

September 17, 2025 ^(Revised)

VRC Constructions (India) Limited: Ratings reaffirmed; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash credit	44.00	104.00	[ICRA]A (Positive); reaffirmed and outlook revised to Positive from Stable
Long-term/ Short-term – Non-fund based – Bank guarantee	577.00	517.00	[ICRA]A (Positive)/ [ICRA]A2+; reaffirmed and outlook revised to Positive from Stable
Total	621.00	621.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation with revision in outlook to Positive reflects ICRA's expectation of improvement in the credit profile of VRC Constructions (India) Limited (VRC) over the near term, driven by an increasing scale of operations (backed by an order book (OB) of Rs. 3,754.2 crore as on June 30, 2025, reflecting OB/OI of 2.3 times), sustenance of healthy profitability levels (supported by diversified segmental presence) and reduced execution and equity mobilisation risk with two (of three) under-construction hybrid annuity highway projects nearing completion. Despite a 14% YoY decline in the company's operating income (OI) in FY2025¹ due to sluggish execution in some projects, and deferred billing in others, recovery is likely in the near term with projected revenue CAGR for FY2026-FY2028 of around 13-15%, backed by a healthy OB and expected order inflows. The unexecuted OB, at 2.3 times of VRC's standalone OI in FY2025, provides adequate revenue visibility for the next 2-2.5 years.

Further, the rating action favourably factors in the gradual improvement in VRC's geographical and project diversification, coupled with order inflows in segments besides roads (which is witnessing stiff competition) and a comfortable counterparty profile. These factors are expected to support a healthy billing-to-realisation cycle, although deferred billing in certain projects led to an elongation in working capital intensity (20.0% in FY2025 from 6.2% in FY2024), which is likely to sustain at around these levels. Despite some moderation, the coverage metrics remain comfortable with an interest cover of 7.3 times in FY2025 (FY2024: 9.2 times) and debt service coverage ratio (DSCR) of 1.3 times in FY2025 (FY2024: 1.4 times). VRC's business profile derives strength from its reputed clientele, comprising public sector entities, an adequately diversified order book and the promoters' extensive experience in the construction sector. This is further strengthened by its established track record in executing refinery, road, and other civil infrastructure projects.

The ratings, however, remain constrained due to the execution risk, as around 68% of the orders in hand (by residual order value) as on June 30, 2025, are in the nascent stages of execution with less than 20% progress. Nevertheless, ICRA draws comfort from VRC's track record in the construction business and successful completion of projects within the stipulated time and budget.

ICRA has factored in the company's exposure to five HAM projects from the National Highways Authority of India {NHAI, rated [ICRA]AAA(Stable)}, which are being developed (two completed, two under execution (over 60% completed as of June 2025) and one yet to commence as on March 31, 2025) in separate special purpose vehicles (SPVs) and remain exposed to project implementation risks. VRC has pending equity commitments of ~Rs. 130 crore in these projects (out of planned equity commitment of Rs. 650 crore viz. ~65% of its standalone net worth as on March 31, 2025) and the same is planned to be met

¹ All references to FY2025 data are as per provisional financials

from the sanctioned and undrawn top-up debt in operational SPVs, its available liquidity and cash flow from operations over FY2026-FY2027. Over the medium term, it plans to take up more BOT/HAM projects, which will entail additional equity commitments. Given the increasing scale of operations and equity commitments such projects entail, VRC's ability to judiciously manage its working capital cycle and maintain its execution ramp-up remain important from the credit perspective.

The company remains exposed to the cyclicity inherent in the construction industry and intense competition in the tender-based contract award system, resulting in risk of volatility in order inflows, revenues and pressure on profit margins. Also, the ratings consider VRC's exposure to sizeable contingent liabilities in the form of bank guarantees (BGs) and surety bonds, mainly for contractual performance, mobilisation advances and security deposits (including earnest money deposits). ICRA, however, draws comfort from VRC's execution track record and absence of invocation of guarantees in the past and its long presence and established relationship with the clients, which support order inflows.

ICRA notes that the corporate guarantee extended towards the long-term debt in VRC DC Highways Private Limited has fallen off, in line with the sanctioned terms.

Key Rating drivers and their description

Credit strengths

Healthy order book position providing medium-term revenue visibility – VRC had a pending order book of Rs. 3,754.2 crore as on June 30, 2025, which is ~2.3 times of its standalone OI in FY2025 (vs. 1.1 times as on March 31, 2024). This provides healthy revenue visibility, considering the average execution period of 2.0-2.5 years. Based on the same, ICRA expects VRC to register healthy growth during FY2026-FY2028, with a projected CAGR of around 13-15%. Moreover, a geographically diversified order book (spread across eight states in India) mitigates the risk of any adverse regional developments impacting the execution pace. Driven by sizeable order inflows, VRC witnessed segment diversification of its OB in FY2025, with the share of non-highway/ road works increasing to 62% by the end of June 2025 (from 32% as of March 2024). In its current OB, 38% share is from the roads and highways segment, followed by refinery at 34% and the balance from other civil works.

