

BUY

TP: Rs 540 | ▲ 41%

DILIP BUILDCON

Infrastructure

11 February 2020

Lacklustre quarter; order inflows key to watch

Dilip Buildcon's (DBL) Q3FY20 standalone revenue fell 4% YoY to Rs 23.8bn (Rs 25bn est.) due to the extended monsoon and delayed appointed dates. EBITDA margin was stable at 17.6% (17.5% est.) but adj. PAT dropped 41% YoY to Rs 1.2bn (Rs 1.3bn est.) due to higher depreciation post Ind-AS 116 adoption. The Dec'19 order backlog stood at Rs 212bn, 2.3x TTM revenues. Management has cut FY20 revenue guidance to ~Rs 95bn from ~Rs 100bn due to execution delays. We pare FY20/FY21/FY22 EPS 10%/8%/14% and roll to Mar'21 TP of Rs 540 (vs. Rs 560).

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Prolonged monsoon clouds growth: DBL's Q3 revenue fell 4% YoY to Rs 23.8bn as the extended monsoons hit project execution. Management has cut FY20 order inflow/revenue guidance to Rs 100bn (from Rs 120bn)/Rs 95bn due to execution delays and tardy award of appointed dates (AD) for HAM projects.

PAT drops 41%: Adoption of Ind-AS 116 saw depreciation expense rising 34% YoY. Further, DBL has not shifted to the new tax regime due to unutilised MAT credit of Rs 3.8bn. Adj. PAT thus declined 40.6% YoY to Rs 1.2bn. DBL reported exceptional income of Rs 40mn relating to profit on transfer of stake in subsidiaries, which slightly cushioned reported PAT (-38.6% YoY to Rs 1.3bn).

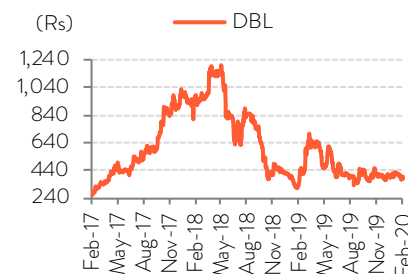
Leverage improves; working capital stretched: Led by recovery of mobilisation advances (Rs 3.8bn), standalone gross debt reduced by Rs 0.9bn QoQ to Rs 33.9bn. Net D/E stood at 0.9x and Mar'20 guidance is at 0.8x – this shall be achieved via advance receipts on HAM/EPC projects and marginal capex. Net working capital cycle extended to 107 days vs. 87 as on Mar'19 (100 days as on Sep'19) due to delays in receivables (FY20 guidance at 100-105 days).

Maintain BUY: We cut FY20/FY21/FY22 earnings 10%/8%/14% to bake in lower revenues and other income. Rolling forward, we have a new Mar'21 TP of Rs 540.

Ticker/Price	DBL IN/Rs 384
Market cap	US\$ 736.4mn
Shares o/s	137mn
3M ADV	US\$ 1.6mn
52wk high/low	Rs 735/Rs 316
Promoter/FPI/DII	75%/9%/6%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	77,459	91,182	94,082	1,07,358	1,13,317
EBITDA (Rs mn)	14,028	16,044	16,659	18,809	19,840
Adj. net profit (Rs mn)	6,355	7,607	4,716	5,659	6,425
Adj. EPS (Rs)	46.5	55.6	34.5	41.4	47.0
Adj. EPS growth (%)	63.4	19.7	(38.0)	20.0	13.5
Adj. ROAE (%)	29.5	26.9	13.7	14.4	14.2
Adj. P/E (x)	8.3	6.9	11.1	9.3	8.2
EV/EBITDA (x)	5.5	4.9	5.0	4.5	4.2

Source: Company, BOBCAPS Research

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Important disclosures, including any required research certifications, are provided at the end of this report.

