

March 18, 2025

STUP Consultants 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 – Overdraft	15.0	15.0	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Non-fund Based - Bank guarantee/ Letter of credit	70.0	70.0	[ICRA]BBB+ (Stable); reaffirmed
Total	85.0	85.0	

*Instrument details are provided in Annexure I

Rationale

For arriving at the rating, ICRA has considered the consolidated financials of STUP Consultants Private Limited (STUP) along with its subsidiaries Assystem India Limited (AIL, erstwhile L&T Infrastructure Engineering Limited (LTIEL) and ASY Engineering Private Limited, based on the strong managerial, operational, financial linkages between the entities. This is also driven by the recent completion of the acquisition of a 100% stake in AIL.

The rating reaffirmation continues to take into account STUP Consultants Private Limited's (STUP) healthy order book position of more than Rs. 500 crore (consolidated) as on September 30, 2024, which lends revenue visibility for the near to medium term. Moreover, the diversified customer profile of reputed clientele will continue to support STUP's business growth. The rating also factors in the comfortable debt protection metrics and financial profile, characterised by its capital structure (gearing of 0.9 times as on March 31, 2024) and coverage indicators (as indicated by TD/ OPBDIT of 0.3 times for FY2024). Further, ICRA notes that the completion of the acquisition of a 100% stake in AIL is likely to benefit STUP in scaling up operations and exercising better control over its operations through lesser subcontracting. The rating continues to factor in the reputed promoter (Assystem S. A.) profile with an established track record in engineering consultancy services for both private as well as public sectors entities. STUP's professional management setup, established track record in executing consultancy and design solution projects for both private as well as public sector entities and financial flexibility arising out of being a part of a strong promoter group also provide comfort.

The rating, however, continues to remain constrained by STUP's moderate (albeit growing) scale of current operation, with an operating income (OI) of Rs. 243 crore in FY2024 and high working capital intensity. This is reflected by elevated debtor days and inventory days for FY2024, leading to a working capital intensity of ~50% and an elongated cash conversion cycle. Although the year-end figures would be skewed owing to the recent consolidation with AIL in Q4 FY2024, a material improvement in the company's working capital cycle, which strengthens its liquidity and overall financial profile on a sustained basis, will remain a key rating monitorable. The rating also factors in STUP's relatively high sectoral concentration risk with the water, rail and highway sectors accounting for 72% of the total unexecuted order book, besides vulnerability of new order inflows to the macroeconomic cycle as well as intense competition in industry. ICRA also notes the high off-balance sheet exposure (bank guarantees of ~Rs. 46 crore as of March 31, 2024) on account of submission of bid-bond, performance and other guarantees. Nonetheless, ICRA draws comfort from its past track record and absence of invocation of guarantees in the past.

The Stable outlook on the rating reflects ICRA's opinion that STUP will maintain its credit profile on the back of its strong execution capabilities, given the presence of a healthy order book position and adequate liquidity position.

Key rating drivers and their description

Credit strengths

Reputed sponsor profile with established track record in engineering consultancy services— STUP offers integrated planning, architectural, engineering and project management services across various sectors such as roads, major structures, airports, railways, highways, water resources, environmental and public health engineering, among others. The company has a rich experience of more than five decades and an established reputation in the industry, leading to a strong client portfolio in the domestic market. The promoter, Assystem S. A., also brings in an experience of over five decades of consulting services. ICRA expects the company to benefit from the financial flexibility arising out of being part of a global promoter group, i.e., Assystem S. A. Further, the acquisition of a 100% stake in AIL from Larsen & Toubro Limited (L&T), will help STUP grow its scale of operations by providing entry into new domains – like geotechnical, urban planning, ports etc. Earlier, STUP used to sub-contract such operations. The combined synergies are expected to result in the expansion of scale as well as profitability. The transaction is also expected to open more avenues for business partnership with the transferor i.e., L&T.

Diversified client profile and healthy order book position – STUP’s customer profile includes reputed players such as L&T, National Highway Authorities of India (NHAI), Rail Vikas Nigam Ltd. (RVNL) and others, lowering the counterparty risk. It also receives work orders from overseas markets such as Bangladesh and Maldives, which are primarily funded by Government agencies. STUP’s customer base remained well diversified, with its top 10 clients generating ~50% of the total sales in FY2024 (~45% in FY2023) and ~54% in H1 FY2025. As on September 30, 2024, STUP at the standalone level, had an unexecuted order book of over Rs. 369 crore, which is ~1.9 times its OI in FY2024. This apart, its 100% subsidiary AIL had an unexecuted order book of Rs. 138 crore as on September 30, 2024. ICRA notes that the consolidated healthy order book provides medium-term revenue visibility for STUP.

Comfortable debt protection metrics –STUP’s debt protection metrics, as reflected by Total Debt/OPBDITA of 0.3 times in FY2024 (FY2023: NIL) continue to be comfortable on account of low dependence on debt and reasonable profitability levels, although volatile. The company’s consolidated tangible net worth improved further to Rs. 155.7 crore as on March 31, 2024 (Rs. 123.9 crore as on March 31, 2023) on the back of steady cash accruals. Further, its capital structure has historically remained healthy, as reflected by TOL/TNW of 0.9 times as on March 31, 2024 (PY: 0.7 times). With no major debt-funded capex plans, coupled with post-acquisition synergy benefits and expected ramp-up in operations, the debt coverage indicators are likely to improve over the near to medium term.

