B. R. Goyal Infrastructure Limited

March 18, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities*	2.30	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned
Long Term Bank Facilities*	31.50 (Reduced from 33.00)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities*	209.20 (Reduced from 210.00)	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	**250.28 (Rs. Two Hundred Fifty Crore and Twenty-Eight Lakh Only)**		

Details of instruments/facilities in Annexure-1

**Reclassified from LT/ST and LT-fund based to LT-term loan*

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of B. R. Goyal Infrastructure Limited (BRGL) continue to derive strength from vast experience of its promoters, its established track record of over three decades in the construction industry, moderate order book across segments with low counterparty credit risk, adequate liquidity and increased thrust of government on infrastructure development.

The ratings also take cognizance of improvement in BRGL's capital structure and debt coverage indicators during FY20 (refers to the period April 01 to March 31) and 10MFY21 (refers to the period April 01 to January 31).

The ratings, however, continue to remain constrained on account of its moderate scale of operations & profitability, geographical concentration of its order book, working capital intensive nature of its operations, inherent construction risk associated with timely execution of orders in hand, susceptibility of its profitability to volatile raw material prices and its presence in a highly competitive & fragmented construction industry.

CARE also takes note that BRGL has availed the moratorium granted by its lenders on partial bank facilities as well as emergency credit line as a COVID-19 relief measure (as permitted by the Reserve Bank of India) during March-August 2020.

Rating Sensitivities

Positive factor

- Timely execution of its present orders along with growth in diversified order book which will result in significant growth in total operating income (TOI) on a sustained basis and improved cash accruals.
- Decrease in gross current asset days to less than 150 days.

Negative factor

- Increase in working capital intensity which in turn deteriorates its liquidity position
- Delay in execution of ongoing orders resulting in lower than envisaged TOI and profitability

Detailed description of the key rating drivers

Key Rating Strengths

Moderate order book position with low counterparty credit risk: As on February 28, 2021, BRGL's order book remained stable at Rs.432 crore (Rs.518 crore as on December 31, 2019), translating into an order book to FY20 TOI ratio of 2.34x which provides moderate revenue visibility over medium term. Since last review, BRGL has been awarded six new small size orders amounting to Rs.66 crore. Further, majority of the order backlog is from government entities translating into low counterparty credit risk for the company.

Moreover, BRGL's order book is well diversified across various segments like road segment (37%), dam & pipeline projects (24%), building projects (21%), bus terminal project (12%) along with other segments. Execution of orders in hand within envisaged cost and timelines remains crucial from the credit perspective.

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

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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.

Improvement in capital structure and debt coverage indicators: The capital structure of BRGL improved marked by below unity overall gearing of 0.85x as on March 31, 2020 (1.05x as on March 31, 2019) on account of accretion to reserves and lower outstanding of mobilisation advances as on balance sheet date.
Further, owing to low interest expenses & decrease in total debt, the debt coverage indicators also improved in FY20 marked by interest coverage ratio to 3.36x (FY19: 2.91x) and total debt to gross cash accruals (TD/GCA) of 4.85x (FY19: 5.29x). However, during 10MFY21 (Provisional), the debt coverage indicators marginally deteriorated as indicated by interest coverage ratio of 2.95x and TD/GCA at 5.53x due to marginal increase in interest cost.

Thrust of the Government on infrastructure development: Thrust of the government for road construction through initiatives such as Pradhan Mantri Gram Sadak Yojna (PMGSY), broadening of state & national highways and providing connectivity to tribal areas has offered various opportunities for infrastructure companies. 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. However, the situation has gradually improved and the execution pace has now picked up. Also, various measures have been taken by the government under the Atma Nirbhar scheme, which shall ease up the working capital requirement of the players. However, execution challenges like increasing cost of land acquisition, delay in receipt of regulatory clearances and high risk aversion of public sector banks to infrastructure projects beleaguer the industry.

Key Rating Weaknesses
Moderate scale of operations and profitability: BRGL' TOI remained stable at Rs.184 crore (FY19: Rs.175 crore) during FY20 on account of steady execution of orders in hand by the in-house team as well as through subcontracting.
BRGL's construction activities were impacted during H1FY21 (refers to the period April 1 to September 30), initially due to COVID-19 led lockdown and reverse migration of labourers followed by onset of monsoon. Execution pace picked up momentum from Q3FY21 (refers to the period October 1 to December 31) and during 10MFY21 (Provisional), BRGL reported TOI of Rs.122 crore.
BRGL's PBILDT margin and PAT margin remained stable at 10.93% (FY19: 11.85%) and 4.22% (FY19: 4.44%) respectively during FY20. Marginal deterioration was due to higher raw material cost. BRGL reported gross cash accruals of Rs.12.87 crore during FY20 (FY19: Rs.13.01 crore).