Comfortable leverage and coverage metrics – VRC's operating profitability improved to 18.1% in FY2025, marking a YoY increase of 100 bps, despite a moderation in consolidated OI to Rs. 1,670.7 crore, indicating a YoY decline of 14%. Supported by healthy accretion to reserves and stable debt levels, the company's financial risk profile remained comfortable, with consolidated leverage (TOL/TNW) at 0.8 times as on March 31, 2025 (vs. 1.0 times as on March 31, 2024). The debt coverage indicators remained strong, with an interest cover of 7.3 times in FY2025. The leverage and coverage metrics are expected to sustain at comfortable levels in the medium term, aided by healthy scale of operations, steady margins (around 15%), moderate debt levels and stable working capital cycle.

Experience of promoters in construction industry and reputed clientele – VRC has a track record of over two decades in operations. Its promoters and key management have long experience in the construction business. Mr. Darshan Kumar Gupta (Managing Director) and Mr. Narinder Kumar Bansal (Director-Finance) have around five decades of experience in the construction sector. The second generation of promoters – Mr. Rajiv Kumar Gupta, Mr. Chander Shekhar Bansal and Mr. Ajay Kumar Bansal – have been associated with the company for more than a decade. This apart, it has a technical team of qualified and experienced professionals. VRC has seen repeat (and increasing) business from its clients, which reflects its strong execution capabilities. The outstanding OB as on June 30, 2025, includes road projects from NHAI (rated [ICRA]AAA (Stable)) under both EPC and HAM models, refinery projects from Indian Oil Corporation Limited (IOCL, rated [ICRA]AAA (Stable)/[ICRA]A1+), Bharat Petroleum Corporation Limited (BPCL, rated [ICRA]AAA (Stable)), and other civil works from agencies such as the Central Public Works Department (CPWD) and NBCC (India) Limited. With around 90% of the pending order book attributable to these high credit quality customers, counterparty risk remains well mitigated.

Credit challenges

Execution risks and exposure towards sizeable investments in subsidiaries – VRC is exposed to execution risks associated with contracts, as ~60% of orders in hand are in the nascent stages, with less than 20% progress as on June 30, 2025, including some projects that are yet to receive the appointed date/ start date (Rs. 1,603.4 crore orders were received in the last six months that ended June 2025). Nevertheless, ICRA draws comfort from VRC's track record in the construction business and

successful completion of projects within the stipulated time. VRC had taken up five HAM projects from the NHAI, which are being undertaken in separate SPVs and is exposed to associated project implementation risks. However, the equity mobilisation risk largely stands mitigated (pending equity commitments of ~Rs. 130 crore in these projects as on March 31, 2025) as it has access to sanctioned and undrawn top-up debt in operational SPVs, supported by available liquidity and cash flow from operations over FY2026-FY2027. Over the medium term, it plans to take up more BOT/HAM projects. Given the increasing scale of operations and equity commitments such projects entail, VRC’s ability to judiciously manage its working capital cycle while maintaining its execution momentum will remain important from a credit perspective. ICRA notes that its subsidiary—VRC Silos Private Limited {rated [ICRA]A (Stable)} — is self-sufficient to service its debt obligations.

Exposed to stiff competition and sizeable non-fund based exposure – VRC is exposed 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, revenues and pressure on profit margins. However, its long presence and established relationships with clients provide comfort. Most of the contracts have the provision for price variation in key raw materials such as cement and steel, which protects the profitability to an extent. It is exposed to sizeable contingent liabilities in the form of BGs and surety bonds (Rs. 661.3 crore as on March 31, 2025 viz. ~66% of tangible net worth), mainly for contractual performance, mobilisation advances and security deposits (including earnest money deposits). ICRA, however, draws comfort from VRC’s execution track record and absence of invocation of guarantees in the past, as well as its long presence and established relationship with the clients, which support order inflows.

Liquidity position: Adequate

VRC’s liquidity is expected to remain adequate with healthy cash accruals, supported by a steady working capital cycle, free cash and bank balances (including FDs) of Rs. 7.0 crore, along with unutilised fund-based limits, including bill/ invoice discounting facilities (~Rs. 95 crore as on March 31, 2025). It has pending equity commitments of ~Rs. 130 crore towards the under-construction HAM projects during FY2026-FY2027, of which major requirement would be met through the undrawn top-up debts in the operational HAM projects (~Rs. 100 crore). In addition, it has annual debt repayment of Rs. 74-75 crore and annual capex plans of around Rs. 30-40 crore during FY2026-FY2027. The estimated cash flow from operations and available liquidity is likely to be sufficient to meet its financial obligations.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company demonstrates a significant increase in its scale of operations and revenue visibility, backed by healthy order book addition. Its ability to sustain healthy profitability margins and low leverage while improving liquidity position would also be vital for an upgrade.

