GAYATRI

January 20, 2021

To	To
The Secretary, Listing Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Maharashtra, India Scrip Code: 532767	The Manager, Listing Department National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 Maharashtra, India Scrip Code: GAYAPROJ

Dear Sir/Madam,

Sub: Intimation of Revision in Ratings under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

This has reference to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (the "Regulations").

Care Ratings has upgraded Gayatri Projects Limited's Credit rating for bank facilities.

In accordance with the said Regulation(s), please find below the details of revision in ratings for Company:

Name of Company	Credit Rating Agency	Type of Credit ratings	Existing	Revised
Gayatri Projects Limited	Care Ratings	Long Term Bank Facilities	-	CARE B; Stable (Single B; Outlook: Stable)
		Long Term Bank Facilities	CARE D (Single D)	CARE B; Stable (Single B; Outlook: Stable)
		Long Term / Short Term Bank Facilities	CARE D (Single D)	CARE B; Stable / CARE A4

The report from the credit rating agency covering the rationale for revision in credit rating is enclosed. This is for your information and records.

Yours faithfully,
Gayatri Projects Limited

Chetan Kr. Sharma

Chetan Kumar Sharma
Company Secretary &
Compliance Officer

Gayatri Projects Ltd. Hyderabad.

Encl: As Above

Gayatri Projects Limited

January 19, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	354.57	CARE B; Stable (Single B; Outlook: Stable)	Assigned
Long Term Bank Facilities	1,643.20 (Reduced from 1,888.57)	CARE B; Stable (Single B; Outlook: Stable)	Revised from CARE D (Single D); Stable outlook assigned
Long Term / Short Term Bank Facilities	4,547.16 (Reduced from 4,735.76)	CARE B; Stable / CARE A4 (Single B ; Outlook: Stable/ A Four)	Revised from CARE D (Single D)
Total Bank Facilities	**6,544.93 (Rs. Six Thousand Five Hundred Forty-Four Crore and Ninety-Three Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of the Gayatri Projects Limited (GPL) is on account of regularization of delays in debt servicing and subsequent improvement in liquidity. The ratings are constrained by leveraged capital structure, stable operating income with decline in margins, moderate operating cycle, high exposure in group companies/subsidiaries in form of loans & advances and corporate guarantees. The ratings also factor significant experience and track record of promoters in execution of construction contracts, healthy and geographically diversified order book position with long term revenue visibility, gradual increase in asset base with low reliance on sub-contracting and stable industry outlook.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Timely servicing of interest and principal repayment obligation coupled with a delay free track record for a continuous period of 12 months.
- Reduction of overall gearing less than 1.50x.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any deterioration in risk profile of the company on account of delay in realization of debtors on time to meet debt servicing obligations.

Detailed description of the key rating drivers

Key Rating Weakness

Stable total operating income with decline in margins

The total operating income of the company has remained stable at Rs.3461.77 crore during FY20 as against Rs.3494.56 crore during FY19, revenue remained stable due to impact on execution on account of prolonged monsoon and lockdown restrictions imposed due to COVID in March 2020. Moreover, the operating margin of the company witnessed a decline of 315 bps to 13.37% in FY20 (as against 16.52% in FY19) primarily on account of delay in execution at Varanasi project due to land acquisition issue, due to this Rs.70 crore has been charged as interest on mobilization advance along with an additional expected credit loss has increased by Rs.26 crore has resulted in significant decline in margin.

Further, the company reported PAT loss of Rs 384.57 crore for FY20 (as against PAT of Rs 210.77 crore for FY19) primarily due to higher interest costs of above 14% charged towards term loans & working capital funds coupled with recognition of loss from the sale of investment in Gayatri Energy Ventures Private Limited (GEVPL).

In spite of weak execution in Q1FY21 due to impact of Covid-19 the overall performance of the company for H1FY21 stands with revenue generation of Rs 1469.07 crore as against Rs 1685.02 crore in H1FY20. Liquidity in the system improved with execution of works and realization of debtors post relaxation in lockdown measures. Further the existing irrigation projects of the company such as Palmor-Ranga reddy lift irrigation Kaleswaram & Chintalpudi where there were delay in realization of debtors earlier due to lack of funds have been tied up with NABARD. Going forward timely realization of debtors from these projects will improve the liquidity of the system.

