Dilip Buildcon Ltd

Issue Snapshot:

Issue Open: August 01 - August 03 2016

Price Band: Rs. 214 – 219

*Issue Size: 2,98,61,976 Equity Shares (including Fresh issue of 1,96,34,703 Equity Shares + Offer for sale 1,02,27,273 equity shares)

Offer Size: Rs.639.04 – 653.98 crs

QIB	upto	50% eq sh
Retail	atleast	35% eq sh
Non Institutional	atleast	15% eq sh

Face Value: Rs 10

Book value: Rs 85.48 (March 31, 2016)

Bid size: - 65 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 117.14 cr
*Post issue Equity:	Rs. 136.77 cr

Listing: BSE & NSE

Book Running Lead Manager: Axis Capital Ltd, IIFL Holding Limited, JM Financial Institutional Securities ltd, PNB Investment Services Limited.

Registrar to issue: Link Intime India Pvt Ltd

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post *issue %
Promoters & Promoter Group	90.25	75.63
Public (incl institutions & employees)	9.75	24.37
Total	**100.0**	**100.0**

* Assuming pricing at the higher end of band

Background & Operations:

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 five Financial Years ended March 31, 2016. In addition to the states where it has completed projects, it has also expanded its presence to ten more states, Tamil Nadu, Punjab, Chhatisgarh, Jharkhand, Haryana, Telangana, Andhra Pradesh, Karnataka, Goa and Uttar Pradesh with ongoing projects. Its achievements in the last five Financial Years are attributable to a combination of factors, including its ability to successfully and timely execute EPC projects, its focus on geographically clustering its projects for efficiency and profitability, its substantial investment in and efficient use of its construction equipment bank and in-house production of structural parts for its 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 Vogele. It is one of the largest employers in the construction industry in India and employed 19,746 employees as of March 31, 2016. Its core business is undertaking construction projects across India in the roads and irrigation sectors. DBL specialize in constructing state and national highways, city roads, culverts and bridges. Its business comprises: (i) construction business, under which it undertakes 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. As of March 31, 2016, DBL had an order book of Rs 107,787.31 million, consisting of 50 third party road EPC projects, six of its own road BOT projects, three irrigation projects, one mining project, one cable-stayed bridge project and three urban development projects.

Construction Business

In road construction business, DBL mainly design, construct and maintain roads and highways on an EPC basis with third party and EPC Contracts awarded to it through its subsidiary companies and joint ventures. In its irrigation business, it undertakes to build canals and dams. It entered into this business in Financial Year 2014 to take advantage of the increasing opportunities in this area. In urban development business, it undertakes redevelopment and re-densification of government housing and builds residential units under affordable housing schemes, construction of district court and other structures in group water supply schemes relating to irrigation or water supply for agricultural purposes

Infrastructure Development Business

In infrastructure development business, DBL develops and maintains roads and highways on a BOT basis. It currently undertake BOT projects opportunistically, considering factors such as their proximity to clusters where it is executing other projects to maximize efficiency of execution and profitability, and the potential cash flow from such projects after they become operational.

Objects of Issue:

The Issue comprises a Fresh Issue by DBL and an Offer for Sale by the Selling Shareholders. DBL will not receive any proceeds from the Offer for Sale. The objects of the Net Proceeds of the Fresh Issue are:

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

Competitive Strengths:

One of the Leading Road-focused EPC Contractor: DBL is one of the leading road-focused EPC contractors in India. Given its focus on providing EPC services for both private and government clients, 89.57%, 73.97%, 67.69%, 71.39% and 83.45% of its revenue for the five Financial Years ended March 31, 2016, respectively, came from executing EPC projects for third parties. As the owner of one of the largest construction equipment banks in India, it 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. In addition to the states of Madhya Pradesh, Maharashtra, Himachal Pradesh, Rajasthan and Gujarat where it has completed projects, DBL has expanded its presence to ten more states over the last few years, including Tamil Nadu, Telangana, Andhra Pradesh, Karnataka, Uttar Pradesh, Jharkhand, Punjab, Chhatisgarh, Goa and Haryana. Its operations have expanded rapidly to include working with central Government agencies such as NHAI and the Ministry of Road Transport and Highways in Madhya Pradesh, Andhra Pradesh, Rajasthan, Karnataka, Uttar Pradesh, Tamil Nadu and Telangana, as well as private firms.

Efficient business model: DBL's growth is largely attributable to its efficient business model of careful selection and geographical clustering of its projects. This model has facilitated maximum efficiency and profitability. Additionally, owning and maintaining a modern equipment bank and backward integration or in-house production of structures for its projects ensures better control over execution and timely completion in providing EPC services.

Identification of projects**:** DBL carefully select its 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, it seeks 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.

Geographical clustering of projects**:** DBL strives to cluster its projects geographically to improve efficiency and profitability. By leveraging the manpower, equipment and materials which are set-up at nearby work sites, it attempt to save transportation costs and investment in new equipment, thus achieving economies of scale. It apply this principle even to projects that it undertake opportunistically, such as BOT projects and while diversifying into related sectors of business such as irrigation and urban development or to other states.

Focus on equipment ownership**:** DBL has consistently invested in one of the largest fleets of modern construction equipment in India. It owns modern construction plants and equipment, which meet most of the requirements for its present projects. It maintains its equipment to ensure high availability and reduce equipment cost. Easy access to and high availability of its modern equipment fleet has enabled it to undertake complex and challenging projects and complete its projects efficiently and profitably.

