

Dilip Buildcon

Inline performance

Dilip Buildcon (DBL) reported revenue/EBITDA/PAT of INR 23.8/2.5/0.5bn (missing)/beating our estimates by 4.1/(9.6)/(0.6)%. EBITDA margin at 10.5% (+1,021bps/-106bps YoY/QoQ) was below our estimate of 12.1%, on account of lower than expected gross margin and under absorption of fixed costs. There was an exceptional profit of INR 467mn from transfer of all equity stake in its four HAM projects to Shrem InvIT. The Order book (OB), as of Dec'22, stood at INR 265.4bn (~3x FY22 revenue). For FY23TD, DBL has received 100bn of orders and expects to end the year with at most INR 120bn of total order inflow (OI). DBL reiterated its FY23 revenue guidance at INR 100bn. However, expects EBITDA margin to be in the range of 11%, lower than the guidance of 12-14%. The standalone net debt as of Dec'22 stood at INR 25.9bn vs. INR 27.1bn as of Sep'22. It expects net debt at INR 24bn by Mar'23. As we roll over our estimates, we maintain BUY with an increased SOTP-based TP of INR 355/sh (12x Dec-24E EPS, 0.8x P/BV HAM equity investment).

- Q3FY23 Financial highlights:** Revenue: INR 23.8bn (+8.2/+5.2% YoY/QoQ, a 4.1% beat); EBITDA: INR 2.5bn (+39x/-4.5%, YoY/QoQ, a 9.6% miss); EBITDA margin: 10.5% (+1,021/-106bps YoY/QoQ, below our estimate of 12.1% on account of lower than expected gross margin and under absorption of fixed costs. Exceptional item: profit of INR 467mn from transfer of 100% equity stake in its four HAM projects to Shrem InvIT. Consequently, APAT: INR 445mn (-132/+38% YoY/QoQ, a miss of 0.6%). It reiterated its FY23 revenue guidance at INR 100bn. However, expects EBITDA margin to be in the range of 11%, lower than the guidance of 12-14%.
- Robust OB; diversified well:** The OB, as of Dec'22, stood at INR 265.4bn (~3x FY22 revenue). For FY23TD, DBL has received 100bn of orders and expects to end the year with at most INR 120bn of total order inflow. It has L1 order of INR 19.5bn in Water Supply segment. For 9MFY23, 42/33/25% of the orders were from Road/ Water Supply/Metro segments. Within the OB, Roads/ Mining/ Irrigation/ Metro/ Special Bridge/ Tunnel/ Water-Supply segment comprises 39.5/17.4/14.3/5.8/3.1/7.7/12.2% of the total OB. The total HAM pipeline in NHAI plus MoRTH is at INR 1.1tn.
- Balance sheet deleveraging augurs well:** The standalone net debt as of Dec'22 stood at INR 25.9bn vs. INR 27.1bn as of Sep'22, with net D/E at 0.58x vs. 0.61x as of Sep'22. It expects net debt at INR 24bn by Mar'23. The NWC days as of Dec'22 stood at 89 vs. 79 as of Dec'22. The increase was mainly because of increase in debtors' days. DBL is looking at WC days of 80 in near future. The total equity requirement in all 21 HAMs is INR 30.5bn, of which 16.5bn has been invested until Dec'22. DBL has completed divestment of all its equity stake in four HAM projects to Shrem InvIT. Capex incurred in Q4FY23 was INR 150mn and expects INR 700mn for FY23 and INR 500mn for FY24 mainly towards special instrument required in Metro project and Water supply project.

Standalone financial summary (INR mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	23,788	21,976	8.2	22,619	5.2	90,058	100,000	108,000	118,800
EBITDA	2,497	63	3,868.6	2,613	(4.5)	7,533	11,023	13,492	14,936
APAT	445	(1,412)	(131.5)	323	37.9	(1,320)	1,692	3,136	3,908
EPS (INR)	3.0	(9.7)	(131.5)	2.2	37.9	(9.0)	11.6	21.4	26.7
P/E (x)						(23.8)	18.6	10.0	8.0
EV/EBITDA (x)						7.8	5.5	4.6	4.3
RoE (%)						(3.2)	3.8	6.7	7.8

Source: Company, HSIE Research

BUY

CMP (as on 10 Feb 2023)	INR 215
Target Price	INR 355
NIFTY	17,857

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 340	INR 355	
EPS	FY23E	FY24E	FY25E
Change %	-	-	-

KEY STOCK DATA

Bloomberg code	DBL IN
No. of Shares (mn)	146
MCap (INR bn) / (\$ mn)	31/380
6m avg traded value (INR mn)	81
52 Week high / low	INR 356/187

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.7)	(12.9)	(38.6)
Relative (%)	(2.8)	(16.1)	(41.6)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	70.15	70.15
FIs & Local MFs	9.25	9.11
FPIs	6.31	5.56
Public & Others	14.29	15.18
Pledged Shares	17.53	17.53

Source: BSE

Pledged shares as % of total shares

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Disclosure:

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