

August 22, 2025

Royal Deep Construction Pvt Ltd: [ICRA]BB (Stable); assigned

Summary of rating action

| Instrument* | Current rated amount (Rs. crore) | Rating action |
|---------------|-------------------------------------|-----------------------------|
| Issuer rating | - | [ICRA]BB (Stable); assigned |
| Total | - | |

*Instrument details are provided in Annexure I

Rationale

The assigned rating for Royal Deep Construction Private Limited (RDCPL) factors in the expected revenue growth on the back of execution of outstanding order book amid revenue visibility worth Rs. 215 crore from the pending order book as of July 2025 from the construction segment. This apart, the company has been consistently bidding and getting orders for toll fee collections, for which its revenue stood at around Rs. 52 crore in FY2025.

The company's operating revenue rose at a compounded annual growth rate (CAGR) of 37.8% over the last five years and the company is likely to continue to witness traction in its revenue, led by addition of a couple of large orders in the last two fiscals. Moreover, ICRA expects RDCPL's share of revenue from the road construction and operations & maintenance (O&M) portfolio to increase gradually. This is likely to strengthen the company's execution capabilities, enabling it to bid for higher value projects, and may also support further improvement in its operating margins. The rating further factors in the extensive experience of the promoters in road construction, operation and maintenance of roads.

The rating is, however, constrained by its small scale of operations and a modest net worth base, which is expected to gradually increase on the back of enhancing order values and RDCPL's improving credentials to execute big projects. The rating is further constrained by the company's average financial profile, marked by moderate debt coverage and leverage indicators. ICRA also notes the working capital intensive nature of operations on account of increased receivables in the last two years. The rating also factors in RDCPL's high project and client concentration risks, with over 80% of the pending order book (construction segment) expected to be derived from its top two customers in FY2026, exposing the company to revenue volatility in case of any unforeseen delay in the ongoing projects.

The Stable outlook on the [ICRA]BB rating reflects ICRA's opinion that RDCPL is likely to sustain its growth momentum, supported by efficient execution of orders in hand while leveraging its experience in the toll collection segment.

Key rating drivers and their description

Credit strengths

Long experience of promoters in the construction sector – The promoters have an established track record of over two decades in the execution of engineering, procurement, and construction (EPC) contracts, as well as in the operation and maintenance (O&M) of road infrastructure projects. The company also undertakes toll collection for various stretches under the National Highways Authority of India (NHAI). A significant portion of its EPC order book comprises projects awarded by key government agencies, including the Border Roads Organisation (BRO), NHAI, Public Works Department (PWD), and various state PWDs, particularly in Punjab.

Moderate order book providing medium-term revenue visibility – The company has moderate revenue visibility, supported by a pending order book of approximately Rs. 215 crore as on July 31, 2025, from the construction segment. In addition to this,

the company is executing toll fee collection contracts valued at over Rs. 70 crore across multiple states, including Punjab, Uttarakhand, Assam, and Uttar Pradesh. However, the ability to secure fresh orders on a sustained basis will remain critical for maintaining revenue growth momentum beyond the current order book.

Credit challenges

Small scale of operations – The company remains a small-scale player in a competitive industry, as reflected in its modest operating income of Rs. 85 crore in FY2025. Nevertheless, RDCPL has demonstrated a significant increase in its operating revenues, registering a CAGR of 37.8% over the past five years, driven by addition of new EPC contracts as well as toll collection contracts in its order book. ICRA expects the company to continue to witness a healthy revenue growth over the medium term, supported by moderate revenue visibility in the form of unexecuted order book of road construction and O&M contracts worth ~Rs. 215 crore as on July 31, 2025. This apart, further support to the top line is expected to be received from toll collection projects, where the company has extensive expertise.

Moderate financial profile – The company's financial profile remains average, as reflected in its moderate debt coverage metrics and a modest net worth base. RDCPL has a net worth of around Rs. 16.7 crore as on March 31, 2025, which in turn adversely impacts the company's capital structure and debt protection metrics. The gearing stood at 2.0 times, while the interest coverage ratio and Total Debt/OPBDIT stood at 1.5 times and 3.3 times, respectively, in FY2025.

Exposed to high project and customer concentration risks – The company remains exposed to high project and client concentration risks, with the top two customers accounting for more than 80% of the total construction EPC outstanding order book as on July 31, 2025. Additionally, the geographical concentration of revenues remains high, with a significant portion of the company's turnover derived from projects located in Punjab.

Liquidity position: Adequate

The company's liquidity is expected to be adequate, supported by adequate cushion in the fund-based working capital limits with an average 64% utilisation of the fund-based working capital limit over the 15-months period ended in June 2025. ICRA expects the company to generate adequate cash flows, going forward, and is therefore expected to sufficiently cover the annual debt repayment obligation of Rs. 4-5 crore in FY2026. Apart from this, the company is expected to incur capex of around Rs. 5 crore in FY2026, out of which a sizeable portion is expected to be funded by term loans.

Rating sensitivities

Positive factors – RDCPL's rating could be upgraded if the company demonstrates a sustained improvement in its scale of operations and net worth base, leading to an overall improvement in its financial risk profile on a sustained basis.

