CareEdge RATINGS

SRM Contractors Limited

August 24, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long Term / Short Term Bank Facilities	RBI	482.50	CARE A; Stable / CARE A1	Reaffirmed
Long Term Bank Facilities	RBI	60.90 (Enhanced from 20.90)	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of SRM Contractors Limited (SRM) factors in the improvement in the company's operational and financial performance in FY26 (refers to April 01 to March 31). The improvement is characterised by significant increase in the scale of operations, largely attributed to strong execution across its diversified project portfolio, and incremental contribution from its subsidiary, Maccaferri Infrastructure Private Limited (MIPL). The higher scale of operations has also resulted in improved profitability margins, supported by a favourable project mix with a higher contribution from specialised slope stabilisation and tunnel projects.

Ratings also continue to take comfort from the company's comfortable financial risk profile, marked by an improved net worth base, comfortable leverage, and healthy debt protection metrics, despite an increase in debt to support the higher scale of operations and equipment mobilisation. The company's liquidity position is supported by healthy cash accruals and sufficient cash and bank balances.

Ratings continue to derive strength from the experienced promoters and the company's established track record in executing technically complex infrastructure projects. In addition, a healthy and growing consolidated order book provides revenue visibility in the medium term, despite with moderate geographical and project concentration.

Ratings also factor in SRM's acquisition of controlling stake in MIPL (erstwhile subsidiary of Officine Maccaferri S.p.A., Italy) for a total consideration of ~₹76 crore (with a 38% stake acquired as on March 31, 2026), which is being funded through internal accruals in a phased manner. Basis share purchase agreement (SPA), SRM got the controlling management rights for MIPL effective October 01, 2025.

However, these strengths are partially offset by the company's presence in the fragmented and competitive engineering, procurement, and construction (EPC) industry, exposure to inherent project execution risks, and the working capital intensive operations. Going forward, the company's ability to efficiently execute its increased order book, ensure timely collection of receivables, and manage working capital requirements while maintaining its comfortable financial risk profile will remain key rating sensitivities.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in total operating income (TOI) above ₹2500 crore and sustained improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin.
- 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 a sustained basis.
- Deterioration in Net Debt/PBILDT beyond 0.75x on a sustained basis.
- Delays in project execution impacting the company's financial performance and liquidity position.

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

Analytical approach: Consolidated
SRM and its subsidiaries (together referred to as 'the group') are engaged in similar line of business and have common management. Entities consolidated are listed under **Annexure-5.**

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

Significant improvement in scale of operations with sustained healthy profitability
SRM reported significant improvement in its consolidated operational performance in FY26, with TOI increasing by ~95% to ₹1,025.57 crore against ₹528.13 crore in FY25. The growth was driven by healthy execution across its diversified portfolio comprising road, tunnel, slope stabilisation and bridge projects, and incremental contribution from its subsidiary, MIPL. Despite the significant increase in scale, the company maintained healthy profitability margins, with PBILDT and profit after tax (PAT) margins improving to 16.27% and 10.83% respectively in FY26 (PY: 15.44% and 10.41%). The improvement in margins was supported by a higher proportion of technically complex and relatively high-margin slope stabilisation and tunnel projects, and improved absorption of fixed overheads on the expanded revenue base. The improved operating performance resulted in healthy cash generation, with gross cash accruals (GCA) increasing to ₹131.89 crore and net cash flow from operations of ₹149.12 crore in FY26.

The company continued to demonstrate healthy operational and profitability performance in Q1FY27 (refers to April 01 to June 30), reporting a consolidated TOI of ₹196.26 crore, along with PBILDT and PAT margins of 19.94% and 10.04%, respectively, reflecting the company's continued focus on execution of specialised infrastructure projects and operating efficiencies.

Going forward, the company is expected to sustain its operational performance in the medium term, supported by its healthy executable order book, increasing geographical diversification, and continued focus on specialised infrastructure segments, further complemented by integration benefits from MIPL.

Healthy and growing order book providing revenue visibility, with moderate concentration risks
SRM, on a consolidated basis including MIPL, has a healthy unexecuted order book of ~₹2,250–2,300 crore as on March 31, 2026, providing medium-term revenue visibility of 2.2x of TOI for FY26. The order book reflects a diversified mix of road, bridge, tunnel and slope stabilisation projects, with a notable increase in the share of specialised slope protection and geotechnical works supported by MIPL. The standalone SRM order book strengthened in the year with addition of large-value EPC projects, particularly in Maharashtra and Himachal Pradesh, while MIPL has an unexecuted order book of ~₹592 crore as on June 17, 2026. MIPL's projects are largely concentrated in slope stabilisation, rockfall protection, and geotechnical engineering works, further reinforcing the group's positioning in niche, high-margin infrastructure segments. The consolidated order book is largely backed by reputed central and state government agencies such as National Highways Authority of India (NHAI), National Highways and Infrastructure Development Corporation Limited (NHIDCL), Border Roads Organisation (BRO), Ministry of Road Transport and Highways (MoRTH), Indian Railways, and State Public Works Departments (PWDs), reducing counterparty credit risk. Geographically, the group has diversified beyond its traditional northern and hilly regions (Jammu & Kashmir, Ladakh and Uttarakhand) to states such as Maharashtra, Gujarat, Himachal Pradesh, among others. However, a substantial portion of the order book remains concentrated in challenging terrains, exposing the company to execution risks arising from adverse climatic conditions and logistical constraints.

Overall, healthy and increasing consolidated order book provides strong medium-term revenue visibility. Continued order inflows, improving geographical diversification, and efficient execution across both SRM and MIPL shall remain key monitorable.