Credit challenges

Moderate scale of operations and high working capital intensity – The consolidated operating income of the company grew by ~28% to Rs. 243.8 crore in FY2024 (Rs. 191 crore in FY2023). However, despite healthy growth in recent years, the scale of the company at an absolute level is likely to remain moderate in the near term. Further, as inherent to the order-backed industry, the company’s operations remain working capital intensive as reflected by high debtor days (~200 days for FY2024) and inventory days (~200 days for FY2024), leading to a working capital intensity of ~50% and an elongated cash conversion cycle. The year-end figures would be skewed owing to the recent consolidation with AIL in FY2024. A material improvement in the company's working capital cycle, strengthening its liquidity and overall financial profile on a sustained basis, will remain a key rating monitorable.

Vulnerability to macroeconomic scenario and sectoral risks – Water projects (36%), rail and metro projects (19%) and road & highway projects (17%) constituted 72% of the STUP’s standalone unexecuted order book as on September 30, 2024, exposing the company to sectoral concentration risk. Nevertheless, STUP’s plan to expand its presence in other sectors will help in diversifying its revenue profile over the medium to long term. Further, AIL’s acquisition would also provide entry into new domains like geotechnical, urban planning and port sectors. ICRA also notes the vulnerability of order inflows to macroeconomic scenarios as capex spends are cyclical in nature.

Highly competitive intensity – The company faces competition from several large and established consulting companies, which constrains the pricing flexibility. However, technical expertise, as well as a strong track record of operations, are likely to support STUP’s revenue growth over the medium term.

Liquidity position: Adequate

The company’s liquidity position is adequate, reflected by free cash and liquid investment of ~Rs. 23 crore as on March 31, 2024, and unutilised fund-based working capital limits (Rs. 15.0 crore). With no long-term repayment liabilities and the absence of any major capex plans, ICRA expects its liquidity profile to remain adequate in the near term.

Rating sensitivities

Positive factors – The rating may be upgraded if the company demonstrates a sustained improvement in its earnings and a strengthening of its net worth while maintaining strong debt coverage metrics. Further, material improvement in the company’s working capital cycle, which strengthens its liquidity and overall financial profile on a sustained basis, will also be positive for the rating.

Negative factors – Pressure on the rating could arise in case of a deterioration in the company’s working capital cycle leading to deterioration in its liquidity position. Additionally, any material decline in revenues and profitability and/or an increase in debt levels resulting in the weakening of key debt protection metrics on a sustained basis could lead to a rating downgrade. Pressure on STUP’s ratings could also arise if there is a deterioration in the credit profile of its parent (Assystem SA) or a weakening of linkages with its parent.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Company: Assystem S. A. ICRA expect STUP’s parent, Assystem S. A., to be willing to extend financial support to STUP, should there be a need, given the strategic importance that STUP holds for Assystem S. A.
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of STUP Consultants Private Limited (STUP) along with its subsidiaries, details of which is covered in Annexure II.

About the company

STUP Consultants Private Limited (STUP) is a full-service design, engineering and project delivery consultancy company offering services for urban and territorial infrastructures, civil engineering, complex buildings, transportation infrastructures, energy etc. Established in 1963, the company was acquired by the French engineering consultant group Assystem S.A. in July 2021. The board members at STUP constitute senior members from its parent entity, Assystem, including the global CFO and Deputy CEO.

Key financial indicators (audited)

STUP consolidated	FY2023	FY2024
Operating income	191.0	243.8
PAT	20.4	31.8
OPBDIT/OI	16.4%	16.1%
PAT/OI	10.7%	13.1%
Total outside liabilities/Tangible net worth (times)	0.7	0.9
Total debt/OPBDIT (times)	-	0.3
Interest coverage (times)	20.7	24.2

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortization; Amount in Rs crore

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	FY2025		FY2024		FY2023		FY2022	
		Amount Rated (Rs. crore)	March 18, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based – Overdraft	Long Term	15.00	[ICRA]BBB+ (Stable)	15-NOV-2023	[ICRA]BBB (Stable)	31-OCT-2022	[ICRA]BBB (Stable)	-	-
				31-JAN-2024	[ICRA]BBB+ (Stable)	-	-	-	-
Non fund based -others-	Long Term	70.00	[ICRA]BBB+ (Stable)	15-NOV-2023	[ICRA]BBB (Stable)	31-OCT-2022	[ICRA]BBB (Stable)	13-JUL-2021	[ICRA]BBB+ Rating Watch with Developing Implications
				31-JAN-2024	[ICRA]BBB+ (Stable)	-	-	-	-
Fund based- Cash credit	Long Term	-	-	-	-	-	-	13-JUL-2021	[ICRA]BBB+ Rating Watch with Developing Implications

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Overdraft	Simple
Long-term – Non-fund Based – Bank guarantee/ Letter of credit	Very 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 Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based - OD	NA	NA	NA	15.0	[ICRA]BBB+ (Stable)
NA	Non-fund based. Bank guarantee/ Letter of credit	NA	NA	NA	70.0	[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	STUP ownership	Consolidation approach
Assystem India Limited	100%	Full consolidation
ASY Engineering Private Limited	100%	Full consolidation

Source: Annual report FY2024, ICRA research

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ABOUT ICRA LIMITED

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