

November 27, 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	1738.99	CARE B (Single B)	Revised from CARE D (Single D)
Long-term/Short-term Bank Facilities	2563.81	CARE B/CARE A4 (Single B/ A Four)	Revised from CARE D/CARE D (Single D/Single D)
Total Facilities	4302.80 (Rupees Four Thousand Three Hundred Two crore and Eighty lakh only)		

Rating Rationale

The revision in the ratings of Gayatri Projects Limited (GPL) takes into account improved financial performance during H1FY16 (FY refers to the period April 01 to March 31) vis-à-vis H1FY15 and infusion of fresh equity resulting in regularization of debt servicing,

The ratings continues to be constrained by the stretched liquidity position of the company, increasing debt levels, high gearing levels, high exposure in BOT and power projects(group companies) having long gestation periods, decline in revenue in FY15 vis-à-vis FY14, client concentration risk and working capital intensive nature of business. The ratings are however underpinned by the track record of the company and promoters' experience, substantially reduced equity commitment and satisfactory order book albeit certain stalled orders. The ability of the company to improve its liquidity profile and capital structure along with effective management of its cash flow are the key rating sensitivities.

Background

GPL is promoted by Dr T Subbirami 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 and bridges etc. GPL is a Hyderabad based infrastructure construction company with over 40 years of experience in executing various infrastructure projects, especially 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 specialises in engineering, procurement and construction (EPC) of road, irrigation and industrial projects across India.

During FY15, GPL registered total operating income of Rs.1652.84 crore with net profit of Rs.22.05 crore vis-à-vis total operating income of Rs.1854. 74 crore and net profit of Rs.47.61 crore in FY14. Further during H1FY16

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

GPL registered total operating income of Rs.727.60 crore (Rs649.20crore in H1FY15) with a net profit of Rs.17.98 crore (Rs3.38 croreH1FY15).

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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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