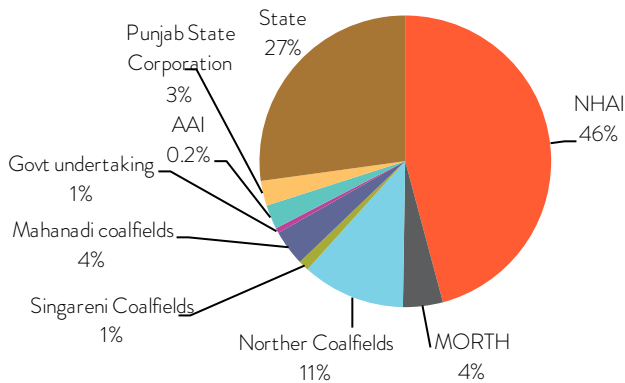


FIG 1 – STANDALONE QUARTERLY AND 9M FINANCIAL PERFORMANCE

Particulars (Rs mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Revenue	23,810	24,872	(4.3)	18,094	31.6	64,784	65,473	(1.1)
Total Expenditure	19,610	20,465	(4.2)	14,879	31.8	53,247	53,924	(1.3)
EBITDA	4,201	4,407	(4.7)	3,215	30.7	11,536	11,548	(0.1)
EBITDA margins (%)	17.6	17.7	(8bps)	17.8	(12bps)	17.8	17.6	17bps
Other income	80	54	48.6	74	8.6	275	273	0.6
Interest	1,530	1,444	6.0	1,535	(0.3)	4,652	3,871	20.2
Depreciation	1,079	805	34.2	1,056	2.2	3,182	2,332	36.5
PBT	1,672	2,213	(24.4)	698	139.6	3,977	5,619	(29.2)
PBT margin (%)	7.0	8.9	(187bps)	3.9	317bps	6.1	8.6	(244bps)
Total tax	442	144	207.4	121	266.9	917	169	441.9
Effective tax rate (%)	26.4	6.5	1,995bps	17.3	918bps	23.1	3.0	2,005bps
Adjusted PAT	1,230	2,069	(40.6)	577	113.0	7,153	5,450	31.3
Extra-ordinary Items	40	-	NM	-	NM	40	-	NM
Reported PAT	1,270	2,069	(38.6)	577	119.9	12,365	5,450	126.9
Adjusted PAT margin (%)	5.2	8.3	(315bps)	3.2	197bps	11.0	8.3	272bps
EPS (Rs)	9.0	15.1	(40.6)	4.2	113.0	22.4	39.8	(43.9)

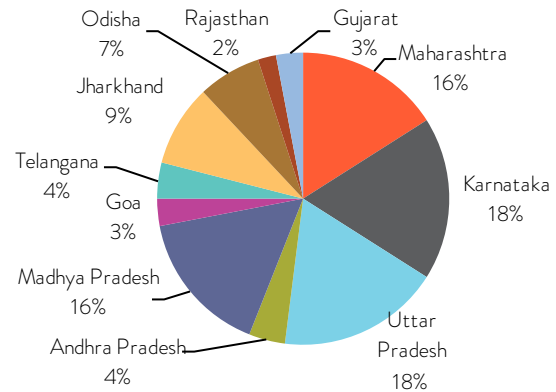
Source: Company, BOBCAPS Research

FIG 2 – ORDER BACKLOG BREAKUP CLIENT-WISE



Source: Company, BOBCAPS Research

FIG 3 – ORDER BACKLOG BREAKUP STATE-WISE



Source: Company, BOBCAPS Research

FIG 4 – STANDALONE REVENUE: SEGMENTAL BREAKUP

Particulars (Rs mn)	Q3FY18	Q4FY18	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY19	Q1FY20	Q2FY20	Q3FY20
Roads & Bridges	16,915	22,193	66,694	21,847	14,355	21,806	22,235	80,136	19,423	16,010	20,404
Irrigation	279	336	1,610	351	24	-	-	380	-	-	326
Urban Development	16	279	315	114	83	236	680	1,112	173	43	337
Mining	2,178	2,450	8,411	2,028	1,833	2,834	2,700	9,396	3,128	1,971	2,447
Other operating revenue	33	321	429	23	(58)	(4)	95	158	156	70	296
Total	19,421	25,579	77,459	24,363	16,237	24,872	25,710	91,182	22,880	18,094	23,810
% growth YoY											
Roads & Bridges	33.6	41.5	45.9	56.8	5.1	28.9	0.2	20.2	(11.1)	11.5	(6.4)
Irrigation	(61.5)	(53.0)	(42.2)	(50.6)	(91.5)	(100.0)	(100.0)	(76.4)	NM	NM	NM
Urban Development	(52.9)	8.6	(65.1)	936.4	822.2	1,375.0	143.7	253.5	51.8	(48.2)	42.8
Mining	364.4	245.6	501.2	5.2	(1.3)	30.1	10.2	11.7	54.2	7.5	(13.7)
Other operating revenue	370.8	137.0	139.4	(63.2)	NM	NM	(70.5)	(63.1)	578.4	NM	NM
Total	39.8	46.1	52.0	46.4	2.7	28.1	0.5	17.7	(6.1)	11.4	(4.3)
% share											
Roads & Bridges	87.1	86.8	86.1	89.7	88.4	87.7	86.5	87.9	84.9	88.5	85.7
Irrigation	1.4	1.3	2.1	1.4	0.1	-	-	0.4	-	-	1.4
Urban Development	0.1	1.1	0.4	0.5	0.5	0.9	2.6	1.2	0.8	0.2	1.4
Mining	11.2	9.6	10.9	8.3	11.3	11.4	10.5	10.3	13.7	10.9	10.3
Other operating revenue	0.2	1.3	0.6	0.1	(0.4)	(0.0)	0.4	0.2	0.7	0.4	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, BOBCAPS Research

