



## Press Release

**Brij Gopal Construction Company Private Limited**

**September 22, 2021**

### Ratings

S. No	Instrument /Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Facility	60.00	IVR A-/ Stable (IVR Single A Minus with Stable Outlook)	Assigned
2.	Long Term Non-Fund Based Facility	320.00	IVR A-/ Stable (IVR Single A Minus with Stable Outlook)	Assigned
	Total	<b>380.00</b>		

**Details of Facilities are in Annexure 1.**

### Detailed Rationale

The rating assigned to the bank facilities of **Brij Gopal Construction Company Private Limited** draws 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



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- 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:**

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.

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

Over the past years, the firm has successfully completed many civil construction projects in multiple states and ensured timely completion of all its projects. The company has been successful in building brand equity through its operations which has helped them in gaining larger projects.

- **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**



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The company had an adequate order book position of Rs. 6074.88 Crs as on 31 March 2021. The order book is 4.37x the revenue achieved in FY21 (as per provisional statements), 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 three HAM projects, one BOT (Build, Operate and Transfer) project and multiple EPC projects.

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

The financial risk profile of the company remained comfortable marked by its comfortable capital structure and satisfactory debt protection metrics backed by healthy profitability. Over the past three years the company has maintained a healthy profitability marked by satisfactory EBITDA margin, healthy PAT margin and comfortable gross cash accruals. In FY21, BGCCPL witnessed a healthy EBITDA margin of 18.01% and PAT margin of 11.03%. The healthy profit margin was mainly on account of consistent cost control and efficiency measures stipulated by the Company. Also, the Company did regular capital expenditure at its plant and machinery and back-end infrastructure which has reduced the operating overheads and brought in efficiency. Further, in FY2021, BGCCPL achieved a PBT of Rs.209.64 crore on a total operating income of Rs.1447.57 crores.

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

The overall gearing of the company stood comfortable at 0.42x as on March 31, 2021 (PY: 0.60x as on March 31, 2020). The debt protection indicators of the company like interest coverage have remained satisfactory at above 15.79x in FY2021 (8.57x in FY2020). Total Debt/GCA though reduced from 1.59 years in FY20 to 1.08 years in FY21 mainly due to decrease in borrowings continued to remain satisfactory. Further, total indebtedness of the company as reflected by TOL/TNW remained comfortable at 1.04x as on March 31, 2021 (1.37x in FY2020).

### 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



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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 & labor 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 16 days in FY21 driven by inventory cycle of 22 days and average collection period 73 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



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### Applicable Criteria:

Rating Methodology for Infrastructure Companies  
Financial Ratios & Interpretation (Non-financial Sector)

### Liquidity – Adequate

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash and bank balance of Rs.308.39 crore (including encumbered cash balances against the margin money for BG) as on March 31, 2021. The company has generated gross cash accruals of Rs. 201.40 crores in FY21(FY20: Rs. 130.75 crores) against scheduled debt repayments of around Rs.40.46 crore in FY2021 and further Gross Cash Accruals of Rs. 266-374 crore which are much higher as compared to the debt obligations ranging around Rs. 50-60 crores from FY22-24. Further, the company has no planned capex for next two fiscal or availing of long-term debt plan which imparts comfort.

### 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. The company has an unexecuted order book position of Rs. 6074.88 Crs as on March 2021, of which 2 orders come from the HAM projects from the NHAI.

### Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	1461.33	1426.20
EBITDA	170.14	256.87
PAT	97.54	159.37
Total Debt	270.40	278.65
Adjusted Tangible Net worth	463.49	667.00
EBITDA Margin (%)	11.64%	18.01%



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For the year ended*/As on	31-03-2020	31-03-2021
PAT Margin (%)	6.59%	11.03%
Overall Gearing Ratio (x)	0.55	0.41

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	60.00	IVR A-/ Stable	-	-	-
3.	Bank Guarantee	Long Term	320.00	IVR A-/ Stable	-	-	-

**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](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.





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### 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	-	-	-	60.00	IVR A-/ Stable
Long Term- Bank Guarantee	-	-	-	320.00	IVR A-/ Stable

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/brij-gopal-lenders-22sept21.pdf>