

Gayatri Projects Limited

March 01, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	1,997.77	CARE D (Single D)	Revised from CARE B; Stable (Single B; Outlook: Stable)
Long-term/Short-term Bank Facilities	4,547.16	CARE D / CARE D (Single D / Single D)	Revised from CARE B; Stable / CARE A4 (Single B; Outlook: Stable / A Four)
Total	6,544.93 (Rs. Six Thousand Five Hundred Forty- Four Crore and Ninety-Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Gayatri Projects Limited (GPL) is on account of delays in debt servicing of the company due to liquidity stress on account of cash flow mismatch arising out of delays in receipt of debtors.

Rating sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Timely servicing of interest and principal repayment obligation coupled with a delay free track record for a continuous period of 12 months.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in debt servicing:

Due to delay in receipt of receivables, the liquidity of the company has been strained due to cash flow mismatch resulting in delay in debt servicing obligations, which has been confirmed by the lenders.

Leveraged capital structure: Capital structure marked by overall gearing of GPL deteriorated significantly as on March 31, 2020. Despite reduction in the total debt, overall gearing deteriorated from 2.49x as on March 31, 2019 to 3.39x as on March 31, 2020 primarily on account of erosion of net worth due to exceptional loss of Rs.445 crore recognized during FY20. Total outstanding debt of GPL (including mobilization advance) as on March 31, 2020 stands at Rs.3197.04 crore as against Rs.3316.21 crore as on March 31, 2019. Further, the debt coverage indicators marked by TDGCA and interest coverage ratio have deteriorated significantly from 12.11x and 2.05x during FY19 respectively to -10.68x and 1.45x during FY20.

High exposure in group companies/subsidiaries in form of loans & advances and corporate guarantees: Majority of the group exposure is in the form of investments, advances extended to the subsidiary and associate companies. Such companies are involved in development/have developed power projects, road BOT projects and hotel which have a high gestation period and hence have resulted in temporary blockage of funds. The exposure towards group companies in the form of investments reduced significantly from Rs.1011.46 crore as on March 31, 2019 to Rs.562.26 crore as on March 31, 2020 due to recognition of loss on account of sale of investment in Gayatri Energy Ventures Private Limited.

Further, the company extended loans and advances to subsidiaries/associate companies amounting to Rs.209.29 crore as on March 31, 2020 (as against Rs.320.78 crore as on March 31, 2019). The company also extended corporate guarantees (CGs) towards loans availed by its group companies. As on March 31, 2020, total outstanding corporate guarantee stood at Rs.2690.08 crore (which was reduced from Rs.3082.58 crore)

Key Rating Strengths

Significant experience and track record of promoters in execution of construction contracts: Gayatri Projects Ltd (GPL) is a civil construction company with over four decades of experience in executing various infrastructure projects. GPL, an ISO 9001 – 2000 company, is engaged in execution of major civil works including Concrete/Masonry Dams, Earth Filling Dams, National Highways, Bridges, Canals, Aqueducts, Ports, etc. The clientele of the company includes various state government departments. GPL has successfully completed Construction / Maintenance/ Widening of more than 1,900 Km of highways, 1,250 Km of Irrigation projects along with several other projects of dams & reservoir and industrial buildings etc.

Healthy and geographically diversified order book position with long term revenue visibility: GPL has a healthy and diversified order book of Rs.12,040 crore as on September 30, 2020 (as against Rs.16,625.65 crore as on December 31, 2018), which translates to 4.39x of gross billing of FY20 providing long term revenue visibility. The current work orders of the company are spread across 13 states, however, mainly concentrated in Uttar Pradesh (19%) followed by Andhra Pradesh (16.14%), Odisha (15.36%) and Maharashtra (12.74%). Though the order book is diversified into various sectors such as roads, irrigation,

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

industrial works and mining, the roads sector and irrigation sector contributes 65% and 29% respectively of the total order book.

Liquidity Position: Stretched

The liquidity position of the company stands stretched on account of delays in receipt of receivables leading to cash flow mismatch resulting in delays in debt servicing.

Analytical Approach: Standalone

Applicable Criteria:

[CARE's Policy on Default Recognition](#)

[Criteria on assigning 'Outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology – Construction Sector](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial Ratios - Non-Financial Sector](#)