FIG 5 – ORDER BACKLOG AND ORDER INFLOW TREND

(Rs mn)	Q3FY18	Q4FY18	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY19	Q1FY20	Q2FY20	Q3FY20
Order backlog	1,23,571	2,38,810	2,38,881	2,40,903	2,39,351	2,31,002	2,11,718	2,11,718	1,90,290	2,02,926	2,12,053
Order inflow	-	1,41,139	1,42,389	25,855	7,175	23,941	4,286	61,257	11,896	17,989	31,821
Book-to-bill ratio (x)	1.8	3.1	3.1	2.8	2.8	2.5	2.3	2.3	2.1	2.2	2.3
Order backlog break-up											
Roads & Bridges	98,857	2,19,250	2,19,250	2,24,040	2,11,504	1,87,547	1,71,141	1,71,141	1,53,025	1,37,279	1,44,387
Irrigation	1,236	426	426	72	-	5,366	5,366	5,366	5,366	14,030	13,699
Urban Development	3,707	1,400	1,400	1,012	892	4,907	4,729	4,729	4,545	8,245	12,956
Mining	19,771	17,805	17,805	15,779	26,955	33,182	30,482	30,482	27,354	43,372	41,011
Total	1,23,571	2,38,881	2,38,881	2,40,903	2,39,351	2,31,002	2,11,718	2,11,718	1,90,290	2,02,926	2,12,053
% share											
Roads & Bridges	80.0	91.8	91.8	93.0	88.4	81.2	80.8	80.8	80.4	67.6	68.1
Irrigation	1.0	0.2	0.2	0.0	-	2.3	2.5	2.5	2.8	6.9	6.5
Urban Development	3.0	0.6	0.6	0.4	0.4	2.1	2.2	2.2	2.4	4.1	6.1
Mining	16.0	7.5	7.5	6.6	11.3	14.4	14.4	14.4	14.4	21.4	19.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, BOBCAPS Research

Earnings call highlights

- FY20 guidance is as follows: revenue at ~Rs 95bn, order inflow at ~Rs 100bn, EBITDA margin at 17-18%, effective tax rate at 30-32%, capex at ~Rs 2.3bn and net D/E at ~0.8x.
- Gross debt as on Dec'19 stood at Rs 33.9bn (Rs 34.8bn as on Sep'19) and net debt/equity at 0.9x. DBL's average cost of borrowings was 10-10.5%.
- During the quarter, the company received a combined early completion bonus of Rs 330mn for the Tuljapur-Ausa and Wardha-Butibori roads projects. Until 9MFY20, it has received Rs 1.2bn in early completion bonus.
- DBL received a mobilisation advance of ~Rs 3.8bn in Q3FY20 and expects further advances of ~Rs 2bn in Q4 for the Bundelkhand and Gorakhpur Expressway projects. The mobilisation balance outstanding as on Dec'19 stands at Rs 17.8bn.
- The company's bank limits as on Dec'19 totalled ~Rs 92bn, of which ~85% has been used.
- DBL has submitted bids worth ~Rs 113bn (~Rs 88bn in roads: 58% EPC and 42% HAM; ~Rs 25bn in non-roads). These bids are expected to open soon.
- The stake sale deal with Shrem Group (for older projects) is likely to be concluded by end-Q4FY20 on receipt of pending approvals from NHAI.
- The company is in advanced discussions with investors to sell its stake in the balance seven HAM projects (SPA entered with Cube Highways in Aug'19 to sell a stake in five HAM projects). The deal is likely to be concluded in Q1FY21.

