

# Dilip Buildcon

## Execution surprise

Dilip Buildcon (DBL) reported 1QFY21 APAT at Rs 336mn (73%/71% YoY/QoQ), marginally behind our estimate, as revenue declined by 16%/23% YoY/QoQ. However, execution was 9% ahead of our estimate as labour availability improved to 90%. CFO during the quarter was negative at Rs 2bn as NWC days increased to 114 days from 93 days at FY20 end. Net D/E also increased from 0.8x on Mar-20 to 0.92x on Jun-20. Nonetheless, despite muted ordering in the sector, the company has won orders of Rs 107bn till date in FY21. We maintain BUY on DBL, with a target price of Rs 466/sh, given its (1) strong and diversified order book of Rs 261bn and (2) continued focus on asset recycling. We have valued EPC business at 8x FY22E EPS and HAM at 1x P/BV.

- **Marginal miss on APAT despite positive surprise in execution:** DBL reported 1QFY21 revenue/EBITDA at Rs 19/3 bn, 9%/12% ahead of our estimate, as labour availability improved to 90%. However, APAT at Rs 336mn missed our estimate marginally on account of lower other income and higher taxes. DBL earned Rs 1.1bn of early completion bonus for a HAM project during the quarter.
- **Labour availability at 90%; all sites operating:** Labour availability, which had reduced to 65-70%, has improved to 90% currently. DBL expects it to normalise after the monsoon. While DBL shied away from giving revenue guidance, with improved labour availability and its superior execution capabilities, it expects to achieve execution level similar to that in FY20. We remain conservative and maintain our revenue estimate for FY21.
- **Strong order book provides earnings visibility in the medium term:** DBL has bagged new orders worth Rs 107bn till date in FY21, across road, irrigation and tunnel segments and expects to win additional orders of Rs 50bn during FY21. It has successfully diversified its order book over the past few years as roads contribute only 50%, compared to 87% at FY18-end. With closing order book at Rs 261bn, DBL provides earnings visibility for three years on FY20 revenue.
- **Deleveraging contingent on monetization of assets:** Delay in collection led to increase in NWC days to 114 days from 93 at FY20-end. However, the company received Rs 2.5bn in early July and expects working capital to stabilise around the target range of 90-100 days in the near term. Consolidated net debt increased to Rs 33.5bn (vs Rs 29bn on Mar-20) and net D/E increased to 0.92x (up from 0.81x at FY20-end). DBL has taken moratorium on the loans and does not expect debt to rise further. While it continues to focus on reducing the debt, we expect deleveraging to happen only after completion of the Cube deal and successful monetization of the balance seven HAM assets.

## Quarterly/Annual Financial summary

Year Ending March	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY21E
Net Sales	18,920	22,500	(15.9)	24,597	(23.1)	90,586	88,556	83,599	96,375
EBITDA	3,001	3,741	(19.8)	3,727	(19.5)	15,447	14,438	11,911	16,125
APAT	336	1,253	(73.1)	1,151	(70.8)	7,607	4,160	2,445	5,664
Diluted EPS (Rs)	2.5	9.2	(73.1)	8.4	(70.8)	55.6	30.4	17.9	41.4
P/E (x)						4.7	8.6	14.6	6.3
EV / EBITDA (x)						4.5	4.5	5.6	1.8
RoE (%)						26.9	12.2	6.4	13.3

Source: Company, HSIE Research, Standalone financials

## BUY

CMP (as on 14 Aug 2020)	Rs 352
Target Price	Rs 466
NIFTY	11,178

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 466	Rs 466
EPS %	FY21E	FY22E
	-	-

## KEY STOCK DATA

Bloomberg code	DBL IN
No. of Shares (mn)	137
MCap (Rs bn) / (\$ mn)	48/641
6m avg traded value (Rs mn)	126
52 Week high / low	Rs 477/190

## STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	37.5	(6.4)	(12.3)
Relative (%)	15.8	1.8	(13.8)

## SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	75.00	75.00
FIs & Local MFs	6.32	6.78
FPIs	9.35	8.68
Public & Others	9.33	10.54
Pledged Shares	21.48	21.48

Source : BSE

Pledged shares as % of total shares

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