Backward integration or in-house production:

DBL use in-house production facilities to manufacture many of the essential structures, sections or components used in the projects to ensure high quality, low cost and timely supply.

Excellent execution track record through strong operating systems and controls: For the five Financial Years ended March 31, 2016, DBL completed 36 EPC projects and 11 BOT projects, with most of these projects completed on or ahead of their respective scheduled completion dates or completion dates rescheduled by its counterparties. Its early completion has added to its client's satisfaction and increased its opportunities to bid for large projects. For the five Financial Year ended March 31, 2016, it has received early completion bonuses of an aggregate amount of Rs 1,919.74 million for 11 of its BOT projects and Rs 286.28 million for 10 of its government EPC projects.

Strong financial performance and credit profile: DBL's business growth during the last five Financial Years contributed significantly to its financial strength. Its order book of Rs 107,787.31 million as of March 31, 2016 provides it with strong revenue visibility. It has achieved a CAGR of 38.18% of revenue growth on a consolidated basis for the five-year period ended March 31, 2016 and has never defaulted in the repayment of its borrowings, which, together with its strong financial performance and substantial assets, helps it to present a strong credit profile to its lenders and keeps alternatives sources of financing available to it.

Visible growth through a robust order book and excellent pre-qualification credentials: In DBL's industry, an order book is considered an indicator of future performance since it represents a portion of anticipated future revenue. Its strategy is not focused solely on order book addition but, rather, on adding quality projects with potentially higher margins. By diversifying its skill set and order book across different business and geographical regions, it is able to pursue a broader range of project tenders and therefore maximize its business volume and contract profit margins. Its order book has grown significantly over the last four financial years, from Rs 33,199.97 million as of March 31, 2013 to Rs 51,609.03 million as of March 31, 2014 and Rs 74,746.97 million as of March 31, 2015 and Rs 107,787.31 million as of March 31, 2016, with government contracts accounting for 76.27% and private contracts accounting for 23.73% of its order book. Itsr growing order book was partly due to its increased pre-qualifications for potential projects. It is currently pre-qualified to bid for BOT projects with a contract price of up to Rs 21,402.00 million and EPC projects with a contract price of up to Rs 12,538.20 million. The significant increase in pre-qualifications has helped it to increase its target market size and maintain the momentum of its order book growth.

Experienced management and promoters: DBL's management has significant experience of construction technology and project management know-how. It is well qualified and experienced in the construction industry. In addition, its Board, with a strong combination of managerial acumen as well as entrepreneurial spirit, is equipped to handle complex business situations. The length and breadth of their experience and expertise, coupled with their strong client relationships, gives it a competitive edge in the industry. By focusing on undertaking EPC projects and geographical clustering its projects in core areas of business, its management has led Company to achieve strong revenue and profit growth over the last several years.

Business Strategy:

Focusing on enhancing execution efficiency

- ***Continue focusing on on-time delivery and quality execution:*** DBL intends to continue to focus on performance and project execution in order to maximize client satisfaction and profit margins, integrate best practices from different sectors and geographic regions and attempt to utilize advanced technologies, designs, engineering and project management tools to increase productivity and maximize asset utilization in construction activities.
- ***Increase the competitiveness through continuous focus on EPC business:*** DBL strives to become a leader in the construction industry with strong client relationships, dedicated workforce and strong reputation as a top-quality EPC service provider with the capability to execute projects without project delays or cost overruns. It will continue focusing on providing high quality EPC services, conduct more EPC business, enhance client satisfaction through cost effective and timely completion, motivate and train their staff to improve productivity and service quality and update and implement the systems in line with industry standards.
- ***Project Clustering to achieve higher efficiency and profitability:*** Creating clusters of projects is an effective way to improve efficiency and profitability. DBL maintains their focus on geographically clustering their projects to further improve the business and financial performance and create project clusters outside of Madhya Pradesh
- ***Enhance the system of equipment usage, procurement and manpower:*** DBL intends to strive to ensure continuous availability of equipment for their projects and exercise better control over the execution of the projects. It adheres to their proven practice of quick mobilization of the equipment needed for the new projects and use equipment from Schwing Stettar, Metso, Wirtgen and Vogele. Through owning a homogeneous mix in each equipment category, DBL intends to further increase spare parts availability and reduce procurement and maintenance costs.
- ***Strengthen IT systems and other internal processes to reduce manual intervention:*** The construction industry has been an aggressive adopter of new technologies and solutions in an ongoing effort to increase efficiency and reduce costs. The growing dependence on the IT infrastructure, applications, and data and other internal processes has caused DBL to have a vested interest in its reliability and functionality. DBL intends to strengthen their IT systems and other internal processes to reduce manual intervention and improve reliability and efficiency of its business and operations.
- ***Develop relationship with the clients and optimize the client mix:*** Completing the projects on time and with quality is an effective way to develop and maintain strong relationships with clients. This will strive to deliver the best performance in every stage of the projects DBL will undertake.

Expand geographical footprint: DBL's plan to continue its strategy of diversifying across states and increase orders from outside of Madhya Pradesh for the growth of its business. Through an increasingly diversified portfolio, it hopes to hedge against risks in specific areas or projects and protect it from fluctuations resulting from business concentration in limited geographical areas.