FIG 6 – SCHEDULE OF EQUITY INVESTMENT IN 12 NEW HAM PROJECTS (RS 16BN; PENDING RS 7.5BN)

(Rs bn)	Requirement	FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20E	FY20E	FY21E
Investment in 12 new HAM projects	15,996	3,893	1,158	2,700	733	2,192	6,783	5,320

Source: Company, BOBCAPS Research

FIG 7 – MONETISATION OF ROAD ASSETS: RS 1.2BN PENDING FROM SHREM GROUP

Sr. No.	Particulars (Rs mn)	Total	FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20E	Savings
A	Amount receivable by DBL							
(i)	Consideration against 18 (14+4) completed assets	8,140	7,000	160	68	507	405	-
(ii)	DBL's upfront equity investment in 6 under construction HAM projects (26% of Rs. 7,880 Mn)	2,050*	-	-	-	1297	753	-
	Total (A)	10,190	7,000	160	68	1,804	1,158	-
B	74% equity investment in 6 under construction HAM projects							
(i)	To be invested as per project progress (74% of Rs. 7,880 Mn)	5,830	4,010	320	90	266	86	1,058**
	Total (B)	5,830	4,010	320	90	266	86	1,058
	Grand Total (A+B)	16,020	11,010	480	158	2,070	1,244	1,058
	Cumulative	-	11,010	11,490	11,648	13,718	14,962	16,020

Source: Company, BOBCAPS Research | *Upfront 26% equity is repayable by Shrem to DBL on COD and transfer of 49% stake of respective project | **Actual amount may be lower in view of early completion of projects, resulting in savings in project cost

FIG 8 – HAM PROJECTS

HAM Project	Appointed date	Equity (Rs mn)	Total project cost (Rs mn)	% of work completed as on 31-Dec-19
DBL Rewa Sidhi Highways Pvt Ltd	14.12.2018	906	8,152	39
DBL Chandikhole Bhadrak Highways Pvt Ltd	16.12.2018	1,222	12,613	33
DBL Byrapura Challakere Highways Pvt Ltd	31.12.2018	812	6,708	62
DBL Anandpuram Anakapalli Highways Pvt Ltd	04.01.2019	2,202	17,717	41
DBL Mangloor Highways Pvt Ltd	12.04.2019	658	7,251	29
DBL Bargaon Watambare Highways Pvt Ltd	22.04.2019	1,226	8,448	43
DBL Banglaore Nidagatta Highways Pvt Ltd	14.05.2019	2,190	20,048	35
DBL Sangli-Bargaon Highways Pvt Ltd	23.05.2019	1,052	8,768	17
DBL Mangalwedha Solapur Highways Pvt Ltd	23.05.2019	1,526	9,480	29
DBL Gorhar Khiratunda Highways Pvt Ltd	19.07.2019	738	7,644	28
DBL Bellary Byrapura Highways Pvt Ltd	24.10.2019	1,180	11,076	17
DBL Nidgatta -Myosre Highways Pvt Ltd	10.12.2019	2,284	20,926	4
Total		15,996	1,38,831	

Source: Company, BOBCAPS Research

FIG 9 – ORDER INFLOWS TO DATE IN FY20 AT ~RS 68BN (9MFY20 ORDER INFLOW AT RS 61.7BN)

Project Name	Type	Awarding authority	Project cost (ex of GST)	LOA date	Awarded in
Extra-dosed bridge across Sharavathi backwaters, Karnataka	Road	MORTH	3,215	30-Jul-2019	Q2FY20
Construction of Kharkai Dam at Icha, Jharkhand	Irrigation	Water Resources Department, Jharkhand	8,681	07-Aug-2019	Q2FY20
Overburden Removal – Nigahi OCP of NCL	Mining	Northern Coalfields Limited	17,989	18-Nov-2019	Q2FY20
Construction of New Greenfield Airport at Hirasar, Rajkot	EPC	Airport Authority of India	5,701	Awaited	Q3FY20
Development of Bundelkhand Expressway Project, Package-VI	EPC	UP Expressways Industrial Development Authority	13,621	28-Nov-2019	Q3FY20
Development Gorakhpur Link Expressway Project, Package-II	EPC	UP Expressways Industrial Development Authority	12,500	29-Nov-2019	Q3FY20
Pathrapali-Kathghora Package II	HAM	NHAI	6,454*	Awaited	Q4FY20
Total			68,161		

Source: Company, BOBCAPS Research | *Bid Project Cost at Rs 8.6bn and estimated EPC cost at Rs 6.5bn – not part of order backlog

