

Dredging corporation

₹483

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Jul 27, 2018

Company Background

Dredging Corporation of India Ltd (DCIL), was incorporated on March 29th, 1976 with the primary objective of catering to the dredging requirements of Indian ports. It is a pioneer organisation in the field of dredging & maritime development. Company being a Mini-Ratna enterprise has enhanced autonomy with regard to capital expenditure, establishment of joint ventures, overseas offices and technology alliances. It commenced its full fledged commercial operation from April 1st, 1977. DCIL is a successful Domestic & Global Player in the field of dredging. It offers 4 types of dredging services, namely maintenance dredging, capital dredging, beach nourishment and land reclamation. Company dredging mainly for Indian seaports, though occasionally it dredge at foreign seaports in countries such as Taiwan & Dubai. It helps to ensure the continuous availability of the desired depths in shipping channels of the major and minor Ports, Navy, fishing harbor and other maritime organizations. Company contributed ₹ 30 crore towards the equity for the Sethusamudram Corporation Ltd. Government of India awarded capital dredging work of E3-E4 stretch in Palk Strait area adjoining Bay of Bengal to the company on nomination basis.

Key Highlights

- ➔ Capital dredging works were taken up by DCIL at Mormugao, Chennai, Puducherry, Andamans and Dahej port. It also bagged a five year contract for dredging at Haldia (Kolkata) from Jan 1, 2017.
- ➔ Recently it introduced an inland cutter suction dredger, namely DCI Ganga-was inducted into the fleet and deployed at Puducherry. This is the first Inland fleet being inducted into the fleet in the recent times.
- ➔ Three major ports-Visakhapatnam Port, Paradeep Port & New Mangalore Port are now ready to acquire the government stake in the Dredging Corporation of India, now the Cabinet approval is pending for acquisition by those three ports. Union Government has taken back disinvestment proposal of DCIL recently.
- ➔ A memorandum of understanding signed between DCIL and NHA for supply of sand removed during dredging at a South East Asian country for use in Indian highway construction work.

Key Financials

Year Ended 31 st	Mar 16	Mar 17	Mar 18
Revenue (INR mn)	6,922.8	5,989.7	6,121.2
Rev. growth (%)	(7.07)	(13.48)	2.20
EBITDA (INR mn)	1,560.6	1,301.0	1,551.8
Net profit (INR mn)	419.1	74.1	171.4
Shares outstanding (mn)	28.0	28.0	28.0
EPS (INR)	14.4	2.7	6.1
EPS growth (%)	(33.76)	(81.55)	0.00
P/E (x)	26.44	0.00	95.03
RONW (%)	2.12	0.49	0.66
ROCE (%)	2.05	1.25	1.41

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Info Codes

Reuters	: DRDG.BO
Bloomberg	: DCIL IN
NSE	: DREDGECORP
BSE	: 523618

Market Data

52 Wk Range (₹)	: 457/920
Shares in Issue (mn)	: 28
Market. Cap (bn)	: 13.53
BSE 2 Wk Avg Vol	: 30000

Share Holding Pattern (%)

Promoters Holding	: 73.47
Public & Others	: 17.12
Corporate Holding	: 00.00
Foreign Institution	: 00.80
Institutions	: 08.61
Govt Holding	: 00.00

Investment Theme

Global dredging market is expected to grow at 4% CAGR to reach 22 billion Euro by 2030. Global demand supply gap analysis suggests that the global dredging market is expected to remain oversupplied in the near term. However, in the medium to long term, the supply is expected to get engaged with initiation of big dredging projects such as Garuda project, Singapore project & Nicaragua. Seaborne trade is the single largest demand driver for India's dredging market. Third party Indian dredging market is expected to reach ₹ 2400-2500 cr in 2030. DCIL has dredging contract at Haldia/Kolkata Port for five years till 31st Decmber, 2021. Now company's promotor stake will going to acquire by three ports and then strengthen the management team. All this developments will enhance the company's valuation.

Moving forward.....!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
Net Sales	6,658.6	5,851.5	(12.1)	5,918.7	1.1
Other Income	264.2	138.2	(47.7)	202.5	46.5
Change in Stocks	0.0	0.0	0.0	0.0	0.0
Raw Material Con.	0.0	0.0	0.0	0.0	0.0
Employee Exp.	1,191.5	948.4	(20.4)	966.0	1.9
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	4,170.6	3,740.3	(10.3)	3,603.4	(3.7)
Operating Exp.	5,362.1	4,688.7	(12.6)	4,569.4	(2.5)
Operating Profit	1,560.7	1,301.0	(16.6)	1,551.8	19.3
Total Interest	176.1	182.2	0.0	202.3	0.0
Gross Profit	1,384.6	1,118.8	(19.2)	1,349.5	20.6
Net Dep.	933.1	996.0	6.7	1,131.8	13.6
Total Taxation	32.4	48.7	50.3	46.3	0.0
Net Profit/Loss	419.1	74.1	(82.3)	171.4	131.3

