# Gayatri Projects Limited

April 11, 2017

**Ratings**

| Facilities | Amount (Rs. crore) | Ratings[1] | Rating Action |
|---|---|---|---|
| Long-term Bank Facilities | 2108.84 | **CARE BBB-;Stable (Triple B Minus; Outlook: Stable)** | Revised from CARE BB- (Double B Minus) |
| Long-term/Short-term Bank Facilities | 3900.00 | **CARE BBB-; Stable/CARE A3 (Triple B Minus; Outlook: Stable / A Three)** | Revised from CARE BB- / CARE A4 (Double B Minus/ A Four) |
| **Total** | **6008.84 (Rupees Six thousand Eight crore and Eighty Four lakh only)** | | |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The revision in ratings of the bank facilities of Gayatri Projects Limited (GPL) takes into account improvement in the total operating income and profitability margins during 9MFY17 vis-a-vis 9MFY16 (refers to the period April 1 to December 31), improvement in order book position, improvement in the overall gearing and pother debt coverage indicators and collection efficiency during 9MFY17. The ratings continue to derive strength from long and established track record of the company and promoters' experience, healthy and diversified order book position and improved operating cycle. The ratings continue to remain constrained by high exposure in EPC Projects having long gestation periods, high exposure in group companies albeit reduced significantly, and working capital intensive nature of business. The ability of the company to further improve its liquidity profile, capital structure and successful execution of all its existing orders along with effective management of its cash flow are the key rating sensitivities.

**Detailed description of the key rating drivers**

**Key Rating Strengths**

***Healthy growth in total operating income with comfortable profitability margins during 9MFY17 vis-a-vis 9MFY16***

During 9MFY17, the company achieved total income of Rs.1312.61 crore (which grew by 14.09%) in 9MFY17 as against Rs.1150.50 crore in 9MFY16. The PBILDT and PAT margins of the company have improved in 9MFY17 to 15.82% and 3.21% respectively (as against 15.16% and 2.62% during 9MFY16).

***Improved, healthy and diversified order book position with medium to long term revenue visibility***

As on February 28, 2017, outstanding order book position of the company stood at Rs.14,907.18 crore (as compared to Rs.11,690.12 crore as on June 30, 2016) which are spread over 15 states providing medium to long term revenue visibility.

***Improvement in financial risk profile***

The overall gearing ratio of the company has improved and remained at 2.62x as on December 31, 2016 (2.96x as on March 31, 2016). Other debt coverage indicator, the interest coverage ratio also improved marginally during 9MFY17.

***Improved collection efficiency***

The outstanding debtors have improved significantly as on February 28, 2017 when compared to the outstanding debtors as on March 31, 2016.

***Experienced promoters albeit limited experience***

GPL is a prominent infrastructure construction company with over four decades 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 (BOT) of road, irrigation and industrial projects across India.

***High exposure in group companies albeit reduced significantly***

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

As on March 31, 2016, contingent liabilities (in the form of corporate guarantees given to its group companies) of GPL have decreased significantly. The company doesn't have any equity commitment as on December 31, 2016. Equity commitments towards road and power projects have been fulfilled.

***Improved operating cycle albeit working capital intensive nature of business***

Operating cycle of the company improved significantly from FY15 to FY16 led by significant improvement in collection period in FY16 (refers to the period April 1 to March 31). Furthermore, with faster execution of projects, inventory days also decreased in FY16. Average working capital utilization of the company for the last 7 months ended January 2017 was moderate.

**Key Rating Weaknesses**

***High exposure in EPC Projects***

The order book is diversified into various sectors such as roads, irrigation, industrial works, power transmission and orders from EPC projects with roads alone is contributing to about 61% of the order book.

**Analytical approach**: Standalone

**Applicable Criteria:**

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector

**About the Company**

Gayatri Projects Limited (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 a prominent infrastructure construction company with over four decades of experience in executing various infrastructure projects, especially in the 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 (BOT) of road, irrigation and industrial projects across India.

During FY16, GPL registered PBILDT of Rs.318.55 crore (FY15: Rs.261.41 crore) and PAT of Rs.58.65 crore (FY15: Rs.22.05 crore) on a total operating income of Rs.1871.30 crore (FY15: Rs.1652.84 crore).
During 9MFY17, GPL registered PBILDT of Rs.207.65 crore and PAT of Rs.39.47 crore on a total operating income of Rs.1312.61 crore.

