



Brij Gopal Construction Company (P) Limited

Instrument	Amount (Rs. Crore)	Rating Action
Long Term: Fund Based Limits	50.00	[ICRA]BBB- (Stable) / Upgraded
Long Term: Non Fund Based Limits	150.00	[ICRA]BBB- (Stable) / Upgraded

ICRA has upgraded the long term rating assigned to Rs. 200.0 crore¹ fund based and non-fund based bank facilities of Brij Gopal Construction Company (P) Limited (BGCC) to [ICRA]BBB- (pronounced ICRA triple B minus) from [ICRA]BB+(pronounced ICRA double B plus)[†]. The outlook on the long term rating is Stable.

The rating upgrade takes into account the strong revenue growth in FY14 by ~44% to Rs. 532.46 crore due to healthy inflow of new orders and improving pace of execution. As a result, the order book position remains healthy with pending orders of Rs. 1,242 crore as on Mar-14 (2.33 times FY14 revenues) which along with the duration of orders of ~1.5 years provides revenue visibility over the medium term. Notwithstanding the strong revenue growth and the working capital intensive nature of operations on account of long receivable cycle, the increase in the debt levels had been relatively lower as the company further monetized ~Rs.30.0 crore of investment in its subsidiaries which has been primarily deployed towards the working capital. The total investment in the subsidiaries had reduced from ~Rs. 127 crore as on Mar-11 to ~Rs. 60 crore as on Mar-14; however a substantial part of the net worth of the company (~35%) still continues to remain deployed as investments in the subsidiaries. With the healthy order book, the revenues are expected to increase steadily over the medium term, which would also increase the working capital requirement. Hence monetization of these investments would be critical to keep the debt levels low, given the low accruals, and maintain the financial profile of the company. Besides the monetization of the investments, timely enhancement of the working capital limits would also be important to maintain adequate liquidity.

The rating continues to take into account the long track record of the company in the construction of roads and water supply & sewerage systems which coupled with registration as class A contractor with the various government departments has resulted in regular repeat orders. Moreover as all the orders are from the government departments, the credit risk on the receivables is low, however ability to timely realise them while securing approvals for cost escalations, if any, may also be critical.

The rating continues to be constrained by the high customer and regional concentration as two customers (HSIIDC and HUDA), i.e. the state departments of Haryana continue to account for more than 2/3rd of the pending order book, though the order book concentration towards few large orders has relatively reduced as on Mar-14. Nonetheless, top 5 orders still continues to account ~61% of orders as against top 3 orders accounting for ~70% of orders last year. Any slowdown in the execution of these large orders or decline in the new orders from these customers would impact the revenue growth of the company. Though the company has been diversifying and has recently been awarded orders in Delhi from DDA which accounted for 8% of the revenues in FY 14 and 21% of the order book as on Mar-14, it remains modest. The rating remains constrained by the low operating profit margins of the company, despite the company now mostly executing direct orders compared to sub-contracting orders earlier, which results in low accruals and thereby high dependence on timely monetization of the investments to fund the revenue growth through internal sources.

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



Going forward BGCC's ability to sustain the revenue growth by securing new orders and timely execution of the existing order book; improvement in the profitability, monetization of the pending investment in subsidiaries to support the business operations and customer diversification would be the key rating sensitivities.

Recent Results

In FY14, as per the provisional results, BGCC reported an operating income of Rs.532.46 crore and a net profit of Rs.8.63 crore.

Company Profile

Brij Gopal Construction Co (P) Limited (BGCC) was incorporated in April, 2009 and is engaged in construction of roads, water supply and sewerage systems, mainly for state government departments in Haryana. The operations were earlier carried out in a partnership firm namely Brij Gopal Construction Company which was formed in 1999, The company is promoted by Mr. Ram Goyal and his three sons – Mr. Vikram Goyal, Mr. Rajan Goyal and Mr. Raman Goyal. While Mr. Ram Goyal is the Chairman of the company and has more than 40 years of experience in the construction industry, the day-to-day affairs of the company are handled by his sons. The company is a closely held company with the entire shareholding with the promoters and their associates either in individual capacity or through holding company.

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