

FEBRUARY 24, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF DILIP BUILDCON LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	1615.00 (Enhanced from Rs.1540 crore)	CARE A- (Single A Minus)	Reaffirmed
Long Term/Short Term Bank Facilities	3401.58 (Reduced from Rs.3476.58 crore)	CARE A-/CARE A2+ (Single A Minus/A Two Plus)	Reaffirmed
Total Facilities	5,016.58 (Rupees Five Thousand Sixteen crore and Fifty Eight lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Dilip Buildcon Limited (DBL) continue to take into account its demonstrated execution capabilities of large size road projects, ownership of large equipment fleet, experienced promoters, healthy operating profitability and toll plus annuity nature of its operational build-operate-transfer (BOT) projects which largely mitigates revenue risk from traffic fluctuations. The ratings also factor strengthened order book position of DBL over last one year with reduced dependence on private developers and improved geographical presence.

The ratings, however, continue to remain constrained by its high leverage, increasing working capital requirements and its presence in an intensely competitive road construction industry albeit with favorable growth prospects. The ratings are further constrained by deterioration in the debt protection indicators during FY15 (refers to the period April 1 to March 31) and H1FY16 on account of increase in debt levels to fund increasing working capital intensity and large capital expenditure incurred by DBL towards purchase of equipment fleet.

Rationalization of the debt level post successful equity infusion through the proposed initial public offering (IPO) without further delay and improvement in the collection efficiency as envisaged are the key rating sensitivities. Going forward, the extent of exposure towards BOT projects and any material impact on the operating profitability in light of expected increase in revenue from engineering procurement and construction (EPC) contracts from government bodies will also be key rating monitorables.

Background

Incorporated in 2006 by Mr Dilip Suryavanshi and family, DBL is a Bhopal-based company engaged in the construction of roads on EPC basis. DBL was initially started as a proprietorship firm "Dilip Builders" in 1988-89 and subsequently converted into a public limited company. DBL has a portfolio of 18 small to midsize BOT based road projects through special purpose vehicles (SPVs). Fourteen of these are based in Madhya Pradesh (MP), three in Karnataka and one in Gujarat. During FY12, Banyan Tree Growth Capital (BTGC) LLC had invested Rs.75 crore through compulsory convertible preference shares (CCPS) in DBL which has been converted into equity in FY15. As on March 31, 2015, BTGC holds 9.75% stake in DBL. EPC contracts executed for government authorities plus for its own SPVs and EPC contract executed for private companies constituted 71% (FY14: 55%) and 29% (FY14: 45%), respectively, in its contract receipt of Rs.2,618 crore during FY15.

Based on audited FY15 financials, DBL reported total operating income of Rs.2,630 crore (FY14: Rs.2,318 crore) and profit after tax (PAT) of Rs.137 crore (FY14: Rs.246 crore). Based on provisional results for H1FY16, DBL reported total operating income of Rs.1,754 crore and PAT of Rs.117 crore.

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

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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