

**BUY**

TP: Rs 560 | ▲ 41%

**DILIP BUILDCON**

Infrastructure

15 November 2019

## Subdued execution drives guidance cut

Dilip Buildcon's (DBL) Q2FY20 standalone revenue was in line at Rs 18.1bn (+11% YoY), but PAT (-31% YoY) missed estimates on higher depreciation and taxes. EBITDA margin expanded 45bps YoY to 17.8% (18% est.). DBL's order backlog totals ~Rs 203bn or 2.2x TTM revenue (ex-L1 of Rs 31.8bn).

Management has cut FY20 revenue guidance to <Rs 100bn from Rs 105bn-110bn due to execution delays amid a prolonged monsoon. We crop FY20/FY21 EPS by 9%/14% and roll to a revised Sep'20 TP of Rs 560 (vs. Rs 610).

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**Prolonged monsoon clouds growth:** DBL's Q2 revenue growth remained subdued at 11.4% YoY to Rs 18.1bn as the heavy monsoon hit project execution. Management has cut FY20 revenue guidance to sub-Rs 100bn levels mainly due to monsoon-led execution delays and tardy award of appointed dates (AD) for HAM projects.

**PAT drops 30%:** Adoption of Ind-AS 116 saw depreciation expense rising 37% YoY. Contrary to expectations, DBL did not shift to the new tax regime due to unutilised MAT credit of Rs 4bn. PAT thus declined 30.6% YoY to Rs 577mn.

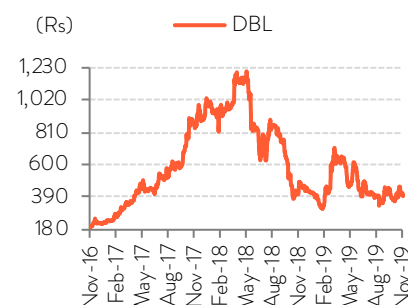
**Improvement in leverage and working capital:** Led by recovery of receivables and mobilisation advances (Rs 4.8bn), standalone gross debt fell by Rs 0.9bn QoQ to Rs 34.8bn. Net D/E stood at 0.9x and Mar'20 guidance is at 0.8x. This shall be achieved by a mix of HAM/EPC projects advance receipts and marginal-to-nil capex. Net working capital improved to 141 days as against 160 as on Mar'19.

**Maintain BUY:** We cut FY20/FY21 earnings 9%/14% to bake in lower revenues and a higher effective tax rate. Rolling forward, our Sep'20 TP changes to Rs 560.

Ticker/Price	DBL IN/Rs 398
Market cap	US\$ 757.0mn
Shares o/s	137mn
3M ADV	US\$ 2.1mn
52wk high/low	Rs 735/Rs 312
Promoter/FPI/DII	75%/10%/5%

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	98,527	1,10,411	1,23,641
EBITDA (Rs mn)	14,028	16,044	17,415	19,356	21,658
Adj. net profit (Rs mn)	6,355	7,607	5,226	6,142	7,487
Adj. EPS (Rs)	46.5	55.6	38.2	44.9	54.7
Adj. EPS growth (%)	63.4	19.7	(31.3)	17.5	21.9
Adj. ROAE (%)	29.5	26.9	15.1	15.3	16.0
Adj. P/E (x)	8.6	7.2	10.4	8.9	7.3
EV/EBITDA (x)	5.6	5.1	5.1	4.3	3.9

