Gayatri Projects Limited

October 31, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	2138.03 (enhanced from 2108.84)	**CARE BB-; Negative (Double B Minus; Outlook: Negative)**	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Long-term/Short-term Bank Facilities	4594.03 (enhanced from 3900.00)	**CARE BB-; Negative/CARE A4 (Double B Minus; Outlook: Negative/ A Four)**	Revised from CARE BBB-; Stable/CARE A3 (Triple B Minus; Outlook: Stable/A Three)
Total	**6732.06 (Rupees Six thousand Seven hundred Thirty Two crore and Six lakh 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 is on account of stretched liquidity position leading to overdrawals on account of working capital intensive business with high reliance on bank borrowings and high repayment obligations over the medium term. The ratings continue to remain constrained by leveraged capital structure, high exposure in projects having high gestation period and increased exposure in the form of contingent liabilities. However, the ratings are underpinned by promoters experience, long and established track record of the company, healthy and diversified order book albeit presence of slow moving orders and improvement in total operating income and profitability during FY17 (refers to the period April 01 to March 31) and Q1FY18.

Ability of the company to improve its liquidity position and manage the working capital requirements efficiently remain the key rating sensitivities.

Outlook: Negative

The 'negative' outlook on rating reflects the continued stretched operating cycle resulting in high utilization of the working capital limits. The outlook may be revised to 'Stable' if the liquidity profile of the company is improved.

Detailed description of the key rating drivers

Key Rating Weaknesses

Stretched liquidity position leading to overdrawals: Liquidity position of the company deteriorated on account of working capital intensive nature of business coupled with high repayment obligations. The company operates in working capital intensive industry with elongated collection period resulting in high reliance on bank borrowings. The average working capital utilisation was high at around 96% for 12 months ended August 2017. Further, the repayment obligations of the company have increased significantly from FY18 pursuant to restructuring undertaken in FY15 which has led to liquidity stress and in-turn overdrawals. Further, there has been significant cost overrun in BOT projects leading to further liquidity stress.

High debt levels resulting in leveraged capital structure and weal debt protection metrics: The capital structure of the company is leveraged marked by overall gearing level at 3.20x as on March 31, 2017 vis-à-vis 2.62x as on December 31, 2016 and 2.93x as on March 31, 2016 on account of increased bank borrowings and mobilisation advances. The total debt/GCA of the company remained weak at 24.66x as on March 31, 2017. Interest coverage ratio of the company improved marginally to 1.58x in FY17 as against 1.46x in FY16.

High exposure in the form of contingent liability: GPL continues to remain exposed to high contingent liabilities primarily on account of corporate guarantee extended for the group companies. Contingent liabilities in the form of corporate guarantees extended to group companies increased to Rs.3105 crore as on March 31, 2017 as against Rs.2980 crore as on March 31, 2016.

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

High exposure to BOT projects having high gestation period: Majority of the group exposure is towards power projects and BOT projects which have a high gestation period and hence resulting in temporary blockage of funds. The exposure towards group companies continues to remain high as on March 31, 2017. Exposure in the form of investments increased to Rs.1219.99 crore as on March 31, 2017 vis-à-vis Rs.1184.57 crore as on March 31, 2016.

Key Rating Strengths

Experienced promoters albeit limited experience in execution of power projects: 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 (EPC) of road, irrigation and industrial projects across India.

Healthy and diversified order book position with medium to long term revenue visibility; however decline in same coupled with presence stagnant orders: Although GPL has healthy and diversified order book, the same declined to Rs.11,868.92 crore as on June 30, 2017 as against Rs.12,896.18 crore as on February 28, 2017 which translates to 5.47x of gross billing of FY17 providing medium to long term revenue visibility. The current work orders of the company are spread across 15 states. Further, orders amounting to Rs.4987.72 crore have not moved since the last order book position as on February 28, 2017.

Increase in total operating income and profit margins: Revenue from operations in FY17 increased by about 16% in FY16 on account of faster execution of projects in hand. This along, sub-contracting expenses as a percentage of cost of sales decreased to 18.51% in FY17 coupled with decline in raw material costs led to improvement in PBILDT margin by 92 bps during FY17. However, on account of increase in interest expenses, PAT margin improved marginally by 36 bps in line with increase in PBILDT margin.

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 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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (UA)
Total operating income	1871.30	2170.79
PBILDT	329.29	401.95
PAT	57.42	74.54
Overall gearing (times)	2.93	3.20
Interest coverage (times)	1.46	1.58

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA:
Not Applicable

Any other information:
Not Applicable

Rating History for 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.*

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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.

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	400.47	CARE BB-; Negative
Fund-based - LT-Term Loan	-	-	June 2023	429.46	CARE BB-; Negative
Fund-based - LT-Cash Credit	-	-	-	900.00	CARE BB-; Negative
Non-fund-based - LT/ ST-BG/LC	-	-	-	4594.03	CARE BB-; Negative / CARE A4
Fund-based - LT-External Commercial Borrowings	-	-	June 2023	131.10	CARE BB-; Negative
Fund-based - LT-Funded Interest term Loan	-	-	June 2023	119.05	CARE BB-; Negative
Fund-based - LT-Working capital Term Loan	-	-	June 2023	157.95	CARE BB-; Negative

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	400.47	CARE BB-; Negative	1)CARE BBB-; Stable (11-Apr-17)	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)
2.	Fund-based - LT-Term Loan	LT	429.46	CARE BB-; Negative	1)CARE BBB-; Stable (11-Apr-17)	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 A4 (19-Feb-15)
3.	Fund-based - LT-Cash Credit	LT	900.00	CARE BB-; Negative	1)CARE BBB-; Stable (11-Apr-17)	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)
4.	Non-fund-based - LT/ ST-BG/LC	LT/ST	4594.03	CARE BB-; Negative / CARE A4	1)CARE BBB-; Stable / CARE A3 (11-Apr-17)	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	131.10	CARE BB-; Negative	1)CARE BBB-; Stable (11-Apr-17)	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	119.05	CARE BB-; Negative	1)CARE BBB-; Stable (11-Apr-17)	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	157.95	CARE BB-; Negative	1)CARE BBB-; Stable (11-Apr-17)	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)	-

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