CareEdge RATINGS

SRM Contractors Limited

July 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	6.90 (Reduced from 9.90)	CARE A-; Stable	Upgraded from CARE BBB+; Stable
Long-term / Short-term bank facilities	223.50 (Enhanced from 220.50)	CARE A-; Stable / CARE A2	Upgraded from CARE BBB+; Stable / CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Upgrade in ratings assigned to bank facilities of SRM Contractors Limited (SRM) factors improvement in the company's operational performance in FY25 (refers to April 01 to March 31) driven by growth in scale of operations and better profitability margins, supported by timely execution of ongoing projects. Ratings upgrade also factor in the company's comfortable financial risk profile marked by comfortable capital structure and healthy debt coverage indicators. Ratings continue to derive strength from experienced promoters with a long track record in the construction industry and a growing, healthy, though concentrated, order book position providing satisfactory revenue visibility over the medium term. However, these strengths continue to remain constrained by the fragmented and competitive nature of the construction industry, inherent counterparty risk, and working capital intensive operations.

Ratings take cognisance of agreement executed by SRM for acquiring 51% stake in Maccaferri Infrastructure Private Limited (MIPL), the Indian subsidiary of Officine Maccaferri S.P.A., Italy with total cost of acquisition of ₹76 crore to paid in four equal tranches of ₹19 crore each in FY26 and FY27, which will be funded through the company's internal accruals.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in total operating income (TOI) above ₹900 crore and sustained improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin resulting in higher-than-expected cash accruals.
- Efficient working capital management, further improving the liquidity profile of the company.

Negative factors

- Decline in scale of operations by over 20% from existing levels & moderation in PBILDT margin below 12% on sustained basis.
- Elongation in gross current asset days beyond 175 days on a sustained basis.
- Deterioration in Total Debt/PBILDT beyond 0.75x on a sustained basis.
- Delays in project execution impacting the company's financial performance and liquidity position.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook indicates CARE Ratings Limited's (CareEdge Ratings) expectation of sustenance of operational performance of the company and adequate liquidity, bolstered by the timely execution of the order book, which is expected to further enhance financial risk profile in the medium term.

Detailed description of key rating drivers:

Key strengths

Improvement in operational performance in FY25

The company achieved TOI of ₹526.91 crore in FY25, marking healthy growth of ~54% compared to FY24. Growth in TOI was primarily driven by timely execution of orders in hand. The company has also reported improvement in profitability, with PBILDT margins improving by 328 bps to 15.50% in FY25. The margin expansion was largely attributed to better absorption of fixed operational costs, enabled by the growing scale of operations. SRM has strategically prioritised execution of slope and tunnel projects, which typically yield higher profitability compared to the highly competitive road construction segment.

Going forward, CareEdge Ratings anticipates that the company's operational scale to continue growing in the medium term, supported by a growing order book and consistent project execution.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Healthy order book position; despite remains geographically concentrated

The company has an unexecuted order book of ~₹1,461 crore as on March 31, 2025, offering medium-term revenue visibility equivalent to 2.78x of TOI reported in FY25 and includes orders for roads, bridges, canals, slope stabilisation, tunnels and small hydro projects. With several orders in pipeline, the order book is expected to improve further. The company's current order book is majorly from government and quasi government entities, where counterparty risk is low.

However, order book remains concentrated with ~67% value derived from top five projects. Geographically, the company primarily operates in Jammu & Kashmir, Uttarakhand, Himachal Pradesh, and the Leh-Ladakh region, leveraging its expertise in executing infrastructure projects at high altitudes. SRM also begun diversifying into other geographies including, Gujarat, which now accounts for ~18% of the order book. Despite these efforts, the order book remains geographically concentrated, with Jammu & Kashmir contributing ~41%, followed by Uttarakhand (19%), Gujarat (18%), and Leh & Ladakh (12%). This concentration exposes the company to regional risks, including potential changes in government policies and regulatory frameworks that could impact construction activities in these areas. To mitigate this, management is actively pursuing diversification into other states such as Jharkhand and Odisha among others.

While the company's order book position remains healthy providing revenue visibility in the medium term, the timely addition of new orders and efficient execution of the existing order book will remain crucial factors to monitor for ratings.

Comfortable financial risk profile

SRM's financial risk profile and liquidity position significantly improves following a successful Initial Public Offer (IPO) in April 2024. The company's overall gearing improved from 0.33x as of March 31, 2024, to 0.10x as of March 31, 2025, primarily due to the infusion of equity capital from the IPO, which strengthened net worth and led to a reduction in debt levels since it utilised part of IPO proceeds to repay debt. Improvement in profitability in FY25 also contributed to healthy debt protection metrics. Interest coverage ratio improved from 7.36x in FY24 to 10.77x in FY25. Similarly, total debt to gross cash accruals (TD/GCA) also improved to 0.64x as of March 31, 2025, compared to 1.32x in the previous year, driven by higher cash accruals and reduced debt.

In the absence of major debt-funded capital expenditure plans, limited reliance on external borrowings to manage working capital requirements, and sustained accretion of profits to net worth, CareEdge Ratings expects SRM to maintain a its comfortable financial risk profile in the medium term.

