



Issue Details	
Issue Dates	1st Aug to 3rd Aug 2016
Issue Type	Secondary Sale/OFS & Fresh Issue
Pre-Issue Equity Shares Outstanding	11.71 Cr
Post-Issue Equity Shares Outstanding	13.67 Cr
Issue Size	1.96 Cr Shares
Price Band	₹214- ₹219
Market Cap at Upper Band	₹2,994 Cr
EV at Upper Band	₹6100 Cr
FY16 EBITDA	₹996 Cr
FY16 PAT	₹197 Cr
FY16 P/E at Upper Band	15.2x
FY16 EV/EBITDA at Upper Band	6.1x

### About the Company:

Dilip Buildcon Ltd (DBL) is one of the leading private sector road-focused EPC contractors in India. During the last five Financial Years ended March 31, 2016 DBL completed the construction of 47 road projects in the states of Madhya Pradesh, Gujarat, Himachal Pradesh, Rajasthan and Maharashtra in India, with an aggregate length of approximately 5,611.94 lane kms, achieving a CAGR of 38.18% of revenue growth on a consolidated basis for the five Financial Years ended March 31, 2016. In addition to the states where DBL has completed projects, The Company expanded its presence to ten more states, Tamil Nadu, Punjab, Chhatisgarh, Jharkhand, Haryana, Telangana, Andhra Pradesh, Karnataka, Goa and Uttar Pradesh with ongoing projects. DBL's achievements in the last five Financial Years are attributable to a combination of factors, including their ability to successfully and timely execute EPC projects, focus on geographically clustering our projects for efficiency and profitability, substantial investment in and efficient use of construction equipment bank and in-house production of structural parts for our projects.

As the owner of the one of the largest fleets of construction equipment in India, DBL maintained, as of March 31, 2016, a modern equipment fleet of 7,345 vehicles and other construction equipment from some of the world's leading suppliers, such as Schwing Stettar, Metso, Wirtgen and Vögele. DBL is one of the largest employers in the construction industry in India and employed 19,746 employees as of March 31, 2016. DBL's core business is undertaking construction projects across India in the roads and irrigation sectors. The company specialize in constructing state and national highways, city roads, culverts and bridges. As a result of the natural growth of road construction business, as well as the recent government support to the infrastructure sector and rising opportunities in new business areas, DBL recently expanded into the irrigation and urban development.

DBL's business comprises: (i) construction business, under which they undertake roads, irrigation and urban development projects on an EPC basis; and (ii) infrastructure development business, under which they undertake building, operation and development of road projects on a BOT basis with a focus on annuity projects. As of March 31, 2016, DBL had an order book of ₹107,787.31 million, consisting of 50 third party road EPC projects, six of own road BOT projects, three irrigation projects, one mining project, one cable-stayed bridge project and three urban development projects.



## Competitive Strengths:

### **One of the Leading Road-focused EPC Contractor:**

DBL is one of the leading road-focused EPC contractors, with focus on providing EPC services for both private and government clients. ~83.45% of revenue in FY16 came from executing EPC projects for third parties. During last five years, DBL completed the construction of 47 road projects in the states of Madhya Pradesh, Gujarat, Himachal Pradesh, Rajasthan and Maharashtra in India, with an aggregate length of approximately 5,611.94 lane kms, achieving a CAGR of 38.18% of revenue growth on a consolidated basis. As the owner of one of the largest construction equipment banks in India, DBL maintained, as of March 31, 2016, a modern equipment fleet of 7,345 vehicles and other construction equipment from some of the world's leading suppliers, such as Schwing Stettar, Metso, Wirtgen and Vogele. To man equipment themselves, the company employed approximately 19,746 employees, as of March 31, 2016, making it one of the largest employers in the construction industry in India. The total number of EPC road projects DBL undertook grew from 23 in FY12 to 56 in FY16. The order book for road projects was ₹91,243.25 million in FY16 (₹26,006.33 million FY12).

### **Meticulous identification of projects**

DBL carefully select projects, usually with a focus on EPC projects, by taking into consideration key factors such as the potential for project clustering and risks related to land acquisition and obtaining environment and forest clearances. In addition to road projects, DBL seek to undertake projects in irrigation and urban development segments opportunistically, with an emphasis on profitability, ensuring their proximity to other ongoing projects, suitability to use existing equipment and minimizing diversification risks. While the company has expanded its road construction business to nine states, they have restricted irrigation and urban development projects to Madhya Pradesh, where they have the maximum number of ongoing projects. On the back of execution, DBL's pre-qualifications for road EPC projects have increased significantly in Financial Years 2014 and 2015, thus enabling them to bid for large projects and securing awards of government contracts.

### **Focus on equipment ownership:**

DBL has consistently invested in one of the largest fleets of modern construction equipment in India. The company own modern construction plants and equipment, which meet most of the requirements for present projects. DBL believe equipment ownership provides them with a competitive advantage, allowing them to utilize their machines and equipment at their optimal levels. DBL often acquire equipment of the same class and same brand to facilitate the training of operators and help reduce equipment down time and maintenance cost. With multiple projects in progress at any given time, ready access to such equipment is essential to execute existing projects on time and bid for additional projects. The company maintains equipment to ensure high availability and reduce equipment cost. Easy access to and high availability of modern equipment fleet has enabled DBL to undertake complex and challenging projects and complete them efficiently and profitably well within time. Given substantial investment in construction equipment, DBL track and actively manage equipment with GPS. This enables them to drive optimal utilization and conduct regular maintenance to ensure high availability and efficiency of our construction equipment.