Source: Company, BOBCAPS Research

**BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda**

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

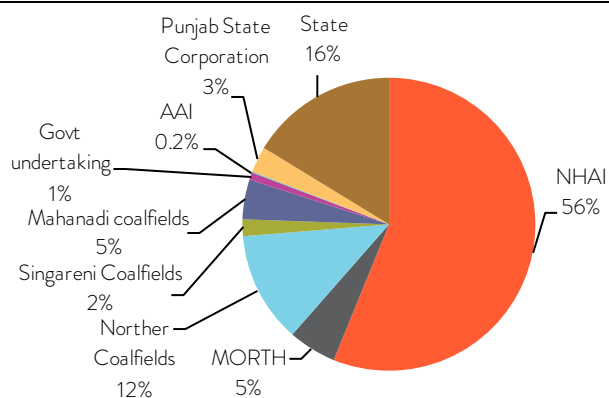


**FIG 1 – QUARTERLY AND HALF-YEARLY STANDALONE REVENUES**

Particulars (Rs mn)	Q2FY20	Q2FY19	% change YoY	Q1FY20	% change QoQ	H1FY20	H1FY19	% change YoY
<b>Revenue</b>	<b>18,094</b>	<b>16,237</b>	<b>11.4</b>	<b>22,880</b>	<b>(20.9)</b>	<b>40,974</b>	<b>40,600</b>	<b>0.9</b>
Total Expenditure	14,879	13,422	10.9	18,759	(20.7)	33,638	33,459	0.5
<b>EBITDA</b>	<b>3,215</b>	<b>2,815</b>	<b>14.2</b>	<b>4,121</b>	<b>(22.0)</b>	<b>7,336</b>	<b>7,141</b>	<b>2.7</b>
EBITDA margins (%)	17.8	17.3	43bps	18.0	(24bps)	17.7	17.7	(4bps)
Other income	74	128	(42.2)	121	(38.7)	195	219	(11.2)
Interest	1,535	1,216	26.2	1,588	(3.4)	3,122	2,427	28.7
Depreciation	1,056	773	36.6	1,047	0.9	2,103	1,527	37.7
<b>PBT</b>	<b>698</b>	<b>954</b>	<b>(26.8)</b>	<b>1,607</b>	<b>(56.6)</b>	<b>2,305</b>	<b>3,406</b>	<b>(32.3)</b>
PBT margin (%)	3.9	5.9	(202bps)	7.0	(317bps)	7.5	8.9	(142bps)
Total tax	121	122	(0.9)	354	(66.0)	475	25	1,768.2
Effective tax rate (%)	17.3	12.8	451bps	22.1	(479bps)	29.1	6.5	2,256bps
<b>Adjusted PAT</b>	<b>577</b>	<b>832</b>	<b>(30.6)</b>	<b>1,252</b>	<b>(53.9)</b>	<b>1,830</b>	<b>3,381</b>	<b>(45.9)</b>
Extra-ordinary Items	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>577</b>	<b>832</b>	<b>(30.6)</b>	<b>1,252</b>	<b>(53.9)</b>	<b>1,830</b>	<b>3,381</b>	<b>(45.9)</b>
Adjusted PAT margin (%)	3.2	5.1	(193bps)	5.5	(228bps)	5.3	8.3	(301bps)
<b>EPS (Rs)</b>	<b>4.2</b>	<b>6.1</b>	<b>(30.6)</b>	<b>9.2</b>	<b>(53.9)</b>	<b>13.4</b>	<b>24.7</b>	<b>(45.9)</b>

