

July 22, 2025

## Star Infratech: Ratings reaffirmed; Rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based – Cash credit	377.00	465.00	[ICRA]A- (Stable); reaffirmed and assigned for enhanced limits
Long-term/ Short-term – Non-fund based – Bank guarantee	723.00	1035.00	[ICRA]A- (Stable)/[ICRA]A2+; reaffirmed and assigned for enhanced limits
<b>Total</b>	<b>1,100.00</b>	<b>1,500.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The revision in outlook to Stable for Star Infratech (SI) reflects the reduction in leverage, marked by total outside liabilities to tangible net worth (TOL/TNW) improving to 1.1 times as on March 31, 2025, from 1.8 times as on March 31, 2024, and ICRA's expectation that leverage will remain below one time in the near term owing to low working capital intensity. The working capital intensity declined to 12% in FY2025 from 38% in FY2024 owing to a significant improvement in the receivable cycle and a sizeable reduction in sub-contractor advances. This also led to debt levels reducing to Rs. 265.4 crore as on March 31, 2025, from Rs. 381.2 crore as on March 31, 2024.

The ratings favourably factor in the firm's healthy order book (OB) position of Rs. 6,347.8 crore as on March 31, 2025, which translates to ~4 times of FY2025 revenues and provides medium-term revenue visibility. SI's revenues increased by 26% to Rs. 1,384.5 crore (on a provisional basis) in FY2025 from Rs. 1,154.2 crore in FY2024, and its scale of operations is expected to improve on the back of the healthy order book position and execution. The rating notes the promoters' longstanding track record of over three decades in the civil construction business and the firm's diversified presence across various segments such as layouts, buildings, irrigation, and roads. The firm's client profile is reputed and includes Karnataka state government agencies such as Krishna Bhagya Jala Nigam Limited (KBJNL), Planning and Road Assets Management Center (PRAMC), Karnataka Health System Development & Reform Project (KHSDRP), and Cauvery Neeravari Nigama Limited (CNNL), resulting in low counterparty credit risk.

The ratings are, however, constrained by the firm's exposure to geographical concentration risk, with ~100% of the order book limited to Karnataka. Nevertheless, the track record of regular order inflows and the robust order book mitigate this risk to an extent. Notwithstanding the improvement in the firm's operating margins to 11.5% in FY2025 from 10.2% in FY2024, the interest coverage remains moderate at 4.0 times in FY2025, though marginally up from 3.8 times in FY2024, due to higher interest expenses arising from increased working capital utilisation during the year. ICRA expects the coverage indicators to improve in the near term, owing to an expected reduction in the working capital cycle and interest rates, which remains a key rating monitorable. SI, being a partnership firm, is exposed to the risk of capital withdrawal, which may affect the capital structure and liquidity position. It is also vulnerable to the cyclicity inherent in the construction industry and intense competition in the tender-based contract award system, resulting in the risk of volatility in order inflows and revenues, along with pressure on profit margins. However, its longstanding presence and established client relationships provide comfort. The company is also exposed to sizeable contingent liabilities in the form of bank guarantees (~Rs. 611.65 crore as on May 31, 2025), mainly towards performance guarantees and mobilisation advances. Nonetheless, ICRA draws comfort from SI's healthy execution track record and the absence of any invocation of guarantees in the past.

The Stable outlook on the long-term rating reflects ICRA's opinion that the firm is expected to sustain revenue growth on the back of a healthy order book position and timely execution, along with timely receipt of payments from its key customers.

## Key rating drivers and their description

### Credit strengths

**Healthy order book position to support revenue growth** – Star Infratech’s OB is healthy at Rs. 6,347.8 crore as on March 31, 2025, which translates to ~4 times FY2025 revenues and provides medium-term revenue visibility. SI’s revenues increased by 26% to Rs. 1,384.5 crore in FY2025 from Rs. 1,154.2 crore in FY2024. In FY2025, the firm received ~Rs. 2,000 crore worth of fresh orders, and ICRA expects the order inflow to remain strong in the near term. This, along with healthy execution, should support revenue growth in the medium term.

**Order book diversified across segments and reputed client profile** – The segment concentration is moderate, with the top two segments (layout development and building) accounting for 75% of the order book as on March 31, 2025. SI executes works for Karnataka state government agencies, which results in low counterparty credit risk. The firm’s key clientele includes KBJNL, PRAMC, KHSRDP, and CNNL, among others.

**Established track record of operations** – The firm has a significant track record of over three decades in the civil construction business and a diversified presence across segments such as layouts, buildings, irrigation, and roads, having completed major projects for various Karnataka state government departments in the past, which provides comfort.

### Credit challenges

**Geographically concentrated order book** – The firm’s OB is geographically concentrated, with the entire order book coming from Karnataka. This exposes it to risks arising from any economic or political changes, which may adversely impact its revenues or cash flows, as witnessed in the past. Nevertheless, the track record of regular order inflows and the robust order book mitigate this risk to an extent.

**Moderate coverage indicators** – With an improvement in operating margins to 11.5% in FY2025 from 10.2% in FY2024, the interest coverage improved to 4.0 times in FY2025 from 3.8 times in FY2024. Interest expenses remained elevated in FY2025 due to increased working capital utilisation during the year. The firm received sizeable payments in March 2025, and the working capital cycle is expected to remain low in the near term. Given this, the coverage indicators are likely to improve and remain a key rating monitorable.

