OCTOBER 27, 2015

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	1540.00 (enhanced from Rs.816.58 crore)	**CARE A- [Single A Minus]**	Reaffirmed
Long-term/Short -term Bank Facilities	3476.58 (enhanced from Rs.1600.00 crore)	**CARE A-/CARE A2+ [Single A Minus/A Two Plus]**	Reaffirmed
Total Facilities	**5016.58 (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 concentration.

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 favourable growth prospects. Ratings are further constrained by deterioration in the debt protection indicators during FY15 (refers to the period April 1 to March 31) 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) within the envisaged time frame 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 a 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 twelve small to midsized operational BOT based road projects through special purpose vehicles (SPVs). Eleven of these are based in Madhya Pradesh (MP), while the rest one is in Gujarat. Apart from these, DBL has received letter of award for two BOT projects aggregating Rs.1,087 crore in MP. In 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.2618 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 Q1FY16, DBL reported contract receipt of Rs.866 crore and profit before interest, lease, depreciation and tax (PBILDT) of Rs.209 crore.

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

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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