Vagmine Enterprises

April 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	72.00	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	103.00	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Vagmine Enterprises (VE) are constrained by moderate debt coverage indicators and working capital intensive nature of operations. The ratings also factor in highly competitive industry owing to tender driven nature of business, susceptibility of margins towards construction material price volatility, geographically concentrated order book position and partnership nature of constitution of the entity. However, these ratings derive comfort from healthy order book and growing scale of operations. The ratings also take cognizance of comfortable financial risk profile and experience partners in the industry. CARE Ratings Limited (CARE Ratings) believe the firm's ability to improve the debt coverage indicators driven by lower dependence on external debt and improvement in gross cash accruals (GCA) will remain a key credit monitorable over the short to medium term.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) of the firm above ₹300 crore along with profitability margins structure as marked by profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of 10% on a sustained basis.
- Improvement in debt coverage indicators as marked by total debt to PBILDT below 5x on a sustained basis.
- Improvement in operating cycle of the firm below 110 days on a sustained basis.
- Change in constitution of the entity from partnership firm to company.

Negative factors

- Decline in operational performance of the firm below ₹160 crore along with decline in PBILDT margin below 6% on a sustained basis.
- Deterioration in the operating cycle of the firm above 150 days on a sustained basis.
- High reliance on external debt deteriorating the capital structure of the firm as marked by overall gearing above 1.50x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

"Stable" outlook reflects CARE Ratings opinion that the firm will continue to derive benefit from its long-standing experience of partners in the industry.

Detailed description of key rating drivers:

Key weaknesses

Moderate debt coverage indicators

Debt coverage indicators stood marginally weak, as marked by interest coverage of 1.89x as on March 31, 2024, and high total debt to GCA (TD/GCA) of 9.23x as on March 31, 2024. The firm's ability to improve the debt coverage indicators driven by lower dependence on external debt and improvement in GCA levels will remain a key credit monitorable over the short to medium term.

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

Working capital intensive nature of operations
Operations of the firm are working capital intensive as marked by gross current asset days of 254 days as on March 31, 2024, due to higher billing as on balance sheet date. Further, the firm has elongated operating cycle of 122 days as on March 31, 2024. Going forward, it is expected to be on a higher side however, the firm's ability to improve its operating cycle and gross current asset days over the short to medium term will remain a key credit monitorable.

Highly competitive industry owing to tender driven nature of business
VE operates in a highly competitive construction industry wherein it faces direct competition from various organized and unorganized players in the market given the low barriers to entry. There are number of small and regional players catering to the same market which has limited the bargaining power of the firm and has exerted pressure on its margins. Construction projects are complex and might lead to delays caused by unforeseen circumstances like adverse weather conditions and material shortages. These delays can trigger cost overruns, which in turn impact the budget and profitability of the firm. VE revenue stream is solely derived from tender-based projects, making its success contingent upon its ability to secure these contracts. The intense competition within the industry puts immense pressure on profit margins.

Susceptibility of margins towards construction material price volatility
The basic input materials for execution of construction projects and works contracts are steel, stone chips, bitumen, cement etc. Furthermore, the operating margin of the firm is exposed to any sudden spurt in the input material prices along with an increase in labor prices being in labor intensive industries. To tackle raw material price fluctuation risk, the firm has in-built price escalation clauses in most of its contracts.

Geographical concentrated order book position
The firm majorly operates in Uttar Pradesh and Uttarakhand region thus, exposing the firm to geographical concentration risk & vulnerability related to regional economic downturns, political instability, and any adverse change in government policy and rules & regulations related to construction activities which may impact firm's performance. CARE Ratings believe the firm's ability to diversify in different geographical location will remain a key credit monitorable.

Partnership nature of constitution
VE's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partners. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factor affecting credit decision for the lenders. The partners of the firm have withdrawn capital of ₹0.76 crore during FY24 (refers to April 01 to March 31).