Diversify into new businesses: Strong government support and increasing business volume in some segments, such as irrigation and urban development, are providing DBL with exciting opportunities to further develop business and achieve higher profitability. While keeping Road EPC projects as its primary focus of business, DBL may also pursue growth opportunities in these new businesses, especially when the potential projects coincide with its strategy of clustering projects to achieve higher efficiency and profitability. It aims to grow into a full EPC service company capable of undertaking projects in multiple businesses but with associated risks and costs under its control.

Maintain financial discipline: Maintaining financial discipline has contributed to DBL's financial performance. It intends to continue its practices of strict cost control through (i) geographically clustering projects, ownership and maintenance of modern equipment and centralizing procurement of major equipment and raw materials; (ii) careful selection of projects; and (iii) cautious expansion into new businesses and new geographical areas. While aiming for higher profitability, it intends to avoid over-leveraging its balance sheet or undertake projects that would require significant investment in equipment or manpower.

Attract and retain talented employees: DBL rely on talented employees to operate modern construction equipment, complete various tasks on complex construction projects and deliver quality performance to clients. With strong human resource system and processes, it intends to continue to focus on improving health, safety and environment for employees, provide various programs and benefits for the personal wellbeing and career development of its employees, and strengthen its workforce through more comprehensive training. Strive to further reduce the employee attrition rate and retain more of its skilled workers for future expansion by providing with better payment packages and a safer and healthier working environment.

Explore BOT projects opportunistically to optimize project portfolio: As DBL's focus is on undertaking and increasing revenue contribution from EPC projects, it plans to bid for BOT projects only on an opportunistic basis, where resources are already deployed for projects in nearby locations. On the other hand, it may focus on BOT projects with an annuity component, which can provide assured cash flows and help, eliminate or reduce the risk of income fluctuations, which is inherent in BOT projects with a toll component. In addition, it may evaluate the opportunities to optimize its portfolio by retaining or acquiring the BOT projects that yield higher returns and make more efficient use of its capital.

Actively bid for new projects: DBL's business growth has been partly attributed to increased activities in bidding for more and larger projects to be awarded by government clients, including constructing two-laned roads. It has evaluated potential projects with an aggregate value of over Rs 800 billion between 2012 and 2016. As of March 31, 2016, DBL was evaluating potential projects with an aggregate value of Rs 6.37 billion. With more projects evaluated and more bids tendered, it hopes to seize opportunities to undertake larger projects that can match its corporate profile, project experience, execution capabilities and anticipated profit margins, forge stronger relationships with its clients and gain a better understanding of the market demand for EPC and other services that it aims to provide.

The following table sets forth the breakdown of the order book as of March 31, 2016 by type of clients or ownership:

Project Types	No. of Contracts	Contract value (` in million)	Outstanding order value (` in million)	% of outstanding order value
Private clients	7	28,983.89	9,788.11	9.08%
Government clients				
NHAI	7	30,866.00	25,326.31	23.50%
MoRTH	25	68,870.30	42,716.34	39.63%
Central Govt Undertakings	2	3,004.25	3,004.25	2.79%
State Governments	17	19,213.76*	11,163.65	10.36%
Subtotal	***51***	***1,21,954.31***	***82,210.55***	***76.27%***
Own BOT road projects	**6**	**15,788.65**	**15,788.65**	**14.65%**
Total	**64**	**1,66,726.85**	**1,07,787.31**	**100.00%**

*Includes contract value of Rs 490.03 million for which no order outstanding value remains as on March 31, 2016 and for which completion certificate is yet to be received.

The following table sets forth the breakdown of the order book as of March 31, 2016 by DBL's businesses

Segment	No. of Contracts	Contract value (` in million)	Outstanding order value (` in million)	% of outstanding order value
EPC Construction Projects				
Road construction (third party projects)	50	1,27,342.90	75,454.60	70.00%
Irrigation	3	11,138.70	7,054.66	6.54%
Urban development	3	5,957.60	2,990.41	2.77%
Bridge	1	5,454.00	5,454.00	5.06%
Mining	1	1,045.00	1,045.00	0.97%
Subtotal	**58**	**1,50,938.20**	**91,998.66**	**85.35%**
BOT Infrastructure Development Projects (owned BOT road projects)	6	15,788.65	15,788.65	14.65%
Total	**64**	**1,66,726.86**	**1,07,787.31**	**100.00%**

Industry:

Infrastructure Sector in India

As the economic growth of a country is dependent on availability of reliable and high quality infrastructure, the policy focus in India has been on boosting infrastructure investment. Such investment has increased manifold over time with increased private-sector participation in the country. The Twelfth Five Plan has also laid special emphasis on infrastructure development. The roads and bridges segment, at 18.8% of the total Twelfth Plan projected investments, is an important segment of the Indian infrastructure sector.

Overview of the Road sector in India

Roads form the most common mode of transportation and are the main arteries for travelling across India. It is estimated that 60.0% of the total freight and 85.0% of the total passenger traffic is carried by roads. The Indian road network, at approximately 4.7 million kilometres in length, is the second longest road network in the world. For the purpose of management and administration, roads in India are divided into the following categories: (1) —national highway which is intended to facilitate medium and long distance inter-city/state passenger and freight traffic across the country (2) —state roads which mainly comprises of state highways and major district roads, provide connectivity to the state capitals, district centres, important towns, national highways and other states and (3) —rural roads which provide villages accessibility to meet the social needs of such villages and also the means to transport agriculture produce from villages to nearby markets
National highways, which account for approximately 2.0% of the total road network length in India, carry nearly 40.0% of the total road traffic volume. On the other hand, state roads and major district roads, the secondary system of roads, carry another 40.0% of traffic volume and account for over 20.0% of road length.

