February 28, 2025

Svarn Infratel Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based term loan	30.29	30.29	[ICRA]BBB (Stable); reaffirmed
Long term fund-based – Cash credit	84.00	84.00	[ICRA]BBB (Stable); reaffirmed
Short term – Non-fund based	58.00	58.00	[ICRA]A3+; reaffirmed
Long term – Interchangeable	(20.00)	(20.00)	[ICRA]BBB (Stable); reaffirmed
Total	**172.29**	**172.29**	

**Instrument details are provided in Annexure I*

Rationale

The rating action for Svarn Infratel Private Limited (SIPL) factors in a healthy growth in its turnover in 9M FY2025 and expectations of the trend continuing with the addition of new products and setting up of expanded capacities, along with a robust order inflow.

SIPL is foraying into new verticals, such as e-beam cables and the defence and automobile segments, which is likely to have a positive impact on the company's performance in the medium term. Further, the ratings factor in the company's established association with reputed clientele like Nokia Solutions & Networks India Pvt. Ltd (NSN), Reliance Jio Infocomm Limited, Tejas Networks and Indus Towers Limited. SIPL has been associated with its key customer – NSN – for over 15 years and has managed to consistently gain business on the back of regular investments in capacities. However, the share of NSN is expected to moderate, going forward, as the company has added new customers. Further, the ratings favourably consider the company's diversification into sheet metal enclosures for the defence and telecom sectors and other cable product variants including automotive harness, renewable and low voltage power cables. ICRA also notes the export opportunities in USA market and the company has orderbook of ~Rs. 100 crore in this segment. This bodes well for the company's medium-term revenue prospects. SIPL has reported a steady improvement in its margins on the back of a better product mix as well as lower proportion of commodity cable sales to the Railways which is a low-margin business.

The ratings remain constrained by high customer concentration risk as the top five customers accounted for ~67% of the total revenue in FY2024. The customer concentration is likely to moderate to some extent with the diversification of the customer base. Moreover, dependence on the telecom sector had been high in the past, though efforts have been made to diversify the end user. ICRA also notes that the competitive intensity in the industry, especially for cables, remains elevated which keeps the margins largely range-bound. Moreover, in the recent past, there has been an elongation in the working capital intensity owing to a stretch in the debtors for a large new customer which has put pressure on the liquidity to some extent.

Further, the company is undertaking a debt-funded capex programme to expand its manufacturing base/capacities which is likely to exert some pressure on the debt coverage indicators in the near term, although they are likely to improve thereafter. The company plans to add medium voltage cables facility along with E-Beam facilities (One of the E-Beam lines is already commissioned and two lines will be commissioned in due course). ICRA also notes that the company has plans to raise equity to fund some portion of this capex. Further, with the revenues being linked to the investment cycles, any slowdown in capital expenditure in the telecom sector may impact the demand prospects of SIPL's products.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters – The promoters of the company have been involved in the passive telecom equipment manufacturing industry for the last one decade. They have established strong relations with customers and suppliers, which has helped it to sustain the profit margins despite intense competition.

Reputed customer profile – SIPL manufactures passive telecom equipment such as copper cables, data cables, optical fibre cable assemblies, shelters, etc., which are supplied to reputed OEMs such as Tejas Networks, NSN, Indus Tower Limited, Vodafone Idea Ltd, etc. SIPL has added new customers, including Rail Coach Factory, the zonal railways (Northern Railways, Western Railways) & Reliance Jio Infocomm Limited, in recent years, which has supported its revenue growth.

Diversification into new product segments – SIPL's growth momentum in the medium term is supported by incremental order flows in the wire and cable segment, which accounted for ~47% of the FY2024 revenue. The diversification of its revenue stream to new product segments like sheet metal components (which accounted for ~33% of the FY2024 revenue) wherein it supplies cabinets, side walls, retention tanks, overhead tanks, etc., and the retail segment (which accounted for ~20% of FY2024 revenues) for furniture fixtures also supports growth.

Healthy growth in operating Income – SIPL is demonstrating a healthy growth in operating income, driven by the increase in volumes. A healthy order book position, recurring orders and good customer relationships are likely to fuel growth in the medium term.

Credit challenges

High customer concentration risk – SIPL is exposed to customer concentration risk with its exposure to the top five customers at ~67% in FY2024. Although it has taken tangible efforts to diversify the customer base, NSN remains the highest contributor to SIPL's overall sales, rendering the business operations vulnerable to the performance of its key customer. Diversification of the product portfolio as well as the customer base with the increase in revenues will alleviate this risk to an extent, going forward.

Revenues linked to investment cycles in telecom sector – The revenues of the company are largely linked to the investment cycles in the telecom sector. Any slowdown in capital expenditure may impact the demand prospects, given that ~47% of its revenues are derived from the wire and cable segment and ~33% from sheet metal components. Nonetheless, the company has started supplying to the Indian Railways in recent years, which has mitigated the vulnerability of the revenues to the telecom sector to a certain extent. However, the railway contracts have relatively low profitability.

