

Dilip Buildcon

Marginal beat, monetisation awaited

Dilip Buildcon (DBL) reported in-line revenue at Rs 24.7bn (5%/28% YoY/QoQ). However, APAT beat stood at 11% owing to better-than-expected EBITDA margin. DBL has won orders worth Rs 158bn in FY21 till now, taking the order book to Rs 261bn (~3x FY20 revenue). While NWC days increased marginally from 101 days to 104 days in 3QFY21, net debt remained stable at Rs 34bn. The company unveiled its 5-year strategy to achieve 15-20% top-line growth by focusing on diversification and churning the capital by monetising the assets. We maintain BUY on DBL, with a target price of Rs 640/sh, given its (1) diversified and robust order book of Rs 256bn and (2) continued focus on asset recycling. We have valued the EPC business at 10x Dec-22E EPS and HAM at 1x P/BV.

- **APAT beat driven by margin outperformance:** DBL reported revenue at Rs 24.7bn, in line with our estimate. EBITDA/APAT came in at Rs 4.1/1.1bn, 5/11% ahead of our estimate, on better-than-expected margin (16.5% vs 15.8% estimate). Margins are expected to remain in the 16-17% range despite the increase in commodity prices due to built-in price escalation clause. DBL has guided for flattish revenue growth for 4QFY21 and 15-20% for FY22E.
- **Strong order booking led by non-roads sector; diversification achieved:** DBL won new orders worth Rs 158bn FYTD21 across road, irrigation and tunnel segments and expects to win additional orders of Rs 50-70bn with likely FY21E order backlog of Rs 280-300bn. The company has already bid for tenders worth Rs 200bn, while the bid pipeline is at Rs 1tn till Mar-21. It has successfully diversified its order book over the past few years as roads contribute only 44% in outstanding work, compared to 87% at FY18-end. With closing order book at Rs 256bn, DBL has three-year revenue visibility.
- **Monetisation of the assets at the final stage:** Net debt remained stable at Rs 34bn with net D/E at 0.9x. DBL expects to bring down net D/E to 0.3x in the next three years with ~Rs 20bn proceeds from monetisation of the HAM assets. The deal for monetisation of the 7 HAM assets is in advance stages and is expected to be closed soon. DBL generated positive cash flow of Rs 1.4bn during the quarter.

Quarterly/Annual Financial summary

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	24,667	23,480	5.1	19,252	28.1	88,556	89,794	105,445	120,735
EBITDA	4,069	3,871	5.1	3,060	33.0	14,438	14,102	16,844	19,348
APAT	1,111	1,230	(9.7)	473	135.0	4,160	3,069	5,416	7,211
Diluted EPS (Rs)	8.1	9.0	(9.7)	3.5	135.0	30.4	22.4	39.6	52.7
P/E (x)						17.2	23.3	13.2	9.9
EV / EBITDA (x)						7.0	7.4	1.9	1.5
RoE (%)						12.2	8.2	13.0	15.2

Estimate change summary

DBL (Rs mn)	FY21E			FY22E			FY23E		
	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
Revenues	89,794	89,794	-	105,445	105,445	-	120,735	120,735	-
EBITDA	14,102	13,903	1.4	16,844	16,844	-	19,348	19,348	-
Margins (%)	15.7	15.5	22	16.0	16.0	-	16.0	16.0	-
APAT	3,069	3,111	(1.3)	5,416	5,416	-	7,211	7,211	-
AEPS	22.4	22.7	(1.3)	39.6	39.6	-	52.7	52.7	-

Source: Company, HSIE Research, Standalone financials

BUY

CMP (as on 12 Feb 2021)	Rs 523
Target Price	Rs 640
NIFTY	15,163

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 640	Rs 640	
EPS %	FY21E	FY22E	FY23E
	(1.3)	-	-

KEY STOCK DATA

Bloomberg code	DBL IN
No. of Shares (mn)	137
MCap (Rs bn) / (\$ mn)	72/984
6m avg traded value (Rs mn)	120
52 Week high / low	Rs 547/190

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	48.2	52.2	37.1
Relative (%)	29.3	17.9	13.1

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	75.00	75.00
FIs & Local MFs	7.17	7.14
FPIs	8.83	8.84
Public & Others	9.00	9.02
Pledged Shares	18.92	18.92

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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