

## Accumulate

### View: Stable quarter, fair valuation; maintain Accumulate

- DBL reported revenue and PAT above estimates and EBITDA margins in line with estimates.
- DBL posted 6.4%/ -4.8%/ -18.1% YoY growth in revenue/ EBITDA/ Adj. PAT to Rs19.3 bn/ Rs3.1 bn/ Rs473 mn in Q2FY21.
- We increase our revenue estimates by 3.1%/ 3.1% for FY21E/ FY22E factoring H1FY21 results. We maintain EBITDA margin estimates for FY21E/ FY22E. Accordingly, we increase our APAT estimates by 10.6%/ 5.0% for FY21E/ FY22E. We introduce FY23E estimates. We factor higher debt of Rs34 bn in FY21E vs. Rs32.6 bn in FY20 and expect it to reduce to Rs30.6 bn/ Rs30 bn in FY22E/ FY23E. We expect DBL's revenue/ Adj. APT to grow at CAGR of 5.5%/ 7.5% over FY20-23E.
- Though DBL has received robust order inflows in YTD FY21 and order book at a healthy position, growth in bottomline is still two quarters away. Thus, we maintain Accumulate with an upward revised SOTP of Rs410 (8x Sep'22E EPS + 1x Sep'22E PB for equity investment in HAM).

### Order book at 3x TTM revenue

DBL's order inflow stood at Rs67.3 bn/ Rs111.3 bn (Rss66.1 bn is more than 4 years execution period) for FY20/ YTD FY21 and order book at Rs265.1 bn (3x TTM revenue). We decrease our order inflow estimates from Rs149 bn to Rs146.3 bn for FY21E and Rs100 bn/ Rs120 bn in FY22E/ FY23E.

### Asset monetization – deal with Cube Highways

DBL entered into agreement with Cube Highways for sale of 5 under construction HAM projects on 31<sup>st</sup> Aug'19 for valuation of 1.41x on DBL's investment of Rs4.09 bn. DBL will invest 51% of the equity (Rs2.9 bn) and balance Rs2.78 will be invested by Cube. DBL also expects deal of balance 7 HAM projects in Q3FY21E.

### Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	19,252	18,093	6.4	18,920	1.8
Total Expense	16,192	14,879	8.8	15,919	1.7
EBITDA	3,060	3,214	(4.8)	3,001	2.0
Depreciation	1,044	1,056	(1.1)	1,066	(2.0)
EBIT	2,016	2,158	(6.6)	1,935	4.2
Other Income	94	74	27.2	85	10.8
Interest	1,402	1,535	(8.7)	1,511	(7.2)
EBT	708	697	1.5	510	39.0
Tax	235	121	95.3	172	36.5
RPAT	473	577	(18.1)	337	40.2
APAT	473	577	(18.1)	337	40.2
			(bps)		(bps)
Gross Margin (%)	21.7	22.7	(109)	20.4	129
EBITDA Margin (%)	15.9	17.8	(187)	15.9	3
NPM (%)	2.5	3.2	(73)	1.8	67
Tax Rate (%)	33.2	17.3	1596	33.9	(61)
EBIT Margin (%)	10.5	11.9	(146)	10.2	24

CMP	Rs 347
Target / Upside	Rs 410 / 18%
NIFTY	12,264

### Scrip Details

Equity / FV	Rs 1,368mn / Rs 10
Market Cap	Rs 48bn
	USD 641mn
52-week High/Low	Rs 442/ 190
Avg. Volume (no)	2,44,477
Bloom Code	DBL IN

Price Performance	1M	3M	12M
Absolute (%)	(1)	3	(17)
Rel to NIFTY (%)	(6)	(8)	(20)

### Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	75.0	75.0	75.0
MF/Banks/FIs	6.3	6.8	7.2
FIs	9.4	8.7	8.8
Public / Others	9.3	9.5	9.0

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	18.2	12.4	9.2
EV/EBITDA	5.6	4.8	4.3
ROE (%)	7.0	9.5	11.6
RoACE (%)	12.3	13.4	14.6

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	88,472	97,320	1,05,636
EBITDA	14,156	15,960	17,430
PAT	2,607	3,838	5,162
EPS (Rs.)	19.1	28.1	37.7

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**Exhibit 1: Actual V/s DART estimates (Rs mn)**

