

Universal Agency Ramgarh Private Limited

June 10, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	50.00	CARE BB-; Stable	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Universal Agency Ramgarh Private Limited (UARPL) is constrained by its small scale of operations, moderate financial performance over the years, presence in a highly fragmented and competitive construction industry, volatility associated with fluctuations in input prices and client and geographical concentration risk.

The constraints are however, offset by its experienced promoters, satisfactory capital structure and debt protection metrics and modest order book position providing medium term revenue visibility

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely execution of its existing orders along with diversification in order book resulting in healthy revenue growth & improved accruals on sustained basis.
- Increase in scale of operations beyond Rs.100 crore with operating margin above 9% on a sustained basis.
- Improvement in debt coverage indicators with TDGCA going below 1.75x on a sustained basis.

Negative factors

- Decline in scale of operation below Rs.45 crore with decline in operating margin below 7% on a sustained basis.
- Deterioration in capital structure with overall gearing ratio going above 0.60x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Care Ratings believes that the entity shall sustain its moderate financial risk profile over the medium term.

Detailed description of the key rating drivers

Key weaknesses

Small scale of operations with low net worth base

The scale of operations of the company remained small at ₹57.24 crore in FY24 (Prov) as compared with ₹72.76 crore in FY21 as the billing was high in FY21 against a project. Though the net worth base increased from ₹18.67 crore as on March 31, 2021 to ₹24.38 crore as on March 31, 2023, the same continues to remain low. The small scale and low net worth base restricts financial flexibility to an extent.

Moderate financial performance over the years

The total operating income of the company, which witnessed significant increase in revenue in FY21 with execution of National Highway Inter-connectivity Improvement Project (NHIIP) project, declined again during FY22-FY24. The same was on account of company having only one project for execution in FY22 and FY23 and slow down of one of the projects in FY24. However, recently the company has bagged another project with order value of ₹227 crore which shall lead to increase in revenue going forward. The operating margin has however, witnessed improvement from 9.39% in FY21 to 10.07% in FY23 due to execution of high margin project.

In FY24, the PBILDT margin declined to 7.67% due to the slow execution of one of the projects which is facing some issue wherein the company is in talks with the authority for a change in scope for the project.

Presence in a highly fragmented and competitive construction industry

The company operates in an intensely competitive construction industry wherein projects are awarded based on relevant experience of the bidder, financial capability, and most attractive bid price. The high competition in the construction industry is due to the presence of large number of small and medium players resulting in aggressive bidding which exerts pressure on the margins.

Volatility associated with fluctuations in input prices

The major input materials are soil, cement, steel, bitumen, stone chips etc., the prices of which are volatile in nature. However, to mitigate the impact of any major volatility in its raw material prices, the orders executed by the company contains price escalation clause, thereby mitigating the risk to an extent.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Client and geographical concentration risk

UARPL does not have diversified client base as it works only for government agencies directly or indirectly like Ministry of Road Transport and Highways of India (MoRT&H) and National Highways Authority of India (NHAI), thus, exposing the company to customer concentration risk. However, being associated with government agencies ensures UARPL a steady flow of income with minimal default risk. Furthermore, all the orders are based out in Bihar, thus exposing the company to geographical concentration risk.

Key strengths

Experienced promoters

Incorporated in May 2013, the company is promoted by Uma Shankar Singh who has more than 20 years of experience in the construction industry. He looks after the financial aspects of the company. The day-to-day and clerical work is managed by Sunita Singh and Parwin Bobey, while Dipankar Singh, who is a graduate, looks after the legal division of the company.

Satisfactory capital structure and debt protection metrics

The capital structure of the company is satisfactory with overall gearing ratio of 0.34x as on March 31, 2023, as against 0.36x as on March 31, 2021. Though, the total debt has witnessed increase in FY23 compared with FY21, however, with accretion of profits to reserves, the overall gearing remains stable. In FY24, the total debt has increased to ₹10.79 crore mainly on account of increase in term loan for purchasing equipment. TDGCA, though witnessed slight moderation from 1.51x as on March 31, 2021 to 2.02x as on March 31, 2023, continued to remain satisfactory.

Modest order book position providing medium term revenue visibility

The company has outstanding order book of ₹290.17 crore as on March 31, 2024, which is about 4.92x of the TOI of FY23; ensuring revenue visibility over the medium term. All these orders are in road construction sector. However, the Gandak project (valued at around ₹130 crore) is facing some issues wherein there is talks with the authority for a 'change of scope'. The company received another project of ₹227 crore in December 2023. The work on the project has started from April 2024 onwards. With low number of orders in hand with the company, any issue in the projects may have an impact on the performance of the company.

Liquidity: Adequate

The liquidity of the company is adequate marked by low utilization of fund based working capital limits which stood at around 21% during the last 12 months period ending April 2024. In FY25, the company is expected to generate sufficient cash accruals to meet its debt repayment obligation of ₹1.61 crore. The current ratio stood comfortable at 2.51x as on March 31, 2023.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

UARPL is a private limited company promoted by Mr. Uma Shankar Singh in 2013. The company is engaged in civil contracts from the government and is also a sub-contractor for road construction since 2019. It has executed successful contracts with Ministry of Road Transport and Highways of India (MoRT&H) in the recent past.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov)
Total operating income	62.93	59.52	57.24
PBILDT	6.15	6.00	4.39
PAT	3.69	2.29	NA
Overall gearing (times)	0.19	0.34	NA
Interest coverage (times)	9.52	5.69	NA

A: Audited; Prov: Provisional; NA: Not Applicable; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Guarantee		-	-	-	36.70	CARE BB-; Stable
Fund-based - LT-Bank Overdraft		-	-	-	9.50	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	April 2026	3.80	CARE BB-; Stable

Annexure-2: Rating history for the 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Bank Guarantee	LT	36.70	CARE BB-; Stable				
2	Fund-based - LT-Bank Overdraft	LT	9.50	CARE BB-; Stable				
3	Fund-based - LT-Term Loan	LT	3.80	CARE BB-; Stable				

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Guarantee	Simple
2	Fund-based - LT-Bank Overdraft	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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