

PRESS RELEASE

VEDALAYA CONSTRUCTION PRIVATE LIMITED

June 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	107.87 (Enhanced from 76.81)	IRN BB	Reaffirmed
Short Term Bank Facilities	270.00 (Enhanced from 20.00)	IRN A4	Reaffirmed
Long Term/Short Term Bank Facilities	1,275.00	IRN BB/A4	Reaffirmed
Total	1,652.87		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB (Double B) to the long-term bank facilities of NPR 107.87 Mn, IRN A4 (A Four) to the short-term bank facilities of NPR 270.00 Mn and IRN BB (Double B)/A4 (A Four) to the long-term/short-term bank facilities of NPR 1,275.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Vedalaya Construction Private Limited (VCPL) factors in healthy Y-On-Y growth of ~40% in the total operating income (TOI) coupled with ~74% growth in EBITDA reflecting improved EBITDA margins across FY25 (8.78% vis-à-vis 7.03% in FY24). Owing to improved scale of operation coupled with improved margins, PAT figures have improved by ~19% in FY25 over FY24 along with Gross Cash Accrual which have increased by ~77% during same time frame. The ratings also derive strength from increased fixed asset base of VCPL (~growth of ~98% in net book value in FY25 over FY24) which is expected to support VCPL to undertake larger projects. Furthermore, the ratings also derive strength from moderate order book position (1.69x the TOI in FY25) providing VCPL with medium term revenue visibility. Likewise, the presence of experienced promoters and management team in construction field and presence of escalation clause in majority of the contract continues to be a rating strength.

However, these rating strengths continues to be constrained by industry wide slowdown in construction industry, existence in a competitive construction industry and a high counter party risk. Also, the ratings take into account the company's rising working capital intensity (~35% in FY25 compared to ~32% in FY24), primarily attributable to an increase in collection periods (~99 days in FY25 vis-à-vis ~62 days in FY24) and elongated inventory holding days (~71 days in FY25 vis-à-vis ~81 days in FY24), as the company has begun executing large-scale government projects necessitating significant material stockpiling. The ratings also remain constrained due to deteriorated capital structure exhibited by leveraged overall gearing ratio of 3.84x at the end of FY25 (2.38x in FY24) and worsened total outside liability/tangible net worth (TOL/TNW) of 6.36x in FY25 (4.06x in FY24). Also, the company continues to be exposed to project execution risk, interest risk and defect liability risk and exposure towards changes in Government regulations.

Going forward, the ability of the company to successfully execute projects and recover contract proceeds in a timely manner leading to growth of its scale of operations improving its financial profile and net worth base will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Improved financial profile marked by significant growth in operating income

VCPL's TOI surged by ~40% in FY25 over FY24 with TOI increasing to ~NPR 1,876 Mn in FY25 from ~NPR 1,343 Mn in FY24. Growth in TOI amidst industry wide recession in construction sector and slowdown in construction activity remains a rating positive. Owing to expansion in scale of operations, EBITDA margins has also risen with it reaching ~8.78% in FY25 from ~7.03% in FY24. Owing to combined impact of higher TOI and increased operating margins, the PAT figures have improved by ~19% in FY25 over FY24. Gross Cash Accrual has also increased Y-On-Y by ~77% reaching ~NPR 101 Mn in FY25 from ~NPR 57 Mn in FY24. However, the working capital cycle has elongated leading to higher reliance on external debt for funding and ultimately heavier financing cost causing marginal moderation in PAT margin (2.98% in FY25 vis-à-vis 3.50% in FY24). The continued ability of management to sustain its growth over medium term navigating challenging environment and utilizing its expanded fixed asset base remains key rating sensitivity.

Experienced promoters and management team

VCPL is led by Mr. Jayaram Aryal, Chairman, who possess more than two decades of experience in the field of construction industry. Mr. Sudarshan Chapagain, Director, also has over a decade of experience in the field of accounting and financial management. Furthermore, the board is aptly supported by an experienced team across various departments.

Moderate order book position with mid-term revenue visibility

As on May end, 2026, the unexecuted orders in hand of the company stood at ~NPR 3,164 Mn. VCPL's order book position remains moderate as of May end, 2026, with an unexecuted order in hand of 1.69x the operating income in FY25. Furthermore, the order book reflects mid-term revenue visibility as the projects are in scheduled to be completed within the next 2-3 years.

