

Gayatri Projects Ltd.

₹ 60

Have you BOT it ?**Buy**

Apr 04, 2014

Company Background

Gayatri Projects Ltd. (Gayatri) was originally incorporated on September 15, 1989 as Andhra Coastal Construction Pvt. Ltd. The name was changed to Gayatri Projects Pvt. Ltd. on March 31, 1994 and it was converted into a public limited Company in December 1994. In April 1994 Gayatri Projects Private Limited took over all the assets of Gayatri Engineering, a partnership firm established in 1975 as "Special Class Contractors" on a going concern basis. Since then Gayatri has been undertaking civil and engineering works of various state governments, central governments, public / autonomous bodies / corporations. The Company has become a listed Company on 17th October 2006 by listing in the Mumbai Stock Exchange. Currently Gayatri is engaged in the execution of major Civil Works including Concrete/Masonry Dams, Earth Filling Dams, National Highways, Bridges, Canals, Aqueducts, Ports, etc.

Key Highlights

- ➔ Gayatri has raised Rs. 75.21 Crores through Qualified Institutional Placement, by issue of 62,58,752 equity shares of Rs. 10/- each at a premium of Rs. 110.18 to the Qualified Institutional Buyers. Considering this price the share is trading at nearly a 50% discount in the open market.
- ➔ The IJM-Gayatri JV has raised claims in excess of Rs. 3 bn on the NHAI & State Government, which are pending for legal consideration. So far the JV has got favorable awards amounting to Rs. 619 mn including interest on claims and received orders for release of payments for Rs. 290mn. The management is confident of recovering substantial claims.
- ➔ It is estimated that the long term (next 5 years) growth is expected to pick up gradually and it is estimated that the total construction opportunity would be around Rs. 20 tn between 2012-17. Over 85% of the total opportunity is likely to come from infrastructure spending, specifically the roads, irrigation and urban infrastructure sectors where Gayatri has demonstrated a specialised presence. Even in power in order to achieve the projected capacity addition of the 12th Plan, an adequate transmission and distribution capacity needs to be built which would require a considerable amount of investment.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	39,853.2	41,525.9	39,895.0
Rev. growth (%)	14.71	4.20	(3.93)
EBITDA (INR mn)	1,762.6	2,824.5	2,963.6
Net profit (INR mn)	500.0	459.7	630.9
Shares outstanding (mn)	12.0	24.0	30.2
EPS (INR)	41.7	19.2	20.9
EPS growth (%)	(5.71)	(54.01)	8.82
P/E (x)	4.8	6.5	3.2
RONW (%)	16.2	11.3	11.1
ROCE (%)	4.6	3.2	3.4

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Info Codes

Reuters	: GAPR.BO
Bloomberg	: GAYP@IN
NSE	: GAYAPROJ
BSE	: 532767

Market Data

52 Wk Range (₹)	: 84 / 48
Shares in Issue (mn)	: 30.2
Mkt. Cap (₹ bn)	: 1.79
BSE 2 Wk Avg Vol	: 19000

Share Holding Pattern (%)

Promoters	: 50.32
FII's	: 27.95
DII's	: 7.17
Others	: 14.56

Investment Theme

On paper, the Government of India has set a massive target for doubling investment in infrastructure from Rs 20.5 tn to Rs. 41 trillion during the 12th Plan (2012–2017). The total investment in infrastructure is proposed to be increased to more than 10.5% of GDP by the end of the plan period. However since the government was hit by a series of csams in the last two years the decision making was largely hampered. If even three-fourths of this planned investment is actually realised, it can propel India's economic growth back to a higher trajectory and, with it, significantly improve the fortunes of infrastructure Company. After a great deal of stalling for all infra Co's, the election seems to give up some new hope. We feel Gayatri would be among the few other companies whose results and profits would be highly altered by the next elections. We therefore are bullish on Gayatri.

Ample in Hand & Lot in the Bush

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	14392.1	17994.5	25.03	20205.6	12.29
Other Income	69.6	36.9	(46.98)	40.7	10.30
Change in Stocks	88.5	368.2	316.05	307.3	(16.54)
Raw Material Con.	3137.4	4013.3	27.92	5152.4	28.38
Employee Exp.	352.7	414.9	17.64	418.9	0.96
Indirect Taxes	359.6	499.2	38.82	627.4	25.68
Other Exp.	8937.9	10647.7	19.13	11391.3	6.98
Operating Exp.	12699.1	15206.9	19.75	17282.7	13.65
Operating Profit	1693.0	2787.6	64.65	2922.9	4.85
Total Interest	741.9	1836.1	147.49	1630.5	(11.20)
Gross Profit	1020.7	988.4	(3.16)	1333.1	34.87
Net Dep.	227.3	290.6	27.85	312.9	7.67
Total Taxation	293.4	238.1	(18.85)	389.3	63.50
Net Profit/Loss	500.0	459.7	(8.06)	630.9	37.24

