STAR INFRATECH

June 02, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	70.00	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-6.

Rationale and key rating drivers

Ratings assigned to bank facilities of STAR INFRATECH are constrained by its exposure to a highly competitive industry, with inherent business risks arising from tender-based orders. Ratings also factor in client and geographic concentration risks and its constitution as a partnership firm, which exposes it to the risk of capital withdrawal by partners. Profitability remains susceptible to volatility in input prices due to absence of price escalation clauses in contracts, while operations are working capital intensive, marked by a high collection period (including retention money).

However, ratings derive comfort from partners' experience and ramp-up in scale of operations in the last few years, despite with moderate profitability margins. Ratings are further supported by a satisfactory order book position and a satisfactory capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sizeable increase in scale of operation (total operating income [TOI] over ₹200 crore) while maintaining current profitability margins on a sustained basis.
- Significant improvement in collection period.

Negative factors

- Dip in TOI to ₹100 crore and dip in profit before interest, lease rentals, depreciation, and taxation (PBILDT)margin below 5% on a sustained basis.
- Deterioration in overall gearing beyond 1.00x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook is considering long track record of operations of the firm and expected increase in scale of operations driven by execution of order.

Detailed description of key rating drivers:

Key weaknesses

Client and geographic concentration risk

All current outstanding orders pertain to power, and infrastructure works from reputed clientele like Meghalaya Power Distribution Company Limited (MePDCL) and are in Meghalaya, which indicates client and geographic concentration risk. The order book is entirely concentrated in a single segment, namely the Revamped Distribution Sector Scheme (RDSS), indicating a lack of diversification.

Volatility associated with fluctuations in input prices amid absence of price escalation clause:

The raw/input materials (cement, H.T wire, sand and chip, coil and hooks, and other electrical goods) required by the firm are highly volatile. Adverse changes in raw/input material prices would impact the firm's profitability, considering the volatility in prices of such materials. This apart, increase in labour cost will also impact the profitability being present in a highly labour-intensive industry. The absence of price escalation clause restricts the firm's ability to pass on incremental raw materials and other costs to its customers and is likely to impact the entity's profitability.

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

Highly competitive industry with business risk associated with tender-based orders:
The firm operates in a highly competitive construction industry, facing direct competition from organised and unorganised players due to low entry barriers. Numerous small and regional players serve the same market, limiting the entity's bargaining power and putting pressure on its margins. The entity receives most of its work orders from government departments. This creates a risk, as changes in the geopolitical environment and policy matters could impact all projects significantly. Changes in government policy or spending on projects are likely to affect the entity's revenues. The entity primarily undertakes government projects awarded through a tender-based system, exposing it to risks associated with intense competition. The business's growth depends on its ability to successfully bid for tenders and emerge as the lowest bidder.

Constitution as a partnership firm exposing it to risk of withdrawal of capital:
STAR INFRATECH's legal status as partnership firm exposes it to the risk of withdrawal of capital by partners at times of personal contingency and to limited ability of the firm to raise capital. Substantial withdrawals from the capital account will impact the net worth, impacting the financial profile of the firm. However, partners have infused funds amounting to ₹8.40 crore between FY22 and FY24, and ₹47.03 and ₹6.78 crore in FY25 and FY26, respectively.

Working capital intensive operation amid high collection period:
The firm's operations are inherently working capital intensive due to tender-based and long-term nature of its contracts. During the bidding stage, the firm is required to furnish earnest money deposits (EMD) amounting to 2% of the contract value, leading to blockage of funds even before project award. Post-award, the firm is further required to provide performance bank guarantees (BG) of ~3%.

For RDSS contracts (covering material supply and erection), payments are milestone-based with significant retention deductions. Typically, only 60% of the billed amount is received upon material supply, 30% after erection, and the remaining 10% upon project completion. Effectively, 40% of each bill is retained for a considerable period, resulting in higher working capital requirements.

The firm had also executed a sub-contract from Satnam Global Infraprojects Limited for installation of smart meters for below poverty line (BPL) families in Meghalaya under the Saubhagya scheme. Against total billing of ₹38 crore, the firm has received ~₹13 crore, with pending receivables amounting to ₹23.07 crore, and there has no recovery happened in the last three years further stretching working capital position.

