

B. R. Goyal Infrastructure Limited

January 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	32.50	CARE BBB+; Stable	Revised from CARE BBB; Stable
Long Term / Short Term Bank Facilities	225.00	CARE BBB+; Stable / CARE A3+	Revised from CARE BBB; Stable / CARE A3+
Short Term Bank Facilities	7.28	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the long-term ratings assigned to the bank facilities of B R Goyal Infrastructure Limited (BRGL) is on account of continuous growth in its scale of operations, segmental and geographical diversification of its orderbook and improvement in its financial risk profile and coverage indicators. The revision also factors expected growth in BRGL's total operating income (TOI) in the near term on the back of its healthy orderbook reflecting good revenue visibility in near to medium term.

The ratings continue to derive strength from vast experience of its promoters & established track record of over three decades in the construction industry.

The above strengths are, however, partially offset by BRGL's moderate profitability, working capital intensive nature of its operations, inherent risk associated with timely execution of orders on hand and presence in intensely competitive and fragmented construction industry with exposure of profit margins to fluctuation in raw material prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations marked by total operating income (TOI) of more than Rs.700 crore on sustained basis.
- Improvement in PBILDT margin above 11.50% on a sustained basis
- Reduction in Gross Current Assets (GCA) days to below 110 days

Negative factors

- Decline in scale of operations below Rs.325 crore.
- Reduction in PBILDT margin below 5% on sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that BRGL will continue to derive benefit from its experienced promoters and well-established operational track record in the construction industry and healthy order book position reflecting good revenue visibility in near to medium term.

Detailed description of the key rating drivers:

Key strengths

Continuous growth in scale of operations backed by timely execution of orders

BRGL has reported continuous increase in its TOI marked by compounded annual growth rate (CAGR) of XX% during last three years ended on March 31, 2023. During FY23, BRGL's TOI grew by 67% on y-o-y basis to Rs.347 crore (FY22: Rs.208 crore) backed by timely execution of orders. The company's TOI is expected to increase further with recent award of toll collection contracts. During H1FY24 (Prov.), the company has registered TOI of Rs.224.5 crore.

Healthy order book position backed by improvement in geographical diversification and segmental revenue diversification

As on October 31, 2023, BRGL had an order book of Rs. 793 crore (including orders of Rs.100 crore of toll collection contracts) (Rs. 634 crore as on October 31, 2022). BRGL has received 12 new orders since the last review amounting to Rs.528 crore, accounting for 67% of the outstanding orderbook as on Oct 31, 2023. Further, BRGL has also been declared L1 bidder in two other projects aggregating to Rs. 100 crore.

The order book to TOI for FY23 remained comfortable at 2.28x (PY:3.06x) providing medium term revenue visibility. Over the years, BRGL has diversified its geographical presence from single state of Madhya Pradesh (MP) to around seven states as on October 31, 2023, with major presence in the states of MP (37%), Maharashtra (28%), Manipur (14%) and Mizoram (13%). The

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

order book consists of three major orders of Ministry of Road Transport & Highways (MORTH-NH Div, Mumbai), National Highways & Infrastructure Development Corporation Limited- (NHIDCL Manipur & Mizoram) aggregating to Rs. 430 crore; contributing ~54% of total order book. In terms of segmental revenue diversification, BRGL has ventured into toll collection from FY24 onwards and as on Oct 31, 2023 the orderbook consisted of orders worth Rs. 100 crore pertaining to toll collection, Rs. 574 crore orders pertaining to road segment and Rs. 120 crore orders towards building construction. Furthermore, all the contracts have in-built price escalation clause and are from reputed counterparties leading to low counterparty credit risk.

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 0.47x as on March 31, 2023 (0.67x as on March 31, 2022). The improvement in overall gearing was on account of decrease in total debt level led by repayment of vehicle loans and lower utilization of fund-based limits as on balance sheet date. The debt coverage metrics continued to remain moderate marked by interest coverage ratio of 2.25x during FY23 (FY22: 2.20x), total debt/ GCA (TDGCA) improved and remained at 2.33 years as on March 31, 2023 as against 4.58 years as on March 31, 2022, mainly due to increase in cash accruals in FY23.

Experienced promoters backed by well-established operational track record in the construction industry

BRGL is promoted by Indore-based Goyal family & is currently managed by Mr. Rajendra Kumar Goyal, Mr. Gopal Goyal and Mr. Brij Kishore Goyal. All the promoters have over two decades of experience in the construction industry. The directors are assisted by Mr. Yash Goyal & Mr. Uppal Goyal; second generation of the family. 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.