Leveraged capital structure

Capital structure marked by overall gearing of GPL deteriorated significantly as on March 31, 2020. Despite reduction in the total debt, overall gearing deteriorated from 2.49x as on March 31, 2019 to 3.39x as on March 31, 2020 primarily on account of erosion of net worth due to exceptional loss of Rs.445 crore recognized during FY20. Total outstanding debt of GPL (including mobilization advance) as on March 31, 2020 stands at Rs.3197.04 crore as against Rs.3316.21 crore as on March 31, 2019. Further, the debt coverage indicators marked by TDGCA and interest coverage ratio have deteriorated significantly from 12.11x and 2.05x during FY19 respectively to -10.68x and 1.45x during FY20.

Moderate operating cycle

Working capital cycle days of GPL continues to remain moderate at 86 days in FY20 which increased from 80 days in FY19. Increase in operating cycle is on account of increase in inventory days which stood at 59 days in FY20 (40 days in FY19). On a gross level though the operating cycle remains comfortable but timely realization of receivables has resulted in almost full utilization of working capital.

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 exposure towards group companies in the form of investments reduced significantly from Rs.1011.46 crore as on March 31, 2019 to Rs.562.26 crore as on March 31, 2020 due to recognition of loss on account of sale of investment in Gayatri Energy Ventures Private Limited.

Further, the company extended loans and advances to subsidiaries/associate companies amounting to Rs.209.29 crore as on March 31, 2020 (as against Rs.320.78 crore as on March 31, 2019). The company also extended corporate guarantees (CGs) towards loans availed by it group companies. As on March 31, 2020, total outstanding corporate guarantee stood at Rs.2690.08 crore (which was reduced from Rs.3082.58 crore)

Key Rating Strengths

Regularization of debt servicing:

The company had witnessed cash flow mismatch during FY20, which had consequently resulted in delays in debt servicing. The mismatch was primarily due to delay in receivables from the state government funded projects aggravated by impact of Covid-19. Post improvement in liquidity upon realization of the debtors on time after relaxation of lockdown measures, the debt servicing has been regularized.

Significant experience and track record of promoters in execution of construction contracts:

Gayatri Projects Ltd (GPL) is a civil construction company with over four decades of experience in executing various infrastructure projects. 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. The clientele of the company includes various state government departments across 14 states. GPL has successfully completed Construction / Maintenance/ Widening of more than 1,900 Km of highways, 1,250 Km of Irrigation projects along with several other projects of dams & reservoir and industrial buildings etc.

Healthy and geographically diversified order book position with long term revenue visibility:

GPL has a healthy and diversified order book of Rs.12,040 crore as on September 30, 2020 (as against Rs.16,625.65 crore as on December 31, 2018), which translates to 4.39x of gross billing of FY20 providing long term revenue visibility. The current work orders of the company are spread across 13 states, however, mainly concentrated in Uttar Pradesh (19%) followed by Andhra Pradesh (16.14%), Odisha (15.36%) and Maharashtra (12.74%). Though the order book is diversified into various sectors such as roads, irrigation, industrial works and mining, the roads sector and irrigation sector contributes 65% and 29% respectively of the total order book.

Gradual increase in asset base; low reliance on sub-contracting

Though the company has incurred capex of Rs 112.96 crore during FY20, the asset base of the company continues to remain moderate with fixed asset turnover ratio at 4.18x in FY20 (as against 4.87 in FY19).The company does not rely much on sub-contracting works. Sub-contracting expenses has reduced significantly from Rs.733.58 crore in FY19 to Rs.409.02 crore in FY20, which constitutes around 14% of total cost of sales in FY20 as against 25% in FY19.

Stable Industry Outlook

The construction industry contributes around 8% to India's Gross domestic product (GDP). Growth in infrastructure is critical for the development of the economy and hence, the construction sector assumes an important role. Enforcement of nationwide lockdown against the spread of Covid-19 pandemic has adversely impacted the financial and liquidity profile of players in the industry. Government of India has undertaken several steps for boosting the infrastructure development and revives the investment cycle. The same is expected to gradually result in increased order inflow and movement of passive orders in existing order book. The focus of the government on infrastructure development is expected to translate into huge business potential for the construction industry in the long-run.

