Brij Gopal Construction Company Private Limited

December 20, 2022

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	[Complexity Indicator](#)
1.	Long Term Bank Facility - Fund Based	150.00* (Increased from Rs. 60.00 crore)	IVR A-/ Stable (IVR Single A Minus with Stable outlook)	IVR A-/ Stable (IVR Single A Minus with Stable outlook)	Reaffirmed	Simple
2.	Long Term Bank Facility - Non-Fund Based	600.00# (Increased from Rs. 320.00 crore)	IVR A-/ Stable (IVR Single A Minus with Stable outlook)	IVR A-/ Stable (IVR Single A Minus with Stable outlook)	Reaffirmed	Simple
	Total	**750.00**	**Rs. Seven Hundred & Fifty crores**			

**Includes proposed limit of Rs. 90.00 crores*

#Includes proposed limit of Rs. 280.00 crores

Details of Facilities are in Annexure 1.

Detailed Rationale

The rating reaffirmation of **Brij Gopal Construction Company Private Limited** considers the increase scale of operations, better overall financial risk profile, continuous healthy performance in FY22 & H1FY23. Further rating continues to derive comfort from its experienced promoters and top Management along with proven track-record of executing projects, a strong credit profile with good debt protection metrics and a healthy order-book position. However, these rating strengths are partially offset by intense competition in the industry, susceptibility to volatility in raw material prices and the tender based nature of the operations.

Upward Factors

- Sustenance of growth in scale of operations with improvement in profitability
- Steady flow of orders & timely execution of the same on a sustained basis
- Containment of operating costs in the wake of increasing competition

- Sustenance of capital structure

Downward Factors

- Elongation in working capital cycle
- Any deterioration in liquidity profile on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with Long track record of operations with proven project execution capability:**

Company’s Board comprise of qualified and experienced professionals who could add value to the aspirations of the company by attaining its vision and mission ambitions through the dedicated team of executives and employees at all levels. Presently, Mr. Vikram Goyal, Mr Ranjan Goyal and Raman Goyal are the directors of the company who have more than 20 years’ experience in the construction line and are competent to manage the business successfully.

- **Presence of Relevant Escalation Clauses with Separate O&M Pay-outs:**

40% of the cost of HAM projects comes in the form of milestone-linked grants from the NHAI. Furthermore, the concession agreements consist of escalation clauses to safeguard the concessionaire against any unforeseen increase in the cost in future. Additionally, the concessionaire will be paid maintenance charges separately during the maintenance period, along with the provision of interest in the case of delayed payments, reducing the risk associated with the project to a great extent. In addition, there are termination clauses ensuring adequate pay-outs to the concessionaire if the agreement is terminated.

- **Strong order book position reflecting satisfactory medium-term revenue visibility**

The company had an adequate order book position of Rs. 6860.52 Crs as on 31 March 2022. The order book is 3.80x the revenue achieved in FY22 providing adequate visibility over the medium term. The counterparties are also diverse and include the NHAI, state departments, as well as the Municipal Corporations of Rajasthan, Haryana, Maharashtra, Jammu, and Delhi. The order book also consists of 4 HAM projects and multiple EPC projects.

- **Healthy profitability and above average financial risk profile:**

Due to Covid-19, there was a marginal decline in the top line from Rs. 1461.33 crore in FY20 to Rs. 1426.20 crore in FY21. Nonetheless, the top line has increased in FY22 to Rs. 1936.00 crore. The company had recently started taking up HAM projects and is currently involved in 4 HAM projects. The company showed marginal decline in EBIDTA margin from 15.31% in FY21 to 13.94% in FY22 due to higher operational (specifically raw material) costs. PAT margin remained consistent from 9.81% in FY21 to 9.21% in FY22. Absolute PAT increased by 27.16% from Rs. 143.39 crore in FY21 to Rs. 182.34 crore in FY22.

- **Comfortable capital structure with healthy debt protection metrics**

The overall gearing of the company stood comfortable at 0.27x as on March 31, 2022, as against 0.52x on March 31, 2021. The company has been able to generate sustainable cash surplus to repay as well as reinvest in the company. The company has been mostly efficient in working on HAM projects. The debt protection indicators of the company such as interest coverage stood comfortable at 11.88x in FY21 and currently stays at 12.03 in FY22. Total Debt/ GCA stood low at 1.22 years in FY22 as against 1.98 years in FY21. Total indebtedness of the company as reflected by TOL/Adj. TNW remained adequate at 0.91x as on March 31, 2022. DSCR has improved marginally from 3.16 in FY21 to 3.27 in FY22 due to higher absolute PAT.