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

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

***Note on complexity levels of the rated instrument:*** *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.*

**Analyst Contact**

Name: Mr Vidhyasagar L
Tel: 040-40102030
Mobile: +918801880184
Email: vidhya.sagar@careratings.com

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**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/outlooks 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 /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**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 | 329.72 | CARE BBB-; Stable |
| Fund-based - LT-Term Loan | - | - | June 2023 | 448.36 | CARE BBB-; Stable |
| Fund-based - LT-Cash Credit | - | - | - | 900.00 | CARE BBB-; Stable |
| Non-fund-based - LT/ ST-BG/LC | - | - | - | 3900.00 | CARE BBB-; Stable / CARE A3 |
| Fund-based - LT-External Commercial Borrowings | - | - | June 2023 | 139.00 | CARE BBB-; Stable |
| Fund-based - LT-Funded Interest term Loan | - | - | June 2023 | 127.70 | CARE BBB-; Stable |
| Fund-based - LT-Working capital Term Loan | - | - | June 2023 | 164.06 | CARE BBB-; Stable |

**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 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-Term Loan | LT | 329.72 | CARE BBB-; Stable | - | 1)CARE BB- (10-Oct-16)<br>2)CARE BB- (11-May-16) | 1)CARE B (27-Nov-15)<br>2)CARE D (05-Nov-15)<br>3)CARE B+ (05-May-15) | 1)CARE B+ (19-Feb-15) |
| 2. | Fund-based - LT-Term Loan | LT | 448.36 | CARE BBB-; Stable | - | 1)CARE BB- (10-Oct-16)<br>2)CARE BB- (11-May-16) | 1)CARE B (27-Nov-15)<br>2)CARE D (05-Nov-15)<br>3)CARE B+ (05-May-15) | 1)CARE A4 (19-Feb-15) |
| 3. | Fund-based - LT-Cash Credit | LT | 900.00 | CARE BBB-; Stable | - | 1)CARE BB- (10-Oct-16)<br>2)CARE BB- (11-May-16) | 1)CARE B (27-Nov-15)<br>2)CARE D (05-Nov-15)<br>3)CARE B+ | 1)CARE B+ (19-Feb-15) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | (05-May-15) | |
| 4. | Non-fund-based - LT/ ST-BG/LC | LT/ST | 3900.00 | CARE BBB-; Stable / CARE A3 | - | 1)CARE BB- / CARE A4 (10-Oct-16) 2)CARE BB- / CARE A4 (11-May-16) | 1)CARE B / CARE A4 (27-Nov-15) 2)CARE D / CARE D (05-Nov-15) 3)CARE B+ / CARE A4 (05-May-15) | 1)CARE B+ / CARE A4 (19-Feb-15) |
| 5. | Fund-based - LT-External Commercial Borrowings | LT | 139.00 | CARE BBB-; Stable | - | 1)CARE BB- (10-Oct-16) 2)CARE BB- (11-May-16) | 1)CARE B (27-Nov-15) 2)CARE D (05-Nov-15) 3)CARE B+ (05-May-15) | 1)CARE B+ (19-Feb-15) |
| 6. | Fund-based - ST-Bills discounting/ Bills purchasing | ST | - | - | - | - | 1)Withdrawn (05-May-15) | 1)CARE A4 (19-Feb-15) |
| 7. | Fund-based - LT-Funded Interest term Loan | LT | 127.70 | CARE BBB-; Stable | - | 1)CARE BB- (10-Oct-16) 2)CARE BB- (11-May-16) | 1)CARE B (27-Nov-15) 2)CARE D (05-Nov-15) 3)CARE B+ (05-May-15) | - |
| 8. | Fund-based - LT-Working capital Term Loan | LT | 164.06 | CARE BBB-; Stable | - | 1)CARE BB- (10-Oct-16) 2)CARE BB- (11-May-16) | 1)CARE B (27-Nov-15) 2)CARE D (05-Nov-15) 3)CARE B+ (05-May-15) | - |

# CONTACT

**Head Office Mumbai**


**Mr. Amod Khanorkar**
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

**Mr. Saikat Roy**
Mobile: + 9198209 98779
E-mail: saikat.roy@careratings.com


**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**AHMEDABAD**
**Mr. Mehul Pandya**
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

**BENGALURU**
**Mr. Deepak Prajapati**
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

**CHANDIGARH**
**Mr. Sajan Goyal**
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

**CHENNAI**
**Mr. V Pradeep Kumar**
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

**COIMBATORE**
**Mr. V Pradeep Kumar**
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

**HYDERABAD**
**Mr. Ramesh Bob**
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

**JAIPUR**
**Mr. Nikhil Soni**
304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

**KOLKATA**
**Ms. Priti Agarwal**
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

**NEW DELHI**
**Ms. Swati Agrawal**
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

**PUNE**
**Mr.Pratim Banerjee**
9th Floor, Pride KumarSenate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail:pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691