B.R. Goyal Infrastructure Private Limited

January 05, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	31.80 (enhanced from Rs.31.61 crore)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	Reaffirmed
Long-term/Short-term Bank Facilities	122.00	**CARE BBB; Stable/CARE A3 (Triple B; Outlook: Stable/ A Three)**	Reaffirmed
Short-term Bank Facilities	4.28	**CARE A3 (A Three)**	Reaffirmed
Total	**158.08 (Rupees One Hundred and Fifty Eight crore and Eight lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The ratings assigned to bank facilities of B. R. Goyal Infrastructure Private Limited (BRGL) continue to draw strength from the vast experience of the promoters, its established track record of operations in the civil construction industry, presence of price escalation clause in majority of contracts and thrust of the government on road and infrastructure development.

The ratings also factor in improvement in profitability in FY17 (refers to the period April 1 to March 31) while maintaining its moderate leverage and debt coverage indicators and momentum witnessed in sale of plots in its industrial park during 8MFY18 (refers to the period April 1 to November 30).

The ratings, however, continue to be constrained by BRGL's geographically concentrated scale of operations on a moderate base in an intensely competitive infrastructure industry, moderate revenue visibility on account of low order book, high term debt obligation and working capital intensity of its operations.

The ability of BRGL to scale up its operations through timely execution of orders on hand, geographical diversification of its order book along with improvement in its profitability and capital structure would be key rating sensitivities. Furthermore, timely receipt of envisaged sales proceeds of its balance plots in its industrial park would also be crucial.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoter group along with long track record of operations in the construction industry: The promoters of BRGL have an extensive experience of over two decades in the construction sector. The Board of 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.

BRGL has long-standing association with government bodies and has executed multiple contracts issued by different nodal agencies in MP. Apart from these, the company has also executed contracts awarded by reputed corporates in the industrial and real estate segment.

Improvement in profitability, moderate leverage and debt coverage indicators: BRGL's PBILDT margin improved by 302 bps to 14.97% in FY17 due to low material cost (bitumen). Along with improvement in PBILDT, PAT margin also improved by 110 bps to 3.63% in FY17.

During H1FY18 (refers to the period April 1 to September 30), BRGL reported further improvement in its PBILDT margin to 15.05%. PAT margin remained stable at 3.64% during 8MFY18.

Despite increase in total debt on account of purchase of new vehicles and equipment in FY17, the overall gearing of BRGL continued to remain moderate at 1.36 times as on March 31, 2017 (1.33x as on March 31, 2016). The debt coverage

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

indicators improved marginally during FY17 on account of improvement in operating profitability. Total debt/GCA improved from 7.34x during FY16 to 6x during FY17.

Momentum witnessed in sale of plots in its industrial park: During 8MFY18, BRGL sold 1.13 lakh square feet (lsft) land and earned revenue of Rs.5.65 crore as against total sold area of 0.32 lsft for sales consideration of Rs.1.72 crore in FY17.

Thrust of government on infrastructure development: BRGL is expected to benefit from Union Government and State Government's thrust towards infrastructure development activities including roads, bridges, and smart cities, which is likely to auger well for the order inflow in construction sector. However, challenges beleaguering the segment such as delays in clearances and land acquisition, shifting of utilities, lowest price-base tendering and high interest rates remain crucial to be addressed for smooth order execution.

Key Rating Weaknesses

Moderate scale of operation in competitive construction industry: BRGL's total operating income (TOI) remained stable during FY17 at Rs.137.92 crore (PY: Rs.137.25 crore) owing to slower execution of orders due to delay in receipt of project site from principal authorities. 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. During 8MFY18, BRGL reported TOI of Rs.91 crore.

Moderate and concentrated order book: BRGL had moderate order book of Rs.155 crore (1.12 x of TOI of FY17) as on October 31, 2017. Top five projects constituted 81% of the order book (PY: 76%), 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. However, BRGL has started bidding for the projects in the state of Maharashtra in H1FY18.

***Working capital intensive nature of operations*:** Operations of BRGL are inherently working capital intensive owing to higher fund requirement towards retention money, tender deposits and security deposits for awarded projects. BRGL's working capital cycle remained high at 114 days during FY17 (PY: 108 days) primarily on account of high inventory period. Average utilization of fund based working capital limit was moderate at 77% for the trailing twelve months ended October 31, 2017.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
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).

Brief Financials (Rs. crore)	FY16 (12M,A)	FY17 (12M,A)
Total operating income	137.25	137.92
PBILDT	16.40	20.64
PAT	3.48	5.01
Overall gearing (times)	1.33	1.36
Interest coverage (times)	2.42	2.95

A: Audited

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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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	2018	6.80	CARE BBB; Stable
Fund-based - LT-Cash Credit	NA	NA	NA	25.00	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	6.80	CARE BBB; Stable	1)CARE BBB; Stable (12-Apr-17)	-	1)CARE BBB (23-Feb-16)	1)CARE BBB (23-Jan-15)
2.	Fund-based - LT-Cash Credit	LT	25.00	CARE BBB; Stable	1)CARE BBB; Stable (12-Apr-17)	-	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; Stable / CARE A3 (12-Apr-17)	-	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 (12-Apr-17)	-	1)CARE A3 (23-Feb-16)	1)CARE A3 (23-Jan-15)

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