

Dilip Buildcon

Strong performance

Dilip Buildcon (DBL) reported 2QFY21 APAT at Rs 473mn (-18%/+41% YoY/QoQ), 163% ahead of our estimate. The beat was driven by 7.6% revenue outperformance, better gross margins and lower interest cost. CFO during the quarter was Rs 2.8bn, which was utilised toward CFI (Rs 1.2bn) and CFF (Rs 1.5bn). NWC days decreased to 101 days from 114 days at 1QFY21 end despite QoQ revenue growth of 1.8%. Net D/E also improved from 0.92x in Jun-20 to 0.9x in Sep-20. We maintain BUY on DBL, with a target price of Rs 585/sh, given its (1) diversified and robust order book of Rs 256bn and (2) continued focus on asset recycling. We have valued EPC business at 10x Sep-22E EPS and HAM projects at 1x P/BV of invested equity.

- APAT beat driven by better execution and lower interest cost:** DBL reported 2QFY21 revenue/EBITDA at Rs 19.2/3 bn, 7.6/17.3% ahead of our estimate, as labour availability improved to pre-COVID levels. However, APAT at Rs 473mn was ahead of our estimate by 41% on account of better execution/EBITDA margin and lower interest expenses. DBL did not book any early completion bonus during the quarter.
- 1HFY21 more of preserving cash; targets to achieve flattish YoY revenue in FY21:** Given pandemic, DBL has concentrated all efforts on cost reduction, cash conservation, and strengthening of balance sheet. DBL is highly sensitive to operating leverage and Rs 18-19bn is threshold revenue for small PAT surplus. At Rs 21bn+, oplev starts to kick in disproportionately. We expect a strong 2HFY21 on account of the same, with growth picking pace, and as we see debt levels of Rs 33.3bn already at peak.
- Strong order booking led by non-roads sector; diversification achieved:** DBL has bagged new orders worth Rs 111.3bn till date in FY21, across road, irrigation and tunnel segments and expects to win additional orders of Rs 50bn during FY21. Besides, the company has added two new states Uttarakhand and Bihar. It has successfully diversified its order book over the past few years as roads contribute only 50.4% in outstanding work, compared to 87% at FY18-end. With closing order book at Rs 256bn, DBL provides earnings visibility for three years on FY20 revenue.
- Monetisation of the assets at the final stage:** Whilst DBL has sold 5 HAM assets to Cube Highways, the company highlighted that it is in advance stages of deal closure for rest of the 7 HAM assets with a marquee investor. The deal is expected to be closed by 3QFY21. This shall help DBL realise about Rs 6bn/annum from FY22-24E. The proceeds of the monetisation will be utilised towards meeting HAM equity requirement of new assets and for bringing down debt below Rs 30bn.

Quarterly/Annual Financial summary

YE March	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	19,252	17,559	9.6	18,920	1.8	88,556	89,794	96,375	120,468
EBITDA	3,060	2,680	14.2	3,001	2.0	14,438	14,216	16,007	19,741
APAT	473	577	(18.1)	336	40.5	4,160	3,582	4,789	7,238
Diluted EPS (Rs)	3.5	4.2	(18.1)	2.5	40.5	30.4	26.2	35.0	52.9
P/E (x)						11.4	13.2	9.9	6.6
EV / EBITDA (x)						5.3	4.8	4.8	4.8
RoE (%)						12.2	9.5	11.5	15.3

Source: Company, HSIE Research, Standalone financials

BUY

CMP (as on 6 Nov 2020)	Rs 347
Target Price	Rs 585
NIFTY	12,264

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 585	Rs 585	
EPS %	FY21E	FY22E	FY23E
	-	-	-

KEY STOCK DATA

Bloomberg code	DBL IN
No. of Shares (mn)	137
MCap (Rs bn) / (\$ mn)	48/641
6m avg traded value (Rs mn)	119
52 Week high / low	Rs 442/190

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.7	45.4	(16.9)
Relative (%)	(6.4)	13.2	(20.4)

SHAREHOLDING PATTERN (%)

	June -20	Sep-20
Promoters	75.00	75.00
FIs & Local MFs	6.73	7.17
FPIs	8.68	8.83
Public & Others	9.59	9.00
Pledged Shares	21.48	18.92

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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