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	19,252	17,169	12.1	Led by better execution
EBITDA (Rs mn)	3,060	2,781	10.0	-
EBITDA%	15.9	16.2	(30 bps)	In line with estimates
PAT (Rs mn)	473	156	203.6	Led by overall better performance

Source: Company, DART

**Exhibit 2: Change in estimates – Broadly maintain FY21E/ FY22E and introduce FY23E estimates**

(Rs mn)	FY21E			FY22E			FY23E		
	New	Previous	Chg (%)	New	Previous	Chg (%)	New	Previous	Chg (%)
Net revenues	88,472	85,846	3.1	97,320	94,431	3.1	1,05,636	-	-
EBIDTA	14,156	13,735	3.1	15,960	15,581	2.4	17,430	-	-
EBIDTA margin (%)	16.0	16.0	(0 bps)	16.4	16.5	(10 bps)	16.5	-	-
Adj. Net Profit	2,607	2,358	10.6	3,838	3,654	5.0	5,162	-	-
EPS (Rs)	19.1	17.2	10.6	28.1	26.7	5.0	37.7	-	-

Source: DART, Company

### Key earnings takeaways

- MORTH has awarded 5,052 kms in H1FY21 vs. 2,103 kms in H1FY20. NHAI has awarded 1,330 kms in H1FY21 vs. 828 kms in H1FY20. NHAI awarded 40 projects (24 EPC & 16 HAM) in H1FY21. NHAI has set award target of 4,500 kms for FY21E. MORTH has construction target of 10,250 kms for FY21E.
- Expect additional Rs30-40 bn worth of inflows in FY21E. Expect flat revenue YoY for FY21E with EBITDA margin guidance of 17%. Manpower is at 100% levels now and companies are receiving timely payments from NHAI. DBL's focus will be on all sectors.
- DBL bid for high speed rail projects but didn't fit their pricing and location. Will evaluate other HSR projects.
- Management believes all the mechanization in infrastructure is done and labour will be required for long term.
- DBL had reviewed 12-13 commercial mining projects and did bid for 1 but failed to win the same. They will explore these projects in future.
- 3 EPC projects viz. Bhadbhut barrage, RVNL project and Sahibganj bypass have commenced execution. Expect appointed date for Pathrapali/ Dodaballapur/ Repallewada/ Narenpur-Purnea/ Dhrol-Bhadra Patiya by Dec'20/ Jan-Feb'21/ Jan-Feb'21/ Mar'21/ Apr'21.
- DBL has received mobilization advance from Bhadbhut barrage in Oct'20 of 5% (2.5% twice).
- 7 HAM projects deal is on track and expect to complete in Q3FY21E. Post deal, DBL expects Rs5-6 bn every year.
- Financial closure deals are happening at rate of 8.5-8.75% and asset refinancing is done at 8-8.25%.
- No comments on early completion bonus but does expect few projects to complete in H2FY21E.
- Effective tax rate guidance of 32-35% for FY21E. Unutilized MAT credit stands at Rs3.12 bn as on Sept'20. DBL is not opting for concessional rate of

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tax u/s 115BAA as it will result into higher cash outflow due to non-allowability of MAT credit.

- Debt stood at Rs36.3 bn and guided for Rs32.5 bn for FY21E. This is the peak level and one can expect reduction from here. Capex for H1FY21 was Rs1.4 bn and expect Rs2 bn for FY21E. Working capital days target of 90 days vs. 101 days as on H1FY21.
- Mobilization advance/ Retention money/ Unbilled revenue stood at Rs13 bn/ Rs 7.5 bn/ Rs5 bn. Fund/ Non Fund based limits utilization stands at 85%/ 70%.
- Equity requirement for 17 HAM projects is Rs20.84 bn and Rs7.01 bn to be received for Cube deal, net requirement Rs13.83 bn. Rs3.9 bn/ Rs6.95 bn/ Rs1.63 bn already invested in FY19/ FY20/ H1FY21 and expect Rs2.7 bn/ (Rs990 mn)/ Rs2.06 bn/ (Rs2.4 bn) in H2FY21E/ FY22E/ FY23E/ FY24E.
- Shrem Deal update - DBL received Rs11 bn/ Rs2.71 bn/ Rs206 mn in FY19/ FY20/ H1FY21 and expects Rs1.02 bn in Q3FY21E.

