

## Bridge & Roof Company (India) Limited

February 02, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	2,258.70	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	46.30	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had, vide its press release dated November 03, 2021, placed the ratings of Bridge & Roof Company (India) Limited (BRCL) under the 'issuer non-cooperating' category as BRCL had failed to provide information for monitoring of the ratings as agreed to in its Rating Agreement. BRCL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated January 27, 2023. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

**Analytical approach:** Standalone

### Detailed description of the key rating drivers

At the time of last rating on November 03, 2021, the following were the rating strengths and weaknesses (updated for the information available from the Registrar of Companies):

#### Key weaknesses

**Moderation in capital structure:** The overall gearing of the company deteriorated to 2.50x as on March 31, 2022 from 1.53x as on March 31, 2020 on account of increase in working capital borrowings (mainly mobilisation advances). The company does not have any outstanding term debt. TOL/TNW deteriorated further to 5.74x as on March 31, 2020 (as against 4.41x as on March 31, 2019) on account of company resorting majorly to creditors and advances for funding its increase in scale of operations. Interest coverage remained moderate at 1.59x in FY22 as against 1.39x in FY21. Total Debt/GCA increased to 29.17x as on March 31, 2022, from 10.26x as on March 31, 2020, due to the increase in borrowings.

**Working capital intensive nature of business:** BRCL's business is working capital intensive on account of high collection period as payments are received on achievement of certain milestones and blockage of retention money due to long duration of construction projects, which gets released after the successful completion of performance guarantee test period. In addition, the company needs to maintain inventory mainly of steel and cement for timely execution of projects. The average collection period increased to 124 days in FY20 as against 105 days in FY19. The company has back-to-back arrangement with its sub-contractors. With increased collection period, the average creditor days also increased to 121 days in FY20 as against 100 days in FY19.

**Profitability susceptible to volatile input prices:** Steel and cement are the major inputs for construction, the prices of which are volatile. About 40%-45% of the company's contracts have an escalation clause linked to the Wholesale Price Index (WPI – for variation in raw material prices and labour rate) which mitigates the risk to an extent. However, the balance contracts are fixed price. Further, if the price movement of cement and steel exceeds WPI, the company is unable to pass on the price escalation over WPI entirely. BRCL subcontracts around 50% of the contract it receives.

**Intense competition in the construction business:** The company is operating in the construction industry which requires bidding for the projects based on the tenders. Accordingly, the company is exposed to intense competition and the margins remain impacted.

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

## Key strengths

**Central Public Sector Unit (PSU) and Mini Ratna Category-I status of the company:** BRCL is a Central PSU and in September 2010, it was granted Mini-Ratna Category-I status by GoI. GoI holds 99.35% stake in the company and the rest is with Balmer Lawrie and Co. Ltd. However, the government has announced plans for strategic disinvestment of the entire stake in BRCL and any change in ownership is a key rating sensitivity.

**Long and satisfactory track record with proven project execution capabilities:** BRCL is a medium-sized Kolkata-based engineering construction company engaged in execution of civil & mechanical construction including execution of projects on a turnkey basis. The company has completed a good number of small and medium sized projects in road and railways, metal, power, fertiliser, oil and gas and petro-chemical sectors. BRCL has a satisfactory contract completion track record and further repeat orders from clients also indicate the satisfactory project execution capabilities of BRCL.

**Improvement in order book position:** During FY20 and 8MFY21, the company has received healthy orders from various sectors such as Railways, Oil and Gas, Power etc and the outstanding order book as on November 15, 2020 stood at about Rs.10,126 crore (3.12x of net sales in FY20) as against Rs.7,615 crore as on November 30, 2019 (2.48x of the net sales in FY19), providing medium term revenue visibility. The company has already provided the bank guarantees required and had about Rs.226 crore of free BGs as on December 15, 2020 Apart from this, the company has already received sanction for additional BG limits of about Rs.111 crore and about Rs.100 crore of BG yet to be sanctioned out of the assessed BG limit.

**Reputed client portfolio with diversified order book:** The order book consists of orders mostly from reputed public and private sectors entities. The company has a diversified project mix comprising projects from road & railways, metal, power, fertiliser, oil and gas and petro-chemical sectors. Hence, the company is reasonably insulated from any sector specific risk. Public sector accounted for 91% of the order book while private sector accounts for the remaining 9%.

**Stable financial performance in FY20 however, impacted in 9MFY21 due to Covid-19:** The company reported operating income of about Rs.3195 crore in FY22 as against Rs.2699 crore in FY21 with y-o-y improvement of about 18% in FY22. PBILDT margin degraded marginally as compared to FY21 even though the same continued to remain low. However, PAT margin improved to 0.67% in FY22 as against 0.29% in FY21.

The execution of orders was significantly impacted in H1FY21 on account of the lockdowns associated with the outbreak of Covid-19 and the same is expected to impact the profitability for the year. The company reported operating income of about Rs.1,473 crore in 9MFY21 (prov). It incurred net loss of about Rs.70 crore in the period due to under-absorption of fixed overheads amidst low profitability margins. However, the pace of execution has gradually picked up from Q2FY21.

## Liquidity: Adequate

BRCL does not have any term debt repayment obligations. The liquidity is supported by the availability of cash balance of about Rs.78 crore as on March 31, 2022 spread over its various project locations. The fund-based working capital utilization is moderate at around 80% for the 12 months ended December 31, 2020. The company was given deferment of interest on cash credit limit in terms of the Covid-19 Regulatory Package of the Reserve Bank of India from one of its lenders. However, the accumulated interest was paid in August 2020.

## Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

[Policy on Withdrawal of Ratings](#)

## About the company

BRCL incorporated in 1920, is a Mini Ratna Category-I public sector enterprise under the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, GoI. BRCL is a medium-sized engineering construction company engaged in civil and mechanical construction and execution of turnkey projects. It also has a manufacturing facility for producing bailey type unit bridges, bunk houses, railway wagon and steel fabrication.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	2,698.82	3,195.17	NA
PBILDT	80.35	75.26	NA
PAT	7.80	21.28	NA
Overall gearing (times)	0.52	0.12	NA
Interest coverage (times)	1.39	1.59	NA

A: Audited; UA: Unaudited; NA: Not available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

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

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

**Lender details:** Annexure-5

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

Name of the Instrument	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	225.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantee	-	-	-	2033.70	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-BG/LC	-	-	-	46.30	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

#### 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	225.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (03-Nov-21) 2)CARE A; Stable (05-Apr-21)	-	1)CARE A; Stable (04-Mar-20)
2	Non-fund-based - LT-Bank Guarantee	LT	2033.70	CARE BB+; Stable; ISSUER NOT	-	1)CARE BB+; Stable; ISSUER NOT	-	1)CARE A; Stable (04-Mar-

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				COOPERATING*		COOPERATING* (03-Nov-21) 2)CARE A; Stable (05-Apr-21)		20)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	46.30	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (03-Nov-21) 2)CARE A; Stable / CARE A1 (05-Apr-21)	-	1)CARE A; Stable / CARE A1 (04-Mar-20)

\*Long term/Short term.

### Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT-Bank Guarantee	Simple
3	Non-fund-based - LT/ ST-BG/LC	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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