### **Backward integration or in-house production:**

DBL use in-house production facilities to manufacture many of the essential structures, sections or components used in their projects to ensure high quality, low cost and timely supply. DBL is thus able to gain a competitive edge in terms of cost effectiveness and quality of work.

**Financials:****Balance Sheet**

₹Cr	FY 12	FY 13	FY 14	FY 15	FY 16
<b>Liabilities</b>					
Share Capital	59	59	59	117	117
Reserves	236	476	660	688	884
<b>Networth</b>	<b>295</b>	<b>535</b>	<b>719</b>	<b>805</b>	<b>1,001</b>
<b>Non-Current Liabilities</b>					
LT Borrowings	394	578	925	1,574	1,767
DTL	14	15	36	75	101
LT Provisions	1	5	7	9	17
Other LT Liabilities	51	129	192	214	221
<b>Current Liabilities</b>					
ST Borrowings	153	457	816	1,376	1,454
Payables	65	249	467	828	1,023
Other Current Liabilities	402	374	385	704	795
ST Provisions	30	54	23	6	7
<b>Total Liabilities</b>	<b>1,405</b>	<b>2,396</b>	<b>3,568</b>	<b>5,593</b>	<b>6,387</b>
<b>Assets</b>					
<b>Non-Current Assets</b>					
Tangible Assets	533	546	637	1,188	1,418
Intangible assets	33	127	645	1,005	1,355
Intangible CWIP	125	531	491	415	1
Goodwill	0.4	0.4	0.4	0.4	0.4
LT Loans & Adv	46	37	51	191	208
Other NC Assets	47	33	45	119	81
<b>Current Assets</b>					
Inventory	197	363	522	948	1,580
Receivables	261	573	1,002	1,263	1,262
Cash	96	55	73	267	116
ST Loans & Adv	66	130	103	197	366
<b>Total Assets</b>	<b>1,405</b>	<b>2,396</b>	<b>3,568</b>	<b>5,593</b>	<b>6,387</b>



**Income Statement**

₹Cr	FY 12	FY 13	FY 14	FY 15	FY 16	CAGR
<b>Revenue</b>	<b>1,190</b>	<b>1,920</b>	<b>2,384</b>	<b>2,762</b>	<b>4,315</b>	<b>38%</b>
Cost of Construction	593	840	1,097	1,271	2,060	
Change in Inventory	313	523	660	675	984	
Employee Expenses	11	22	26	38	73	
Other Expenses	9	61	77	92	203	
Total Expenses	926	1,446	1,859	2,075	3,320	
<b>EBITDA</b>	<b>264</b>	<b>473</b>	<b>525</b>	<b>687</b>	<b>996</b>	<b>39%</b>
<b>EBITDAM</b>	<b>22.2%</b>	<b>24.7%</b>	<b>22.0%</b>	<b>24.9%</b>	<b>23.1%</b>	
Depreciation	44	76	100	206	284	
Other Income	3	7	18	7	34	
<b>EBIT</b>	<b>223</b>	<b>405</b>	<b>442</b>	<b>487</b>		
<b>EBITM</b>	<b>18.8%</b>	<b>21.1%</b>	<b>18.6%</b>	<b>17.6%</b>	<b>17.3%</b>	
Interest	59	115	201	354	514	
<b>PBT</b>	<b>164</b>	<b>290</b>	<b>242</b>	<b>133</b>	<b>231</b>	<b>9%</b>
Tax	56	49	56	46	34	
<b>PAT</b>	<b>108</b>	<b>241</b>	<b>186</b>	<b>88</b>	<b>197</b>	<b>16%</b>
<b>PATM</b>	<b>9.1%</b>	<b>12.6%</b>	<b>7.8%</b>	<b>3.2%</b>	<b>4.6%</b>	

**Peer Comparison:-**

FY16	Revenue (Rs Mn)	EPS (Rs)	RONW	P/E (x)
Dilip Buildcon	4,349	16.8	19.6%	15.2
J Kumar Infra	1,426	14.9	8.0%	15.0
Simplex Infra	5,998	13.8	4.3%	22.4
KNR Constructions	1,038	44.9	18.1%	12.8
MBL Infra	2,349	21.3	12.0%	6.4
Sadbhav Engg	3,922	(2.7)	-2.6%	-
Ashoka Buildcon	2,667	3.1	3.1%	52.7
IL&FS Transportation	8,730	7.7	4.7%	10.2
IRB infra	5,254	18.1	13.2%	11.8
PNC Infra	2,411	42.1	16.5%	13.4



### Valuations & Recommendation:

Revenue of DBL has grown at a CAGR of 38% from FY12 to FY16. Considering strong order book there is a visibility of revenue for next ~2.5 years. EBITDAM has remained stable in the range of 22-25% while PAT has grown at a CAGR of 16% in the same period. Interest cost and depreciation remained culprit which grew at a CAGR of 72% and 60% respectively in the same period. Non cash-non debt working capital as % of sales remained stable at ~32%. Higher depreciation is mainly attributable to heavy investment in construction equipment. Increased cost of borrowing (from ~15% in FY13 to ~17% in FY16) and higher average debt (in our opinion) lead higher interest cost. Management is firm on reducing debt and guided for significant decline in interest cost going ahead. Considering higher growth in the top-line compared to peers, stable working capital requirement & margins and potential improvement in PAT margin, DBL could trade at a premium to peers (average P/E- 18x). We recommend subscribing the issue with a long term perspective.



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