FIG 10 – FIVE NHAH HAM PROJECTS MONETISED – DEAL WITH CUBE HIGHWAYS*

Sr. No.	Project name	Required Equity (Rs mn)	Cube's investment (49%; Rs mn)	DBL's investment (51%; Rs mn)**
1	DBL Mangloor Highways Pvt Ltd	658	322	336
2	DBL Sangli Bargaon Highways Pvt Ltd (Pkg-I)	1,052	515	537
3	DBL BargaonWatambare Highways Pvt Ltd (Pkg-II)	1,226	601	625
4	DBL Mangalweda Solapur Highways Pvt Ltd (Pkg-IV)	1,526	748	778
5	DBL Chandikhole Bhadrak Highways Pvt Ltd	1,222	599	623
Total		5,684	2,785	2,899

Source: Company, BOBCAPS Research | *Subject to fulfillment of certain conditions – the agreement was entered into on 31-Aug-19 | **Against its share of 51% of equity investment, DBL will get a consideration of ~Rs 4.1bn (1.41x P/BV) from Cube

FIG 11 – BALANCE SHEET

(Rs mn)	FY17	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY19	Q1FY20	Q2FY20	Q3FY20
Share capital	1,368	1,368	1,368	1,368	1,368	1,368	1,368	1,368	1,368	1,368
Reserves & Surplus	17,161	23,203	25,758	26,394	28,480	30,677	30,677	31,846	32,258	33,531
Shareholders' Funds	18,529	24,571	27,125	27,762	29,848	32,044	32,044	33,214	33,626	34,899
Debt	25,634	29,413	32,914	36,086	36,988	35,764	35,764	35,723	34,824	33,891
Deferred Tax Liabilities	759	1,066	897	698	73	171	171	2	(90)	(171)
Total Liabilities	44,922	55,050	60,935	64,546	66,909	67,979	67,979	68,939	68,360	68,619
Net Fixed Assets	16,825	18,319	18,126	18,046	18,768	20,822	20,822	21,179	20,858	20,391
Tangible Assets	16,785	18,319	17,906	17,814	18,505	20,482	20,482	20,855	20,553	20,107
Intangible assets	40	-	27	24	22	341	341	323	304	283
CWIP	-	-	193	208	241	-	-	1	1	1
Investments	4,695	2,415	2,420	2,421	2,873	5,238	5,238	6,382	9,121	9,670
Non-current investments	4,695	2,415	2,420	2,421	2,873	5,238	2,365	6,382	9,121	9,670
Current Assets							-			
Inventories	16,639	20,262	20,111	21,343	22,212	25,038	25,038	25,793	26,305	25,934
Trade Receivables	10,165	13,844	13,770	12,476	12,284	14,093	14,093	14,143	12,902	15,719
Cash and bank balance	1,137	1,613	2,023	1,583	2,239	1,888	1,888	2,291	3,032	3,410
Loans and Advances	2,113	6,249	5,529	5,951	8,268	7,778	7,778	8,144	8,178	5,599
Other current assets	12,663	21,546	23,250	25,064	25,939	31,453	31,453	32,398	29,868	29,913
Total	42,717	63,515	64,683	66,417	70,942	80,249	80,249	82,769	80,284	80,575
Trade payables	6,630	15,078	13,924	11,283	13,827	17,241	17,241	17,045	13,928	14,887
Current liabilities	12,381	13,606	9,813	10,229	10,974	20,118	20,118	23,376	26,963	26,050
Provisions	304	732	773	826	873	971	971	970	1,012	1,080
Total	19,315	29,415	24,510	22,338	25,674	38,329	38,329	41,391	41,903	42,017
Net Current assets	23,402	34,100	40,173	44,079	45,268	41,919	41,919	41,378	38,381	38,558
Assets held for sale	-	216	216	-	-	-	-	-	-	-
Total Assets	44,922	55,050	60,935	64,546	66,909	67,979	67,979	68,939	68,360	68,619