National Highways Development Project

Due to the efforts taken by Government, the National highways network in India has been considerably expanded. In 2000, the Central Government initiated the National Highway Development Project (—NHDP), in an effort to improve highway infrastructure in the country. This project includes seven phases and is being implemented in all phases except for phase VI. A summary of the progress of this project is set out below

NHDP status (as on September 30, 2015)

	Unit	Phase							Total
		I	II	III	IV	V	VI	VII	
Total length	km	8,107	7,142	12,109	13,203	6,500	1,000	700	48,761
Completed till date	km	7,743	6,414	6,634	1,585	2,264	-	22	24,662
Completion rate as % of total	*per cent*	*95.5*	*89.8*	*54.8*	*12.0*	*34.8*	-	*3.1*	*50.6*
Completion from April 1, 2015-September 30, 2015	km	70	40	152	469	168	-	0	899
Under implementation (UI)	km	364	461	3,308	4,668	1,401	-	19	10,221
UI as a % of total	*per cent*	*4.5*	*6.5*	*27.3*	*35.4*	*21.6*	*0.0*	*2.7*	*21.0*
Balance length for award (BFA)	km	0	267	2,167	6,950	2,835	1,000	659	13,878
BFA as a % of total	*per cent*	*0.0*	*3.7*	*17.9*	*52.6*	*43.6*	*100.0*	*94.1*	*28.5*
Cost incurred so far *	Rs billion	431	653	850	97	307	1	17	2,356

* Cost as on Oct 31, 2014

Source: NHAI, CRISIL Research

The ongoing construction of new national highways and upgrade of existing ones has led to an increase in terms of lanes in national highways in the last five years, which has gone from being single-lane and double-lane to four-lane. Single-lane roads decreased from 30.0% in Fiscal Year 2009 to 24.0% in Fiscal Year 2013. Doublelane roads reduced from 53.0% in Fiscal Year 2009 to 51.0% in Fiscal Year 2013, while four-lane roads have increased from 17.0% to 24.0% in the same period.

Investments in the road sector

CRISIL Research expects investments in road projects to grow by 2 times to Rs 8.6 trillion over the next five years. Investments in state roads are expected to grow steadily, while those in rural roads will rise at a slower pace, impacted by a drop in budgetary allocations and funding constraints. For national highways, execution is expected to pick up in Fiscal Year 2016, aided by policy reforms, after having slowed down in the previous two fiscals. Higher budgetary support to fund engineering, processing & construction (EPC) projects, will also drive investments in the National Highways, which has recently seen a significant drop in private interest. Private investments in national highway projects will be lower as compared to the past 5 years, as most developers struggle with weak financials and are therefore unable to bid for build-operate-transfer (BOT) projects. Hence, the Government awarded more EPC projects over past few years. Almost 70% of the projects awarded in the last 2 fiscals were in EPC mode. However, this year till July 2015, a good pick up in BOT awarding is evident with 60% of the projects till July 2015 been awarded on a BOT basis. However on an aggregated 5 year basis, the proportion of private participation will show a marginal dip.

Road projects to be largely backed by public funds

CRISIL Research estimates that Rs 8.6 trillion will be invested in roads projects between Fiscal Year 2016 and Fiscal Year 2020 and a majority of this would be funded by the Government (both Centre and respective state governments). While the share of private investments in state roads will remain steady in the next 5 years, their participation in national highway projects, which has slowed down in the past 5 years, will start improving from this fiscal year, but will stay lower than the levels of private participation previously witnessed. Overall, this would slightly bring down the share of private players in funding road projects.

Irrigation

India has 2.4% of the world's total area and 16% of the world's population. But has only 4% of the total available fresh water. This clearly indicates the need for water resource development, conservation, and optimum use. (Eleventh Five Year Plan, 2007-12, Volume III). Irrigation and urban infrastructure is together expected to contribute over 30% to total investments in the construction sector.

Irrigation investments are primarily driven by expenditure of state Governments and are expected to grow by 1.6 times over Fiscal Year 2016 as compared to the last five years. The progressive states in this sector are Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Madhya Pradesh and Uttar Pradesh, which account for around 70.0% of the aggregate investment on irrigation by states. At the central level, investments have been driven by centrally-sponsored programs such as Accelerated Irrigation Benefits Program (—AIBP) and Command Area Development (—CAD) for implementing major, medium or minor irrigation projects across various states. In Fiscal Year 2011, investment under AIBP amounted to Rs 115.0 billion and in CAD to Rs 5.45 billion.

Key Concerns:

There are outstanding legal proceedings against the Company: There are outstanding legal proceedings against DBL that are incidental to its business and operations, including certain criminal proceedings against the Company, certain of its Directors, its Promoters and its Subsidiaries, Joint Ventures and Group Companies. These proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers and appellate tribunals. Such proceedings could divert management time and attention, and consume financial resources in their defense. Further, an adverse judgment in some of these proceedings could have an adverse impact on its business, financial condition and results of operations.

