

FEBRUARY 19, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF GAYATRI PROJECTS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1,107.67	CARE B+ (Single B Plus)	Revised from CARE BB+ to CARE D and then revised to CARE B+
Short-term Bank Facilities	300.00	CARE A4 (A Four)	Revised from CARE A4+ to CARE D and then revised to CARE A4
Long-term/Short-term Facilities	2,801.00	CARE B+/CARE A4 (Single B Plus/A Four)	Revised from CARE BB+/CARE A4+ to CARE D and then revised to CARE B+/CARE A4
Total Facilities	4,208.67		

Rating Rationale

The revision in the ratings of the bank facilities of Gayatri Projects Limited (GPL) to 'CARE D' reflects delays in debt servicing by the company in Q4FY14 (refers to the period January 01 to March 31) and Q1FY15 (refers to the period April 1 to June 30). The ratings were, hence, revised to 'CARE D' as per CARE's policy of recognizing default. However, following regularisation of debt servicing the ratings stand revised to 'CARE B+' (Single B Plus) and 'CARE A4' (A Four), respectively.

The ratings are constrained by the stretched liquidity position of the company leading to restructuring of its loan, increasing debt levels, high exposure to group companies, client concentration risk, large, albeit reducing, equity commitments towards power and the BOT projects which have long gestation periods, high repayment obligations which in turn impact the liquidity profile of the company and working capital intensive nature of business. The ratings are underpinned by the track record of the company and promoters' experience and satisfactory order book albeit certain stalled orders and weak order inflow.

The ability of the company to improve its liquidity profile and capital structure is the key rating sensitivity.

Background

GPL is 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 engaged in the execution of civil works including the construction of dams, roads, bridges, etc.

GPL registered a total operating income of Rs.1814.87 crore and net profit of Rs 47.61 crore for FY14 (refers to the period April 1 to March 31) vis-à-vis income of Rs.2,023.83 crore in FY13 with a net profit of Rs.63.09 crore. Furthermore, for H1FY15, GPL registered a total operating income of Rs.648.52 crore with a PAT of Rs.3.38 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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