

RESEARCH

Dilip Buildcon

Successful stake sale to Cube; another deal in the offing

SUMMARY

Dilip Buildcon

Dilip Buildcon (DBL) has entered into a SPA with Cube Highways (Cube) for 100% stake sale in five under-construction NHAI HAM projects for a pre-tax equity consideration of ~Rs 7bn, against a total equity requirement of Rs 5.7bn. The company is likely to monetise its remaining seven NHAI HAM projects in the next 3-4 months, thereby offloading the existing HAM portfolio of 12 road assets by FY20. Divestment will help deleverage DBL's balance sheet and give it access to capital for funding capex and new projects.

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TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	595
GAIL	Buy	175
ONGC	Buy	175
TCS	Add	2,360
HPCL	Sell	200

MID-CAP IDEAS

Company	Rating	Target
Balkrishna Ind	Buy	1,290
Future Supply	Buy	715
Greenply Industries	Buy	195
Laurus Labs	Buy	480
PNC Infratech	Buy	250

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.56	9bps	(15bps)	(131bps)
India 10Y yield (%)	6.58	3bps	19bps	(148bps)
USD/INR	71.84	0.4	(1.6)	0.2
Brent Crude (US\$/bbl)	60.95	0.4	1.9	(20.3)
Dow	26,728	1.4	3.9	2.8
Shanghai	2,986	1.0	5.8	10.9
Sensex	36,644	(0.2)	(0.2)	(4.2)
India FII (US\$ mn)	4 Sep	MTD	CYTD	FYTD
FII-D	(24.7)	230.2	4,477.4	3,932.7
FII-E	(174.8)	(613.0)	6,593.1	(252.1)

Source: Bank of Baroda Economics Research

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BUY

TP: Rs 600 | ▲ 56%

DILIP BUILDCON

Infrastructure

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Stake sale concluded at Rs 7bn: DBL's 100% stake sale in five HAM projects will be executed in two stages – the first post COD, with transfer of 49% stake to Cube, and the second after the mandatory lock-in period (COD + two years). DBL and Cube shall infuse 51% (Rs 2.9bn) and 49% (~Rs 2.8bn) of the equity requirement respectively during the construction period. Cube's investment shall be in the form of OCDs (interest at ~12%), subject to specific milestones (likely from Q1FY21). Against the investment of Rs 2.9bn (51% stake), DBL will get ~Rs 4.1bn pre-tax, which is 1.4x P/BV.

Ticker/Price	DBL IN/Rs 385
Market cap	US\$ 712.2mn
Shares o/s	137mn
3M ADV	US\$ 2.1mn
52wk high/low	Rs 750/Rs 312
Promoter/FPI/DII	76%/10%/5%

Source: NSE

STOCK PERFORMANCE



Source: NSE

Balance HAM portfolio to be monetised shortly: DBL is in advanced talks to sell 100% stake in its remaining seven HAM projects (equity requirement of Rs 10.5bn). The deal is likely to be concluded in the next 3-4 months at valuations similar to the Cube transaction. According to management, other investors are in the fray for the second round of asset monetisation.

Maintain BUY: DBL is likely to use the monetisation proceeds to pare standalone debt and fund new projects. The deal is contingent on achieving specific conditions and regulatory approvals, and hence not considered in our valuation. We maintain our Jun'20 TP at Rs 600.

KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total Revenue (Rs mn)	77,459	91,182	1,00,378	1,15,713	1,34,260
EBITDA (Rs mn)	14,028	16,044	17,708	20,237	23,429
Adj. net profit (Rs mn)	6,355	7,607	5,351	6,614	8,248
Adj. EPS (Rs)	46.5	55.6	39.1	48.4	60.3
Adj. EPS growth (%)	63.4	19.7	(29.7)	23.6	24.7
Adj. ROAE (%)	29.5	26.9	15.4	16.3	17.3
Adj. P/E (x)	8.0	6.7	9.5	7.7	6.2
EV/EBITDA (x)	5.4	4.9	4.8	4.0	3.5

Source: Company, BOBCAPS Research



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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)

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