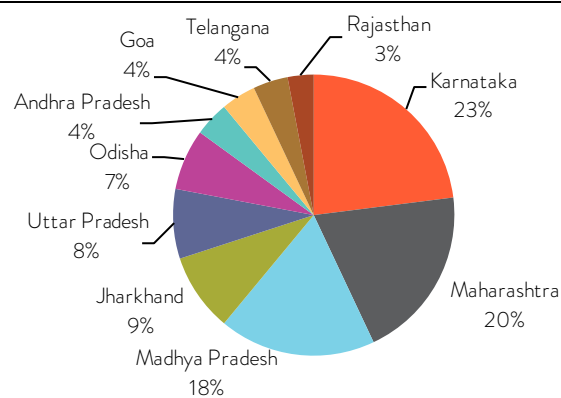
Source: Company, BOBCAPS Research

**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)	Q2FY18	Q3FY18	Q4FY18	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY19	Q1FY20	Q2FY20
Roads & Bridges	13,664	16,915	22,193	66,694	21,847	14,355	21,807	22,235	80,136	19,423	16,010
Irrigation	284	279	336	1,610	351	24	-	-	380	-	-
Urban Development	9	16	279	315	114	83	236	680	1,112	173	43
Mining	1,857	2,178	2,450	8,411	2,028	1,833	2,834	2,700	9,396	3,128	1,971
Others	4	33	321	429	23	(58)	(5)	95	158	156	70
<b>Total</b>	<b>15,818</b>	<b>19,421</b>	<b>25,579</b>	<b>77,459</b>	<b>24,363</b>	<b>16,237</b>	<b>24,872</b>	<b>25,710</b>	<b>91,182</b>	<b>22,880</b>	<b>18,094</b>
<b>% growth YoY</b>											
Roads & Bridges	62.2	33.6	41.5	45.9	56.8	5.1	28.9	0.2	20.2	(11.1)	11.5
Irrigation	(42.6)	(61.5)	(53.0)	(42.2)	(50.6)	(91.5)	(100.0)	(100.0)	(76.4)	NM	NM
Urban Development	(91.2)	(52.9)	8.6	(65.1)	936.4	822.2	1,375.0	143.7	253.5	51.8	(48.2)
Mining	1,275.6	364.4	245.6	501.2	5.2	(1.3)	30.1	10.2	11.7	54.2	7.5
Others	(32.9)	370.8	137.0	139.4	(63.2)	(1,574.0)	(114.1)	(70.5)	(63.1)	578.4	(220.9)
<b>Total</b>	<b>72.6</b>	<b>39.8</b>	<b>46.1</b>	<b>52.0</b>	<b>46.4</b>	<b>2.7</b>	<b>28.1</b>	<b>0.5</b>	<b>17.7</b>	<b>(6.1)</b>	<b>11.4</b>
<b>% share</b>											
Roads & Bridges	86.4	87.1	86.8	86.1	89.7	88.4	87.7	86.5	87.9	84.9	88.5
Irrigation	1.8	1.4	1.3	2.1	1.4	0.1	-	-	0.4	-	-
Urban Development	0.1	0.1	1.1	0.4	0.5	0.5	0.9	2.6	1.2	0.8	0.2
Mining	11.7	11.2	9.6	10.9	8.3	11.3	11.4	10.5	10.3	13.7	10.9
Others	0.0	0.2	1.3	0.6	0.1	(0.4)	(0.0)	0.4	0.2	0.7	0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, BOBCAPS Research

**FIG 5 – ORDER BACKLOG AND ORDER INFLOW TREND**

(Rs mn)	Q2FY18	Q3FY18	Q4FY18	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY19	Q1FY20	Q2FY20
Order backlog	1,42,044	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
Order inflow	-	-	1,41,139	1,42,389	25,855	7,175	23,941	4,286	61,257	11,896	17,989
<b>Book-to-bill ratio (x)</b>	<b>2.2</b>	<b>1.8</b>	<b>3.1</b>	<b>3.1</b>	<b>2.8</b>	<b>2.8</b>	<b>2.5</b>	<b>2.3</b>	<b>2.3</b>	<b>2.1</b>	<b>2.2</b>
<b>Order backlog break-up</b>											
Roads & Bridges	1,15,056	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
Irrigation	1,420	1,236	426	426	72	-	5,366	5,366	5,366	5,366	14,030
Urban Development	2,841	3,707	1,400	1,400	1,012	892	4,907	4,729	4,729	4,545	8,245
Mining	22,727	19,771	17,805	17,805	15,779	26,955	33,182	30,482	30,482	27,354	43,372
<b>Total</b>	<b>1,42,044</b>	<b>1,23,571</b>	<b>2,38,881</b>	<b>2,38,881</b>	<b>2,40,903</b>	<b>2,39,351</b>	<b>2,31,002</b>	<b>2,11,718</b>	<b>2,11,718</b>	<b>1,90,290</b>	<b>2,02,926</b>
<b>% share</b>											
Roads & Bridges	81.0	80.0	91.8	91.8	93.0	88.4	81.2	80.8	80.8	80.4	67.6
Irrigation	1.0	1.0	0.2	0.2	0.0	-	2.3	2.5	2.5	2.8	6.9
Urban Development	2.0	3.0	0.6	0.6	0.4	0.4	2.1	2.2	2.2	2.4	4.1
Mining	16.0	16.0	7.5	7.5	6.6	11.3	14.4	14.4	14.4	14.4	21.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, BOBCAPS Research