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	8,889.8	12,850.5	17,266.1	20,348.1
Equity Share capital	111.0	119.9	239.7	302.3
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	2,693.1	3,259.6	4,922.4	5,952.0
Long Term Loans	1,983.7	2,443.9	3,885.8	4,827.8
Short Term Loans	4,102.0	7,027.1	8,218.2	9,266.0
USES OF FUNDS	8,889.8	12,850.5	17,266.1	20,348.1
Gross Block	3,002.9	3,701.2	4,461.8	4,506.8
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	1,341.5	1,508.3	1,722.3	2,033.0
Net Block	1,661.4	2,192.9	2,739.5	2,473.8
Capital Work in Progress	0.0	0.0	116.7	116.7
Investments	1,899.5	4,711.8	6,746.7	7,696.9
Current Assets	9,324.3	10,883.1	14,449.6	19,006.0
Less : Current Liabilities	3,995.4	4,937.3	6,786.4	8,945.3
Total Net Current Assets	5,328.9	5,945.8	7,663.2	10,060.7
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	1,870.1	4,682.4	6,717.3	7,667.5
Mkt Val. Quoted Investments	12.5	9.0	3.7	2.6
Contingent Liabilities	3,509.6	48,100.2	56,571.3	58,581.2
Dividend (%)	25	50	30	30

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 13	Jun 13	Sep 13	Dec 13
Net Sales	7,223.40	4,446.20	4,478.10	4,216.10
Cost Of Sales	6,447.90	3,802.90	3,751.40	3,697.10
Operating Profit	775.50	643.30	726.70	519.00
Recurring Income	7.00	2.20	5.00	9.30
Adjusted PBDIT	782.50	645.50	731.70	528.30
Financial Expenses	234.70	350.40	334.80	418.70
Depreciation	75.20	76.10	75.60	76.40
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	472.60	219.00	321.30	33.20
Tax Charges	204.30	55.60	112.80	17.00
Adjusted PAT	268.30	163.40	208.50	16.20
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	72.30	0.00	0.00
Net Profit	268.30	91.10	208.50	16.20

52 Week Index Relative Percentage Appreciation



Gayatri vs SENSEX

Risks Associated

Though the Government has spurred its Planned Expenditure in the Infrastructure segment, Implementation still remains a big stumbling block for many a companies. In fact, the critical segments of infrastructure including roads, railways and ports, have under-achieved their planned investment targets by 22%. The story of poor execution and delivery only got worse in 2012-13. The status report of major central-sector projects costing Rs 150 crore and above shows that out of the 566 projects, five were ahead of schedule, 226 on schedule, and 258 (45%) had been delayed with respect to their latest scheduled date of completion. Issues like delays in land acquisition, municipal permission, supply of materials, award of work and operational failures continued to drag down implementation of these projects. This is bundled with a severe problem of liquidity in both the Government share and the Private investment. These funding pressures have created a major cash crunch across the entire infrastructure development supply chain. Apart from the problem of liquidity, the sector is facing a major problem of lack of decision making. In light of the revelation of several scams in the last few years, there is an environment of mistrust within government agencies and the agencies have responded by freezing decision making to avoid taking any responsibility. Since much of the infrastructure space relies on the government or its agencies as direct developers or regulators, such inertia in decision making impacts implementation across projects.

Gayatri In a Nutshell

Gayatri Projects is a Hyderabad-based company engaged in construction activities. The company undertakes major civil works including construction of concrete/masonry dams, earthen dams, national highways, canals, bridges, aqueducts, airports, ports, ..etc. The company has completed projects like the National Thermal Power Corporation, upper Krishna project, Saurashtra branch canal, site grading and construction of roads and drains for Reliance Petroleum and Simhadri thermal power project, ..etc. worth about Rs.25 bn and has projects worth more than Rs.20 bn on hand. It has catered to reputed clients including The National Highway Authority of India, Airports Authority of India, various State Road Development Corporations, various State Industrial Development Corporation, NALCO, etc. It owns nearly 100% of its equipment and has excellent Joint Ventures to cater to majority projects in the Infra Sector. The company order book currently has 35% share of various irrigation projects, 30% share of various Road Development projects on BOT basis and a 22% share of Industrial Infra segment. These segments are at the forefront of Govt's infra push as they have come to be identified strongly with social development. Further the revival of NHDP project award and continuation of 'Jalayagnam' are likely to ensure steady stream of orders in the roads and irrigation segments respectively. The recent developments in the sector would help the company re leverage it back its position. With the revival of economy, industrial projects are also expected to pick up thereby translating into increased order traction for the company. We therefore are bullish on Gayatri.

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Rating Interpretation

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

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