Key Rating Weaknesses

- **Tender-based nature of operations with intense competition in the industry**

The domestic construction sector is highly crowded with presence of many players with varied statures & capabilities. Further, BGCCPL receives all its work orders from government departments through tenders floated by the departments and based on its ability to secure these tenders amidst intense price war. Profit margin of the company may come under pressure because of this competitive nature of the industry. However, the promoters' long industry presence imparts comfort.

- **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, presences of price escalation clause (for raw materials) in almost all the contracts protect the margin to a great extent**.**

- **Highly fragmented & competitive nature of the construction sector with significant price war**

The domestic infrastructure sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

- **Moderate Working Capital intensity**

Construction business, by its nature, is working capital intensive as a large amount of working capital remains blocked in earnest money deposits and retention money. This apart, its clients are government departments/entities having various procedural requirements where payments are relatively slow. The Operating Cycle stood at 54 days in FY22 driven by inventory cycle of 20 days and average collection period 108 days. Despite the moderate trade receivables, comfort can be derived from the fact that the dues are from various government departments. Further, the company's creditor's period is also high as it tries to match the payments of its suppliers with its receipt of payments from debtors.

Analytical Approach: Standalone Approach

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Criteria of assigning rating outlook

Liquidity – Adequate

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash and bank balance of Rs. 155.74 crore as on March 31, 2022. The company has generated gross cash accruals of Rs. 219.94 crores in FY22 (PY: Rs. 169.18 crores) against scheduled debt repayments of around Rs. 51.11 crore in FY2022 and further Gross Cash Accruals of Rs. 281-410 crore which are much higher as compared to the debt obligations ranging around Rs. 38-50 crores from FY23-25. Its bank limits are utilized to the extent of 71.62% during the past 12 months ended July 2022. The liquidity position of the company is supported by its above unity current ratio.

About the Company

Brij Gopal Construction Company Pvt Ltd (BGCCPL) was originally started as a partnership firm by Mr. Ram Gopal Goyal and his sons Mr. Vikram Goyal, Mr. Rajan Goyal, and Mr. Raman Goyal in 1999. The partnership firm was then converted into a private limited company in 2009, and all the business of the firm was then transferred to BGCCPL. BGCCPL is essentially an EPC contractor with operations in roads/highways, sewerage, storm water, drain water supply and works management, including ancillary works and housing projects. The company has, however, now ventured into HAM road projects.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	1437.12	1936.00
EBITDA	220.00	269.93
PAT	143.39	182.34
Total Debt	334.14	268.18
Adjusted Tangible Net worth	722.37	1002.82
EBITDA Margin (%)	15.31	13.94
PAT Margin (%)	9.81	9.21
Overall Gearing Ratio (x)	0.28	0.19

**Classification as per Infomerics' standards*

Press Release

Status of non-cooperation with previous CRA: *The company was rated BWR in May 2020. Thereafter the rating was migrated to the non-Cooperative category in August 2021 and has stayed in INC ever since due to non submission of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (20 December 2022)	Date(s) & Rating(s) assigned in 2021-22 (22 October 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	150.00*	IVR A-/ Stable (IVR Single A Minus with Stable outlook)	IVR A-/ Stable (IVR Single A Minus with Stable outlook)	-	-
2.	Bank Guarantee	Long Term	600.00#	IVR A-/ Stable (IVR Single A Minus with Stable outlook)	IVR A-/ Stable (IVR Single A Minus with Stable outlook)	-	-

**Includes proposed limit of Rs. 90.00 crores*

#Includes proposed limit of Rs. 280.00 crores

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches 4 in major cities and representatives in several locations. For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Cash Credit	-	-	-	150.00* (Increased from Rs. 60.00 crore)	IVR A-/ Stable (IVR Single A Minus with Stable outlook)
Long Term Bank Facility – Bank Guarantee	-	-	-	600.00# (Increased from Rs. 320.00 crore)	IVR A-/ Stable (IVR Single A Minus with Stable outlook)

**Includes proposed limit of Rs. 90.00 crores*

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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Brij-Gopal-dec22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.