About the Company

Gayatri Projects Limited (GPL) has been promoted by Dr T. Subbarami Reddy, while the day-to-day management of the company is currently undertaken by his son and Managing Director Mr. T. V. Sandeep Kumar Reddy. GPL is a prominent infrastructure construction company with over four decades of experience in executing various infrastructure projects, especially in road and irrigation segment. GPL, an ISO 9001 – 2000 company, is engaged in execution of major Civil Works including Concrete/Masonry Dams, Earth Filling Dams, National Highways, Bridges, Canals, Aqueducts, Ports, etc. It specializes in engineering, procurement and construction (EPC) of road, irrigation and industrial projects across India. GPL has healthy and diversified order book of Rs.12,040.91 crore as on September 30, 2020 (as against Rs.16,625.65 crore as on December 31, 2018), which translates to 4.39x of gross billing of FY20 providing long term revenue visibility.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	3494.56	3461.77
PBILDT	577.19	462.72
PAT	210.77	-384.57
Overall gearing (times)	2.49	3.39
Interest coverage (times)	2.05	1.45

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

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
Fund-based - LT-Term Loan	-	-	June 2023	170.15	CARE D
Fund-based - LT-Term Loan	-	-	June 2023	202.83	CARE D
Fund-based - LT-Cash Credit	-	-	-	1123.50	CARE D
Non-fund-based - LT/ST-BG/LC	-	-	-	4547.16	CARE D / CARE D

Fund-based - LT-External Commercial Borrowings	-	-	June 2023	12.51	CARE D
Fund-based - LT-Funded Interest term Loan	-	-	March 2021	26.49	CARE D
Fund-based - LT-Working capital Term Loan	-	-	June 2023	107.72	CARE D
Fund-based - LT-Term Loan	-	-	February 2022	60.25	CARE D
Non-fund-based - LT-Bank Guarantees	-	-	-	219.22	CARE D
Fund-based - LT-Funded Interest term Loan	-	-	March, 2021	75.10	CARE D

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	170.15	CARE D	1)CARE B; Stable (19-Jan-21)	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	1)CARE BB-; Stable (21-Jun-18)	1)CARE D (12-Mar-18) 2)CARE BB-; Negative (31-Oct-17) 3)CARE BBB-; Stable (11-Apr-17)
2.	Fund-based - LT-Term Loan	LT	202.83	CARE D	1)CARE B; Stable (19-Jan-21)	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	1)CARE BB-; Stable (21-Jun-18)	1)CARE D (12-Mar-18) 2)CARE BB-; Negative (31-Oct-17) 3)CARE BBB-; Stable (11-Apr-17)
3.	Fund-based - LT-Cash Credit	LT	1123.50	CARE D	1)CARE B; Stable (19-Jan-21)	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	1)CARE BB-; Stable (21-Jun-18)	1)CARE D (12-Mar-18) 2)CARE BB-; Negative (31-Oct-17) 3)CARE BBB-; Stable (11-Apr-17)
4.	Non-fund-based - LT/ST-BG/LC	LT/ST	4547.16	CARE D / CARE D	1)CARE B; Stable / CARE A4 (19-Jan-21)	1)CARE D (15-Nov-19) 2)CARE BB+; Stable / CARE A4+	1)CARE BB-; Stable / CARE A4 (21-Jun-18)	1)CARE D / CARE D (12-Mar-18)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
						(04-Jun-19)		2)CARE BB-; Negative / CARE A4 (31-Oct-17) 3)CARE BBB-; Stable / CARE A3 (11-Apr-17)
5.	Fund-based - LT- External Commercial Borrowings	LT	12.51	CARE D	1)CARE B; Stable (19-Jan-21)	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	1)CARE BB-; Stable (21-Jun-18)	1)CARE D (12-Mar-18) 2)CARE BB-; Negative (31-Oct-17) 3)CARE BBB-; Stable (11-Apr-17)
6.	Fund-based - LT- Funded Interest term Loan	LT	26.49	CARE D	1)CARE B; Stable (19-Jan-21)	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	1)CARE BB-; Stable (21-Jun-18)	1)CARE D (12-Mar-18) 2)CARE BB-; Negative (31-Oct-17) 3)CARE BBB-; Stable (11-Apr-17)
7.	Fund-based - LT- Working capital Term Loan	LT	107.72	CARE D	1)CARE B; Stable (19-Jan-21)	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	1)CARE BB-; Stable (21-Jun-18)	1)CARE D (12-Mar-18) 2)CARE BB-; Negative (31-Oct-17) 3)CARE BBB-; Stable (11-Apr-17)
8.	Fund-based - LT-Term Loan	LT	60.25	CARE D	1)CARE B; Stable (19-Jan-21)	-	-	-
9.	Non-fund-based - LT- Bank Guarantees	LT	219.22	CARE D	1)CARE B; Stable (19-Jan-21)	-	-	-
10.	Fund-based - LT- Funded Interest term Loan	LT	75.10	CARE D	1)CARE B; Stable (19-Jan-21)	-	-	-

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

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-External Commercial Borrowings	Simple
3.	Fund-based - LT-Funded Interest term Loan	Simple
4.	Fund-based - LT-Term Loan	Simple
5.	Fund-based - LT-Working capital Term Loan	Simple
6.	Non-fund-based - LT/ ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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