Key weaknesses

Moderate profitability and increased dependence on sub-contracting

The PBILDT margin of BRGL declined by 93 bps to 8.68% in FY23, as against 9.61% in FY22 backed by increase in subcontracting expenses, majorly attributable to two major contracts (namely Manipur and Mizoram) being carried on sub-contracting basis. Further, during H1FY24 (Prov.) During H1FY24, BRGL's PBILDT margin declined to 5.73% (PY:12.61%) due to lower profit margin on toll collection projects and projects execution of projects on subcontract basis. Despite decline in PBILDT margin, the PAT margin improved by 110 basis on y-o-y basis to 4.66% in FY23 as against 3.56% in FY22 owing marginal decline in depreciation and interest cost in FY23 vis-à-vis FY22. Subsequently, the GCA also improved to Rs. 21 crore in FY23 as against Rs. 13.00 crore in FY22. During in H1FY24, the PAT margin remained at 2.73% (PY:5.67%).

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- 36 months, its profitability remains susceptible to fluctuations in the input prices. However, presence of built-in escalation clause mitigates the risk to a certain extent.

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. However, BRGL's working capital cycle improved to 70 days during FY23 (FY22: 98 days) on account better billing and lower inventory days.

Liquidity: Adequate

BRGL's liquidity position remained adequate marked by free cash and bank balance of Rs.10.15 crore as on March 31, 2023 (Rs.4.61 crore as on March 31, 2022) other than fixed deposits marked under lien of Rs.17.89 crore as on March 31, 2023. The current ratio and quick ratio improved in FY23 to 2.63x and 1.50x respectively (2.04x and 1.22x in FY22). During FY23, BRGL reported GCA of Rs.20 crore as against Rs.13 crore in FY22. The cash flow from operations remained at Rs.9 crore.

While working capital intensity continued to remain high on account of blockage of BRGL's funds as retention money and security deposits, BRGL's working capital cycle improved to 70 days during FY23 (FY22: 98 days) on account better billing and lower inventory days. The closing month end utilization of fund-based limits (CC of Rs. 35 crore) remained at 64% and the maximum utilisation of the same remained at 89% for the trailing 12-month period ended on September 2023. Average Utilization of non-based limit stood at 44% for 12-month period ended on September 2023.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[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](#)

About the company and industry

Industry classification

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

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 majorly in Madhya Pradesh (MP), however, it is now executing contracts in Manipur and Mizoram as well. It has also set up four RMC manufacturing units 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 (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30, 2023 (UA)
Total operating income	207.94	347.04	224.45
PBILDT	19.97	30.12	12.86
PAT	7.40	16.18	6.13
Overall gearing (times)	0.67	0.47	NA
Interest coverage (times)	2.24	3.56	4.10

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available' 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: 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-Cash Credit		-	-	-	32.50	CARE BBB+; Stable
Fund-based - ST-Standby Line of Credit		-	-	-	7.00	CARE A3+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	225.00	CARE BBB+; Stable / CARE A3+
Non-fund-based - ST-Forward Contract		-	-	-	0.28	CARE A3+

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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	32.50	CARE BBB+; Stable	-	1)CARE BBB; Stable (28-Dec-22)	1)CARE BBB; Stable (05-Jan-22)	1)CARE BBB; Stable (18-Mar-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	225.00	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (28-Dec-22)	1)CARE BBB; Stable / CARE A3 (05-Jan-22)	1)CARE BBB; Stable / CARE A3 (18-Mar-21)
3	Fund-based - ST-Standby Line of Credit	ST	7.00	CARE A3+	-	1)CARE A3+ (28-Dec-22)	1)CARE A3 (05-Jan-22)	1)CARE A3 (18-Mar-21)
4	Non-fund-based - ST-Forward Contract	ST	0.28	CARE A3+	-	1)CARE A3+ (28-Dec-22)	1)CARE A3 (05-Jan-22)	1)CARE A3 (18-Mar-21)
5	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (28-Dec-22)	1)CARE BBB; Stable (05-Jan-22)	1)CARE BBB; Stable (18-Mar-21)

*Long term/Short term.

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-Cash Credit	Simple
2	Fund-based - ST-Standby Line of Credit	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Forward Contract	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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