



STOCK BROKING, INVESTMENT BANKING, CORPORATE ADVISORY & INSURANCE

Important Event Alert

Gayatri Projects. – Maintain our “BUY” rating

10th November, 2015

CMP: Rs.666 | Target: Rs. 1,300| Upside: 95 %| Market Cap: Rs. 2,402 cr.| FV: Rs. 10

CARE downgraded Gayatri Projects Limited 's (GAYP) consolidated debt's (!!) credit rating from B+ to D. News regarding this appeared in ET's online addition on 5th Nov, 2015. The Economic Times has reported following news article: CARE DOWNGRADES RS. 4,300 CRORE LOAN OF GAYATRI PROJECT TO DEFAULT CATEGORY". The news article refers to a rating downgrade which is based on old financial data.

According to Gayatri Projects Ltd. - The rating down-grade is based on factually incorrect data. GAYP has already issued notice to stock exchanges on both the rating downgrade and the ET article, stating the factually correct position, on 6th Nov, 2015.

The rating downgrade was done based on repayment delays as on the balance-sheet date (31st March, 2015), which were subsequently rectified. This action was despite various consortium bankers, including lead bank (BoB) writing to CARE in early-Oct that GAYP accounts had "NO OVER DUES" and the account status was "STANDARD ASSET" as of the end of latest quarter. The letters from banks were provided to stock exchanges.

Gayatri Projects Ltd. response to ET article sent to stock exchanges:

The factual position has significantly changed in last 6 months – the changes include fresh equity infusion into the business, massive improvement in order – book, commissioning of a profitable large power project by a jointly controlled entity and a general improvement in liquidity situation.

The following material changes have significantly improved Gayatri Projects liquidity position since last balance-sheet date (which were completely ignored by the rating agency):

- 1) Equity raising of more than Rs.100 crore through preferential allotment to a large FIIs and to promoters.
- 2) The company's effective construction order book has increased by Rs.4,000cr, and the company has achieved L1 position in other construction projects. This has resulted in a 75%+ growth in GAYP effective order book.
- 3) The company's jointly controlled entity has commissioned a 1,320MW coal-fired coast-based power plant, which is among the most profitable power plants in the country at this point in time.
- 4) The company is in advanced discussions for monetizing some assets in its Roads asset holding portfolio.
- 5) The company is contemplating approaching CARE for review of the rating.

With due consideration to the above factors, we maintain “BUY” rating given in the fundamental research report – **Investor’s Delight: Gayatri Projects Ltd. (GPL)“BUY”, A Successful infra story, published on 23rd October, 2015.**



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Recommendation parameters for fundamental reports:

Buy – Absolute return of 20% and above

Accumulate – Absolute return between 15% and above

Book profits: On achieving the price target given in the research report for a particular Company or on a occurrence of a specific event leading to change in fundamentals of the Company recommended

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- b) **Company holding: No**
- c) **Directors holding: No**
- d) **Group/Associates Position: No**
- e) **Relationship with management: No**
- f) **Any Compensation Received by our Company/Associate during the last 12 months: No**
- g) **Our Company/Associate have managed the public offering of securities for the subject Company in the past 12 months: No**

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