

## Dilip Buildcon Ltd : Average Issue IPO Note: High Debt Road focused Infra Company Ranking\*\*



### Issue details

Price band (Rs)	Rs. 214-219
IPO Opening Date	01/08/16
IPO Closing Date	03/08/16
Issue Size	Rs.654 Cr.

### Recommendation

Total revenues grew at a CAGR of 31.17.% from Rs.1926.87 Crore for FY 2013 to Rs.4348.98 Crore for FY2016. Thus although its top line has shown improvement, its net declined for FY14 and FY15. Its finance cost increased from Rs. 115.36 crore in FY 13 to Rs. 514.21 crore for FY16. Similarly its depreciation provisions stood higher from RS. 75.60 crore for FY13 to Rs. 284.13 crore for FY16. If we attribute the latest earnings on the fully diluted equity post IPO then asking price is at a P/E of around 15 which is just at or little high compared to its peers. Its listed peer companies stocks like KNR Construction, IL&FS Transport Network and IRB Infrastructure Development trades at a P/E of 10.12, 8.33 and 11.84 respectively. The issue seems expensive and its debt burden keeps on increasing while profitability has reduced. **It is a high risk IPO not fit for a long-term investment. Indian infrastructure sector in general is in dire straits due to cash flow and high debt problems. It recommended to avoid investment in this IPO as well as this sector in general until things turn around.**

### Highlights

- Dilip Buildcon Ltd (DBL) is one of the leading private sector road-focused EPC contractors in India. During the last five Financial Years, it has completed the construction of 47 road projects in the states of Madhya Pradesh, Gujarat, Himachal Pradesh, Rajasthan and Maharashtra in India,
- As of March 31, 2016, it had an order book of 10778.31 crore, 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.
- It has total debt of Rs.3639.52 crore on 31 March 2016
- Its finance cost for FY16 stood at Rs.514 crore.
- Company is also one of the largest employer in construction sector with around 18,000 employees.

### Company Introduction Company Profile

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 it has 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 said period. In addition to the states where DBL has completed projects, has expanded its presence to ten more states, Tamil Nadu, Punjab, Chhatisgarh, Jharkhand, Haryana, Telangana, Andhra Pradesh, Karnataka, Goa and Uttar Pradesh with ongoing projects.



[www.dilipbuildcon.co.in](http://www.dilipbuildcon.co.in)

### Financial Summary (Rs. In Crore)

Particulars	FY2016	FY2015	FY2014	FY2013
Total Income	4348.98	2768.51	2401.59	1926.87
Net Profit	196.64	87.65	185.68	241.28
EPS (Rs)	14.38	6.41	13.58	17.65

Source:RHP

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

DBL recently expanded into the irrigation and urban development businesses. Thus its business comprises: (i) construction business, under which it undertake roads, irrigation and urban development projects on an EPC basis; and (ii) infrastructure development business, under which it undertakes building, operation and development of road projects on a BOT basis with a focus on annuity projects.

### Objects of the Issue:

The public issue comprises a fresh Issue and an offer for sale by the selling shareholders.

#### The Offer for Sale

Dilip Buildcon will not receive any proceeds from the Offer for Sale.

#### The Fresh Issue

The proceeds from the fresh issue will be utilised towards the following objects:

- Prepayment or scheduled repayment of a portion of term loans availed by the company
- To meet working capital requirements
- General corporate purposes.

#### Issue details

To repay highcost debt and meet working capital requirements and general corpus funds needs, the company is coming out with a maiden IPO to mobilize Rs. 654 crore (at the upper price band) with its combo offer of fresh equity issue of Rs. 430 crore (approx 1.96 crore equity share of Rs. 10 each) and offer for sale of 1.02 crore equity share worth Rs. 224 crore. Issue opens for subscription on 01.08.16 and will close on 03.08.16. Minimum application is to be made for 65 shares and in multiples thereon, thereafter.

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