High working capital intensity– SIPL's working capital requirement has increased with the expansion in the business scale. Moreover, as SIPL imports the raw materials (30–35% of the total raw material costs), it has to maintain a stock, leading to high inventory days. The working capital intensity of the business is 25-28% owing to the high debtor and inventory days. Nonetheless, the counterparty credit risk remains low.

Competitive and fragmented industry – The copper cable manufacturing industry is characterised by low capital investment and value addition, which results in intense competition. However, the company's relations with various OEMs and its expertise in manufacturing quality cables for the telecom industry helps it in receiving regular orders without compromising on the profit margins. Moreover, the company's foray into new product lines, such as e-beams, is expected to mitigate the competition to an extent.

Liquidity position: Adequate

The working capital utilisation remains high as on date. Also, the funding requirements are expected to remain high because of the ongoing debt-funded capex, scheduled debt repayment obligations and elevated working capital requirements. However, SIPL's liquidity position is likely to remain adequate, supported by expected enhancements in working capital facilities which will provide a liquidity buffer and hopes of an improvement in earnings from operations in the medium term.

Rating sensitivities

Positive factors – A notable improvement in the company's profitability and coverage indicators while sustaining the scale of operations will support an upgrade. Adequate returns from the ongoing capex with a further improvement in the liquidity position can also result in an upgrade.

Negative factors – Pressure on the ratings may arise if there is a significant decline in the revenues on account of low demand from the telecom sector, putting strain on the cash flows, profitability or liquidity. A specific credit metric for downgrade would be DSCR below 1.4 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of SIPL along with its subsidiaries - Svarn Middle East DWL LLC, Svarn PTE Limited, PT. Svarn Group Indonesia & Svarn Group LLC - in view of the synergies in their businesses

About the company

Svarn Infratel Private Limited (SIPL) was incorporated in July 2010 by Mr. Suresh Singhal, Mr. Sadhu Ram Gupta, Mr. Vijay Gupta and Mr. Ajay Gupta. The company is primarily engaged in manufacturing passive telecom infrastructure, including cables and sheet metal components like racks, cabinets and pre-fabricated structure of retail outlets from its three manufacturing plants in Haryana. SIPL is an ISO 9001: 2008 (TUV-NORD), ISO 14001:2004 (DNV) & OHSAS 18001:2007 (DNV) certified entity.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	773.1	709.3
PAT	26.7	29.1
OPBDIT/OI	7.8%	10.1%
PAT/OI	3.5%	4.1%
Total outside liabilities/Tangible net worth (times)	1.7	1.8
Total debt/OPBDIT (times)	2.8	3.3
Interest coverage (times)	3.4	3.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 28, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	30.29	[ICRA]BBB (Stable)	30-Nov-2023	[ICRA]BBB (Stable)	02-Aug-2022	[ICRA]BBB (Stable)	29-Mar-2022	[ICRA]BB+ (Stable); ISSUER NOT COOPERATING
Cash credit	Long term	84.00	[ICRA]BBB (Stable)	30-Nov-2023	[ICRA]BBB (Stable)	02-Aug-2022	[ICRA]BBB (Stable)	29-Mar-2022	[ICRA]BB+ (Stable); ISSUER NOT COOPERATING
Non-fund based	Short term	58.00	[ICRA]A3+	30-Nov-2023	[ICRA]A3+	02-Aug-2022	[ICRA]A3+	29-Mar-2022	[ICRA]A4+; ISSUER NOT COOPERATING
Interchangeable (Cash credit)	Long term	(20.00)	[ICRA]BBB (Stable)	30-Nov-2023	[ICRA]BBB (Stable)	02-Aug-2022	[ICRA]BBB (Stable)	29-Mar-2022	[ICRA]BB+ (Stable); ISSUER NOT COOPERATING
Unallocated	Long term/ Short term	-	-	-	-	-	-	29-Mar-2022	[ICRA]BB+ (Stable) /[ICRA]A4+; ISSUER NOT COOPERATING

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - fund based term loan	Simple
Long term fund based – Cash credit	Simple
Short term – Non-fund based	Very Simple
Long term – Interchangeable	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rates	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loans	Jun-18/ Aug-20	-	Sep-23/ Dec-25	30.29	[ICRA]BBB (Stable)
NA	Cash credit/WCDL – 1	NA	NA	NA	30.00	[ICRA]BBB (Stable)
NA	Cash credit/WCDL – 2	NA	NA	NA	30.00	[ICRA]BBB (Stable)
NA	Cash credit/WCDL – 3	NA	NA	NA	24.00	[ICRA]BBB (Stable)
NA	LC/BG/SBLC – 1	NA	NA	NA	30.00	[ICRA]A3+
NA	LC/BG/SBLC – 2	NA	NA	NA	22.00	[ICRA]A3+
NA	LC/BG/SBLC – 3	NA	NA	NA	6.00	[ICRA]A3+
NA	Cash credit/WCDL (Sublimit)	NA	NA	NA	(20.00)	[ICRA]BBB (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	SIPL ownership	Consolidation approach
Svarn Middle East DWL LLC	99.0%	Full Consolidation
Svarn PTE Limited	100.0%	Full Consolidation
PT. Svarn Group Indonesia	99.0%	Full Consolidation
Svarn Group LLC	100.0%	Full Consolidation

Source: Company

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