Experienced promoters and established track record in construction industry

SRM was established in 2008 by Sanjay Mehta, who brings nearly two decades of experience in executing a wide range of construction and infrastructure projects. Over the years, the company has built a strong track record of successfully delivering projects across roads, bridges, canals, tunnels, and small hydro developments.

SRM has executed contracts across northern India, including states such as Uttarakhand, Jammu & Kashmir, Himachal Pradesh, Arunachal Pradesh, and Ladakh. Leveraging its expertise in high-altitude construction, the company is now actively expanding its geographical footprint into other regions of the country.

Key weaknesses

Presence in a highly fragmented and competitive construction industry

SRM operates in the highly competitive construction industry, where contracts are typically awarded based on a combination of the bidder's technical expertise, financial strength, and competitive pricing. Intense competition stems from presence of numerous contractors, leading to aggressive bidding practices that exert pressure on profit margins. In addition to pricing pressures, industry players face external challenges such as interest rate fluctuations, project delays due to environmental clearances, and other regulatory hurdles. These factors can adversely impact credit profiles and financial stability of companies operating within the sector.

Inherent execution risks related to projects

Construction projects inherently carry risks of execution delays due to factors such as site handover issues, adverse weather conditions, and labour availability challenges. These delays can lead to time and cost overruns, impacting project timelines and profitability. However, SRM benefits from the extensive industry experience of its promoters—spanning nearly two decades—and a healthy track record of successful project execution, which helps mitigate these risks to some extent.

Working capital intensive operations though efficiently managed

SRM operates in a working capital intensive environment, primarily due to an extended collection cycle influenced by the retention money component embedded in its projects. In FY25, the company's average collection period and inventory holding period increased to 63 days and 46 days, respectively, compared to 61 days and 23 days in FY24, largely driven by the expansion in its order book. Average creditor period also increased to 40 days in FY25 from 26 days in the previous year.

Consequently, operating cycle elongated to 68 days in FY25 from 58 days in FY24, though it remained within a manageable range. The company's gross current asset days stood at 152 days as of March 31, 2025 (previous year: 135 days). SRM primarily meets its working capital requirements through internal accruals and extended creditor payment cycles, with minimal reliance on sanctioned working capital limits and mobilisation advances—helping to reduce associated financing costs.
Given the anticipated growth in operational scale and a healthy order book, working capital requirements are expected to rise in the medium term. The company's ability to manage these requirements efficiently, while maintaining low dependence on external debt, will remain a key monitorable from a credit perspective.

Liquidity: Adequate
SRM Contractors Limited maintains an adequate liquidity position, supported by a healthy buffer between expected gross cash accruals of ~₹89 crore and debt repayment obligations of ~₹14 crore, in FY26 (April 01 to March 31). Liquidity is further strengthened by free cash, bank balances, and fixed deposits totalling ~₹79 crore as of March 31, 2025. The company's reliance on working capital borrowings remains minimal, with average utilisation of fund-based working capital limits at a low level of ~11% for 12 months ended April 2025.
SRM Contractors Limited has entered an agreement to acquire a 51% stake in Maccaferri Infrastructure Private Limited (MIPL), the Indian subsidiary of Officine Maccaferri S.P.A., Italy with total cost of acquisition of ₹76 crore to paid in four equal tranches of ₹19 crore each in FY26 and FY27, which will be funded through internal accruals.
SRM also had planned capital expenditure of ~₹40 crore in FY26, primarily for procuring additional equipment and machinery to support efficient execution of its existing order book. The capex will be funded through a mix of term debt and internal accruals.

Assumptions/Covenants: Not applicable

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

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

SRM is a Jammu-based company, which was incorporated on September 04, 2008. The company is engaged in Infrastructural projects such as roads, bridges, canals, slope stabilisation, tunnels and hydro projects. The company executed work orders for Private and Government clients such as Border Road Organisation, and Indian Railways, among others The company is registered as 'Class A' contractor with Jammu & Kashmir's Public Work Department.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	342.65	526.91
PBILDT	41.87	81.68
PAT	22.17	50.16
Overall gearing (times)	0.33	0.10
Interest coverage (times)	7.36	10.77

A: Audited UA: Unaudited (Abridged financials); Note: these are latest available financial results

Status of non-cooperation with previous CRA:
- Acuite has conducted the review based on best available information and has classified SRM as "Not cooperative" vide its press release date November 04, 2024, due to non-availability of requisite information to conduct the rating exercise.
- Brickwork has conducted the review based on best available information and has classified SRM as "Not cooperative" vide its press release dated August 12, 2024, due to non-availability of requisite information to conduct the rating exercise.

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-Cash Credit	-	-	-	-	6.90	CARE A-; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	223.50	CARE A-; Stable / CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Out-standing (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	6.90	CARE A-; Stable	-	1)CARE BBB+; Stable (24-Dec-24) 2)CARE BBB+; Stable (01-Oct-24)	1)CARE BBB; Positive (06-Mar-24)	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	223.50	CARE A-; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A3+ (24-Dec-24) 2)CARE BBB+; Stable / CARE A3+ (01-Oct-24)	1)CARE BBB; Positive / CARE A3 (06-Mar-24)	-

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-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge 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:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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