Projects included in order book and future projects may be delayed, modified or cancelled for reasons beyond control: As of March 31, 2016, DBL's order book was Rs 107,787.31 million. Its order book sets forth its expected revenues from uncompleted portions of the construction contracts received. However, project delays, modifications in the scope or cancellations may occur from time to time due to either a client's or its default, incidents of force majeure or legal impediments. In an EPC project, it may incur significant additional costs due to project delays and its counterparties may seek liquidated damages due to its failure to complete the required milestones or even terminate the construction contract totally or refuse to grant any extension. DBL may not have the full protection in its construction contracts or concession agreements against such delays or associated liabilities and/or additional costs. Further, it has escalation clauses in some of its contracts, which, may be interpreted restrictively by its counterparties, who may dispute its claims for additional costs. As a result, DBL's future earnings may be different from the amount in the order book. In addition, even where a project proceeds as scheduled, it is possible that contracting parties may default and fail to pay amounts owed or receivables due. If any or all of these risks materialize, its business, prospects, reputation, profitability, financial condition and results of operation may be materially and adversely affected.

If DBL is not successful in managing growth, its business may be disrupted and profitability may be reduced: DBL has experienced high growth in recent years and expects its businesses to continue to grow significantly. It achieved a CAGR of 38.18% of revenue growth on a consolidated basis for the five year period ended March 31, 2016. Future growth is subject to risks arising from a rapid increase in order volume, and inability to retain and recruit skilled staff. Although company plans to continue to expand its scale of operations through organic growth or investments in other entities, it may not grow at a rate comparable to its growth rate in the past, either in terms of income or profit. To manage its growth, DBL is also in the process of implementing an ERP system to improve efficiency and exercise better control over its project sites. Failure to implement the system on time or at all may have an adverse impact on its ability to manage growth. If DBL is not successful in managing its growth, its business may be disrupted and profitability may be reduced. Its business, prospects, financial condition and results of operations may be adversely affected.

Lower than expected returns on investment in BOT projects may adversely affect the financial results: While DBL's strategy is to undertake BOT projects opportunistically, it had a portfolio of 18 BOT projects as of March 31, 2016, with 12 completed projects and six under construction. Its BOT projects fall into four types — annuity plus toll-based, annuity-based, toll-based and hybrid annuity basis. As part of its growth strategy, it may evaluate, from time to time, the opportunities to divest the BOT assets that have lower profit margins and use the proceeds to acquire assets with higher profit margins. DBL optimize its portfolio of projects by retaining or acquiring the BOT projects that yield higher returns and make more efficient use of its capital. However, it cannot be assured that it will be able to divest such BOT projects at the prices it anticipates or at all. Particularly, other BOT asset owners may similarly seek to improve their balance sheets and sell their BOT projects. There may be a lack of market demand as the majority of BOT assets typically require purchasers to have substantial capital. Offers for its BOT assets may be substantially below the book values of these assets. In this circumstance, DBL may not be able to divest such assets or implement its above strategy at all. As a result, its business, prospects, financial condition and results of operations may be adversely affected.

In the past, DBL has incurred additional costs in order to complete some of the projects: The construction or development of DBL's projects involves various implementation risks. Additionally, there were certain delays with respect to the implementation of certain projects. Any delay or cost overruns in the development, construction or operation of any of its new projects or existing projects is likely to adversely affect its business, prospects, financial condition, cash flows and results of operations.

DBL's projects are exposed to various implementation and other risks and uncertainties: Some of DBL's projects are under construction or development. The construction or development of these new projects involves various implementation risks including construction delays, delay or disruption in supply of raw materials, delays in acquisition of land, unanticipated cost increases, force majeure events, cost overruns or disputes with its joint venture partners. In addition, increases in the prices of construction materials, fuel, labour and equipment, their availability and cost overruns could have an adverse effect on the company and it may not receive bulk discounts on its purchases. If DBL is unable to pass on such unanticipated price increases to itd clients in EPC projects or through an increase in tolls or annuities or through extension of concession periods in BOT projects, it may have to absorb such increases and its business, financial condition and results of operations may be adversely affected. In addition, while DBL intends to have insurance policies in place to cover such cost overruns, it cannot be assured that such cost will be adequate. It cannot be assured that its current or future projects will be completed, or, if completed, will be completed on time or within budget.

DBL has substantial existing debt and may incur substantial additional debt, which could adversely affect financial health and its ability to obtain financing in the future: DBL's business requires a high amount of working capital to finance the purchase of materials and the performance of engineering, construction and other work on the projects before payments are received from client. DBL may incur additional indebtedness in the future. Its ability to meet its debt service obligations and its ability to repay outstanding borrowings will depend primarily upon the cash flow produced by its businesses. If it fails to meet its debt service obligations, its lenders could declare it to be in default under the terms of its borrowings and may accelerate the maturity of its obligations in the event of any such acceleration, DBL would have sufficient resources to repay these borrowings. Accordingly, any such acceleration would have an adverse effect on its cash flows, business, financial condition and results of operation.

Business is capital intensive*:* DBL's BOT projects are typically capital intensive and require high levels of financing, including debt financing. Although its strategy is to undertake new BOT projects opportunistically, it may still need to increase its capital contribution in its project companies to fund its equity investments in these new projects. DBL may need to fund the construction of its BOT projects with debt, equity or both. If it decide to raise additional funds through the issuance of equity or equity-linked instruments, the interests of its existing shareholders will be diluted. If it decides to meet its capital requirements through debt financing, its interest obligations will increase and it may be subject to additional restrictive covenants. DBL's capital expenditure requirements and growth strategy thus require continued access to significant amounts of capital on acceptable term. it cannot predict how and when itsr lenders will change their lending policies or practices. If it cannot meet any new requirements of its lenders or accept their new lending practices, it may lose them as sources to finance its projects. If it cannot find substitute financing sources at affordable costs, its financing costs may increase significantly and in the worst case, it may not be able to finance its projects at all. DBL's projects may be subject to significant delays and cost overruns, and its business, financial condition and results of operations may be materially and adversely affected.