Geographically concentrated revenue profile: The outstanding order book of BRGL is spread across two states, out of which 89% of order book is concentrated in the state of Madhya Pradesh (MP). Geographical concentration of the order book exposes BRGL to any adverse change in political environment or policy matters in that region. However, BRGL's established track record in execution of projects in MP, in-house managerial resources and proximity of project sites reduces the risk to an extent.

Working capital intensive nature of operations: BRGL's operations have high working capital intensity primarily due to funding requirement for security deposits, retention amount and margin money towards various contracts & non-fund-based facilities. While BRGL's working capital cycle improved marginally to 109 days during FY20 (FY19: 116 days), its average collection period & gross current asset days remained high during FY20 at 96 days (FY19: 94 days) & 238 days (FY19: 226 days) respectively. Further, BRGL's working capital intensity increased as on March 31, 2020 due to delay in receipt of payments as well as certification of work done following nation-wide lockdown due to Covid-19. However, with release of payment from government authorities and resumption of operations after easing of lockdown restrictions, BRGL's working capital intensity has reduced as on December 31, 2020.

Susceptibility of its profitability to volatile raw material prices: Considering execution period of orders awarded to BRGL usually ranges from 12- 48 months, its profitability remains susceptible to fluctuations in the input prices. However, presence of an inflation index-linked price escalation clause in around 77% of outstanding orders on hand mitigates this risk to an extent.

Presence in intensely competitive and fragmented construction industry: 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.

Presence of execution risk: 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.

Liquidity: Adequate
BRGL has an adequate liquidity characterized by sufficient cushion in cash accruals vis-à-vis repayment obligations along with unutilised bank lines. As against debt repayment obligation of Rs.5-9 crore during FY21-FY23, BRGL is envisaged to generate cash accruals of Rs.11-20 crore during the period. The average utilisation of its fund-based limits remained moderate at 80% during trailing twelve months ending on December 2020 and maximum utilisation of the non-fund based limits remained at 72% during trailing twelve months ended September 2020. Furthermore, availability of additional working capital limits from Q4FY21 (refers to the period January 1 to March 31) provides sufficient headroom to bid for new projects as well as to manage its working capital requirements. The current and quick ratio improved to 1.63x and 1.05x respectively as on March 31, 2020 (1.47x and 0.94x as on March 31, 2019).
Further, as on January 31, 2021, BRGL had free cash & bank balance of Rs.0.50 crore (apart from lien marked balance of Rs.10.09 crore).

Analytical approach: Standalone

Applicable Criteria:
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology – Construction Sector
Financial ratios - Non- Financial Sector
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 in April 2005. Afterwards, on May 9, 2018, it converted itself in closely held public company.
BRGL is engaged in the construction of roads and buildings in MP. It has also set up an 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)	FY19 (12M, A)	FY20 (12M, A)
Total operating income	174.83	184.46
PBILDT	20.72	20.16
PAT	7.77	7.78
Overall gearing (times)*	1.05	0.85
Interest coverage (times)	2.91	3.36

*A: Audited; *including mobilisation advances as debt*

During 10MFY21 (Provisional), BRGL clocked TOI of Rs.122 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	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	2.30	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (04-Jan-19)	1)CARE BBB; Stable (05-Jan-18) 2)CARE BBB; Stable (12-Apr-17)
2.	Fund-based - LT-Cash Credit	LT	31.50	CARE BBB; Stable	-	1)CARE BBB; Stable (16-Mar-20)	1)CARE BBB; Stable (04-Jan-19)	1)CARE BBB; Stable (05-Jan-18) 2)CARE BBB; Stable (12-Apr-17)
3.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	209.20	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (16-Mar-20)	1)CARE BBB; Stable / CARE A3 (04-Jan-19)	1)CARE BBB; Stable / CARE A3 (05-Jan-18) 2)CARE BBB; Stable / CARE A3 (12-Apr-17)
4.	Fund-based - ST-Standby Line of Credit	ST	7.00	CARE A3	-	1)CARE A3 (16-Mar-20)	1)CARE A3 (04-Jan-19)	1)CARE A3 (05-Jan-18) 2)CARE A3 (12-Apr-17)
5.	Non-fund-based - ST-Forward Contract	ST	0.28	CARE A3	-	1)CARE A3 (16-Mar-20)	-	-
6.	Fund-based - LT-Term Loan	LT	2.30	CARE BBB; Stable	-	-	-	-

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the 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

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Mr. Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Mr. Ujjwal Patel
Contact no.- +91- 79-4026 5649
Email ID- ujjwal.patel@careratings.com

Relationship Contact
Mr. Deepak Prajapati
Contact no. - +91-79-4026 5656
Email ID – deepak.prajapati@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices

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