Comfortable financial risk profile
SRM's financial risk profile remains comfortable, supported by healthy internal accruals and a strengthened net worth base following its Initial Public Offer (IPO) in April 2024. The overall gearing stood at 0.35x as on March 31, 2026, despite slightly increasing due to an increase in total debt, which was primarily availed for funding equipment purchase and project mobilisation requirements for newly awarded contracts. Debt protection metrics remained comfortable, with interest coverage improving to 17.60x in FY26, supported by improved operating profitability. Total debt to GCA (TD/GCA) continued to remain comfortable at 1.04x as on March 31, 2026.

Going forward, despite additional debt requirements towards working capital and equipment financing, the company is expected to maintain a comfortable financial risk profile, supported by steady cash accruals, moderate leverage, and continued accretion to net worth.

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 the country's other regions.

Key weaknesses

Working capital intensive operations though efficiently managed
SRM operates in a working capital intensive environment, primarily due to the inherent nature of EPC contracts, involving milestone-based billing and retention money. In FY26, gross current asset days remained elevated at 192 days (FY25: 152 days) reflecting increased execution. Average creditor period increased to 90 days (FY25: 40 days) primarily due to supplier and subcontractor payments are aligned with project cash flows and customer collections. The company continues to maintain healthy relationships with its vendors, and the current creditor levels are primarily driven by increased project execution.

The company continues to fund its working capital requirements through a combination of internal accruals, and working capital borrowings, while maintaining adequate liquidity. With expected growth in scale of operations and a healthy order book, working capital requirements are likely to remain high. The company's ability to efficiently manage receivables and support incremental working capital needs without materially impacting leverage will remain a key credit monitorable.

Presence in a highly fragmented and competitive construction industry
SRM operates in the fragmented and competitive EPC industry, where order awarding is based on competitive bidding, technical qualifications and financial strength. The presence of numerous organised and regional players results in pricing pressures, which may impact margins. The sector is exposed to risks arising from raw material price volatility, regulatory approvals, environmental clearances and changes in government spending priorities.

Inherent execution risks related to projects
The company remains exposed to execution risks such as delays in land acquisition, regulatory approvals, adverse weather conditions, labour shortages and cost overruns. A significant portion of its projects are in geographies with difficult terrain and harsh climatic conditions, which may impact project timelines. Timely execution of its growing order book without material cost overruns remains a key monitorable.

Liquidity: Adequate
SRM maintains an adequate liquidity position, supported by healthy internal accruals and a comfortable cash buffer. The company is expected to generate GCA of ~₹180-190 crore in FY27, which is sufficient to meet its moderate debt repayment obligations of ₹62 crore and incremental working capital requirements. Liquidity is further supported by free cash, bank balances and liquid investments of ~₹120 crore as on March 31, 2026, providing adequate financial flexibility. The company's reliance on working capital borrowings remains low, with average utilisation of fund-based limits remaining low for 12 months ended March 2026.

SRM is also in the process of completing the acquisition of a 51% stake in MIPL for a total consideration of ₹76 crore, with the final tranche of ₹19 crore expected to be completed in Q2FY27 (Q2 refers to July 01 to September 30), funded through free cash and bank balance.

The company continues to incur routine capital expenditure, primarily towards equipment and machinery, with annual capex estimated at ₹20–25 crore, and incremental investments based on project requirements. Such capex is typically funded through a mix of internal accruals and term debt with structured repayment schedules.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[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)- Consolidated	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	528.13	1025.57	196.26
PBILDT*	81.56	166.87	39.13
Profit after tax (PAT)	55.00	111.02	19.71
Overall gearing (x)	0.15	0.35	NA
Interest coverage (x)	10.76	17.60	NA

A: Audited, UA: Unaudited, NA: Not available; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Brief Financials (₹ crore)- Standalone	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	526.59	850.73	150.32
PBILDT*	81.37	136.47	33.29
Profit after tax (PAT)	50.16	85.58	15.94
Overall gearing (x)	0.15	0.37	NA
Interest coverage (x)	10.73	14.74	NA

A: Audited, UA: Unaudited, NA: Not available; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA: Brickwork has conducted the review based on best available information and has classified SRM as "Not cooperative" vide its press release dated August 21, 2026, 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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

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

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	RBI	Simple	-	-	-	-	60.90	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC	RBI	Simple	-	-	-	-	482.50	CARE A; Stable / CARE A1

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	Fund-based - LT-Cash Credit	LT	60.90	CARE A; Stable	1)CARE A; Stable (28-Jul-26) 2)CARE A; Stable (09-Jul-26)	1)CARE A-; Stable (03-Jul-25)	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	482.50	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (28-Jul-26) 2)CARE A; Stable / CARE A1 (09-Jul-26)	1)CARE A-; Stable / CARE A2 (03-Jul-25)	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: Lender details

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

Annexure-5: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Maccaferri Infrastructure Pvt Ltd	Full	Subsidiary
2	SP Mangal Murti Enterprises Pvt Ltd.	Full	Subsidiary
3	Loran Valley Power Projects Pvt Ltd.	Full	Subsidiary
4	ECI SRM Projects	Full	Subsidiary
5	SRM Rajinder Projects	Full	Subsidiary
6	Kapahi SRM Projects	Full	Subsidiary
7	SRM RSB Projects	Full	Subsidiary
8	SAI SRM Projects	Proportionate	Joint Venture

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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Rajan Sukhija Associate Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Kritika Goyal Lead Analyst **CARE Ratings Limited** E-mail: kritika.goyal@careedge.in

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