B.R. Goyal Infrastructure Limited

January 05, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	32.52 (Reduced from 33.80)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	Reaffirmed
Long Term / Short Term Bank Facilities	209.20	**CARE BBB; Stable / CARE A3 (Triple B; Outlook: Stable/ A Three)**	Reaffirmed
Short Term Bank Facilities	7.28	**CARE A3 (A Three)**	Reaffirmed
Total Bank Facilities	**249.00 (Rs. Two Hundred Forty-Nine Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of B. R. Goyal Infrastructure Limited (BRGL) derives strength from comfortable capital structure, moderate debt coverage indicators and adequate liquidity during FY21 (Audited, refers to period April 01 to March 31). Further the ratings also takes into consideration vast experience of its promoters & established track record of over three decades in the construction industry and increased thrust of government on infrastructure development. The ratings take cognizance of comfortable order book position across varied segments providing medium-term revenue visibility.

The ratings, however, continue to remain constrained on account of its moderate scale of operations & profitability, working capital intensive nature of its operations, inherent construction risk associated with timely execution of orders in hand and presence in intensely competitive and fragmented construction industry with exposure of profit margins to fluctuation in raw material prices.

Rating Sensitivities

Positive Factors:

- Timely execution of its present orders along with growth in order book resulting in significant growth in total operating income (TOI) on a sustained basis and improved cash accruals
- Improvement in profitability position marked by PBILDT margin of 11.50% and above
- Improvement in debt coverage indictors marked by interest coverage ratio of above 4 times and sustaining capital structure marked by below unity overall gearing ratio

Negative Factors:

- Any restrictions imposed by government which adversely affects the toll collection of the company
- Increase in working capital intensity which in turn deteriorates its liquidity position

Detailed description of the key rating drivers

Key Rating Strength

Comfortable order book position providing medium term revenue visibility

As on November 30, 2021, BRGL has comfortable orders on hand of Rs.765.59 crore which exhibits comfortable order book to TOI ratio for FY21 at 3.79x translates into good revenue visibility over short to medium term. Further, BRGL bagged five new orders since last review amounting to Rs.533.78 crore. The orders of the company are envisaged to be completed within 12-48 months. BRGL has gradually diversified its area of operations from Madhya Pradesh state to other states viz. Maharashtra, Mizoram and Manipur. However, the order book of BRGL remained segmentally concentrated with around 78% of unexecuted order backlog pertaining to roads segment as against earlier segmentally diversified order book position in varied segments like dam & pipeline projects, building projects and bus terminal project etc. Timely execution of orders on hand generating envisaged revenues remains crucial from the credit perspective.

Comfortable capital structure coupled with moderate debt coverage indicators

The capital structure of BRGL continued to remain comfortable marked by below unity overall gearing of 0.89x as on March 31, 2021 (0.85x as on March 31, 2020). The marginal deterioration in overall gearing was on account of increase in total debt level led by higher utilization of working capital bank borrowings as on balance sheet date.

The debt coverage indicators continued to remain moderate marked by interest coverage ratio of 2.80x during FY21 (FY20: 3.36x) mainly due to decrease in the operating profits during FY21. Total debt/ GCA (TDGCA) remained at 6.07 years as on March 31, 2021 as compared to 4.85 years as on March 31, 2020, mainly due to increase in total debt level led by higher utilization of working capital bank borrowings as on balance sheet date.

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

Vast experience of the promoters & established track record of operations:
BRGL is promoted by Indore-based Goyal family & is currently managed by Mr. Rajendra Kumar Goyal, Mr. Gopal Goyal and Mr. Brij Kishore Goyal. The directors are assisted by Mr. Yash Goyal & Mr. Uppal Goyal; second generation of the family. All the promoters have over two decades of experience in the construction industry. BRGL has an operational track record of over three decades in the construction industry and has executed many mid-size projects across multiple segments in Madhya Pradesh.

Thrust of the Government on infrastructure development
The Government of India has been undertaking several steps for boosting the infrastructure development and reviving the investment cycle in the segment, which was facing a slowdown since past couple of years. The same is expected to drive growth opportunities, subject to availability of adequate working capital. However, the sector has faced challenges during Q1FY21 (refers to the period April 1 to June 30) owing to suspension of construction activities due to spread of COVID-19 pandemic along with reverse migration of labour. Thrust of the government on infrastructure development is expected to augur well for construction players with low leverage and demonstrated execution capabilities, in the medium term. The government initiatives in road construction such as buildup of new rural roads and up gradation of existing rural roads, broadening of national highways and providing connectivity to tribal areas, has offered various opportunities for construction companies.

Key Rating Weaknesses
Moderate scale of operations and profitability
The scale of operations of the entity as marked by TOI has exhibited an increasing trend since past five years, however continued to remain moderate. During FY21, BRGL has registered TOI of Rs.201.68 crore as against Rs.184.46 crore during FY20. The construction activities were impacted for around 2 months from March 22, 2020 to May 31, 2020 due to COVID-19 led lockdown.
Intense competition in the bidding results in decline in profit margins as marked by moderate operating profitability indicated by PBILDT margin of 9.02% in FY21 (10.93% in FY20). The decline was mainly on account of proportionate increase in the cost of material consumed. Consequently, the PAT margin remained moderate at 3.26% during FY21 (4.22% during FY20).