Key Rating Weaknesses

Working capital intensive nature of business

The operations of VCPL continues to remain working capital intensive in nature. The working capital intensity has elongated to ~35% in FY25 from ~32% in FY24 primarily driven by elongated average collection period (99 days in FY25 from 62 days in FY24). Despite reduction in inventory holding days to ~71 days in FY25 from ~81 days in FY24 due to expanded scale of operations, the elongated average collection period has increased the operating cycle to ~83 days in FY25 from ~62 days in FY24 prompting management to rely on additional external financing to finance its working capital needs.

Leveraged capital structure

VCPL's capital structure has further deteriorated in FY25 owing to substantial capital expenditure of NPR 213 Mn needed for expanding scale of operations and dividend distribution amounting ~NPR 22.50 Mn in FY25 prompting management to rely on external debt and unsecured loans from director and its group companies. The company's leverage and debt protection metrics weakened during FY25, with the overall gearing ratio increasing to 3.84x from 2.38x and TOL/TNW deteriorating to 6.36x from 4.06x; while DSCR and interest coverage moderated to 2.37x and 3.64x, respectively, from 8.31x and 4.45x in FY24, however, both indicators remained at comfortable levels. Nonetheless, given that a majority of the debt (~72% of total debt) comprises unsecured loans from the director, the adjusted gearing ratio, excluding such loans, remains significantly lower at 0.96x as of Mid-July 2025, indicating a relatively moderate underlying leverage position and providing some financial flexibility despite the deterioration in reported leverage metrics.

High counter party risk in a competitive industry with exposure to government regulation

The majority of VCPL's revenue is derived from its engagement as a sub-contractor in governmental projects for other construction companies. The company's counterparty risk remains high as the outstanding order in hand is attributable primarily to private parties exposing the company to the

risk of delayed payment without any recourse. However, VCPL obtain security from the parties to minimize the risk of delayed payment.

Moreover, the construction sector of Nepal is highly competitive with presence of large number of contractors and the contractors are subject to a competitive bidding process to secure the work from governmental agencies. Furthermore, the business also remains dependent on stability in government policies/ fiscal policies and GoN's capital expenditure which has slowed down in the latest years. Thus, VCPL's ability to obtain new projects while maintaining profit margins remains crucial. VCPL's business model has some inherent risk and the projects are susceptible to delays in procedural approvals, site clearances and other operational issues exposing the company to the risk of delay in project execution leading to delays in the realization of revenues.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rationale:

[Vedalaya Construction Private Limited: Bank Facilities Rating Reaffirmed](#)

About the Company:

Vedalaya Construction Private Limited (VCPL) is a Class "A" construction company of Nepal which was incorporated on January 1, 2021 involved in various interior works and civil works. The registered office of the company is located at Madhyapur Thimi, Bhaktapur. The company is majorly promoted by Mr. Jayaram Aryal (40%) as on Mid-April 2026.

Financial Indicators (Standalone)

For the year ended* As on	FY22#	FY23#	FY24	FY25
	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	226	1,236	1,343	1,875
EBITDA Margin (%)	10.20	7.06	7.03	8.78
Interest Coverage Ratio (x)	32.68	11.06	4.45	3.64
Total Debt/ EBITDA (x)	0.23	0.65	4.46	4.77
Current Ratio (x)	1.46	1.39	1.05	1.19
Working Capital Intensity (%)	20.47	15.51	32.40	34.97
Overall Gearing Ratio (x)	0.10	0.35	2.38	3.84

*Classification as per Infomerics Nepal standards

#VCPL had carried out first time adoption of Nepal Financial Reporting Standard (NFRS) from FY24

onwards resulting which the financial metrics for FY22 and FY23 has changed according to "NFRS 1- First Time Adoption of NFRS"

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	107.87	IRN BB
Fund Based Bank Facilities- Short Term Loan	Short Term	20.00	IRN A4
Fund Based Bank Facilities- Short Term Loan (Proposed)	Short Term	250.00	IRN A4
Non-Fund Based Bank Facilities- Long Term/ Short Term	Long Term/ Short Term	1275.00	IRN BB/A4
Total Facilities		1,652.87	



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About Infomerics Credit Rating Nepal Limited:

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