With increase in scale of operations, retention money has accumulated significantly, rising from ₹48.39 crore as on March 31, 2025 to ₹83.02 crore as on March 31, 2026. This has resulted in an elongated collection period and operating cycle. The collection period stood high at 378 days in FY23 (operating cycle: 243 days), although it improved to 148 days in FY25 (operating cycle: 152 days), indicating partial normalisation, this is expected to elongate significantly to ~260 days in FY26. Excluding long pending debtors from Satnam Global Infraprojects of ₹23.07 crore, the collection period stood at 201 days in FY26 and 88 days in FY25 against 98 days in FY24.

Retention money build-up in FY26 is primarily attributable to RDSS projects. In FY26, the firm reported revenue of ₹141 crore from RDSS projects, of which 40% (₹56.40 crore) was retained. This retention is expected to be released in phases—30% post erection and 10% upon issuance of completion certificates.

The firm has funded increased working capital requirements through capital infusion of ₹47.03 crore by partners and mobilisation advances availed in FY25. Per management articulation, the firm expects the release of ~₹12-15 crore of retention money in Q1 FY27, which should aid liquidity position**.**

Key strengths

Long experience of partners in construction business:
The partnership firm is led by experienced partners, Radheshyam Agarwala, Satish Agarwal, Rajesh Agarwal, and Godfrey Arengh, who have ~15 years of experience in the field of construction business. All partners have experience in construction business and are involved in day-to-day operations of the firm.

Ramp up in scale of operations in last few years despite moderate profitability margins
The firm has witnessed a ramp-up in its scale of operations in the last few years, although profitability margins remain moderate. Income from operations registered a healthy compounded annual growth rate (CAGR)of ~55% between FY23 and FY25, reaching

₹138.24 crore, primarily driven by an increased pace of execution of the order book. Despite this growth trajectory, operating profitability has shown some moderation.

The PBILDT margin declined from 6.17% in FY23 to 5.02% in FY25. This contraction is largely attributable to rising raw material costs, which the firm has been unable to fully pass on due to the absence of price escalation clauses in its contracts. Competitive pressures in project bidding have further constrained pricing flexibility, impacting margins.

On the other hand, the profit after taxation (PAT)margin improved from 4.56% in FY23 to 5.33% in FY24, supported mainly by higher interest income from deposits. In FY26, the firm achieved a TOI of ₹141 crore.

Satisfactory order book position:
The firm maintains a satisfactory order book position, with an outstanding order book of ₹674.97 crore, translating into a strong order book-to-income ratio of 4.79x based on FY26 (UA)TOI. This provides healthy revenue visibility in the medium term.

Execution of majority projects witnessed delays due to adverse weather conditions in Meghalaya. The firm has mitigated this risk to some extent by securing a one-year extension from the original scheduled completion date of contracts. Timely order execution will remain key rating monitorable.

Satisfactory capital structure
The firm's capital structure remained satisfactory, with an overall gearing of 0.36x as on March 31, 2025, compared to 0.29x as on March 31, 2023. The marginal deterioration is primarily considering an increase in mobilisation advances during the period.

After adjusting net worth for potential bad debt exposure of ₹23.07 crore from Satnam Global Infraprojects Limited, the adjusted gearing stood at 0.43x as on March 31, 2025, improving from 0.81x as on March 31, 2024. This improvement is mainly driven by a strengthening of the net worth owing to profit accretion to reserves and capital infusion of ₹47.03 crore in FY25.

In FY25, debt coverage indicators moderated, with interest coverage declining to 2.83x from 7.20x in FY23. The deterioration is attributable to higher interest costs arising from utilisation of mobilisation advances (interest rate of 8.50%). However, total debt to gross cash accruals (TD/GCA) remained stable at 7.01x in FY25, largely in line with 7.03x in FY23.

As on March 31, 2026, the firm has a 100% fixed deposit (FD)-backed overdraft (OD) limit of ~₹13.38 crore (supported by lien-marked FDs of ₹13.38 crore), and partially FD-backed BG limits of ₹99.26 crore (supported by lien-marked FDs of ₹47.76 crore), reflecting a conservative borrowing structure.