Working capital intensive nature of operations
Being EPC contractor, BRGL has high working capital intensity primarily due to funding requirement for security deposits, retention amount and margin money towards various contracts & non-fund-based facilities. Further, it receives payments based on progress of the project achieved during the tenure after proper certification of work. Around 76% of the operating capital employed was tied up in the net-working capital as on March 31, 2021. BRGL's working capital cycle improved marginally to 98 days during FY21 (FY20: 109 days), on account of increase in creditor days.

Presence of inherent construction risk associated with timely execution of orders in hand
BRGL is exposed to execution risk owing to delay in obtaining regulatory clearances in some projects resulting in time overrun. However, BRGL received extension of time in majority of orders. Moreover, some of the projects in BRGL's order book are approaching scheduled completion timelines, which will necessitate ramping up execution. Hence, improvement in execution pace on receipt of requisite clearances in a timely manner remains crucial from the credit perspective.

Presence in intensely competitive and fragmented construction industry with exposure of profit margins to fluctuation in raw material prices
BRGL is a mid-sized player operating in an intensely competitive construction industry with presence of large number of contractors. Furthermore, with low counterparty credit risk and a relatively stable payment track record of projects funded by government bodies, these projects are lucrative for all the contractors and hence are highly competitive. Nevertheless, aggressive bidding by the company or delay in project progress due to unavailability of regulatory clearances may affect the credit profile of the contractor and exert pressure on the margins.
Further, considering execution period of orders awarded to BRGL usually ranges from 12- 48 months, its profitability remains susceptible to fluctuations in the input prices.

Liquidity: Adequate
BRGL's liquidity position remained adequate marked by healthy cash and bank balance of Rs.3.38 crore as on March 31, 2021. The current ratio and quick ratio remained at 1.70x and 1.16x respectively in FY21. During FY21, BRGL reported comfortable GCA of Rs. 11.68 crore (Rs.12.87 crore in FY20) as against debt repayment obligation of Rs.8.43 crore during FY22. The cash flow from operations declined from Rs.15.75 crore in FY20 to Rs.5.55 crore in FY21 mainly due to increase in the amount of advance amount given to subcontractors from Rs.9.90 crore as on March 31, 2020 to Rs.16.12 crore as on March 31, 2021. Working capital intensity continued to remain high on account of blockage of BRGL's funds as retention money and security deposits. The average utilization of its fund-based WC limits remained around 50% during the trailing twelve months ended on October 2021 while the average utilization of the non-fund based limits remained at around 80% during trailing twelve months ended November, 2021.

Analytical approach: Standalone

Applicable Criteria
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings]
[Financial ratios – Non-Financial Sector]
[Rating Methodology – Construction Sector]
[Criteria for Short Term Instruments]
[CARE's Policy on Default Recognition]
[Liquidity Analysis of Non-Financial Sector Entities]

About the Company
Indore-based BRGL was initially constituted as a partnership firm in 1986 under the name of M/s. Bal Krishna Ramkaran Goyal. Subsequently, it was converted into a private limited company as B.R. Goyal Infrastructure Private Limited (BRGL) in April 2005. Afterwards, on May 09, 2018, it changed its constitution to closely held public company. BRGL is engaged in the construction of roads, bridges and buildings in Madhya Pradesh (MP). It has also set up a RMC manufacturing unit with an installed capacity of 2.8 million cubic meters per annum and a wind mill of 1.25 MW located at Jaisalmer, Rajasthan. BRGL enjoys A-5 class (Highest) status with Public Works Department (PWD) of MP and Indore Development Authority (IDA).

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (Prov.)
Total operating income	184.46	201.68	90.00
PBILDT	20.16	18.18	NA
PAT	7.78	6.57	NA
Overall gearing (times)	0.85	0.89	NA
Interest coverage (times)	3.36	2.80	NA

A: Audited, Prov: Provisional, NA: Not 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: Please refer Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Bank lender details: Please refer Annexure-5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	31.50	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantees		-	-	-	209.20	CARE BBB; Stable / CARE A3
Fund-based - ST-Standby Line of Credit		-	-	-	7.00	CARE A3
Non-fund-based - ST-Forward Contract		-	-	-	0.28	CARE A3
Fund-based - LT-Term Loan		-	-	July 2023	1.02	CARE BBB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (04-Jan-19)
2	Fund-based - LT-Cash Credit	LT	31.50	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Mar-21)	1)CARE BBB; Stable (16-Mar-20)	1)CARE BBB; Stable (04-Jan-19)
3	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST*	209.20	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (18-Mar-21)	1)CARE BBB; Stable / CARE A3 (16-Mar-20)	1)CARE BBB; Stable / CARE A3 (04-Jan-19)
4	Fund-based - ST-Standby Line of Credit	ST	7.00	CARE A3	-	1)CARE A3 (18-Mar-21)	1)CARE A3 (16-Mar-20)	1)CARE A3 (04-Jan-19)
5	Non-fund-based - ST-Forward Contract	ST	0.28	CARE A3	-	1)CARE A3 (18-Mar-21)	1)CARE A3 (16-Mar-20)	-
6	Fund-based - LT-Term Loan	LT	1.02	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Mar-21)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Standby Line of Credit	Simple
4	Non-fund-based - LT/ ST-Bank Guarantees	Simple
5	Non-fund-based - ST-Forward Contract	Simple

Annexure 5: Bank Lender Details for this Company: Not Applicable

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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 CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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