Owns a large fleet of equipment and have a large number of employees, resulting in increased fixed costs to the Company: As of March 31, 2016, DBL had 19,746 employees. It also owns a large fleet of modern construction equipment and minimally lease or hire equipment, resulting in increased fixed costs to the Company. In the event, if it is unable to generate or maintain adequate revenue by successfully bidding for projects or recover payments from its clients in a timely manner or at all, it could have a material adverse effect on its financial condition and operations.

Delays in the acquisition of private land or rights of way, eviction of encroachments from government owned land by the Government or resolution of associated land issues may adversely affect the timely performance of the contracts and lead to disputes and losses: In DBL's contracts, government clients are typically required to acquire, lease, or secure rights of way over, tracts of land underlying the infrastructure it construct free of encroachments and encumbrances, which are beyond its control. Their failure to acquire in time the relevant land free of encumbrances may cause project delays, cost overruns or even force it to change or abandon the projects completely, which may further lead to disputes and cross-claims for liquidated damages between its project companies and the clients. Sometimes, construction of a project may commence even before all of the land required for the project has been acquired or leased or rights of way have been secured by the relevant government client. Its project companies may be entitled to terminate such contracts on the basis of its counterparty's default such as the failure to acquire or lease the requisite land or right of way. Although the relevant project company may be entitled to a termination payment from the governmental client, if this payment is not sufficient to cover the losses incurred by the project companies in the construction of the projects, it may be required to cover or recover any amounts already spent on the project.

Business is relatively concentrated in the state of Madhya Pradesh and may be affected by various factors associated with Madhya Pradesh: Although DBL's geographical footprint has reached fifteen states, its project portfolio has historically been concentrated in projects in and around the state of Madhya Pradesh. As of March 31, 2016, projects in Madhya Pradesh accounted for approximately 39.53% of its order book. While it strives to diversify across states and reduce its concentration risk, there is no guarantee that the above factors associated with Madhya Pradesh will not continue to have a significant impact on its business. If it is not able to mitigate this concentration risk, it may not be able to develop its business as it planned and its business, financial condition and results of operations could be materially and adversely affected.

Inadequate workloads may cause underutilization of workforce and equipment bank: DBL estimate its future workload largely based on whether and when it will receive certain new contract awards. While its estimates are based upon its best judgment, these estimates can be unreliable and may frequently change based on newly available information. The uncertainty of contract awards and timing can present difficulties in matching its workforce size and equipment bank with its contract needs. In planning its growth, it has been adding to its workforce and equipment bank as it anticipate inflow of additional orders. DBL maintain its workforce and utilize its equipment based upon current and anticipated workloads. It may further incur substantial equipment loans if it purchases additional equipment in anticipation of receiving new orders. If DBL does not receive future contract awards or if these awards are delayed or reduced, it may incur significant costs from maintaining the under-utilized workforce and equipment bank, and may further lack working capital to pay its equipment loan installments on time or at all, which may result in reduced profitability for it or cause it to default under its equipment loans. As such, its financial condition and results of operation may be adversely affected.

Business is substantially dependent on projects in India awarded or funded by the Central or State Governments: DBL's business increasingly relies on projects in India awarded or funded by the Government or State Governments. As of March 31, 2016, 76.27% of its order book was derived from contracts awarded by various governmental clients. These government clients include the NHAI, MoRTH, MPRDC and the State Government of Madhya Pradesh. In addition, three of its projects are currently being undertaken on a hybrid annuity basis, where the GoI shares a portion of the total project cost. There can be no assurance that the Government or the State Governments will continue to place emphasis on the road infrastructure sector. In the event of any adverse change in budgetary allocations for infrastructure development or a downturn in available work in the road infrastructure sector or denotification of toll collection resulting from any change in government policies or priorities, it may suffer significant losses or incur substantial costs. Its business, prospects, financial condition and results of operations may be materially and adversely affected, especially where the compensation from the government client or its insurance coverage is inadequate.

DBL's government contracts usually contain terms that favour governmental clients, who may terminate its contracts prematurely under various circumstances beyond its control: The counterparties to a number of DBL's construction contracts are governmental entities and these contracts are usually based on forms chosen by the government entities. It thus has only a limited ability to negotiate the terms of these contracts, which tend to favour its government clients. The company's ability to continue operating its concessions or undertake projects thus largely depends on its government clients, who may terminate the relevant concession or construction agreements for reasons set forth in the agreements. DBL is typically required to transfer the control and possession of the project and construction sites back to the government client, which may restrain it from clustering its projects or divesting its BOT assets on its desired terms and conditions. It cannot be assured that it would receive such compensation on a timely basis or in an amount equivalent to the value of its investment plus its lost profits.