Negative factors – Pressure on the ratings could arise if weak order inflows or significant execution delays materially impact its scale and operating profitability. Additionally, increased commitments towards BOT/ HAM projects, or considerable time/ cost overrun in ongoing HAM projects or elongation of working capital cycle, resulting in weakened liquidity position, could exert pressure on the ratings. A specific credit metric which could result in rating downgrade is consolidated TOL/TNW increasing over 1.3 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of VRC, its subsidiaries and associates (Refer Annexure II). For the HAM project SPVs and partnership firm, ICRA has undertaken limited consolidation, factoring in the expected funding requirements (equity/ cost overrun support/ operational shortfall).

About the company

Incorporated in 1996, VRC Construction (India) Limited (VRC) undertakes all types of civil construction works. It has executed various projects for refinery and petrochemical, power, cement, steel and other infrastructure sectors. Over half a decade ago, the company diversified into road construction and has been increasing its exposure in the road sector since then. Major clients catered include the National Highway Authority of India (NHAI), Indian Oil Corporation Ltd. (IOC), Bharat Petroleum Corporation Limited (BPCL), Central Public Works Department (CPWD), other Maharatna/Navratna companies/leading industries like National Thermal Power Corporation (NTPC), NBCC (India) Limited, state governments, some other multi-national corporations (MNCs) as well as domestic clients like Rajiv Gandhi Cancer Institute Research Centre (New Delhi), etc.

In the road segment, the company initially secured projects under the EPC mode. Over the past four years, however, it has successfully undertaken five developmental projects under the HAM model – two of which are operational, two are currently under execution, and one is awaiting its appointed date (AD). Additionally, VRC has established and is operating a silos facility in Barnala, Punjab, under a contract with the Food Corporation of India (FCI). This project is being executed through its wholly-owned subsidiary, VRC Silos Private Limited.

Key financial indicators

VRC – Consolidated	FY2024	FY2025*
Operating income (OI)	1,933.1	1,670.7
PAT	236.0	223.8
OPBDIT/OI (%)	17.1%	18.1%
PAT/OI (%)	12.2%	13.4%
Total outside liabilities/Tangible net worth (times)	1.0	0.8
Total debt/OPBDIT (times)	1.2	1.3
Interest coverage (times)	9.2	7.3

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

Instrument	Type	Current year (FY2026)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long-term	104.00	Sep 17, 2025	[ICRA]A (Positive)	Jun 21, 2024	[ICRA]A (Stable)	-	-	Mar 24, 2023	[ICRA]A (Stable)
			-	-	-	-	-	-	Aug 29, 2022	[ICRA]A (Stable)
			-	-	-	-	-	-	May 13, 2022	[ICRA]A (Stable)
Bank guarantee	Long-term/Short-term	517.00	Sep 17, 2025	[ICRA]A (Positive)/[ICRA]A2+	Jun 21, 2024	[ICRA]A (Stable)/[ICRA]A2+	-	-	Mar 24, 2023	[ICRA]A (Stable)/[ICRA]A2+
Bank guarantee	Short-term	-	-	-	-	-	-	-	Aug 29, 2022	[ICRA]A2+
			-	-	-	-	-	-	May 13, 2022	[ICRA]A2+

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	Fund-based – Cash credit	NA	NA	NA	104.00	[ICRA]A (Positive)
NA	Non-fund based – Bank guarantee	NA	NA	NA	517.00	[ICRA]A (Positive)/ [ICRA]A2+

Source: Company, ICRA Research

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
VRC Constructions (India) Private Limited	- (rated entity)	Full Consolidation
VRC Hotels Private limited	100.00%	Full Consolidation
VRC Silos Private Limited	100.00%	Full Consolidation
VRC DC Highways Private Limited	100.00%	Limited Consolidation
Mata Brijeshwari Devi Infrastructure	74.00%	Limited Consolidation
VRC SR Highways Private Limited	100.00%	Limited Consolidation
VRC MB Highways Private Limited	100.00%	Limited Consolidation
VRC AC Highways Private Limited	100.00%	Limited Consolidation
VRC BV Highways Private Limited	100.00%	Limited Consolidation

Source: Company; ICRA Research

Corrigendum:

Rationale dated September 17, 2025, has been revised with changes as below:

- The amounts rated for fund-based and non-fund based limits have been amended in the 'Summary of rating action' table on Page 1, 'Rating history' table on Page 5, and 'Annexure I' on Page 6.

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