

Gayatri Projects Ltd.

₹ 136

**BOT**tomline to get **Stronger****Accumulate**

January 27, 2012

**Financial Performance**

Gayatri Projects (GPL) has posted excellent reports for QE Sep 2011, as compared to its peers. Its revenue for the quarter has increased by 14.68 % to ₹ 3.22 bn as compared to ₹ 2.84 bn in the same quarter in the previous year. GPL's operating expenses remain almost constant. As a result its operating margins improved to 15.88% in Q2FY12 from 13.07% in Q2FY11. Consequently, it has reported a hike of 13.01 % in PAT, amounting to ₹ 134 mn for the quarter ended Q2FY12 as against ₹ 118 mn in the Q2FY11. Its EPS for the quarter stood at ₹ 8.85 up by 11.18% as compared to ₹ 7.96 in the corresponding previous quarter. GPL's performance has been nearly consistent throughout the year. On a half yearly basis, it reported total revenue of ₹ 7.23 bn as against ₹ 6.23 bn-a growth of 16% during the corresponding previous year. Its net profit stood at ₹ 300 mn against ₹ 28 mn in H1FY12. Its EPS has grown by 10% to ₹ 19.9 from ₹ 18.17.

**Investment Rationale****➔ Excellent Order Book**

GPL's clientele includes NHAI, State Governments, SPV constituted by the Company for execution of BOT Projects, Public Sector Undertakings and Private Sector Companies. GPL is currently executing projects worth nearly ₹ 59 bn for NHAI, State Governments and Private Sector Companies. The major segments which form part of its order books include Road, Power Transmission Works and Irrigation. GPL is also scaling up its power portfolio from 1,320MW to 3,300MW. The company is setting up a 1,320MW power plant in Nellore, AP wherein it holds a 45% stake with NCC. The financial closure for the project has been recently achieved and work is expected to commence.

**➔ Financing Burden Easing**

GPL's overall tax outgo is considerably lower compared to its peers. It is looking for private equity (PE) funding in both Gayatri Infrastructure Ventures Ltd (GIVL) and Gayatri Energy Ventures Ltd (GEVL) which will fund future equity requirement in these holding companies. Further, GIVL the holding company of all the BOT projects, is expected to start to generate revenues as few of its BOT projects have become operational.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 09	Mar 10	Mar 11
Revenue (₹ mn)	10110.0	12566.9	14462.0
<b>Rev. growth (%)</b>	<b>33.41</b>	<b>24.30</b>	<b>15.08</b>
EBITDA (₹ mn)	1154.9	1383.0	1715.3
Net profit (₹ mn)	413.2	490.9	500.0
Shares outstanding (mn)	10.1	11.1	12.0
EPS (₹)	40.9	44.2	41.7
<b>EPS growth (%)</b>	<b>5.14</b>	<b>8.10</b>	<b>(5.71)</b>
P/E (x)	1.5	8.7	5.6
EV/ EBITDA	8.0	33.8	20.8
<b>ROCE (%)</b>	<b>11.92</b>	<b>11.74</b>	<b>8.63</b>

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**Previous Report**

Date	: Apr 09, 2010
Recommendation	: Buy
Price	: ₹ 424
Target	: ₹ 508
High Reached	: ₹ 503
Dividend given	: ₹ 5.00

**Market Data**

52 Wk Range (₹)	: 275/88
Shares in Issue (mn)	: 12.0
Mkt. Cap (₹ bn)	: 1.63
BSE 2 Wk Avg Vol	: 17358

**Share Holding Pattern (%)**

Promoters	: 54.99
DII's	: 14.65
FII's	: 3.07
Others	: 27.29

**Investment Theme**

GPL is one of the fastest growing Infra companies in India. It is executing major civil works in diversified segments comprising of construction of national highways, bridges, power plants canals, dams, airports, ports etc. Its order book remains strong even when the economic growth slumped. Its financials also are strong maintaining decent growth rate & better OPMs. RBI recently reduced CRR by 50 bps, An indication that it is now making growth as the priority and liquidity injected by it is for spurring the economic growth. One can expect the infrastructure sector to continue to get priority preference. It is well positioned to advantage from this opportunity. We are bullish & recommend to accumulate.

**Dont think about the Abbreviation  
Think about the Accumulation!**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 09	Mar 10	% Chg	Mar 11	% Chg
Total Sales + Excise	10045.9	12524.9	24.68	14392.1	14.91
Other Income	64.1	42.0	(34.48)	69.9	66.43
Change in Stocks	116.6	18.9	(83.79)	88.5	368.25
Raw Material Con.	2672.5	3738.8	39.90	3254.8	(12.95)
Employee Exp.	207.0	280.5	35.51	352.7	25.74
Indirect Taxes	150.3	240.0	59.68	359.7	49.88
Other Exp.	6041.9	6943.5	14.92	8868.0	27.72
Operating Exp.	8955.1	11183.9	24.89	12746.7	13.97
Operating Profit	1090.8	1341.0	22.94	1645.4	22.70
Total Interest	326.5	414.9	27.08	694.6	67.41
Gross Profit	828.4	968.1	16.86	1020.7	5.43
Net Dep.	197.0	200.6	1.83	227.3	13.31
Total Taxation	218.2	276.6	26.76	293.4	6.07
Net Profit/Loss	413.2	490.9	18.80	500.0	1.85