DBL may be affected by delays in the collection of receivables from its clients: There may be delays in the collection of receivables from DBL's clients or entities owned, controlled or funded by its clients or their related parties. As of March 31, 2016, Rs 3,666.24 million, or 29.06% of its total trade receivables had been outstanding for a period exceeding six months from their respective due dates. Additionally, it may claim for more payments from its clients for additional work and costs incurred in excess of the contract price or amounts not included in the contract price. Its debtors may have insufficient assets to pay the amounts owed to it even if it wins its cases. In addition, DBL may incur substantial costs in collecting against its debtors and such costs may not be recovered in full or at all from the debtors. As it often need to fulfil significant working capital requirements in its operations, delayed collection of receivables or inadequate recovery on irs claims could materially and adversely affect the business, cash flows, financial condition and results of operations.

DBL may rely on its joint venture partners to pre-qualify and bid for new projects and the failure of a joint venture partner to perform its obligations could impose additional financial and performance obligations on it: Most large and complex infrastructure projects are awarded by the Government or State Governments or their respective authorized agencies following competitive bidding processes and satisfaction of certain prescribed pre-qualification criteria. In selecting contractors for major projects, clients generally limit the tender to contractors that have pre-qualified based on several criteria including experience in executing large projects, strong engineering capabilities for technically complex projects, the ability to take on further projects and sufficient financial resources or ability to access funds. In the past, DBL formed a joint venture with a certain private company to undertake two road construction projects in Himachal Pradesh. It faces competition from other bidders in a similar position to it in looking for suitable joint venture partners with whom to partner in order to meet the pre-qualification criteria. If DBL is unable to partner with other companies, or lack the credentials to be the partner-of-choice for other companies, it may lose the opportunity to bid for, and therefore fail to increase or maintain its volume of new projects, which could affect the growth and prospects. The success of these joint ventures partly depends on the satisfactory performance by DBL's joint venture partners and fulfilment of their obligations, including those relating to equity funding and debt risk. If its joint venture partners fail to perform their obligations satisfactorily, the joint ventures may be unable to perform their contracted services adequately. In addition, it may also need the co-operation and consent of its joint venture partners in connection with the operations of its joint ventures, which may not always be forthcoming. DBL may have disagreements with its joint venture partners regarding the business and operations of the joint ventures. If it is unable to successfully manage relationships with its joint venture partners, its projects and profitability may suffer. In addition, its joint venture partners may have economic or business interests or goals that are inconsistent with its. Any of these factors could adversely affect the business, financial condition and results of operations and business prospects.

Faces significant competition: DBL operates in a competitive environment and its industry has been frequently subject to intense price competition for the acquisition and bidding of projects. Its competition varies depending on the size, nature and complexity of the project and on the geographical region in which the project is to be executed. It competes against major construction companies at the national and local levels and in multiple segments of construction business as well, including road construction, irrigation and urban development. It strives to leverage its equipment bank, which is one of the largest in India, to increase its competitive edge. Further, some of DBL's competitors may be larger than itself, have stronger financial resources or a more experienced management team, or have stronger engineering capabilities in executing technically complex projects. Further, the premium placed on having experience may cause some of the new entrants to accept lower margins in order to be awarded a contract. The nature of the bidding process may cause it and its competitors to accept lower margins in order to be awarded the contract. DBL may also decide not to participate in some projects as accepting such lower margins may not be financially viable and this may adversely affect its competitiveness to bid for and win future contracts. It cannot be assured that it can continue to compete effectively with its competitors in the future, and failure to compete effectively against its current or future competitors may have an adverse effect on its business, results of operations and financial condition.

Projects may be adversely affected by public and political oppositions, conflicting local interests elections and protests: The construction and operation of DBL's projects may be faced with oppositions from the local communities where these projects are located and from special interest groups. In particular, the public, the forest authorities and other authorities may oppose its operations due to the perceived negative impact it may have on the environment. There may be negative publicity about the Company or Promoters made by opposing interest groups in local media due to its construction activities. In addition, it may be adversely affected by political events such as protests and general strikes in the states where it operates, especially when such events take place on or close to its construction sites. Voters or protesters may occupy its land, conduct various activities on or close to its construction sites to express their views and disrupt its operations. Such events may also disrupt the normal contract awarding or decision making processes and cause it losses of business or incurrence of significant costs. In these events, its business, financial condition and results of operations may be materially and adversely affected.

Revenues from projects are difficult to predict and are subject to seasonal variations: Revenue from a construction project may vary widely and is dependent on various factors such as the current stage and size of the project, the scheduled commencement date, the price and supply of raw materials and project delays. DBL's consolidated revenue may also differ significantly from period to period due to factors such as number of new projects, delays or difficulties in expanding its business, changes to its pricing structure or that of its competitors, inaccurate estimates of resources and time required to complete ongoing contracts and currency fluctuations. In addition, since it record revenues using the percentage of completion method and revenues are not recognized until there is reasonable progress on a contract, revenues recorded in the first half of its financial year between April and September are traditionally less compared to revenues recorded during the second half of itsr financial year. As a result, revenues and profits may vary significantly during different financial periods, and certain periods are not indicative of its financial position for the year, and may be significantly below the expectations of the market, analysts and investors.