Source: Company, BOBCAPS Research

FIG 12 – CASH FLOW STATEMENT

(Rs mn)	H1FY20	Q3FY20	9MFY20
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax as per Statement of Profit and Loss	2,304	1,712	4,016
Adjustments for:			
Depreciation	2,103	1,079	3,182
Interest Income	(137)	(80)	(217)
Profit)/Loss on sale of fixed assets	2	12	14
Interest expense	3,122	1,530	4,652
Provision for Doubtful Debts	200	50	250
Remeasurements gains /(losses) on post-employment benefits	6	4	10
Exceptional items - (Profit)/Loss on Sale of Subsidiary companies	-	(40)	(40)
Operating Profit Before Working Capital Changes	7,601	4,267	11,868
Working Capital Changes			
Increase)/Decrease in Current and Non- Current Assets	1,243	30	1,273
Increase/(Decrease) in Current and Non-Current Liabilities	2,881	(1,664)	1,217
Increase/(Decrease) in Provisions	42	68	110
Cash generated from operations	11,767	2,701	14,468
Income tax paid	(1,027)	(519)	(1,546)
NET CASH GENERATED FROM OPERATING ACTIVITIES (TOTAL A)	10,740	2,182	12,922
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of Fixed Assets	(1,499)	(625)	(2,124)
Purchase of Investments	(4,011)	(770)	(4,781)
Sale of Investments	-	1,978	1,978
Interest Received	137	80	217
NET CASH USED IN INVESTING ACTIVITIES (TOTAL B)	(5,373)	663	(4,710)
CASH FLOW FROM FINANCING ACTIVITIES			
(Repayment) / Proceeds of / from Long Term Borrowings (net)	(2,004)	(921)	(2,925)
(Repayment) / Proceeds of / from Short Term Borrowings (net)	(366)	91	(274)
Repayment) / Proceeds of / from Current Maturities of Long-Term Borrowings (net)	1,435	(108)	1,327
Interest paid	(3,122)	(1,530)	(4,652)
Dividend Paid	(165)	-	(165)
NET CASH USED IN FINANCING ACTIVITIES (TOTAL C)	(4,223)	(2,468)	(6,689)
Net Increase/(Decrease) of Cash & Cash Equivalents (A+B+C)	1,144	379	1,523

Source: Company, BOBCAPS Research

Valuation methodology

DBL, with its strong execution capabilities and well-funded balance sheet, is well placed to benefit from growth opportunities offered by India's roads, railways, mining and irrigation sectors. However, the order backlog has weakened due to tepid ordering activity in the roads sector, with management cutting FY20 order inflow guidance from ~Rs 120bn to ~Rs 100bn.

Revenue growth beyond FY21 depends on order flows in the next few months. The current NHAI bid pipeline remains robust at ~Rs 800bn (equal mix of EPC and HAM projects), which should help the company recover from the dull order activity seen in the last 18 months. We expect a moderate revenue CAGR of 8% over FY19-FY22.

Post the Q3FY20 results, we pare our FY20/FY21/FY22E EPS estimates by 10%/8%/14% to bake in the lower revenue guidance and below-expected other income. The stock is trading at 7.7x/6.5x/5.7x FY20E/FY21E/FY22E standalone earnings, adjusted for Rs 117/sh of asset value. We reiterate BUY and roll forward to a revised Mar'21 SOTP-based target price of Rs 540 (Rs 560 earlier).

FIG 13 – REVISED ESTIMATES

(Rs mn)	FY20E			FY21E			FY22E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	98,527	94,082	(4.5)	1,10,411	1,07,358	(2.8)	1,23,641	1,13,317	(8.4)
EBITDA	17,415	16,659	(4.3)	19,356	18,809	(2.8)	21,658	19,840	(8.4)
EBITDA margin (%)	17.7	17.7	3bps	17.5	17.5	(1bps)	17.5	17.5	(1bps)
Adjusted PAT	5,226	4,716	(9.8)	6,142	5,659	(7.9)	7,487	6,425	(14.2)
PAT margin (%)	5.3	5.0	(29bps)	5.6	5.3	(29bps)	6.1	5.7	(39bps)

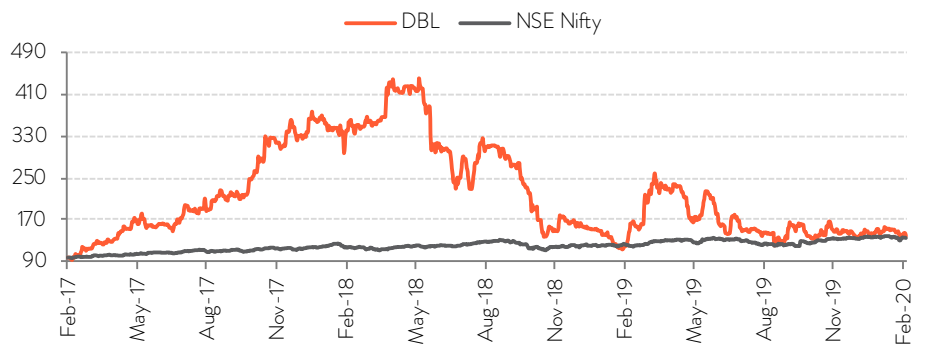
Source: BOBCAPS Research

For our SOTP model, we value (i) the standalone EPC business at Rs 423/sh based on 9x Mar'22E earnings, and (ii) HAM projects at Rs 117/sh (implied P/BV of 1x for equity investment in 12 projects as on Mar'21E). Maintain BUY.

