

## Gayatri Projects Limited

June 04, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	1888.57 (reduced from 2030.30)	<b>CARE BB+; Stable (Double B Plus; Outlook: Stable)</b>	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
Long term/Short term Bank Facilities	4735.76 (enhanced from 4594.03)	<b>CARE BB+; Stable/ CARE A4+ (Double B Plus; Outlook: Stable/A Four Plus)</b>	Revised from CARE BB-; Stable/ CARE A4 (Double B Minus; Outlook: Stable/A Four)
<b>Total Facilities</b>	<b>6624.33</b> <b>(Rupees Six thousand Six hundred &amp; Twenty Four crore and Thirty Three lakh only)</b>		

*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) takes into account improvement in the total operating income in FY19 (provisional; FY refers to the period April 1 to March 31), satisfactory profitability margins, healthy order book position, gradual increase in asset base, low reliance on sub-contracting expenses, moderate operating cycle and liquidity position. The ratings continue to derive strength from long and established track record of the company & promoters experience and stable industry outlook. The ratings, however, continue to remain constrained by high exposure in the form of investments ,loans & advances and corporate guarantee to group/subsidiary companies, geographically concentrated order book, leveraged capital structure albeit improvement and intense competition in civil construction sector.

The ability of the company to further improve its liquidity profile, capital structure, reduce the exposure toward group companies and successful execution of all its existing orders within envisaged cost and timelines along with effective management of its cash flow are the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Growth in total operating income with satisfactory profitability margins during FY19 (provisional):** During FY19, the total income of the company increased to Rs.3399.59 crore as against Rs.2952.88 crore in FY18 registering a y-o-y growth of 15.13% majorly led by increase in execution of roads and irrigation projects. The company executes projects in roads and irrigation segment where in margins are slightly on a lower side. However, PBILDT margin remained satisfactory at 17.38% (17.91% in FY18). Along with aforementioned reasons, with increase in depreciation cost, PAT margin also witnessed marginal decline by 36 bps to 7.01 % (6.37% in FY18).

**Healthy order book position with long term revenue visibility:** GPL has healthy and diversified order book of Rs.16,625.65 crore (excluding slow moving orders amounting to Rs.700 crore) as on December 31, 2018 as against (Rs.12,445.74 crore as on April 01, 2018). The confirmed order book position is spread across 14 states and translates to 4.89x of gross billing for FY19 providing long term revenue visibility.

**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.

**Gradual increase in asset base; low reliance on sub-contracting:** The asset base of the company continued to remain moderate with Fixed Asset turnover ratio at 4.91x in FY19, the same improved marginally from 4.71x in FY18 with the increase in the fixed asset base by Rs.64.85 crore in FY19. The company does not rely much on sub-contracting. Sub-contracting expenses constitutes around 19% of total cost of sales in FY19 which remained on a similar level as in FY18.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Moderate operating cycle:** Working capital cycle days of GPL continues to remain moderate at 88 days in FY19 which increased from 81 days in FY18. Increase in operating cycle is on account of increase in collection period which stood at 154 days in FY19 (141 days in FY18). The company executes orders for various state government departments wherein the payments are stretched resulting in high collection period.

**Stable industry outlook:** Growth in infrastructure is critical for the development of the economy and hence, the construction sector assumes an important role. Government of India has undertaken several steps for boosting the infrastructure development and revives the investment cycle. The same has gradually resulted in increased order inflow and movement of passive orders in existing order book. With the banking system being cautious in lending with stricter regulatory environment due to high level of NPAs, enhancement in working capital limits to fund growth has witnessed slowdown. Going forward, companies with better financial flexibility would be able to grow at a faster rate by leveraging upon potential opportunities.

#### Key Rating Weaknesses

**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 total exposure towards group companies in the form of investments/corporate guarantees reduced to Rs.4483.91 crore as on March 31, 2019 as against Rs.4793.89 crore as on March 31, 2018. Despite reduction, the same remains on a higher side.