**FIG 6 – BALANCE SHEET – STANDALONE**

(Rs mn)	FY17	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY19	Q1FY20	Q2FY20
Share capital	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
<b>Shareholders' Funds</b>	<b>18,529</b>	<b>24,571</b>	<b>27,125</b>	<b>27,762</b>	<b>29,848</b>	<b>32,044</b>	<b>32,044</b>	<b>33,214</b>	<b>33,626</b>
Debt	25,634	29,413	32,914	36,086	36,988	35,764	35,764	35,723	34,824
Deferred Tax Liabilities	759	1,066	897	698	73	171	171	2	(90)
<b>Total Capital Employed</b>	<b>44,922</b>	<b>55,050</b>	<b>60,935</b>	<b>64,546</b>	<b>66,909</b>	<b>67,979</b>	<b>67,979</b>	<b>68,939</b>	<b>68,360</b>
								35,585	
<b>Net Fixed Assets</b>	<b>16,825</b>	<b>18,319</b>	<b>18,126</b>	<b>18,046</b>	<b>18,768</b>	<b>20,822</b>	<b>20,822</b>	<b>21,179</b>	<b>20,858</b>
Tangible Assets	16,785	18,319	17,906	17,814	18,505	20,482	20,482	20,855	20,553
Intangible assets	40	-	27	24	22	341	341	323	304
CWIP	-	-	193	208	241	-	-	1	1
Investments	4,695	2,415	2,420	2,421	2,873	5,238	5,238	6,382	9,121
<b>Current Assets</b>									
Inventories	16,639	20,262	20,111	21,343	22,212	25,038	25,038	25,793	26,305
Trade Receivables	10,165	13,844	13,770	12,476	12,284	14,093	14,093	14,143	12,902
Cash and bank balance	1,137	1,613	2,023	1,583	2,239	1,888	1,888	2,291	3,032
Loans and Advances	2,113	6,249	5,529	5,951	8,268	7,778	7,778	8,144	8,178
Other current assets	12,663	21,546	23,250	25,064	25,939	31,453	31,453	32,398	29,868
<b>Total (a)</b>	<b>42,717</b>	<b>63,515</b>	<b>64,683</b>	<b>66,417</b>	<b>70,942</b>	<b>80,249</b>	<b>80,249</b>	<b>82,769</b>	<b>80,284</b>
<b>Current Liabilities</b>									
Trade payables	6,630	15,078	13,924	11,283	13,827	17,241	17,241	17,045	13,928
Current liabilities	12,381	13,606	9,813	10,229	10,974	20,118	20,118	23,376	26,963
Provisions	304	732	773	826	873	971	971	970	1,012
<b>Total (b)</b>	<b>19,315</b>	<b>29,415</b>	<b>24,510</b>	<b>22,338</b>	<b>25,674</b>	<b>38,329</b>	<b>38,329</b>	<b>41,391</b>	<b>41,903</b>
<b>Net Current assets (a-b)</b>	<b>23,402</b>	<b>34,100</b>	<b>40,173</b>	<b>44,079</b>	<b>45,268</b>	<b>41,919</b>	<b>41,919</b>	<b>41,378</b>	<b>38,381</b>
Assets held for sale	-	216	216	-	-	-	-	-	-
<b>Total Assets</b>	<b>44,922</b>	<b>55,050</b>	<b>60,935</b>	<b>64,546</b>	<b>66,909</b>	<b>67,979</b>	<b>67,979</b>	<b>68,939</b>	<b>68,360</b>

Source: Company, BOBCAPS Research

**FIG 7 – SCHEDULE OF EQUITY INVESTMENT IN 12 NEW HAM PROJECTS (RS 16BN; PENDING RS 8.2BN)**

(Rs bn)	Requirement	FY19	Q1FY20	Q2FY20	Q3FY20E	Q4FY20E	FY20E	FY21E
Investment in 12 new HAM projects	15,996	3,893	1,158	2,700	1,910	1,760	7,528	4,575