As on March 31, 2026, the firm has outstanding mobilisation advances amounting to ₹37.54 crore from MePDCL for execution under the RDSS scheme. These advances are backed by 50% FD collateral and carry an interest rate of 8.50%.

Liquidity: Stretched
The firm's liquidity position remains stretched, as reflected by negative cash flow from operations in FY25 despite having no term debt repayment obligations. This is primarily attributable to the significant build-up of retention money associated with projects under RDSS, which has led to substantial fund blockage. To manage increased working capital requirements, partners infused capital of ₹47.03 crore (net of drawing) and the utilisation of mobilization advances in FY25.

per management articulation, the firm expects release of ~₹12-15 crore of retention money in Q1FY27, which is likely to aid liquidity. The firm is in the process of enhancing its BG limit by ₹20 crore and cash credit limits by ₹25 crore, which is expected to support improved working capital management and liquidity. Average utilisation in FD backed OD stood at ~64% for last 12 months ended March 31, 2026.

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

Incorporated in 2010, M/S STAR INFRATECH is engaged in the field of rural electrification under RDSS and civil construction for Public Works Department (PWD) projects in Meghalaya, primarily focusing on road and building construction. The firm is a Class 1A contractor. The firm is led by experienced partners, Radheshyam Agarwala, Satish Agarwal, Rajesh Agarwal, and Godfrey Arengh, who have ~15 years of experience in the field of construction business. All partners have experience in construction business and are involved in day-to-day operations of the firm.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	80.05	138.24	72.48
PBILDT*	5.05	6.94	NA
Profit after tax (PAT)	6.09	7.36	NA
Overall gearing (x)	0.59	0.36	NA
Interest coverage (x)	5.11	2.83	NA

A: Audited; UA: Unaudited; Note: These are latest available financial results.
*PBILDT: Profit before interest, lease rentals, depreciation, and tax

Status of non-cooperation with previous CRA: Not applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	70.00	CARE BB+; Stable / CARE A4+

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 2026-2027	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
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	70.00	CARE BB+; Stable / CARE A4+				

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	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view lender wise details of bank facilities please click here

Annexure-6: List of facilities/instruments and FSRs

As required by SEBI Circular dated February 10, 2026, to Credit Rating Agencies (CRAs), the list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments[2]
1.	Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities)	SEBI
2.	Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities)	MCA
3.	Listed PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	SEBI
4.	Listed PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	SEBI
5.	Unlisted PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	RBI
6.	Listed Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
7.	Unlisted Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
8.	Loan Facilities (Fund / Non-Fund Based) From Banks / NBFCs / NHB / FIs ^	RBI
9.	External Commercial Borrowings and Other Similar Borrowings	RBI
10.	Certificates of Deposit	RBI
11.	Fixed Deposits Raised by Banks, NBFCs, HFCs, FIs	RBI
12.	Fixed Deposits Raised by Corporates Other Than Banks, NBFCs, HFCs, FIs	MCA
13.	Inter Corporate Deposits / Loans Extended by Corporates	MCA
14.	Borrowing Programme ~	-
15.	Issuer Ratings #	-
16.	Credit Ratings for Capital Protection Oriented Schemes (By Mutal Funds and AIFs)	SEBI
17.	Credit Quality Ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18.	Listed Security Receipts	SEBI
19.	Unlisted Security Receipts	RBI
20.	Independent Credit Evaluation (ICE)	RBI

[2]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments[2]
21.	Expected Loss Ratings (For Loan Facilities (Fund / Non-Fund Based) from Banks / NBFCs / NHB / FIs)	RBI
22.	Expected Loss Ratings (Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities))	SEBI
23.	Expected Loss Ratings (Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities))	MCA
24.	Unlisted PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In the rating reports subsequent to issuance(s), CareEdge Ratings shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned during regulatory regime prior to introduction of SEBI CRA Circular dated February 10, 2026 and the investor side regulators have accordingly been included.

Note: For facilities / instruments falling under the purview of FSRs other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

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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