Changing estimates in applying percentage-of-completion accounting may result in a reduction of previously reported profits and have a significant impact on period-to-period results of operations: DBL use the percentage-of-completion method of accounting in accordance with Indian GAAP to recognize and account for the revenue derived from its construction contracts in process, including the construction of its BOT projects. Under this accounting method, it recognizes revenue as a percentage of the contract price in proportion to the actual costs incurred as a percentage of the total estimated costs. Changing estimates in its measurements for any given project or in its estimation methodology as a whole could have a material and adverse effect on the timing of its recognition of revenue and the amount of revenue recognized. Moreover, in the event of any change in law or Indian GAAP that would result in a change to the method of revenue recognition, its results of operations may be materially and adversely affected.

Infrastructure development projects, including BOT projects, enjoy certain benefits under Section 80IA of the Income Tax Act, 1961 and any change in these tax benefits applicable to it may adversely affect results of operations: Presently, infrastructure development projects, including BOT projects, enjoy certain benefits under Section 80IA of the Income Tax Act, 1961. As a result of these incentives, most of BOT project companies are subject to relatively low tax liabilities. The income tax exemptions for various BOT projects expire at various points of time. There is no assurance that the BOT projects will continue to enjoy the tax benefits under Section 80IA of the Income Tax Act, 1961 in future. When the tax incentives expire or terminate or in the event that the relevant authority rejects its entitlement under the Income Tax Act, 1961, its tax expense will materially increase and the profitability may decrease as a result.

Profit &Loss:

Rs in million

Particulars	FY16	FY15	FY14	FY13	FY12
Revenue from Operations	43153.6	27619.5	23837.9	19194.9	11900.3
Other Income	336.3	65.6	178.0	73.8	28.4
Total Income	43489.8	27685.1	24015.9	19268.7	11928.7
Total Expenditure	33198.5	20753.3	18589.8	14461.6	9260.7
Cost of Construction	20599.4	12712.3	10971.8	8400.8	5925.2
Changes In Inventories Of Finished Goods,Work In Progress & Stock In Trade	9838.4	6750.9	6594.7	5227.1	3129.9
Employee benefit expenses	733.8	375.4	254.7	222.2	111.3
Other expenses	2026.9	914.7	768.6	611.6	94.3
PBIDT	10291.3	6931.8	5426.1	4807.1	2668.0
Interest	5142.1	3539.2	2006.8	1153.6	589.1
PBDT	5149.2	3392.6	3419.3	3653.5	2078.9
Depreciation	2841.3	2060.6	1002.4	756.0	436.0
PBT	2307.9	1332.0	2417.0	2897.5	1642.9
Tax (incl. DT & FBT)	341.4	455.4	560.1	484.6	561.6
Tax	592.5	441.2	514.1	648.6	480.4
MAT credit entitlement	-510.8	-382.9	-161.5	-171.7	0.0
Deferred Tax	259.8	397.1	207.5	7.8	81.3
Reported Profit After Tax	1966.5	876.6	1856.9	2412.9	1081.3
EPS (Rs.)	16.8	7.5	31.3	40.7	18.3
Equity	1171.4	1171.4	592.4	592.4	592.4
Face Value	10.0	10.0	10.0	10.0	10.0
OPM (%)	23.1	24.9	22.0	24.7	22.2
PATM (%)	4.6	3.2	7.8	12.6	9.1

Balance Sheet:

Rs in million

Particulars	FY16	FY15	FY14	FY13	FY12
Equity & Liabilities					
Shareholders Funds	**10012.7**	**8052.2**	**7190.2**	**5347.6**	**2948.1**
Share Capital	1171.4	1171.4	592.4	592.4	592.4
Reserves and surplus	8841.4	6880.9	6597.9	4755.2	2355.7
Non-Current Liabilities	**21060.9**	**18729.1**	**11591.6**	**7260.4**	**4597.6**
Long-term borrowings	17670.5	15739.5	9252.1	5776.3	3934.8
Deferred tax liabilities	1013.2	753.5	355.2	147.7	140.0
Other long-term liabilities	2212.1	2144.3	1918.7	1291.9	509.0
Long-term provisions	165.1	91.8	65.5	44.5	13.8
Current Liabilities	**32796.3**	**29146.9**	**16901.1**	**11346.7**	**6506.2**
Short-term borrowings	14542.7	13763.4	8161.9	4573.5	1533.3
Trade payables	10232.0	8284.2	4667.8	2493.6	652.9
Other current liabilities	7951.4	7042.6	3845.5	3743.3	4018.4
Short term provisions	70.2	56.7	225.9	536.3	301.7
Total Equity & Liabilities	**63869.9**	**55928.2**	**35683.0**	**23954.7**	**14051.9**

Assets					
Non-Current Assets	**30626.4**	**29182.8**	**18687.1**	**12743.6**	**7853.1**
Tangible assets	14176.9	11876.8	6373.4	5463.9	5327.3
Intangible assets	13546.0	10050.5	6445.5	1271.1	333.5
Capital work in progress	10.5	4151.8	4908.9	5309.0	1257.6
Long-term loans and advances	2080.5	1909.5	510.3	374.0	463.2
Other non-current assets	812.5	1194.1	449.0	325.6	471.5
Current Assets	**33243.5**	**26745.4**	**16995.9**	**11211.1**	**6198.8**
Inventories	15803.5	9476.2	5219.4	3628.1	1972.1
Trade receivables	12617.4	12627.8	10015.3	5730.2	2606.3
Cash and bank balances	1159.0	2668.4	728.4	548.7	960.4
Short-term loans and advances	3663.6	1973.0	1032.8	1304.1	660.1
Total Assets	**63869.9**	**55928.2**	**35683.0**	**23954.7**	**14051.9**

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