Source: Company, BOBCAPS Research

**FIG 8 – MONETISATION OF ROAD ASSETS: RS 2.8BN PENDING FROM SHREM GROUP**

Sr. No.	Particulars (Rs mn)	Total	FY19	Q1FY20	Q2FY20	Till 13-Nov-19	Q3FY20	Q4FY20E
<b>A</b>	<b>Amount receivable by DBL</b>							
(i)	Consideration against 18 (14+4) completed assets	8,140	7,000	160	68	0	912	0
(ii)	DBL's upfront equity investment in 6 under construction HAM projects (26% of Rs. 7,880 Mn)	2,050*	-	-	-	1297	225	528
	<b>Total (A)</b>	<b>10,190</b>	<b>7,000</b>	<b>160</b>	<b>68</b>	<b>1,297</b>	<b>1,137</b>	<b>528</b>
<b>B</b>	<b>74% equity investment in 6 under construction HAM projects</b>							
(i)	To be invested as per project progress (74% of Rs. 7,880 Mn)	5,830	4,010	320	90	233	50	1,127**
	<b>Total (B)</b>	<b>5,830</b>	<b>4,010</b>	<b>320</b>	<b>90</b>	<b>233</b>	<b>50</b>	<b>1,127</b>
	<b>Grand Total (A+B)</b>	<b>16,020</b>	<b>11,010</b>	<b>480</b>	<b>158</b>	<b>1,530</b>	<b>1,187</b>	<b>1,655</b>
	<b>Cumulative</b>		<b>11,010</b>	<b>11,490</b>	<b>11,648</b>	<b>13,178</b>	<b>14,365</b>	<b>16,020</b>

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 9 – HAM PROJECTS**

HAM Project	Appointed date	Equity (Rs mn)	Total project cost (Rs mn)
DBL Rewa Sidhi Highways Pvt. Ltd.	14.12.2018	906	8,152
DBL Chandikhole Bhadrak Highways Pvt. Ltd.	16.12.2018	1,222	12,613
DBL Byrapura Challakere Highways Pvt. Ltd.	31.12.2018	812	6,708
DBL Anandpuram Anakapalli Highways Pvt. Ltd.	04.01.2019	2,202	17,717
DBL Mangloor Highways Pvt. Ltd.	12.04.2019	658	7,251
DBL Borgaon Watambare Highways Pvt. Ltd.	22.04.2019	1,226	8,448
DBL Bangalore Nidagatta Highways Pvt. Ltd.	14.05.2019	2,190	20,048
DBL Sangli-Borgaon Highways Pvt. Ltd.	23.05.2019	1,052	8,768
DBL Mangalwedha Solapur Highways Pvt. Ltd.	23.05.2019	1,526	9,480
DBL Gorhar Khiratunda Highways Pvt. Ltd.	19.07.2019	738	7,644
DBL Nidgatta -Myosre Highways Pvt. Ltd.	24.10.2019	1,180	11,076
DBL Bellary Byrapura Highways Pvt. Ltd	Awaited; expected in 1 <sup>st</sup> /2 <sup>nd</sup> week of Dec'19	2,284	20,926
<b>Total</b>		<b>15,996</b>	<b>1,38,831</b>

Source: Company, BOBCAPS Research

**FIG 10 – ORDER INFLOWS TO DATE IN FY20 AT RS 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	30-07-2019	Q2FY20
Construction of Kharkai Dam at Icha, Jharkhand	Irrigation	Water Resources Department, Jharkhand	8,681	07-08-2019	Q2FY20
Overburden Removal – Nigahi OCP of NCL	Mining	Northern Coalfields Limited	17,989	Awaited	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	Awaited	Q3FY20
Development Gorakhpur Link Expressway Project, Package-II	EPC	UP Expressways Industrial Development Authority	12,500	Awaited	Q3FY20
<b>Total</b>			<b>61,707</b>		

Source: Company, BOBCAPS Research

**FIG 11 – FIVE NHAI HAM PROJECTS MONETISED – DEAL WITH CUBE HIGHWAYS\***

Sr. No.	Project name	Required Equity (Rs mn)	Cube's investment (49%; Rs mn)	DBL's investment (49%; Rs mn)
1	DBL Mangloor Highways Pvt Ltd	658	322	336
2	DBL Sangli Borgaon Highways Pvt Ltd (Pkg-I)	1,052	515	537
3	DBL BorgaonWatambare 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
<b>Total</b>		<b>5,684</b>	<b>2,785</b>	<b>2,899</b>