Liquidity- Poor

The poor liquidity of the company is marked by delay in timely realization of receivables from state government funded projects further aggravated by impact of covid-19 has caused mismatch in cash flows resulting in almost full utilization of fund based working capital limits. Further, the company has reported Gross Cash Accrual (GCA) loss of Rs.299.30 crore as against the repayment obligation of Rs.209 crore in FY20. To address the liquidity stress, the company has availed COVID emergency line

of credit facility of Rs.60.25 crore along with interest funding on term loans and working capital of Rs 117.17 crore (moratorium) for the period March to August 2020
During Q3FY21, the company has prepaid term loans of Rs 220 crore by availing arbitration bank guarantees against the claim awards. Further, as on 31st December 2020, the company has free cash and bank balance of Rs 70.27 crore and margin money in fixed deposits of Rs 220.87 crore. Considering balance repayment obligation of Rs 55.50 crore for Q4FY21 and not much room for additional borrowings, timely realization of the receivables is critical for meeting working capital and debt servicing obligations.

Analytical approach: Standalone
Applicable Criteria
CARE's Policy on Default Recognition
CARE's Policy on Curing period
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
Criteria for Short Term Instruments
Rating Methodology – Construction Sector
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the Company
Gayatri Projects Limited (GPL) has been 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 specializes in engineering, procurement and construction (EPC) of road, irrigation and industrial projects across India. GPL has healthy and diversified order book of Rs.12,040.91 crore as on September 30, 2020 (as against Rs.16,625.65 crore as on December 31, 2018), which translates to 4.39x of gross billing of FY20 providing long term revenue visibility.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	3494.56	3461.77
PBILDT	577.19	462.72
PAT	210.77	-384.57
Overall gearing (times)	2.49	3.39
Interest coverage (times)	2.05	1.45

A: Audited
Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*
Complexity level of various instruments rated for this company: Annexure 4

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	170.15	CARE B; Stable
Fund-based - LT-Term Loan	-	-	June 2023	202.83	CARE B; Stable
Fund-based - LT-Cash Credit	-	-	-	1123.50	CARE B; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	4547.16	CARE B; Stable / CARE A4
Fund-based - LT-External Commercial Borrowings	-	-	June 2023	12.51	CARE B; Stable

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-Funded Interest term Loan	-	-	March 2021	26.49	CARE B; Stable
Fund-based - LT-Working capital Term Loan	-	-	June 2023	107.72	CARE B; Stable
Fund-based - LT-Term Loan	-	-	February 2022	60.25	CARE B; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	219.22	CARE B; Stable
Fund-based - LT-Funded Interest term Loan	-	-	March, 2021	75.10	CARE B; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	170.15	CARE B; Stable	-	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	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)
2.	Fund-based - LT-Term Loan	LT	202.83	CARE B; Stable	-	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	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)
3.	Fund-based - LT-Cash Credit	LT	1123.50	CARE B; Stable	-	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	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)
4.	Non-fund-based - LT/ ST-BG/LC	LT/ST	4547.16	CARE B; Stable / CARE A4	-	1)CARE D (15-Nov-19) 2)CARE BB+; Stable / CARE A4+ (04-Jun-19)	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)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
								3)CARE BBB-; Stable / CARE A3 (11-Apr-17)
5.	Fund-based - LT-External Commercial Borrowings	LT	12.51	CARE B; Stable	-	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	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)
6.	Fund-based - LT-Funded Interest term Loan	LT	26.49	CARE B; Stable	-	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	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)
7.	Fund-based - LT-Working capital Term Loan	LT	107.72	CARE B; Stable	-	1)CARE D (15-Nov-19) 2)CARE BB+; Stable (04-Jun-19)	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)
8.	Fund-based - LT-Term Loan	LT	60.25	CARE B; Stable	-	-	-	-
9.	Non-fund-based - LT-Bank Guarantees	LT	219.22	CARE B; Stable	-	-	-	-
10.	Fund-based - LT-Funded Interest term Loan	LT	75.10	CARE B; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-External Commercial Borrowings	Simple
3.	Fund-based - LT-Funded Interest term Loan	Simple
4.	Fund-based - LT-Term Loan	Simple
5.	Fund-based - LT-Working capital Term Loan	Simple
6.	Non-fund-based - LT/ ST-BG/LC	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. 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.

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