We have not valued DBL's equity investment in 24 BOT projects, which it signed an agreement in Aug'17 to sell 100% to Shrem Group for Rs16 bn (Rs13.7 bn received upto FY20, Rs206 mn in H1FY21, Rs1.0 bn in Q3FY21E and savings of Rs1.08 bn). We have assumed Rs72.1 bn (Rs20 bn additional in H2FY21E)/ Rs30 bn/ Rs40 bn as HAM projects order inflow in FY21E/ FY22E/ FY23E. We assumed 10% equity requirement for the same and 50% of it to be infused in FY22E/ FY23E for HAM order inflow in FY21E/ FY22E. We have also factored Rs18.1 bn (Rs3.9 bn/ Rs6.9 bn/ Rs3.0 bn/ Rs3.0 bn/ Rs1.2 bn in FY19/ FY20/ FY21E/ FY22E/ FY23E) equity investment for 17 HAM projects won in Q4FY18, Q1FY19, Q4FY20 and Q2FY21. Accordingly, we have valued its equity investments (Rs20.1 bn) in HAM projects at 1x Sep'22E book value.

**Exhibit 3: Income statement (Standalone)**

Particulars (Rs mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
<b>Revenue</b>	<b>19,252</b>	<b>18,093</b>	<b>6.4</b>	<b>18,920</b>	<b>1.8</b>	<b>38,172</b>	<b>41,031</b>	<b>(7.0)</b>
(Inc)/dec in stocks & WIP	184	(356)	-	124	49.1	308	411	(25.1)
Material consumed	14,900	14,334	3.9	14,944	(0.3)	29,844	31,551	(5.4)
Employees cost	481	494	(2.6)	488	(1.3)	969	928	4.5
Other expenditure	627	406	54.4	363	72.5	990	748	32.4
<b>Total expenditure</b>	<b>16,192</b>	<b>14,879</b>	<b>8.8</b>	<b>15,919</b>	<b>1.7</b>	<b>32,111</b>	<b>33,638</b>	<b>(4.5)</b>
<b>EBITDA</b>	<b>3,060</b>	<b>3,214</b>	<b>(4.8)</b>	<b>3,001</b>	<b>2.0</b>	<b>6,061</b>	<b>7,393</b>	<b>(18.0)</b>
Depreciation	1,044	1,056	(1.1)	1,066	(2.0)	2,110	2,103	0.3
<b>Operating profit</b>	<b>2,016</b>	<b>2,158</b>	<b>(6.6)</b>	<b>1,935</b>	<b>4.2</b>	<b>3,951</b>	<b>5,290</b>	<b>(25.3)</b>
Other income	94	74	27.2	85	10.8	179	137	30.9
<b>EBIT</b>	<b>2,110</b>	<b>2,232</b>	<b>(5.5)</b>	<b>2,020</b>	<b>4.4</b>	<b>4,130</b>	<b>5,427</b>	<b>(23.9)</b>
Interest	1,402	1,535	(8.7)	1,511	(7.2)	2,912	3,122	(6.7)
<b>EBT</b>	<b>708</b>	<b>697</b>	<b>1.5</b>	<b>510</b>	<b>39.0</b>	<b>1,218</b>	<b>2,304</b>	<b>(47.2)</b>
Tax	235	121	95.3	172	36.5	408	475	16.4
<b>Net income</b>	<b>473</b>	<b>577</b>	<b>(18.1)</b>	<b>337</b>	<b>40.2</b>	<b>810</b>	<b>1,829</b>	<b>(55.7)</b>
Adjustments	-	-	-	-	-	-	-	-
<b>Adjusted net income</b>	<b>473</b>	<b>577</b>	<b>(18.1)</b>	<b>337</b>	<b>40.2</b>	<b>810</b>	<b>1,829</b>	<b>(55.7)</b>
<b>EPS (Rs)</b>	<b>3.5</b>	<b>4.2</b>	<b>(18.1)</b>	<b>2.5</b>	<b>40.2</b>	<b>5.9</b>	<b>13.4</b>	<b>(55.7)</b>
			bps		bps			bps
EBIDTA Margin (Excl. O.I.)	15.9	17.8	(187)	15.9	3	15.9	18.0	(214)
EBIDTA Margin (Incl. O.I.)	16.4	18.2	(179)	16.3	7	16.3	18.4	(200)
NPM (%)	2.4	3.2	(73)	1.8	67	2.1	4.4	(233)
Tax/PBT (%)	33.2	17.3	1,596	33.9	(61)	33.5	20.6	1,289
Material cons/Revenue (%)	78.3	77.3	109	79.6	(129)	79.0	77.9	109

