₹489 crore), which translates to moderate order book to gross sales ratio of 1.70x (based on FY24 sales value) providing revenue visibility of short-to-medium term. Nevertheless, company has received time extension for all slow-moving orders. The company bagged new orders amounting to ₹585 crore in FY24. STCPL's order book remained majorly concentrated towards the railway projects in southern and southwest region of India, which indicate segmental concentration risk. However, the company is exposed to execution risk given large orders in hand and likely delays in commencement of construction process mainly due to delay in land acquisition.

Growing scale of operations however moderate profitability margins

STCPL's has registered a healthy growth of 48% from ₹260.80 crore in FY23 to ₹368.93 crore in FY24 due to improved execution of work orders coupled with regular order inflow in FY23 and FY24. In 8MFY25, the company reported TOI of ₹240 crore and likely to achieve a revenue of ₹370 crore for the full year FY25. The company majorly derives revenue from Civil Construction (86%), sleeper concrete manufacturing for railways, and a small portion of revenue comes from restaurant services. STCPL's PBILDT margin largely remained stable at 7.86% in FY24. In 8MFY25 company reported PBILDT margin of 13.30%, the PBILDT margin for the full year FY25 is expected to reach 11.39%. Improvement in margins compared to FY24 is due to better mix of orders. The PBILDT margin is expected to be stable at ~11-12% in the projected years led by order book having good mix of high margin projects coupled with the presence of price variation clause in all work orders, which protects margins from increasing input prices.

Comfortable capital structure and satisfactory debt coverage indicators

The company's capital structure remained comfortable marked by overall gearing, which stood below unity at 0.73x as of March 31, 2024 and improved from 1.00x as of March 31, 2023 primarily on account of lower working capital (WC) utilisation and reduction in mobilisation advance with no major long term debt repayment obligations. Further, Debt coverage indicators also improved in FY24 and stands satisfactory. Interest coverage ratio remains in line at 5.84x in FY24 from 5.31x in FY23. total debt to gross cash accruals (TD/GCA) improved to 2.44x in FY24 from 3.40x in FY23.

Key weaknesses

Working capital intensive operations

STCPL's operations have high working capital intensity primarily due to funding requirement for security deposits, retention amount and margin money towards contracts and non-fund-based facilities. However, STCPL managed its working capital requirements quite efficiently and accordingly, the operating cycle remained comfortable at 59 days in FY24. Despite this, overall working capital intensity is envisaged to extend considering higher time required in execution of railway projects and additional security deposits.

Susceptibility of its profitability to volatile raw material prices

The basic raw materials required by the company are structural steel, cement, and bitumen among others; prices of which are volatile, exposing the company's profitability to input cost fluctuation risk. However, presence of price escalation clause in most of the present orders mitigates this risk to a certain extent.

Presence in an intensely competitive & fragmented construction industry

STCPL operates in the intensely competitive construction industry, where projects are awarded based on relevant experience of the bidder, financial capability and most attractive bid price. High competition in the construction industry is due to the presence of large number of small and medium players resulting in aggressive bidding, which exerts pressure on margins. However, the company has a long-standing track record in the construction industry and adopts selective bidding strategy which fares well against peers in the industry.

Liquidity: Adequate

STCPL's liquidity remains adequate marked by moderate dependence on fund-based limits for its working capital requirements, nominal debt repayment obligation, free cash and bank balance of ₹43.12 crore as on March 31, 2024, and comfortable operating cycle. STCPL has a sanctioned limit of only ₹38 crore and average month-end utilisation of limits remained moderate at 82% for 12 months ended December 2024. Average maximum utilisation of non-fund-based limits remained moderate at ~75%-80%.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

STCPL was initially established as a partnership firm in 1990 and was promoted by VSV Prasad. In May 2008, it got converted into a private limited company based out at Hubli, Karnataka. Since inception, the company has been dealing in civil construction works and continued activities of civil construction work and started other diversified activities such as manufacturing and sale of PSC sleeper (concrete), stone crushing, cement blocks, and providing restaurant and bar services in Hubli. The company has been categorised as Class I contractors for civil construction. STCPL majorly derives revenue from civil construction (~86%), sleeper concrete manufacturing for railways, and a small portion of revenue comes from restaurant services. The company mainly caters to the government department under - Indian Railways, mainly for the southern region.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	November 30, 2024 (UA)
Total operating income	265.66	377.97	239.53
PBILDT	19.88	29.72	31.86
PAT	11.54	17.17	12.43
Overall gearing (times)	1.00	0.73	NA
Interest coverage (times)	5.31	5.84	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork has conducted the review based on the best available information and has classified Swarnaa Techno Constructions Private Limited as 'Not cooperating' vide its press release dated December 20, 2024, considering non-availability of information.

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-Term Loan		-	-	December 2026	2.36	CARE BBB-; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	99.64	CARE BBB-; Stable / CARE A3

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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	99.64	CARE BBB-; Stable / CARE A3	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (02-Dec-24)	1)CARE BBB-; Stable / CARE A3 (04-Oct-23)	-	-
2	Fund-based - LT-Term Loan	LT	2.36	CARE BBB-; Stable	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (02-Dec-24)	1)CARE BBB-; Stable (04-Oct-23)	-	-

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

LT: Long term; LT/ST: Long term/Short 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-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view 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.

Contact us

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About us:

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