V.K. Gupta & Associates

July 23, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	57.50	CARE BBB-; Stable / CARE A3	Assigned
Long Term / Short Term Bank Facilities	7.50 (Reduced from 40.00)	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings to the bank facilities of V.K. Gupta & Associates (VKGA) continue to derive strength from healthy order book position from reputed clientele, comfortable capital structure marked by low overall gearing and experienced promoters. The ratings also take into account reputed client base along with escalation clause present in the more than 50% of the contracts and self-owned construction equipment and vehicles. However, these rating strengths are partially offset by modest scale of operations, geographical concentration of orderbook, partnership nature of constitution, business risk associated with tender- based orders and cyclical nature of industry with intense competition.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations above Rs. 300 crores along with PBILDT margin above 12% on a sustained basis.

Negative factors

- Decline in the PBILDT margin to below 7% on a sustained basis.
- Deterioration in the capital structure as marked by overall gearing ratio above 1.00x on sustained basis
- Deterioration in GCA days above 170 days on sustained basis

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook reflects that the firm is likely to benefit from reputed clientele along with long standing experience of the promoters in this business.

Detailed description of key rating drivers:

Key strengths

Comfortable financial risk profile

The firm continues to have a comfortable financial risk profile as reflected through low overall gearing of 0.26x as on March 31, 2025 (PY: 0.51x). The improvement was on account of accretion of profits and infusion of partners' capital leading to improvement in net worth of the firm along with comparatively low reliance on external borrowings due to repayment of term loan and reduction in working capital borrowings as on March 31, 2025. Further, the debt coverage indicators marked by interest coverage and total debt/GCA stood comfortable at 9.87x (PY:8.41x) and 1.39x (PY: 1.50x) in FY25 respectively. The firm has planned capex of Rs 20 crore in FY26 for establishment of plant where structural construction of bridges will be done, to be funded through term debt of Rs 10 crore and rest through partners' capital infusion.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Healthy order book position providing medium term revenue visibility

VKGA has a robust unexecuted order book of Rs.775.91 crore as on June 25, 2025, reflecting an orderbook to TOI (FY2025) ratio of 3.53 times, to be executed over next 2-3 years, providing revenue visibility in the medium term. The comfort can be derived from the ability of the firm to complete the projects within the time and cost estimates. The firm has been diversifying its order book to reduce the dependence on any particular contract.

Experienced Promoters

VKGA is promoted by Mr. Vinay Gupta who has an experience of more than 36 years, Mr. Saksham Gupta with an experience of almost 15 years & Mr. Pratham Gupta with an experience of almost 8 years in the construction business. Additionally, the promoters of the firm are supported by a team of experienced and qualified professionals having experience in the technical, finance and marketing fields. The firm has an established track record of around 25 years in the civil construction work which has enabled it to establish relations with its customers as well as suppliers.

Presence of escalation clause in the contracts

VKGA procures its raw materials like stones, timber, concrete and steel from local vendors, which has risk of volatility in raw material prices. The firm has inbuilt price escalation clauses in more than 50% of its contracts to insulate the firm from any adverse fluctuation in raw material prices. This enables the firm to pass on the increase in raw material prices to its customers. Ability of the firm to pass on increased price burden to the customers in a timely manner and maintain profitability margins is critical from the credit perspective.

Self- owned construction equipment & vehicles

In line with the increase in operations and order book, VKGA has been constantly adding machinery, equipment (like dumpers, excavators, soil compactor, roller, crushers, concrete batching plant, backhoe loader, hot mix plant etc.) and vehicles and employing latest technology to suit its growing needs and expanding clientele. Efficient deployment of the resources and investment in machinery has resulted in faster mobilization and timely execution of projects which has helped the firm in increasing its turnover. The firm intends on investing in equipment in the future as and when required as per the orders in hand. The firm derives benefit from owned equipment as this leads to saving of lease rental cost leading to higher profitability.

Key weaknesses

Modest scale of operations and moderate profitability

The scale of operations of the firm improved, though remained modest as marked by total operating income of Rs. 219.27 crore in FY25 (refers to the period from April 01, 2024 to March 31, 2025) as compared to Rs 191.97 crore in FY24 (refers to the period from April 01, 2023 to March 31, 2024), on account of better execution of orders in hand. The profitability of the firm also stood moderate as reflected through PBILDT and PAT margin of 9.20% (PY: 9.88%) and 4.70% (PY: 5.12%) respectively in FY25. During Q1FY26, the firm has booked topline of Rs. 55.37 crore and is expected to further grow in medium term based on its unexecuted orderbook position.