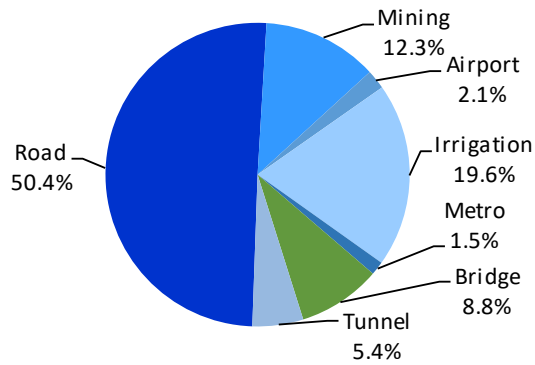
Source: DART, Company

**Exhibit 4: SOTP Valuation**

Component	Valuation Method	Rs/sh	%
Standalone cons business	8x Sep'22E EPS	263.2	64.2
Road BOTs	1x Sep'22E P/B	146.6	35.8
<b>Total</b>		<b>409.8</b>	<b>100.0</b>
CMP		348.0	
Potential upside (%)		17.8	

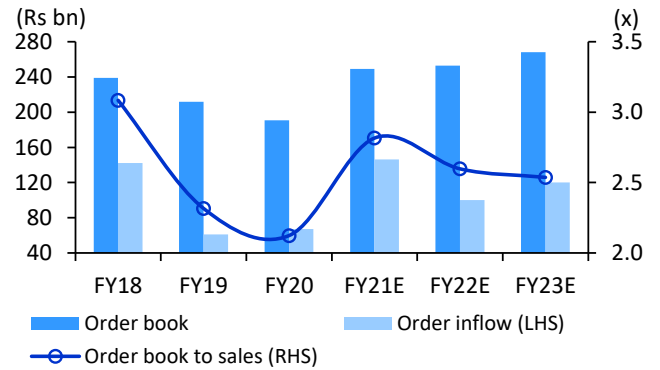
Source: DART, Company

**Exhibit 5: Order book (Rs256.2 bn) break-up**



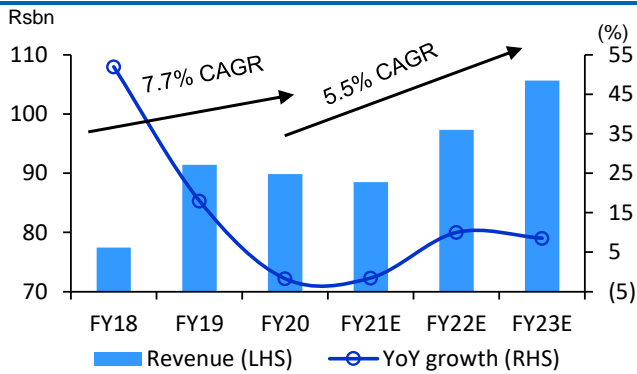
Source: Company, DART

**Exhibit 6: Order book trend**



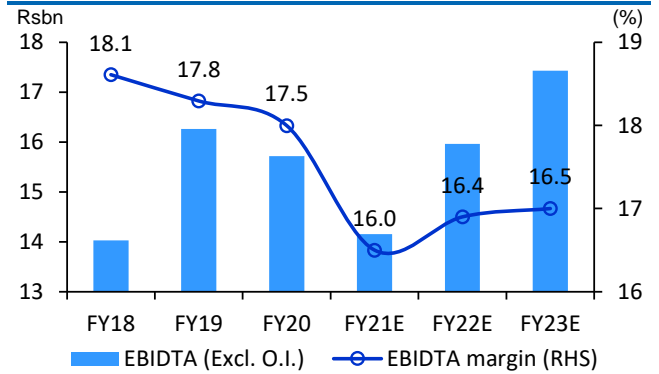
Source: Company, DART

**Exhibit 7: Revenue CAGR of 5.5% over FY20-23E**



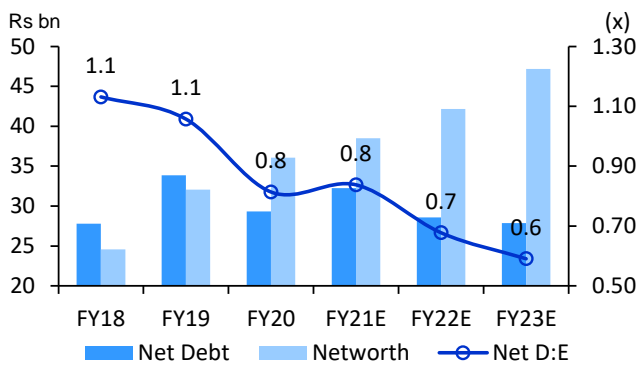
Source: Company, DART

**Exhibit 8: EBITDA Margin trend**



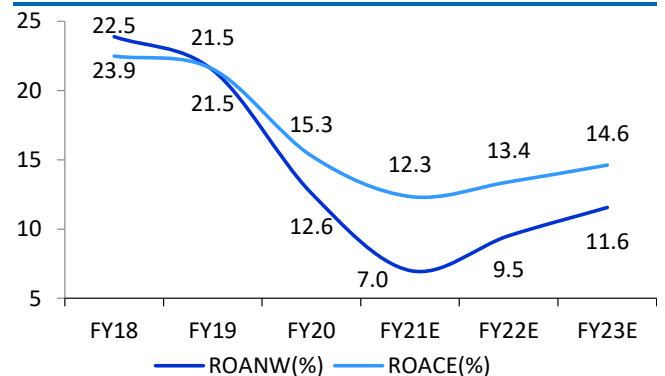
Source: Company, DART

**Exhibit 9: Reduction in Net D:E**



Source: Company, DART

**Exhibit 10: Return Ratio Trend**



Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>89,838</b>	<b>88,472</b>	<b>97,320</b>	<b>1,05,636</b>