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 15	Mar 16	Mar 17	Mar 18
SOURCES OF FUNDS	27,748.1	28,285.1	26,662.7	26,459.0
Equity Share capital	280.0	280.0	280.0	280.0
Reserves & Surplus	14,463.2	14,738.3	14,926.2	15,161.0
Non Current Liabilities	9,302.8	8,953.9	7,085.6	6,866.0
Current Liabilities	3,702.1	4,312.9	4,370.9	4,152.0
USES OF FUNDS	27,748.1	28,285.1	26,662.7	26,459.0
Fixed Assets	18,713.4	19,276.3	18,075.3	18,166.2
Work in Proces	10.2	383.7	260.0	428.4
Total Fixed Assets	18,723.6	19,660.0	18,335.3	18,594.6
Investments	300.0	37.5	37.5	37.5
Loans & Adv	355.7	0.0	0.0	0.0
Other Non Current Assets	0.0	71.2	53.2	54.6
Inventories	1,079.4	1,332.1	1,942.7	1,926.5
Trade Receiveable	3,730.5	3,421.6	2,842.1	2,380.9
Cash & Bank	1,178.4	1,316.9	701.1	771.2
Short term Loans	599.2	0.0	0.0	0.0
Other Current Assets	1,781.3	2,445.8	2,750.8	2,693.7
Total Current Assets	8,368.8	8,516.4	8,236.7	7,772.3
NOTE				
Book Value of Unquoted Investments	300.0	37.5	37.5	37.5
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	5,369.9	4,280.3	3,022.2	1,613.8
Dividend (%)	30.0	30.0	30.0	20.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 17	Sep 17	Dec 17	Mar 18
Net Sales	1,579.4	1,612.5	1,199.2	1,527.6
Cost Of Sales	1,206.1	1,098.3	1,127.4	1,137.5
Operating Profit	373.3	514.2	71.8	390.1
Other Income	3.4	15.0	29.8	154.3
Adjusted PBDIT	376.7	529.2	101.6	544.4
Financial Expenses	51.7	47.6	51.2	51.8
Depreciation	283.7	290.7	265.7	291.7
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	41.3	190.9	(215.3)	200.9
Tax Charges	1.6	5.0	9.9	29.8
Reported Profit	39.7	185.9	(225.2)	171.1
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	39.7	185.9	(225.2)	171.1

52 Week Index Relative Percentage Appreciation



Dredging corporation vs SENSEX

Risks Associated

- ➔ Mumbai Port Trust has awarded the dredging work in 2017, suddenly on April 8th, 2017 DCIL has de-mobilised the dredgers from the port. DCIL is seeking court direction to recover the dues of ₹17 crores for the work done at the port. The port trust has paid ₹ 7 crore to DCI but refused to pay the balance.
- ➔ Dredging fleet of company has an average age of more than 20 years. Some of the major equipment of the old vessels have already crossed it's useful life. Also, some of the ports limiting the age of equipment to be deployed in the project as their pre-qualification criteria.

Scope of Growth

- ➔ DCIL is currently executing dredging contracts worth ₹ 2,000 crore spread over the next five years. Apart from DCI and NHAI, the arrangement will also include Dharti Dredging and one more Dubai based company.
- ➔ It holds 4.02% (₹ 30 crores investment in Share Capital of ₹ 745 crores) of the equity share capital of M/s Sethusamudram Corporation Limited. Sethusamudram Corporation is involved in the development of shipping route in the shallow straits between India and Sri Lanka.
- ➔ Company has 40 years of dredging experience at the Major ports in India, which gives the experience of dredging at locations with varying soil characteristics. Although the pre-qualification criteria in the dredging tenders needs recent dredging operation history, Its experience provides credibility to DCIL for bidding in the projects outside the country.
- ➔ It has the largest hopper capacity in the Indian market, which provides flexibility to handle projects involving larger dredging volumes as well as higher number of projects compared to any of the competitors in the Indian maintenance dredging market.



Dredging corporation

In a Nutshell

Dredging Corporation was incorporated with the primary objective of catering to the dredging requirements of Indian ports. It has, 12 Trailer Suction Hopper Dredgers (TSHDs), 4 Cutter Suction Dredgers (CSDs), one Back Hoe Dredger and one Inland Cutter Suction Dredger apart from other ancillary crafts. Clients include major Ports, non-major Ports, Indian Navy, State Governments etc. Company is currently executing dredging contracts worth ₹ 2,000 crore spread over the next five years. It has the contract with NHA, Dharti Dredging, Haldia and one more Dubai based client. Recently the Indian Government has withdrawn its disinvestment proposal. There is approval pending from the cabinet to acquire the DCIL by three Ports. During the year, company was inducted an inland cutter suction dredger into the fleet and deployed at Puducherry. This is the first Inland fleet being inducted into the fleet in the recent times. Power & fuel, Salaries & wages and repairs & maintenance are major portion of total expenditure. Operational income was ₹ 5,981.7 mn as compared to ₹ 5,851.5 mn for the previous year. Other income was ₹ 202.5 mn as compared to ₹ 138.17 mn for the previous year. Total income for FY 2018 was ₹ 6,121.2 mn as compared to ₹ 5,989.7 mn for FY 2017. PAT was ₹ 171.4 mn for the year as compared to ₹ 74.1 mn for the previous year. The Company's earning per share is ₹ 6.12 for 2017-18 as compared to ₹ 2.65 for 2016-17. The fall in income for this year is mainly due to the lower capacity utilization which was due to the reduction in scope at the Haldia project and stopping of the Goa project, which was not fully compensated by other projects.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months	Reduce : Expected to depreciate up to 10% over 12-months
Accumulate : Expected to appreciate 10% to 20% over 12-months	Sell : Expected to depreciate 10% or more over 12-months
Trade Buy : Expected to appreciate more than 10% over 45-days	Trade Sell : Expected to depreciate more than 10% over 45-days

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