Negative factors – Pressure on RDCPL's rating could arise if there is a significant decline in its scale of operations and profit margins. Further, any significant deterioration in the working capital cycle and/or any major debt-funded capex, which adversely impacts the company's leverage metrics and/or the liquidity position, would also be a credit negative.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology Rating Methodology - Construction |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | Standalone |

About the company

Royal Deep Construction Pvt. Ltd. (RDC) operates in the construction industry. Mr. Jaswinder Singh (Managing Director) established the firm in 2007 under the name of M/s Royal Deep Construction Co. and thereafter in 2013 changed the constitution of the firm to a private limited company. Over 99% of the company's stake is held by Mr. Singh. The company is a diversified player in the construction industry with operations spanning three core segments — execution of road EPC projects; operation and maintenance (O&M) of road infrastructure, including routine upkeep and overlays; and toll fee collection services on behalf of Government authorities like NHAI, across multiple states.

Key financial indicators

| Royal Deep Construction Pvt Ltd (Standalone) | FY2024 | FY2025* |
|--|--------|---------|
| Operating income | 59.0 | 85.8 |
| PAT | 2.4 | 3.3 |
| OPBDIT/OI | 8.0% | 11.9% |
| PAT/OI | 4.1% | 3.9% |
| Total outside liabilities/Tangible net worth (times) | 2.4 | 2.4 |
| Total debt/OPBDIT (times) | 5.2 | 3.3 |
| Interest coverage (times) | 2.3 | 4.2 |

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 | | | | | |
|------------------|-----------|--------------------------|--------------|-------------------|---|--------|--------|--------|--------|--------|
| FY2026 | | | | | FY2025 | | FY2024 | | FY2023 | |
| Instrument | Type | Amount rated (Rs. crore) | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Issuer rating | Long Term | - | Aug 22, 2025 | [ICRA]BB (Stable) | - | - | - | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---------------|----------------------|
| Issuer rating | Not Applicable |

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 | Issuer rating | NA | NA | NA | - | [ICRA]BB (Stable) |

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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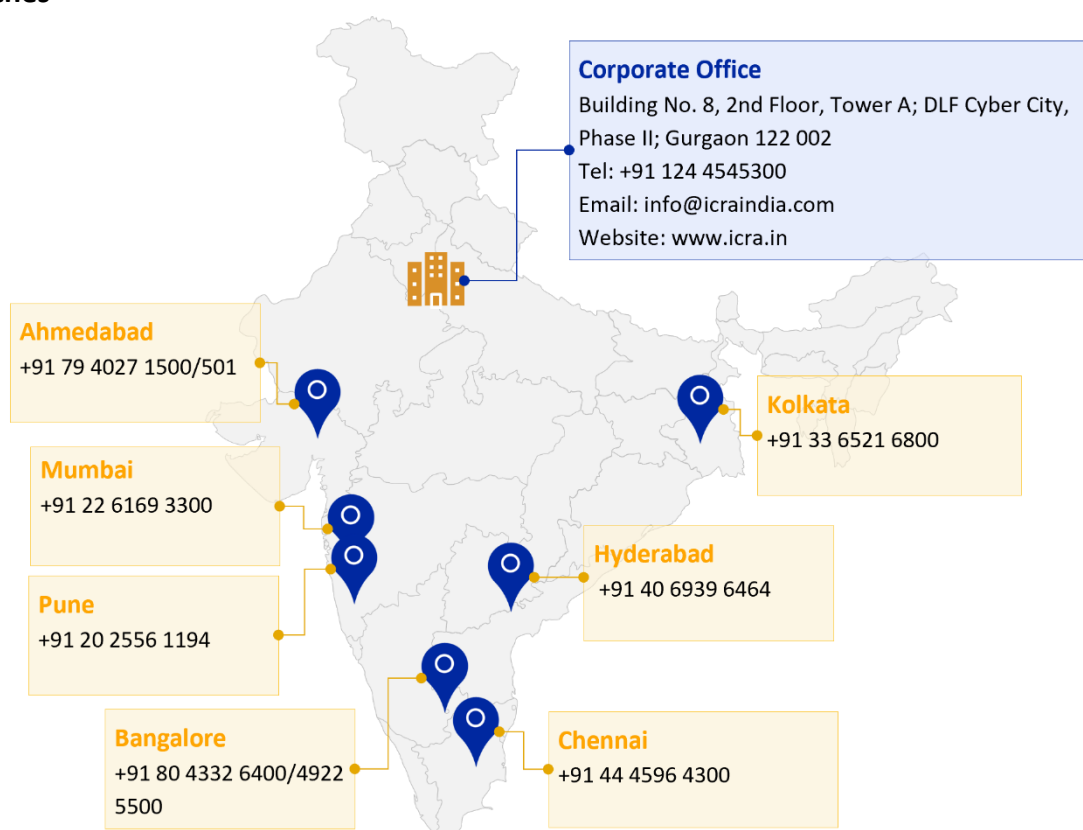
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