<b>Total Expense</b>	<b>74,118</b>	<b>74,317</b>	<b>81,360</b>	<b>88,206</b>
COGS	70,132	69,822	76,688	83,135
Employees Cost	1,958	2,106	2,336	2,535
Other expenses	2,029	2,389	2,336	2,535
<b>EBIDTA</b>	<b>15,720</b>	<b>14,156</b>	<b>15,960</b>	<b>17,430</b>
Depreciation	4,241	4,449	4,680	5,006
<b>EBIT</b>	<b>11,479</b>	<b>9,707</b>	<b>11,280</b>	<b>12,424</b>
Interest	6,127	6,100	5,900	5,800
Other Income	313	344	348	351
Exc. / E.O. items	89	0	0	0
<b>EBT</b>	<b>5,754</b>	<b>3,951</b>	<b>5,728</b>	<b>6,975</b>
Tax	1,505	1,343	1,890	1,814
RPAT	4,250	2,607	3,838	5,162
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>4,160</b>	<b>2,607</b>	<b>3,838</b>	<b>5,162</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	1,368	1,368	1,368	1,368
Minority Interest	0	0	0	0
Reserves & Surplus	34,692	37,135	40,808	45,805
<b>Net Worth</b>	<b>36,060</b>	<b>38,503</b>	<b>42,176</b>	<b>47,172</b>
Total Debt	32,562	34,000	30,638	30,013
Net Deferred Tax Liability	0	0	0	0
<b>Total Capital Employed</b>	<b>68,622</b>	<b>72,502</b>	<b>72,814</b>	<b>77,186</b>

