

## Vishnu Prakash R Punglia Limited

June 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	200.00	CARE BBB; Negative	Downgraded from CARE BBB+; Stable
Long-term / Short-term bank facilities	760.00	CARE BBB; Negative / CARE A3	Downgraded from CARE BBB+; Stable / CARE A3+

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Vishnu Prakash R Punglia Limited (VPRPL) factors in continued high working capital intensity of VPRPL's operations in the last two financial years ended FY25 (refers to April 01 till March 31) primarily due to elongation of collection period and inventory holding with significant exposure to water supply projects (WSP), resulting into delays in work certification and payment releases, which also impacted the company's operating performance in FY25, despite VPRPL's scale continuing to remain moderate.

Ratings of VPRPL continue to derive strength from the company's adequate and geographically diversified orderbook, extensive experience of its promoters and a proven track record in execution of WSP with low counterparty risk and adequate liquidity position. Ratings remain constrained by VPRPL's presence in a highly fragmented and competitive tender driven construction industry, and execution risk associated with slow-moving/recently awarded projects in the nascent stage of execution.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in its operational metrics with total outside liabilities to total net worth (TOL/TNW) below 1.25x and built up of adequate liquidity cushion in terms of unutilised working capital limits.
- Substantial increase in total operating income (TOI) through timely execution of the current orders in hand while maintaining its profitability at the existing level on a sustained basis.
- Substantial improvement in geographical and segmental diversification with lower counterparty risk.

#### Negative factors

- Decline in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin below 10% on a sustained basis or major moderation in its TOI due to delay in project execution.
- Continued high working capital intensity and/or TOL/TNW above 2.00x.

### Analytical approach: Standalone

### Outlook: Negative

Revision in the outlook from 'Stable' to 'Negative' is primarily driven by continued increase in VPRPL's working capital intensity in FY25, leading to greater dependence on working capital borrowings and adversely impacting the company's liquidity profile. Revision also factors lower-than-expected scale of operations in FY25. Outlook may be revised to stable with improvement in working capital intensity, liquidity position and streamlining operations.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Healthy orderbook with low counterparty risk and emphasis on geographical and segmental diversification

VPRPL had an outstanding order book of ₹5363 crore as on March 31, 2025, translating into healthy revenue visibility of 4.33x of FY25 TOI. VPRPL's order book is geographically diversified with orders spread across 11 states with major orders from Rajasthan (48%), followed by Uttarakhand (15%), Uttar Pradesh (9%), Madhya Pradesh (8%) and balance 20% orders from other states.

With a high volume of work in water infrastructure, WSPs continue to dominate VPRPL's orderbook, constituting ~57% of total orderbook, followed by 32% of works in Railway segment, which has increased from ~16% of total orderbook in the last review. VPRPL is focusing on sectoral diversification into the railway and road segment. Since the last review, VPRPL has received new orders of ~₹1850 crore, which includes orders worth ~₹1134 crore in railways segment only.

Counterparty credit risk remains low as majority orders are from government entities, including urban local bodies, state governments, and the Central Government. However, timely allocation and release of funds for these projects remains crucial on back of significant increase in unbilled revenue and work in progress, adversely impacting the company's cashflow.

#### Moderate scale of operations and profitability

In FY25, VPRPL's TOI declined by 16% to ₹1237.42 crore (PY: ₹1473.87 crore), which was lower-than-envisaged TOI owing to delay in work certification and slow project execution.

The company's PBILDT margin stood moderate at 12.56% (PY:14.26%) with profit after taxation (PAT) margin of 4.74% (PY:8.29%) in FY25, decline in profitability margins was owing to increased provisioning for expected credit loss and higher interest and finance cost.

#### Moderate capital structure and debt coverage indicators, despite deterioration in FY25

With increase in the company's overall debt position, overall gearing and TOL/TNW deteriorated to 0.93x (PY:0.59x) and 1.52x (PY:1.08x) respectively at FY25 end, despite remaining moderate due to sizable networth base of ₹797.82 crore as on March 31, 2025. Debt levels increased significantly owing to further increase in working capital intensity with high built up of unbilled revenue and inventory.

VPRPL's debt coverage indicators marked by PBILDT interest coverage and total debt to gross cash accruals (TD/GCA) stood moderate, although deteriorated to 2.29x (PY: 4.86x) and 11.29 years (PY: 3.27 years) respectively at FY25 end.

#### Extensive experience with long-standing association of promoters with government clients

Promoters have an extensive experience of around four decades in the construction industry and are supported by a team of managerial personnel and technical team having relevant experience in their respective fields. VPRPL has an established track record of operations in execution of WSPs across multiple states.