FIG 14 – SOTP-BASED MAR'21 TARGET PRICE OF RS 540

Business	Rationale	(Rs mn)	Multiple (x)	Value (Rs mn)	Value per share (Rs)
Standalone business (EPC)	P/E on Mar'22E earnings	6,425	9.0	57,823	423
Value of 12 HAM projects	P/BV - Equity investment as on Mar'21E	15,996	1.0	15,996	117
Target price		22,421		73,819	540
O/s shares (mn)				137	

Source: Company, BOBCAPS Research

FIG 15 – RELATIVE STOCK PERFORMANCE

Source: NSE

Key risks

- **Slowdown in road sector capex:** Capex in the road sector has witnessed some revival over the last two years. Any slowdown in project awarding would impact the company's growth and our estimates.
- **Delay in execution of projects in hand/awards:** DBL has the largest fleet of construction equipment compared to its road segment peers and hence is under greater obligation to have reasonably strong asset utilisation to preserve return ratios. Execution hurdles due to delays in land acquisition, delay in appointed dates, regulatory bottlenecks or sluggish award progression from the government would drive return ratios lower and lead to P/E compression.
- **Slide in working capital efficiency:** DBL follows a 100% backward integration business model. Thus, its net working capital days are usually higher than most peers. Any further increase in this metric would worsen return ratios.

FINANCIALS (STANDALONE)

Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue	77,459	91,182	94,082	1,07,358	1,13,317
EBITDA	14,028	16,044	16,659	18,809	19,840
Depreciation	(2,750)	(3,202)	(4,340)	(4,668)	(5,035)
EBIT	11,278	12,842	12,319	14,142	14,805
Net interest income/(expenses)	(4,644)	(5,299)	(6,188)	(6,198)	(6,021)
Other income/(expenses)	155	464	363	378	394
Exceptional items	0	0	0	0	0
EBT	6,789	8,007	6,494	8,322	9,178
Income taxes	(434)	(400)	(1,778)	(2,663)	(2,753)
Extraordinary items	(152)	43	40	0	0
Min. int./Inc. from associates	0	0	0	0	0
Reported net profit	6,203	7,649	4,756	5,659	6,425
Adjustments	0	0	0	0	0
Adjusted net profit	6,355	7,607	4,716	5,659	6,425

Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	15,078	17,241	15,359	17,574	18,550
Other current liabilities	0	0	0	0	0
Provisions	732	971	1,028	1,177	1,242
Debt funds	29,413	35,763	32,612	32,312	27,312
Other liabilities	13,606	20,119	24,352	26,417	27,706
Equity capital	1,368	1,368	1,368	1,368	1,368
Reserves & surplus	23,203	30,677	35,267	40,789	47,077
Shareholders' fund	24,571	32,044	36,634	42,157	48,445
Total liabilities and equities	83,398	1,06,138	1,09,986	1,19,637	1,23,255
Cash and cash eq.	1,613	1,888	1,882	2,740	3,415
Accounts receivables	18,284	21,966	25,705	28,516	29,959
Inventories	20,262	25,038	26,219	27,942	29,493
Other current assets	0	0	0	0	0
Investments	2,415	5,238	9,671	12,944	12,944
Net fixed assets	18,319	20,822	18,982	16,814	15,280
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(1,066)	(171)	129	129	129
Other assets	23,572	31,357	27,398	30,552	32,035
Total assets	83,398	1,06,138	1,09,986	1,19,637	1,23,255

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	8,953	10,851	9,096	10,327	11,459
Interest expenses	4,644	5,299	6,188	6,198	6,021
Non-cash adjustments	152	0	0	0	0
Changes in working capital	(10,132)	(8,227)	1,148	(3,259)	(2,148)
Other operating cash flows	0	0	0	0	0
Cash flow from operations	3,617	7,923	16,432	13,265	15,333
Capital expenditures	(4,244)	(5,705)	(2,500)	(2,500)	(3,500)
Change in investments	2,281	(2,823)	(4,434)	(3,273)	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(1,963)	(8,528)	(6,934)	(5,773)	(3,500)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	3,778	6,351	(3,151)	(300)	(5,000)
Interest expenses	(4,644)	(5,299)	(6,188)	(6,198)	(6,021)
Dividends paid	(165)	(165)	(165)	(137)	(137)
Other financing cash flows	(148)	(7)	0	0	0
Cash flow from financing	(1,178)	880	(9,504)	(6,634)	(11,158)
Changes in cash and cash eq.	476	275	(6)	858	675
Closing cash and cash eq.	1,613	1,888	1,882	2,740	3,415