Key strengths

Growing scale of operations
Incorporated in 2019, the operations of the firm have shown a growing trend since the commencement of the business and has grown at a CAGR of ~68% over the last 4 years ended FY24 and stood at ₹181.24 crore during FY24. The growth is mainly on account of higher execution of orders. Scale of operations remained moderate, which limits the entity's ability to scale up the business significantly. Further, competition in the industry will continue to restrict future growth prospects. Further, the profitability margins as marked by PBILDT and profit after tax (PAT) margin stood at 7.54% and 2.23%, respectively, during FY24. As on March 20, 2025, its order book position stood healthy at 6.91x of the TOI for FY24, providing strong revenue visibility. Further, during 9MFY25 (refers to April 01 to December 31), the firm achieved TOI of ₹222.41 crore along with PBILDT and PAT margin of 7.96% and 1.62%, respectively.

Healthy Order book position
As on March 20, 2025, the firm has an unexecuted order book position of ₹1,251.86 crore which is ~6.91x of TOI of FY24 thereby providing strong revenue visibility in the medium term. The current order book of the firm is from government and quasi government entities, where the counterparty risk is low. The firm seeks cost escalation from the authority depending on the period of delay since any changes in the government spending or policy are likely to affect the revenue.

Comfortable financial risk profile
The entity's capital structure stood comfortable, as marked by an overall gearing and total outside liabilities to total net-worth (TOL/TNW) of 0.92x and 1.15x, respectively, as on March 31, 2024, with moderate reliance on external debt. Its debt profile largely comprises term loan, mobilization advance and working capital borrowings. The firm has net-worth base ₹70.90 crore of which ₹58.12 crore are subordinated as quasi equity. CARE Ratings believes slight moderation in capital structure of the firm

driven by an expected increase in external debt for managing working capital requirements to support the growing scale of operations.

Experienced promoters

VE is promoted by Sandeep Jhawar, with a postgraduate degree in Accountancy and 18 years of experience in the packaging industry, Solar Power Generation, and Civil Construction sectors. Paresh Kumar Agarwal holds a master's degree in accountancy and has 21 years of experience managing a Rice Mill, Civil Construction of Multistoried Housing Complexes, and the infrastructure sector, including government contracts. Pankaj Goel and Saksham Goel with an industry experience of 21 years and 8 years, respectively, in Packaging industry, Foam Industry and Civil Construction work. Further, Ankur Agarwal holds an experience of 21 years in Rice Mills and Civil Construction and infrastructure sector. Together, VE's partners bring extensive expertise in their respective fields.

Liquidity: Stretched

The firm has GCA of ₹4.05 crore during FY24 and is expected to be in similar range against debt repayment obligations of ₹8 crore. The firm has cash and bank balance of ₹3.99 crore as on March 31, 2024. The operations of the firm are capital intensive in nature as marked by high operating cycle of 122 days as on March 31, 2024. Further, as per banker's feedback the maximum utilization of limits goes upto 100% with no instances of overutilization cash credit limits or invocation of BG. The current and quick ratio of the firm stood at 2.74x and 1.81x as on March 31, 2024. However, the firm's cash-flow from operations was negative at ₹41.71 crore during FY24.

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 the firm and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Bareilly-based Vagmine Enterprises (VE), established as a partnership firm in 2019 by Sandeep Jhawar, Paresh Kumar Agarwal, Pankaj Goel, Ankur Agarwal, and Saksham Goel. The firm has completed several projects, including canal maintenance in Kanpur, the construction of a housing society, the Charbagh Railway Station in Lucknow, and the Bareilly District Jail, among others in Uttar Pradesh. Vagmine Enterprises primarily undertakes government construction projects for various bodies such as Rail Land Development Authority (RLDA), Public Works Department (PWD), Ayodhya Development Authority (ADA), bridge, ropeway, tunnel and other infrastructure development corporation of Uttarakhand Limited (BRIDCUL), Bhubaneswar Smart City Limited (BSCL), and Uttar Pradesh State Industrial Development Authority (UPSIDA).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	123.68	181.24	222.41
PBILDT	6.17	13.66	17.72
PAT	2.98	4.05	3.60
Overall gearing (times)	0.91	0.92	NA
Interest coverage (times)	2.38	1.89	2.10

A: Audited UA: Unaudited NA: Not available; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	72.00	CARE BB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	103.00	CARE BB+; Stable / CARE A4+

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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	103.00	CARE BB+; Stable / CARE A4+	-	-	-	-
2	Fund-based - LT-Cash Credit	LT	72.00	CARE BB+; Stable	-	-	-	-

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-Cash Credit	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.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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