Partnership nature of constitution

VKGA constitution is a partnership concern with modest net worth base that restricts its overall financial flexibility in terms of limited access to external fund for any future expansion plans. Furthermore, there is an inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of partners. Furthermore, the firm's net-worth improved yet stood modest at Rs.70.94 crore as on March 31, 2025 (Provisional), as compared to Rs. 40.10 crore as on March 31, 2024 (Actual) owing to infusion of partners' capital of ~ Rs. 19 crores during FY25. With the low base of its own funds, VKGA's operations are susceptible to any business shock, thereby limiting its ability to absorb losses or financial exigencies. Further, it also results in increased vulnerability of its financial risk profile to any incremental debt.

Geographical and segment concentration of orderbook

The firm has presence in Uttar Pradesh, Himachal Pradesh, West Bengal, Sikkim, Arunachal Pradesh, Jammu & Kashmir and other states. However, the order book is moderately geographically concentrated, with four states (Uttar Pradesh:63%, J&K: 14%, Arunachal Pradesh:9.5%, West Bengal: 9.2%) comprising more than 95% to the total unexecuted orderbook. VKGA is trying to diversify its orderbook by bidding tenders in Himachal Pradesh, Sikkim, Punjab & other states. Also, all the contracts pertain to bridge construction leading to segment concentration risk for the firm.

Business risk associated with tender- based orders

The firm is exposed to the risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Furthermore, any changes in the government policy or government spending on projects are likely to affect the revenues of the firm. The subject risk is partially mitigated by the firm executing contracts from reputed clients such as NHIDCL, states BRO (Border Roads Organisation), Public Work Departments (PWD), JKPCC (Jammu & Kashmir Projects Construction Corporation Ltd) and U.P. State Bridge Corporation etc.

Cyclical nature of the industry with intense competition

The primary business of VKGA is civil construction, which is highly fragmented and competitive in nature with large number of players leading to aggressive biddings. The sector is also marred by various other challenges on account of economic slowdown, regulatory changes and policy paralysis which has adversely impacted the financial and liquidity profile of players in the industry. Government of India has undertaken several steps for boosting the infrastructure development and revive the investment cycle. The same has gradually resulted in increased order inflow and movement of passive orders in existing order book. The focus of the government on infrastructure development is expected to translate into huge business potential for the construction industry in the long run. In the short to medium term (1-3 years), projects from transportation and urban development sector are expected to dominate the overall business for construction companies.

Liquidity: Adequate

The liquidity position of the firm is adequate as reflected by projected gross cash accruals of Rs.14.76 crore in FY26 against term loan repayment obligation of Rs.2.24 crore. The average utilisation for the working capital borrowings remained moderate at ~60% for trailing 12 months ended June 30, 2025. VKGA has a comfortable working capital cycle of 23 days in FY25(PY: 20 days). The firm had cash and bank balance of Rs 12.14 crore as on March 31, 2025 against Rs. 4.68 crore as on March 31, 2024 owing to higher receipts from customers at year end. The firm is planning to incur Rs. 20 crore of capex in FY26 towards machineries for structural construction of bridges, to be funded through term debt of Rs 10 crore and rest through partner's capital infusion.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction Sector
Infrastructure Sector Ratings
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

V.K. Gupta & Associates is partnership firm incorporated in 2000 and is engaged in business of contract work of civil construction, storage, supply, lining and other similar contracts. The firm is operating from Panchkula (Haryana). Initially, there were 3 partners Mr. J.C. Gupta, Mr. Vinay Gupta & Mrs. Dimple Gupta. Later, J.C. Gupta and Mrs. Dimple Gupta retired and Mr. Saksham Gupta and Mr. Pratham Gupta joined as partners. The firm has a reputed clientele such as NHIDCL, states BRO, states Rural Work Departments (RWD), Public Work Department (PWD), States' National Highway Divisions etc. Apart from bidding on its own, the firm has also set-up JVs with other reputed players in the industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	198.29	191.97	219.27
PBILDT	19.35	18.96	20.17
PAT	10.36	9.83	10.30
Overall gearing (times)	0.45	0.51	0.26
Interest coverage (times)	12.46	8.41	9.87

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

Status of non-cooperation with previous CRA: Not applicable

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/ ST-Working Capital Limits		-	-	-	7.50	CARE BBB-; Stable / CARE A3
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	57.50	CARE BBB-; Stable / 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/ ST-Working Capital Limits	LT/ST	7.50	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (08-Jul-24)	-	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	57.50	CARE BBB-; Stable / CARE A3				

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/ ST-Working Capital Limits	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE 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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