Per Share

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	45.4	55.9	34.8	41.4	47.0
Adjusted EPS	46.5	55.6	34.5	41.4	47.0
Dividend per share	1.0	1.0	1.0	1.0	1.0
Book value per share	179.6	234.3	267.9	308.2	354.2

Valuations Ratios

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	1.0	0.9	0.9	0.8	0.7
EV/EBITDA	5.5	4.9	5.0	4.5	4.2
Adjusted P/E	8.3	6.9	11.1	9.3	8.2
P/BV	2.1	1.6	1.4	1.2	1.1

DuPont Analysis

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	93.6	95.0	72.6	68.0	70.0
Interest burden (PBT/EBIT)	60.2	62.4	52.7	58.8	62.0
EBIT margin (EBIT/Revenue)	14.6	14.1	13.1	13.2	13.1
Asset turnover (Revenue/Avg TA)	103.9	96.2	87.1	93.5	93.3
Leverage (Avg TA/Avg Equity)	3.5	3.3	3.1	2.9	2.7
Adjusted ROAE	29.5	26.9	13.7	14.4	14.2

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
YoY growth (%)					
Revenue	52.0	17.7	3.2	14.1	5.6
EBITDA	41.4	14.4	3.8	12.9	5.5
Adjusted EPS	63.4	19.7	(38.0)	20.0	13.5
Profitability & Return ratios (%)					
EBITDA margin	18.1	17.6	17.7	17.5	17.5
EBIT margin	14.6	14.1	13.1	13.2	13.1
Adjusted profit margin	8.2	8.3	5.0	5.3	5.7
Adjusted ROAE	29.5	26.9	13.7	14.4	14.2
ROCE	22.9	21.6	18.5	20.2	20.3
Working capital days (days)					
Receivables	86	88	100	97	97
Inventory	95	100	102	95	95
Payables	71	69	60	60	60
Ratios (x)					
Gross asset turnover	2.9	2.9	2.7	2.8	2.8
Current ratio	2.2	2.1	2.0	2.0	2.0
Net interest coverage ratio	2.4	2.4	2.0	2.3	2.5
Adjusted debt/equity	1.1	1.1	0.8	0.7	0.5

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

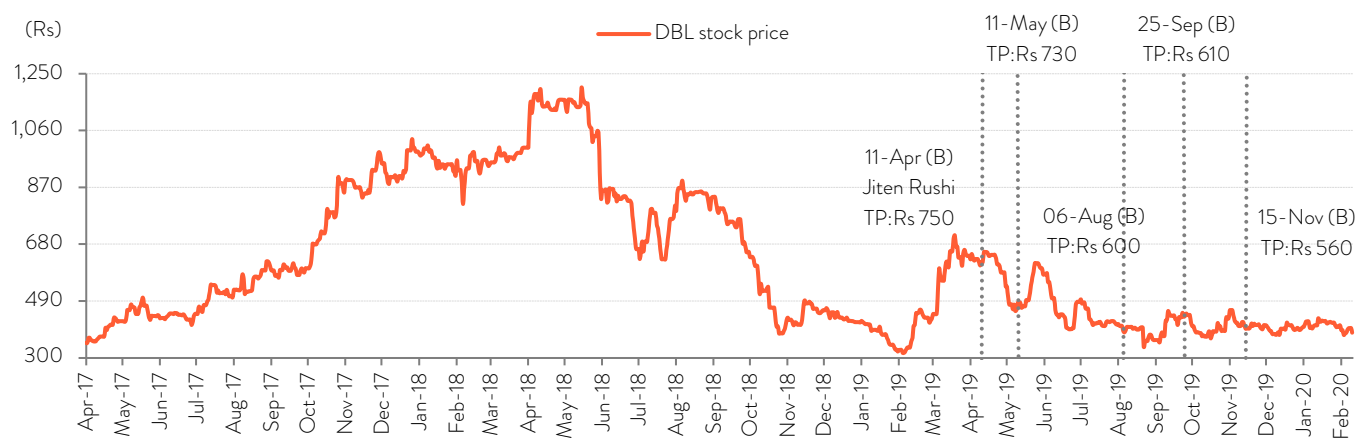
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

HISTORICAL RATINGS AND TARGET PRICE: DILIP BUILDCON (DBL IN)



B – Buy, A – Add, R – Reduce, S – Sell

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