

Dilip Buildcon Limited

November 25, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Outstanding Ratings ¹
Long Term Bank Facilities	1,940.00	CARE A; Stable (Single A; Outlook: Stable)
Long Term / Short Term Bank Facilities	4,500.00	CARE A; Stable / CARE A1 (Single A ; Outlook: Stable/ A One)
Total Bank Facilities	6,440.00 (Rs. Six Thousand Four Hundred Forty Crore Only)	
Non Convertible Debentures	300.00	CARE A; Stable (Single A; Outlook: Stable)
Total Long Term Instruments	300.00 (Rs. Three Hundred Crore Only)	

Updates

As per the Q2FY22 (refers to the period from July 01 to September 30) results declared by Dilip Buildcon Limited (DBL), company has reported decline in PBILDT margins to 10.77% along with net loss of Rs.19.32 crore for the quarter. The revenue was lower than envisaged due to staggered project execution amid Covid disruptions and absence of bonus income which was reported in previous periods due to early completion of projects. Against such decline in revenues, high overhead expenses and disproportionate hike in raw material prices largely steel, bitumen, cement and diesel as compared to wholesale price index (WPI) contributed to contraction in profitability levels. Meanwhile DBL has successfully raised long term funds of around Rs.1000 crore in H1FY22. Nevertheless, consequent improvement in debt protection indicators is awaited due to increase in working capital intensity and decline in cash accruals.

In line with CARE Ratings' expectations, due to COVID-19, the gross current asset (GCA) days of DBL remained high at 270 days for FY21. However, GCA days further elongated to 335 days during H1FY22 (refers to the period from April 01 to March 31) due to increased working capital intensity and lower than envisaged revenue. Increase in carrying cost of the inventory, pending term debt disbursement in one Hybrid Annuity Model (HAM) project as well as pending certification of bills in some of the Engineering Procurement and Construction (EPC) projects and increase in unbilled revenue are the prominent reasons for increase in working capital intensity in H1FY22. Management has articulated debt reduction and improvement in the working capital intensity gradually by March 31, 2022. Working capital intensity is expected to improve through reduction in unbilled revenues with traction in execution pace, realization of debtors with term debt disbursement at HAM project level and part release of retention money of operational HAM projects transferred to Shrem group. DBL also envisages receipt of long-term funds of around Rs.500 crore from asset monetization by March 2022 which is expected to support its liquidity.

Debt rationalization through easing up of built-up current assets levels within stipulated time frame and generation of envisaged cash accruals shall remain key rating monitorable.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and rating sensitivities: [Click here](#)

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

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