**Leveraged capital structure:** Capital structure marked by overall gearing of GPL improved as on March 31, 2019. Despite increase in total outstanding debt as on March 31, 2019 on account of increase in mobilization advances, overall gearing as on March 31, 2019 improved to 2.43x as against 2.60x as on March 31, 2018 led by accretion of profits to networth. However, the same continues to remain leveraged. Other debt coverage indicators, TDGCA and interest coverage ratio improved marginally to 5.46x (FY18: 5.51x) and 1.99x (FY18: 1.78x) in FY19.

**Geographically concentrated order book:** The current work orders of the company are spread across fourteen states, however, mainly concentrated in Uttar Pradesh (26%) followed by Orissa (16%), Maharashtra (14%) and Andhra Pradesh (12%). Top four states constitute around 66% of total order book.

**Intense competition in civil construction sector:** There are numerous fragmented & unorganized players operating in the segment which makes the civil construction space highly competitive. However, the promoters' long industry experience of more than two decades mitigates this risk to some extent.

#### Liquidity

**Moderate liquidity position:** Liquidity position of the company as on March 31, 2019 continues to remain moderate marked by current ratio of 1.02x. As on March 31, 2019, GPL had free cash balances of Rs.79.98 crore (as against Rs.56.92 crore as on March 31, 2018). This apart, GPL had cash in form of fixed deposits amounting to Rs.197.90 crore as on March 31, 2019.

**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.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (Prov.)
Total operating income	2952.88	3399.59
PBILDT	528.81	590.96
PAT	188.09	204.20
Overall gearing (times)	2.60	2.43
Interest coverage (times)	1.78	1.99

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

#### 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	228.09	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	June 2023	282.35	CARE BB+; Stable
Fund-based - LT-Cash Credit	-	-	-	1050.00	CARE BB+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	4735.76	CARE BB+; Stable/ CARE A4+
Fund-based - LT-External Commercial Borrowings	-	-	June 2023	112.72	CARE BB+; Stable
Fund-based - LT-Funded Interest term Loan	-	-	June 2023	83.00	CARE BB+; Stable
Fund-based - LT-Working capital Term Loan	-	-	June 2023	132.41	CARE BB+; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	228.09	CARE BB+; Stable	-	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)	1)CARE BB- (10-Oct-16) 2)CARE BB- (11-May-16)
2.	Fund-based - LT-Term Loan	LT	282.35	CARE BB+; Stable	-	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)	1)CARE BB- (10-Oct-16) 2)CARE BB- (11-May-16)
3.	Fund-based - LT-Cash Credit	LT	1050.00	CARE BB+; Stable	-	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)	1)CARE BB- (10-Oct-16) 2)CARE BB- (11-May-16)

4.	Non-fund-based - LT/ ST-BG/LC	LT/ST	4735.76	CARE BB+; Stable / CARE A4+	-	1)CARE BB-; Stable / CARE A4 (21-Jun-18)	1)CARE D / CARE D (12-Mar-18) 2)CARE BB-; Negative / CARE A4 (31-Oct-17) 3)CARE BBB-; Stable / CARE A3 (11-Apr-17)	1)CARE BB- / CARE A4 (10-Oct-16) 2)CARE BB- / CARE A4 (11-May-16)
5.	Fund-based - LT-External Commercial Borrowings	LT	112.72	CARE BB+; Stable	-	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)	1)CARE BB- (10-Oct-16) 2)CARE BB- (11-May-16)
6.	Fund-based - LT-Funded Interest term Loan	LT	83.00	CARE BB+; Stable	-	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)	1)CARE BB- (10-Oct-16) 2)CARE BB- (11-May-16)
7.	Fund-based - LT-Working capital Term Loan	LT	132.41	CARE BB+; Stable	-	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)	1)CARE BB- (10-Oct-16) 2)CARE BB- (11-May-16)

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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