Source: Company, BOBCAPS Research | \*Subject to fulfillment of certain conditions – the agreement was entered on 31-Aug-19

## Other result highlights

- FY20 guidance is as follows: revenue at sub-Rs 100bn (~85% from roads), order inflow of Rs 120bn-130bn, EBITDA margin at 17-18%, effective tax rate at 30-32%, H2FY20 capex at Rs 500mn-600mn (Rs 1.5bn in H1), and net D/E at ~0.8x.
- DBL received a mobilisation advance of Rs 4.8bn in Q2FY20 and expects further advances of Rs 1.5bn-2bn in Q3.
- The company's fund-based limit stands at Rs 22.5bn and non-fund-based limit at Rs 68.9bn as on Sep'19.
- 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.
- NHAI's current bid pipeline stands at ~Rs 600bn, of which HAM projects total Rs 350bn and the balance are EPC projects. DBL plans to focus on bids in the EPC space and on select HAM projects. As per management, awarding from NHAI is likely to commence from Dec'19.

## 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 and irrigation sectors. We expect the company to be a prime beneficiary of NHAI's large ~Rs 600bn bid pipeline over the next 4-5 months. Led by a healthy order backlog, we forecast a revenue and pre-tax earnings CAGR of 11% each for the company over FY19-FY22.

Post the Q2FY20 results, we pare our FY20/FY21 EPS estimates by 9%/14% to bake in the lower revenue guidance, higher depreciation expense and higher effective tax rate. The stock is trading at 7.4x/6.3x FY20E/FY21E standalone earnings, adjusted for Rs 117/sh of asset value. We reiterate BUY and roll forward to a revised Sep'20 SOTP-based target price of Rs 560 (Rs 610 earlier).

For our SOTP model, we value (i) the standalone EPC business at Rs 443/sh based on 9x Sep'21E 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 12 – REVISED ESTIMATES**

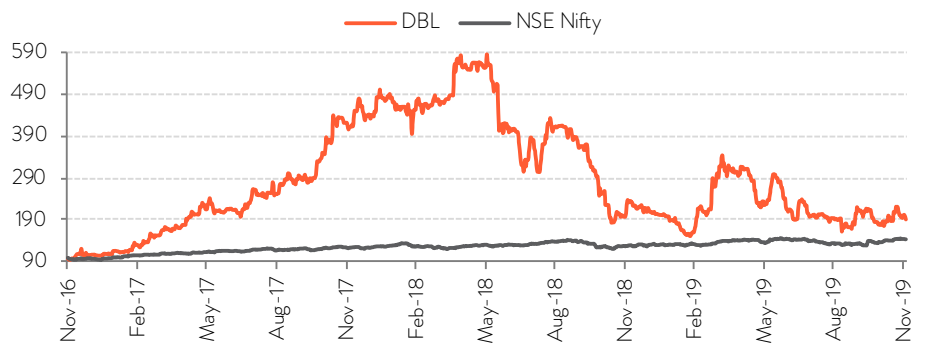
(Rs mn)	FY20E			FY21E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	1,00,524	98,527	(2.0)	1,12,713	1,10,411	(2.0)
EBITDA	17,737	17,415	(1.8)	19,757	19,356	(2.0)
EBITDA margin (%)	17.6	17.7	3bps	17.5	17.5	0bps
Adjusted PAT	5,758	5,226	(9.2)	7,173	6,142	(14.4)
PAT margin (%)	5.7	5.3	(42bps)	6.4	5.6	(80bps)

Source: Company, BOBCAPS Research

**FIG 13 – SOTP-BASED SEP'20 TARGET PRICE OF RS 560**

Business	Rationale	(Rs mn)	Multiple (x)	Value (Rs mn)	Value per share (Rs)
Standalone business (EPC)	P/E on Sep'21E earnings	6,724	9.0	60,639	443
Value of 12 HAM projects	P/BV - Equity investment as on Mar'21E	15,996	1.0	15,996	117
<b>Target price</b>				<b>76,635</b>	<b>560</b>
O/s shares (mn)				137	