**Risks associated with partnership model and construction sector, including profit volatility and sizeable non-fund-based exposure** – SI, being a partnership firm, is exposed to the risk of capital withdrawal, which may affect its capital structure and liquidity position. Nevertheless, ICRA notes that a major share of recent capital withdrawals by the partners was utilised for purchasing assets that were placed as collateral to secure incremental bank financing for SI. The firm is also vulnerable to the cyclical nature of the construction industry and intense competition in the tender-based contract award system, which results in volatility in order inflows and revenues and puts pressure on profit margins. However, its significant presence and strong client relationships provide comfort. The firm is also exposed to sizeable contingent liabilities in the form of bank guarantees (~Rs. 529.70 crore as on March 31, 2025), mainly towards performance guarantees, mobilisation advances, and raw material advances. Nonetheless, ICRA draws comfort from SI’s healthy execution track record and the absence of any invocation of guarantees in the past.

### Liquidity position: Adequate

SI’s liquidity position is adequate, driven by the timely receipt of payments from its key customers and sufficient cushion in working capital limits as on March 31, 2025. The firm has capex plans of Rs. 40 crore and debt repayment obligations of Rs. 38 crore in FY2026, which can be comfortably met through its estimated cash flow from operations.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings in case of an improvement in the scale of operations, profitability margins, and business diversification leading to improved debt coverage metrics and liquidity position on a sustained basis.

**Negative factors** – Pressure on the ratings could arise in case of a significant delay in project execution or a stretch in the working capital cycle adversely impacting the firm's earnings profile. Further, sizeable capital withdrawn by partners, which can adversely affect its leverage or liquidity position will be a credit negative. Specific credit metrics that could lead to a downgrade include interest cover remaining below 4.0 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Construction</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

## About the company

Karnataka-based M/S Star Infratech (SI, formerly known as Star Builders and Developers) was initially founded as a proprietorship in 1991 by Mr. C. S. Doreswamy and was later converted into a partnership firm in 2011 with the induction of Mr. Venkatramane Gowde. SI is a civil contractor primarily engaged in executing projects involving roads, bridges, buildings, layouts, canals, drains, and waterworks for government departments. The firm operates as an EPC contractor and undertakes construction and repair of infrastructure projects across Karnataka, with most of its clientele being government departments. In FY2024, Mr. Venkataramane Gowda retired from the firm, and his son, Mr. Chiranth, took over the business operations.

## Key financial indicators

	FY2024	FY2025*
Operating income	1,154.2	1,384.5
PAT	54.8	78.2
OPBDIT/OI	10.2%	11.5%
PAT/OI	4.8%	5.6%
Total outside liabilities/Tangible net worth (times)	1.8	1.1
Total debt/OPBDIT (times)	3.2	1.7
Interest coverage (times)	3.8	4.0

Source: Company, ICRA Research; \*Provisional numbers; 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

Current (FY2026)						Chronology of rating history for the past 3 years					
Instrument	Type	Amount Rated (Rs. crore)	July 22, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Fund-based – Cash credit</b>	Long Term	465.00	[ICRA]A-(Stable)	June 30, 2025	[ICRA]A-(Stable)	Sep 25, 2024	[ICRA]A-(Negative)	Aug 04, 2023	[ICRA]A-(Stable)	June 16, 2022	[ICRA]A-(Stable)
		-	-	-	-	Oct 14, 2024	[ICRA]A-(Negative)	-	-	June 20, 2022	[ICRA]A-(Stable)
<b>Non-fund based – Bank guarantee</b>	Long Term/ Short Term	1,035.00	[ICRA]A-(Stable)/[ICRA]A2+	June 30, 2025	[ICRA]A-(Stable)/[ICRA]A2+	Sep 25, 2024	[ICRA]A-(Negative)/[ICRA]A2+	Aug 04, 2023	[ICRA]A-(Stable)/[ICRA]A2+	June 16, 2022	[ICRA]A-(Stable)/[ICRA]A2+
		-	-	-	-	Oct 14, 2024	[ICRA]A-(Negative)/[ICRA]A2+	-	-	June 20, 2022	[ICRA]A-(Stable)/[ICRA]A2+
<b>Fund based – Proposed</b>	Long Term	-	-	-	-	Sep 25, 2024	[ICRA]A-(Negative)	-	-	-	-
		-	-	-	-	Oct 14, 2024	[ICRA]A-(Negative)	-	-	-	-
<b>Non-fund based – Proposed</b>	Long Term/ Short Term	-	-	-	-	Sep 25, 2024	[ICRA]A-(Negative)/[ICRA]A2+	-	-	-	-
		-	-	-	-	Oct 14, 2024	[ICRA]A-(Negative)/[ICRA]A2+	-	-	-	-
<b>Unallocated</b>	Long Term/ Short Term	-	-	-	-	-	-	-	-	June 20, 2022	[ICRA]A-(Stable)/[ICRA]A2+
<b>Fund-based – Term loan</b>	Long Term	-	-	-	-	-	-	Aug 04, 2023	[ICRA]A-(Stable)	June 20, 2022	[ICRA]A-(Stable)

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based – Cash credit	Simple
Long-term/ Short-term – Non-fund based – Bank guarantee	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	Long-term – Fund based – Cash credit	NA	NA	NA	465.00	[ICRA]A-(Stable)
NA	Long-term/ Short-term – Non-fund based – Bank guarantee	NA	NA	NA	1035.00	[ICRA]A-(Stable)/ [ICRA]A2+

Source: Company

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#### Annexure II: List of entities considered for consolidated analysis - Not applicable

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