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 08	Mar 09	Mar 10	Mar 11
<b>SOURCES OF FUNDS</b>	<b>4893.6</b>	<b>5765.0</b>	<b>8889.8</b>	<b>12877.3</b>
Equity Share capital	101.0	101.0	111.0	119.9
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	1690.7	2056.5	2657.5	3259.6
Loan Funds	1968.5	2479.8	3636.0	6589.5
Unsecured Loans	1133.4	1127.7	2485.3	2908.3
<b>USES OF FUNDS</b>	<b>4893.6</b>	<b>5765.0</b>	<b>8889.8</b>	<b>12877.3</b>
Gross Block	2572.9	2747.9	3002.9	3701.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	944.1	1141.2	1341.5	1508.3
<b>Net Block</b>	<b>1628.8</b>	<b>1606.7</b>	<b>1661.4</b>	<b>2192.9</b>
Capital Work in Progress	0.2	0.2	0.0	0.0
Investments	1278.0	1596.1	1899.5	4711.8
Current Assets	4577.0	5883.2	9324.3	10883.0
Less : Current Liabilities	2590.4	3321.2	3995.4	4910.4
<b>Total Net Current Assets</b>	<b>1986.6</b>	<b>2562.0</b>	<b>5328.9</b>	<b>5972.6</b>
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	1248.6	1566.7	1870.1	4682.4
Mkt Val. Quoted Investments	21.4	10.9	12.5	9.0
Contingent Liabilities	2780.1	1834.0	3509.6	57271.3
Dividend (%)	25	40	50	50

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 10	Mar 11	Jun 11	Sep 11
Net Sales	3838.00	4336.70	4014.30	3216.40
Cost Of Sales	3303.80	3734.00	3488.40	2706.30
Operating Profit	534.20	602.70	525.90	510.10
Recurring Income	12.50	42.00	22.80	0.90
Adjusted PBDIT	546.70	644.70	548.70	511.00
Financial Expenses	244.60	317.80	225.70	226.00
Depreciation	58.60	56.70	70.70	75.00
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	243.50	270.20	252.30	210.00
Tax Charges	66.10	106.20	85.00	76.40
Adjusted PAT	177.40	164.00	167.30	133.60
Non Recurring Items	(0.10)	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	177.30	164.00	167.30	133.60

## 52 Week Index Relative Percentage Appreciation



## GPL vs SENSEX

## Economy Overview

➔ Reserve bank of India (RB) - the central bank of India is trying hard to address the issues of liquidity in the country. Further the economic growth has come down considerably. The structural deficit in the system has increased. To address this issue government would have to inject liquidity and boost the economic growth for which infrastructure spending would be the key. For the first time in past 18 months - RBI reduced the cash reserve ratio (CRR) by 50 basis points from 6 per cent to 5.5 per cent. This is a very good sign that interest rates hike has been consolidating and one can expect them to come down in near future. The rate cut is expected to release ₹ 320 bn into the financial system. The Government of India recently made a strong bid to strengthen the domestic markets by proposing to allow Qualified Foreign Investors ("QFIs") to invest directly into the Indian equity market. This is very crucial for infrastructure payers who were facing serious problems due to lower orders, poor execution & higher cost of borrowing.

➔ According to the National Highways Authority of India (NHAI) switchover to a build-operate-transfer (BOT) mode turnkey contracts has brought in greater fiscal prudence in highway construction. Now it strategizes to award construction orders valued up to 150 bn in the coming fiscal year through build-operate-transfer route.

## In a Nutshell

Founded in 1963, Gayatri Projects Ltd. (GPL) is a Hyderabad based construction company, which is involved in the construction of major irrigation projects in Andhra Pradesh (AP). GPL is one of the fastest growing construction companies in India. The company is executing major civil works in diversified infrastructure segments comprising of construction of national highways, bridges, power plants canals, dams, airports, ports etc. The company is an ISO 9001 - 2000 certified company. The company's clients include National Highway Authority of India (NHAI), various state government, Irrigation Department & private players. Its order book remains strong even when the economic growth had slumped. Its financial performance also remains strong maintaining decent revenue growth rate & better operating margins. GPL's financing needs have also been taken care of as a few of its projects have become operational. It is further looking for private partnership to boost the business. The RBI recently reduced CRR by 50 basis points. This is an indication that it is now making growth as the priority and the liquidity injected by it is aimed at spurring the economic growth. One can expect the infrastructure sector to continue to get priority preference. It is well positioned to take advantage of growth opportunities. Thus we recommend to accumulate this stock.

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## Rating Interpretation

<b>Buy</b>	: Expected to appreciate 20% or more over 12-months	<b>Reduce</b>	: Expected to depreciate up to 10% over 12-months
<b>Accumulate</b>	: Expected to appreciate 10% to 20% over 12-months	<b>Sell</b>	: Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b>	: Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b>	: Expected to depreciate more than 10% over 45-days

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