Source: Company, BOBCAPS Research

**FIG 14 – 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
<b>Total revenue</b>	<b>77,459</b>	<b>91,182</b>	<b>98,527</b>	<b>1,10,411</b>	<b>1,23,641</b>
EBITDA	14,028	16,044	17,415	19,356	21,658
Depreciation	(2,750)	(3,202)	(4,281)	(4,549)	(4,954)
EBIT	11,278	12,842	13,134	14,807	16,704
Net interest income/(expenses)	(4,644)	(5,299)	(6,260)	(6,278)	(6,212)
Other income/(expenses)	155	464	493	503	518
Exceptional items	0	0	0	0	0
EBT	6,789	8,007	7,367	9,032	11,010
Income taxes	(434)	(400)	(2,141)	(2,890)	(3,523)
Extraordinary items	(152)	43	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>6,203</b>	<b>7,649</b>	<b>5,226</b>	<b>6,142</b>	<b>7,487</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>6,355</b>	<b>7,607</b>	<b>5,226</b>	<b>6,142</b>	<b>7,487</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	15,078	17,241	17,498	19,965	22,357
Other current liabilities	0	0	0	0	0
Provisions	732	971	808	1,044	1,169
Debt funds	29,413	35,763	30,362	31,312	27,362
Other liabilities	13,606	20,119	24,885	26,822	29,236
Equity capital	1,368	1,368	1,368	1,368	1,368
Reserves & surplus	23,203	30,677	35,738	41,714	49,035
Shareholders' fund	24,571	32,044	37,105	43,081	50,403
<b>Total liabilities and equities</b>	<b>83,398</b>	<b>1,06,138</b>	<b>1,10,658</b>	<b>1,22,224</b>	<b>1,30,526</b>
Cash and cash eq.	1,613	1,888	2,048	2,128	2,254
Accounts receivables	18,284	21,966	26,920	30,249	33,705
Inventories	20,262	25,038	25,574	27,225	30,317
Other current assets	0	0	0	0	0
Investments	2,415	5,238	6,371	8,708	8,708
Net fixed assets	18,319	20,822	18,642	17,343	15,889
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(1,066)	(171)	46	46	46
Other assets	23,572	31,357	31,058	36,526	39,607
<b>Total assets</b>	<b>83,398</b>	<b>1,06,138</b>	<b>1,10,658</b>	<b>1,22,224</b>	<b>1,30,526</b>

Source: Company, BOBCAPS Research

**Cash Flows**

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	8,953	10,851	9,507	10,691	12,441
Interest expenses	4,644	5,299	6,260	6,278	6,212
Non-cash adjustments	152	0	0	0	0
Changes in working capital	(10,132)	(8,227)	(548)	(5,808)	(4,698)
Other operating cash flows	0	0	0	0	0
<b>Cash flow from operations</b>	<b>3,617</b>	<b>7,923</b>	<b>15,220</b>	<b>11,160</b>	<b>13,954</b>
Capital expenditures	(4,244)	(5,705)	(2,100)	(3,250)	(3,500)
Change in investments	2,281	(2,823)	(1,133)	(2,337)	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(1,963)</b>	<b>(8,528)</b>	<b>(3,233)</b>	<b>(5,587)</b>	<b>(3,500)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	3,778	6,351	(5,401)	950	(3,950)
Interest expenses	(4,644)	(5,299)	(6,260)	(6,278)	(6,212)
Dividends paid	(165)	(165)	(165)	(165)	(165)
Other financing cash flows	(148)	(7)	0	0	0
<b>Cash flow from financing</b>	<b>(1,178)</b>	<b>880</b>	<b>(11,827)</b>	<b>(5,493)</b>	<b>(10,327)</b>
<b>Changes in cash and cash eq.</b>	<b>476</b>	<b>275</b>	<b>160</b>	<b>80</b>	<b>127</b>
<b>Closing cash and cash eq.</b>	<b>1,613</b>	<b>1,888</b>	<b>2,048</b>	<b>2,128</b>	<b>2,254</b>

