Press Release

Brij Gopal Construction Company Private Limited
Sep 25, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term bank Facilities	750.00	IVR A-/Stable and Withdrawn (IVR Single A minus with Stable Outlook and Withdrawn)	IVR BB+/Negative; ISSUER NOT COOPERATING* (IVR Double B Plus with Negative Outlook; Issuer Not Cooperating*)	Upgraded/Outlook Revised, removed from Issuer Not Cooperating category and simultaneously Withdrawn	**Simple**
Total	**750.00**	**Rupees Seven Hundred and Fifty Crore Only**			

**Issuer did not cooperate; Based on best available information*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded the long-term rating to IVR A- with change in Outlook to Stable, removed from Issuer Not Cooperating category and simultaneously withdrawn the rating assigned to bank loan facilities of Brij Gopal Construction Company Private Limited (BGCCPL) with immediate effect. The above action has been taken at the request of BGCCPL and 'No Objection Certificate' received from lead bank on behalf of consortium who have extended the rated facilities. The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.

The rating upgrade takes into consideration continuation of experienced promoters with long track record of operations with proven project execution capability, presence of relevant escalation clauses, strong order book position reflecting satisfactory medium-term revenue visibility, besides comfortable financial risk profile. However, these strengths are partially offset by tender-based nature of operations, competition and project execution risk, susceptibility of operating margin to volatile input prices

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the BGCCPL's business & financials risk profile will be maintained over the medium term. The company continue to maintain stable topline and comfortable financial risk profile of the company.

IVR has principally relied on the standalone audited financial results of BGCCPL up to up to FY23 (refers to 1 April 2022 to 31 March 2023), FY24 Provisional financials (refers to 1 April 2023 to 31 March 2024) & projected financials from FY25 to FY27 (refers to 1 April 2024 to

31 March 2027), and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities: Not Applicable

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record of operations with proven project execution capability:

The company has long track record of operations and the company's board comprise of qualified and experienced professionals. 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:

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.

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

The company had order book of ~Rs 6,073.86 Crs as on Dec,2023 (currently company is having order book of ~Rs 5,500 Crs) provides revenue visibility in medium term provides strong revenue visibility of the company in short to medium term, indicates from the order book to total revenue (FY24) ratio of more than ~2 times. The counterparties are also diverse and include NHAI, state departments, as well as the Municipal Corporations of States. The order book include HAM projects and multiple EPC projects.

Comfortable financial risk profile:

The company has done well over the past years, total income of the company has increased by a CAGR of ~17% in the past three fiscal years. Due to Covid-19, there was a marginal decline in the top line in FY21 but afterwards there is consistent growth in next 3 fiscal years (FYs). The total revenue of the company has improved from Rs 1461.15 Crs in FY21 to Rs 1979.02 Crs in FY22 and further improved to Rs 2264.82 Crs in FY23 and currently registered total revenue of Rs 2361.09 Crs in FY24 (Prov.) on the back of strong order book and execution capability of the company. Profit margins of the company has improved in FY24 (prov) against FY23. EBITDA & PAT margins of the company continue to be satisfactory and improved to 13.49% and 9.46% in FY24 (Prov.) against 12.28% and 8.24% in FY23 respectively on account of better operational efficiency along with orders with better margins. Gross cash accruals (GCA) stand at Rs 255.91 Crs in FY24 (prov) against Rs 218.45 Crs in FY23. The company has done well over the past years.

Comfortable capital structure with healthy debt protection metrics

The capital structure of the company remain robust, overall gearing of the company stood comfortable at 0.44x in FY24 provisional from 0.14x in FY23 whereas total indebtedness of the company as reflected by TOL/TNW which is comfortable at 1.06x in FY24 Prov. (PY:0.84x). Total Debt/ EBITDA is at comfortable level of 2.07x in FY24 Prov. (PY:0.66x). The current ratio is adequately stood at 1.34x in FY24 (PY:0.84x). The company has been able to generate sustainable cash surplus to repay as well as reinvest in the company. The debt protection indicators of the company are comfortable, indicated by interest service coverage ratio (ISCR) of 7.78x in FY24 provisional (PY: 7.92x) whereas debt service coverage ratio stood comfortable at 3.84x in FY24 provisional (PY:2.77x).

Key Rating Weaknesses

Tender-based nature of operations, competition and project execution risk

Given the nature and size of the projects awarded mainly though Government entity, the company is exposed to inherent risk in terms of delays in project execution & cost overrun of certain orders which may arise due to arranging infrastructure, delay in land acquisitions & environmental clearances, fluctuation in raw material prices, besides delay in sanctioning of required working capital limits for the completion of orders, may result in a delay in the realization of revenue growth & could affect the profit margins adversely. In addition to that the company majorly procures orders through the tender-based system. This exposes the company to the risk associated with the tender-based business. In addition to that, the EPC industry is highly fragmented and competitive with direct competition from several EPC players in the in the industry and the intense competition could exsert pressure on the pricing of the tender which further may affect the profit margins.

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. The raw material & labor cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labor cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labor cost. However, the presence of price escalation clause protects the margin to an extent.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Infrastructure Companies
- Financial Ratios & Interpretation (Non-Financial Sector).
- Criteria for assigning Rating outlook.
- Policy on Default Recognition
- Policy on Withdrawal of Ratings
- Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The company is expected to generate cash accruals of more than Rs. 255.91 Crs against repayment obligation of Rs. 37.12 crore for FY25. The average working capital utilization of the company is ~53% for last 12 months (till Dec 2023), which provides some cushion to the company to use unused working capital limits in case of requirement while scaling up its operations. The company also has an adequate current ratio of 1.34 in FY24 (Prov.) & expected to remain comfortable in next FYs. Liquidity is expected to remain adequate.

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. It is an EPC contractor with operations in roads/highways (including HAM projects under SPVs) mainly, besides sewerage, storm water, drain water supply and works management, including ancillary works and housing projects.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	2216.01	2300.00
EBITDA	272.11	310.33
PAT	186.66	223.47
Total Debt	178.61	642.49
Tangible Net Worth	1235.81	1458.82
EBITDA Margin (%)	12.28	13.49
PAT Margin (%)	8.24	9.46
Overall Gearing Ratio (x)	0.14	0.44
Interest Coverage (x)	7.92	7.78

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Rating (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Current Rating	Date(s) & Rating(s) assigned in 2024-25 (Aug 19,2024)	Date(s) & Rating(s) assigned in 2023-24 (Feb 20, 2024)	Date(s) & Rating(s) assigned in 2022-23 (Dec 20, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Sep 22, 2021)
1.	Long Term Bank Facility – Fund Based	Long Term	150.00	IVR A-/Stable; Withdrawn	IVR BB+/ Negative; ISSUER NOT COOPERATING*	IVR A-/ Negative; ISSUER NOT COOPERATING*	IVR A-/ Stable	IVR A-/ Stable
2.	Long Term Bank Facility - Non-Fund Based	Long Term	600.00	IVR A-/Stable; Withdrawn	IVR BB+/ Negative; ISSUER NOT COOPERATING*	IVR A-/ Negative; ISSUER NOT COOPERATING*	IVR A-/ Stable	IVR A-/ Stable

**Issuer did not cooperate; Based on best available information*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Cash Credit	-	-	-	-	150.00	IVR A- /Stable; Withdrawn
Long Term Bank Facility - Non-Fund Based- Bank Guarantee	-	-	-	-	600.00	IVR A- /Stable; Withdrawn

Annexure 2: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-brijgopal-sep24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.