**Applications of Funds**

Net Block	<b>20,276</b>	<b>18,126</b>	<b>15,946</b>	<b>13,440</b>
CWIP	43	0	0	0
Investments	11,444	14,444	16,415	20,129
<b>Current Assets, Loans &amp; Advances</b>	<b>80,009</b>	<b>79,644</b>	<b>83,978</b>	<b>90,666</b>
Inventories	26,309	26,382	28,476	30,872
Receivables	12,397	13,713	14,111	15,317
Cash and Bank Balances	3,219	1,747	2,067	2,153
Loans and Advances	5,880	5,945	6,509	7,056
Other Current Assets	32,204	31,857	32,815	35,267
<b>Less: Current Liabilities &amp; Provisions</b>	<b>43,149</b>	<b>39,713</b>	<b>43,525</b>	<b>47,049</b>
Payables	16,389	15,235	15,865	16,759
Other Current Liabilities	26,761	24,478	27,660	30,290
<i>sub total</i>				
Net Current Assets	36,859	39,931	40,453	43,616
<b>Total Assets</b>	<b>68,622</b>	<b>72,502</b>	<b>72,814</b>	<b>77,186</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	21.9	21.1	21.2	21.3
EBIDTA Margin	17.5	16.0	16.4	16.5
EBIT Margin	12.8	11.0	11.6	11.8
Tax rate	26.1	34.0	33.0	26.0
Net Profit Margin	4.6	2.9	3.9	4.9
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	78.1	78.9	78.8	78.7
Employee	2.2	2.4	2.4	2.4
Other	2.3	2.7	2.4	2.4
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.9	0.9	0.7	0.6
Interest Coverage	1.9	1.6	1.9	2.1
Inventory days	107	109	107	107
Debtors days	50	57	53	53
Average Cost of Debt	17.9	18.3	18.3	19.1
Payable days	67	63	60	58
Working Capital days	150	165	152	151
FA T/O	4.4	4.9	6.1	7.9
<b>(D) Measures of Investment</b>				
AEPS (Rs)	30.4	19.1	28.1	37.7
CEPS (Rs)	61.4	51.6	62.3	74.3
DPS (Rs)	1.2	1.2	1.2	1.2
Dividend Payout (%)	4.0	6.3	4.3	3.2
BVPS (Rs)	263.7	281.5	308.4	344.9
RoANW (%)	12.6	7.0	9.5	11.6
RoACE (%)	15.3	12.3	13.4	14.6
RoAIC (%)	15.9	12.8	13.8	15.0
<b>(E) Valuation Ratios</b>				
CMP (Rs)	347	347	347	347
P/E	11.4	18.2	12.4	9.2
Mcap (Rs Mn)	47,500	47,500	47,500	47,500
MCap/ Sales	0.5	0.5	0.5	0.4
EV	76,843	79,753	76,072	75,360
EV/Sales	0.9	0.9	0.8	0.7
EV/EBITDA	4.9	5.6	4.8	4.3
P/BV	1.3	1.2	1.1	1.0
Dividend Yield (%)	0.3	0.3	0.3	0.3
<b>(F) Growth Rate (%)</b>				
Revenue	(1.7)	(1.5)	10.0	8.5
EBITDA	(3.3)	(10.0)	12.8	9.2
EBIT	(12.1)	(15.4)	16.2	10.1
PBT	(28.5)	(31.3)	45.0	21.8
APAT	(27.4)	(37.3)	47.2	34.5
EPS	(27.4)	(37.3)	47.2	34.5

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	18,529	8,376	14,432	13,087
CFI	(7,709)	(5,021)	(4,686)	(6,411)
CFE	(9,489)	(4,827)	(9,426)	(6,590)
FCFF	15,422	6,076	11,932	10,587
Opening Cash	1,888	3,219	1,747	2,067
Closing Cash	3,219	1,747	2,067	2,153

E – Estimates

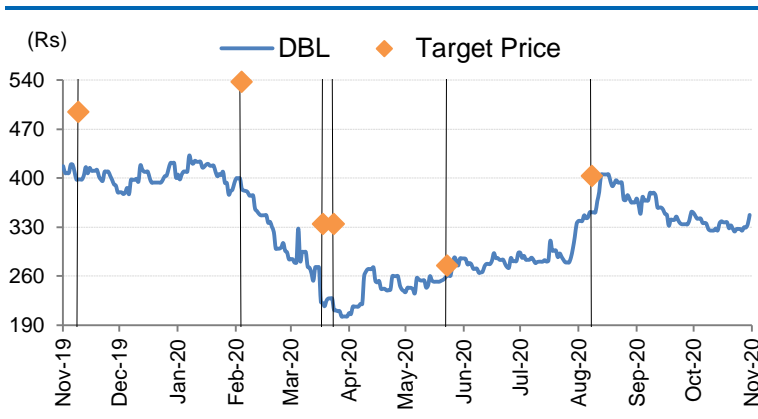


### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-19	Buy	495	398
Feb-20	Buy	538	384
Mar-20	Buy	335	222
Mar-20	Buy	335	211
May-20	Accumulate	275	260
Aug-20	Accumulate	403	351

\*Price as on recommendation date

### DART Team

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