OCTOBER 21, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Remarks
Long-term Bank Facilities	1,998.09 (enhanced from Rs.1,615 crore)	**CARE A- [Single A Minus]**	Reaffirmed
Long-term/Short-term Bank Facilities	4,500.00 (enhanced from Rs.3,401.58 crore)	**CARE A-/CARE A2+ [Single A Minus/ A Two Plus]**	Reaffirmed
Total Facilities	**6,498.09 (Rupees Six Thousand Four Hundred Ninety Eight crore and Nine lakh only)**		

Rating Rationale

The ratings assigned to the bank facilities of Dilip Buildcon Limited (DBL) continue to take into account its demonstrated capabilities in execution of large sized 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 take cognizance of successful completion of its initial public offer (IPO) during August 2016. The ratings also continue to factor the strengthened and geographically diversified order book of DBL and favourable prospects for the road construction sector in the medium term on the back of various initiatives undertaken by the Government of India.

The ratings, however, continue to remain constrained by its high leverage and moderate debt coverage indicators on account of high debt levels owing to its elongated working capital cycle and capital expenditure incurred by DBL towards purchase of equipment fleet. The ratings further continue to remain constrained by its large slow moving receivables and inherent challenges associated with the construction industry.

DBL's ability to improve its capital structure and debt coverage indicators through rationalization of its high debt levels by realizing some of its stuck receivables and ensuring efficient management of its working capital requirements leading to shortening of its operating cycle shall be the key rating sensitivities.

Going forward, the extent of DBL's exposure towards BOT projects, pace of addition of equipment fleet along with its funding profile and generation of envisaged cash accruals shall also be the other rating sensitivities.

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 and is also a developer of roads on build-operate and transfer (BOT) basis. DBL was initially started as a proprietorship firm "Dilip Builders" in 1988-89 and subsequently converted into a public limited company. During August 2016, DBL has successfully completed initial public offer (IPO) of Rs.654 crore which included fresh issue of Rs.430 crore and balance through sale of partial stake by the promoters and investor, Banyan Tree Growth Capital LLC. Promoter group held 75.63% stake post IPO. DBL has a portfolio of 18 small to midsized BOT-based road projects through special purpose vehicles (SPVs) which include 12 operational projects and six under construction projects. BOT portfolio of DBL mainly comprised annuity, hybrid-annuity and toll plus annuity projects. Apart from these, DBL has received letter of award for a hybrid annuity project in Uttar Pradesh with bid project cost of Rs.2,016 crore. EPC contracts executed for government authorities plus for its own SPVs and EPC contract executed for private companies constituted 90% (FY15: 71%) (refers to the period April 1 to March 31) and 10% (FY15: 29%), respectively, in its contract receipt of Rs.4,079 crore during FY16.

Based on audited FY16 financials, DBL reported total operating income of Rs.4,101 crore (FY15: Rs.2,630 crore) and profit after tax (PAT) of Rs.212 crore (FY15: Rs.137 crore).

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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

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