B. R. Goyal Infrastructure Private Limited

April 12, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	31.61 (enhanced from Rs.24.10 crore)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	Reaffirmed
Long-term/Short-term Bank Facilities	122.00 (enhanced from Rs.53.00 crore)	**CARE BBB; Stable/CARE A3 (Triple B; Outlook: Stable/ A Three)**	Reaffirmed
Short-term Bank Facilities	4.28 (enhanced from Rs.3.00 crore)	**CARE A3 (A Three)**	Reaffirmed
Total	**157.89 (Rupees One Hundred and Fifty Seven crore and Eighty Nine lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings continue to derive strength from the vast experience of the promoters of B.R. Goyal Infrastructure Private Limited (BRGL) in the road construction industry, its established track record of operations along with moderate leverage and debt coverage indicators, presence of price escalation clause in majority of contracts and thrust of the government on road and infrastructure development.

The ratings also factor in momentum witnessed in sale of plots in its industrial park during ten months ended January 2017.

The ratings, however, continue to be constrained by BRGL's moderate scale of operations and profitability in the intensely competitive infrastructure industry, working capital intensive nature of operations along with its moderate order book and geographical concentration of revenue towards road projects with presence mainly in the state of Madhya Pradesh (MP).

The ability of BRGL to further increase its scale of operations along with improvement in its profitability; and strengthening of its order book through greater geographical diversification of operations are the key rating sensitivities. Furthermore, timely receipt of envisaged sales proceeds of its balance plots in its industrial park would also be a key rating monitorable.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record of operations along with experienced promoters in the construction industry: The promoters of BRGL have extensive experience of over two decades in the construction sector. Mr. Rajendra Kumar Goyal and other three directors have more than two decades of experience in the construction industry and are supported by a technical team to manage day to day operations of the company. Company executes contracts mainly from different government bodies. Being presence in the industry since 1986, it has established relationship with government departments and same is reflecting through repeated orders from them.

Moderate leverage and debt coverage indicators: The solvency position of BRGL improved marginally and continued to remain moderate as indicated by overall gearing of 1.33 times as on March 31, 2016. Despite debt funded capex during FY16 and 10MFY17, BRGL's total debt increased moderately on account of repayment of loans and healthy operating cash flow. The debt coverage indicators also improved during FY16 on account of growth in scale of operations and relatively stable debt levels and finance cost. Total debt/GCA improved from 9.52 times during FY15 to 7.34 times during FY16.

Momentum witnessed in sale of plots in its industrial park: BRGL witnessed momentum in sale of plots in its industrial park in FY16 and 10MFY17 (refers to the period April 1 to January 31). During 10MFY17, BRGL sold 0.26 lsft land and earned revenue of Rs.1.40 crore and received advances from customers of Rs.3 crore.

Thrust of government on infrastructure development

BRGL is expected to benefit from Union Government and state government's thrust towards infrastructure development activities mainly in the road sector in medium term.

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

Key Rating Weaknesses

Moderate scale of operation and moderate profitability in competitive construction industry: Scale of operations of BRGL though grew during FY16; it continues to remain moderate marked by total operating income (TOI) of Rs.137.25 crore during FY16. The profitability margins of the company also continued to remain moderate during FY16. The civil construction industry is highly fragmented with the presence of organized players as well as smaller local players. The company faces competition from the major players, as well as many local and small unorganized players affecting the profitability.

Moderate and concentrated order book: BRGL had moderate order book of Rs.204 crore (1.49 times of TOI of FY16) as on January 31, 2017 out of which top five projects constituted 76% of the order book reflecting concentration of order book. Also, BRGL's operations are concentrated in MP, making it vulnerable to any sudden changes in state government policies and trend in flow of local tenders.

***Working capital intensive nature of operations*:** Though operations of BRGL are inherently working capital intensive its working capital cycle improved from 102 days during FY15 to 74 days during FY16 primarily on account of improved collection efficiency and low inventory period. Average utilization of fund based working capital limit was moderate at 77.47% for the trailing twelve months ended January 31, 2017.

Analytical approach:
Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Infrastructure Sector Ratings
CARE's methodology for Short-term instruments
Financial ratios – Non-financial sector

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 in April 2005. BRGL is engaged in the construction of roads and buildings in 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).

As per audited financials of FY16, BRGL reported TOI of Rs.137.25 crore (FY15: Rs.101.96 crore) with net profit of Rs.3.48 crore (FY15: Rs.2.48 crore). Based on provisional financials of 10MFY17, BRGL reported TOI of Rs.96.38 crore with net profit of Rs2.22 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

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.*

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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.

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
Term Loan-Long Term	NA	NA	October, 2018	7.51	CARE BBB; Stable
Fund-based - LT-Cash Credit	NA	NA	NA	24.10	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantees	NA	NA	NA	122.00	CARE BBB; Stable / CARE A3
Fund-based - ST-Standby Line of Credit	NA	NA	NA	4.28	CARE A3

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	7.51	CARE BBB; Stable	-	-	1)CARE BBB (23-Feb-16)	1)CARE BBB (23-Jan-15)
2.	Fund-based - LT-Cash Credit	LT	24.10	CARE BBB; Stable	-	-	1)CARE BBB (23-Feb-16)	1)CARE BBB (23-Jan-15)
3.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	122.00	CARE BBB; Stable / CARE A3	-	-	1)CARE BBB / CARE A3 (23-Feb-16)	1)CARE BBB / CARE A3 (23-Jan-15)
4.	Fund-based - ST-Standby Line of Credit	ST	4.28	CARE A3	-	-	1)CARE A3 (23-Feb-16)	1)CARE A3 (23-Jan-15)

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