### Key weaknesses

#### Substantial increase in working capital intensity and increased reliance on debt

The construction segment is inherently working capital intensive primarily due to funding requirement towards security deposits, and retention amount, apart from funding margin money for non-fund-based facilities. Apart from funding requirement associated with incremental sales, VPRPL's working capital requirement had increased significantly in since FY24. The rise was primarily due to elongation of collection period and inventory holding, resulting from delay in work certification and payment releases mainly from Govt authorities. Gross current assets days and working capital cycle elongated to 510 days (PY: 319 days) and 323 days (PY: 168 days) respectively at FY25 end against gross current days and operating cycle of 204 days and 104 days respectively in FY23.

High working capital intensity led to greater dependence on working capital borrowings. While traction has been witnessed in payment releases since December 2024, working capital intensity continued to remain high in March 2025 end, due to high backlogs of pending realisations and work certification attributable majorly to Jal Jeevan Mission and PHED Rajasthan. Per the company management, the billing cycle is expected to be streamlined in the next 3-4 months with gradual release of funds from Government. Improvement in working capital position and streamlining operations remains crucial from the credit perspective.

### Execution risk associated with projects at nascent stage of execution

VPRPL remains exposed to project execution risk, as ~34% of its orderbook pertains to recently awarded projects, which are currently at a nascent stage of execution. ~50% of orders in VPRPL's orderbook are slow moving, due to factors including land unavailability, delay in finalisation of designs and drawings, and slow payment releases from the principal.

Operations for existing and new orders are expected to scale up after receipt of necessary approvals. Rajasthan remains significant for VPRPL, where it has an established base, mitigating execution risk to an extent. Since WSPs often have a long gestation period that necessitates clear right of way (RoW) and permissions from the principal, extension is usually granted without levy of penalties on the company, as delays are largely attributable to counterparties. Timely execution of the orderbook including nascent stage projects and slow-moving projects within envisaged timelines shall remain crucial from a credit perspective.

### Presence in an intensely competitive and fragmented construction industry

VPRPL is a mid-sized player in an intensely competitive and fragmented construction industry, where projects are awarded based on bidder's relevant experience, financial capability and most competitive bid price. Low counterparty credit risk and relatively stable payment track record of projects funded by central and state government bodies, makes these projects lucrative for the contractors. As a result, competition is intense, which places pressure on profit margins.

### Profitability susceptible to fluctuations in input prices

The execution period for contracts awarded to VPRPL usually ranges from 12-30 months. Thus, profitability remains susceptible to input price fluctuations. However, a significant portion of VPRPL's orderbook includes in-built price escalation clause for major inputs, which helps mitigate the risk associated with adverse changes in input prices to a large extent.

### Liquidity: Adequate

The company's liquidity position remains adequate with sufficient cushion in its GCA against debt repayment obligations. However, average utilisation of fund-based and non-fund-based limits remained high at 94% and 72% respectively for 12 months-ended March 2025 owing to slowdown in work certifications and payment releases. On a need basis, the company has availed additional working capital limits under TReDS mechanism. To support the working capital requirement, promoters have infused additional unsecured loans in FY25.

While traction has been witnessed in payment releases since December 2024, improved momentum in project progress and debtor realisation shall remain crucial from a credit perspective.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

[Short Term Instruments](#)

### About company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

VPRPL (CIN: U45203MH2013PLC243252) was initially formed in 1984 as a partnership concern by Vishnu Prakash Punglia and his family. In 2013, the constitution was changed to Public Limited Company and in September 2023, the company got listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

VPRPL is primarily engaged in execution of civil construction works involving construction of bridges, Road over bridge (ROB), roads, railway stations with major focus on execution of WSP on EPC basis and providing operation and maintenance (O&M) services. The company is registered as 'AA' class contractor with Public Health Engineering Department (PHED), Rajasthan and has a long association with government entities, including urban local bodies.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (Abridged)
Total operating income	1168.40	1473.87	1237.42
PBILDT	156.62	210.21	155.46
PAT	90.64	122.19	58.60
Overall gearing (times)	0.79	0.59	0.93
Interest coverage (times)	5.18	4.86	2.29

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### **Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	200.00	CARE BBB; Negative
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	760.00	CARE BBB; Negative / CARE A3

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Bank Overdraft	LT	200.00	CARE BBB; Negative	-	1)CARE BBB+; Stable (08-Oct-24)	1)CARE BBB+; Positive (27-Oct-23) 2)CARE BBB+; Stable (03-May-23)	1)CARE BBB+; Stable (04-Aug-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	760.00	CARE BBB; Negative / CARE A3	-	1)CARE BBB+; Stable / CARE A3+ (08-Oct-24)	1)CARE BBB+; Positive / CARE A3+ (27-Oct-23) 2)CARE BBB+; Stable / CARE A3+ (03-May-23)	1)CARE BBB+; Stable / CARE A3+ (04-Aug-22)

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings Limited (CareEdge Ratings) has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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