**Per Share**

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	45.4	55.9	38.2	44.9	54.7
Adjusted EPS	46.5	55.6	38.2	44.9	54.7
Dividend per share	1.0	1.0	1.0	1.0	1.0
Book value per share	179.6	234.3	271.3	315.0	368.5

**Valuations Ratios**

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	1.0	0.9	0.9	0.7	0.7
EV/EBITDA	5.6	5.1	5.1	4.3	3.9
Adjusted P/E	8.6	7.2	10.4	8.9	7.3
P/BV	2.2	1.7	1.5	1.3	1.1

**DuPont Analysis**

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	93.6	95.0	70.9	68.0	68.0
Interest burden (PBT/EBIT)	60.2	62.4	56.1	61.0	65.9
EBIT margin (EBIT/Revenue)	14.6	14.1	13.3	13.4	13.5
Asset turnover (Revenue/Avg TA)	103.9	96.2	90.9	94.8	97.8
Leverage (Avg TA/Avg Equity)	3.5	3.3	3.1	2.9	2.7
Adjusted ROAE	29.5	26.9	15.1	15.3	16.0

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

**Ratio Analysis**

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
<b>YoY growth (%)</b>					
Revenue	52.0	17.7	8.1	12.1	12.0
EBITDA	41.4	14.4	8.5	11.1	11.9
Adjusted EPS	63.4	19.7	(31.3)	17.5	21.9
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	18.1	17.6	17.7	17.5	17.5
EBIT margin	14.6	14.1	13.3	13.4	13.5
Adjusted profit margin	8.2	8.3	5.3	5.6	6.1
Adjusted ROAE	29.5	26.9	15.1	15.3	16.0
ROCE	22.9	21.6	20.1	21.6	22.7
<b>Working capital days (days)</b>					
Receivables	86	88	100	100	100
Inventory	95	100	95	90	90
Payables	71	69	65	66	66
<b>Ratios (x)</b>					
Gross asset turnover	2.9	2.9	2.8	2.9	3.0
Current ratio	2.2	2.1	2.0	2.0	2.0
Net interest coverage ratio	2.4	2.4	2.1	2.4	2.7
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%

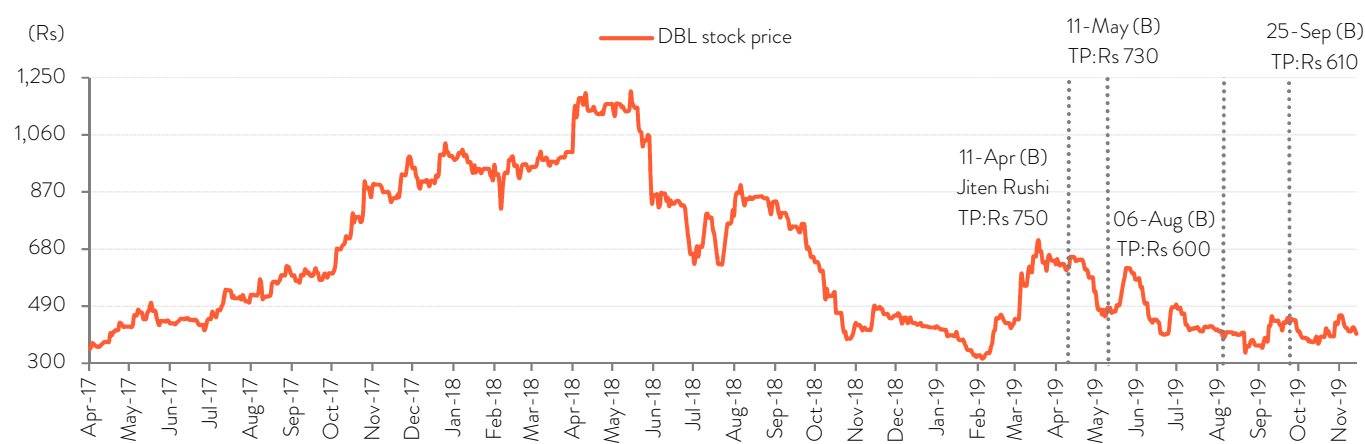
**ADD** – Expected return from >+5% to +15%

**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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