

Dilip Buildcon Limited

Industry Eng. & Cons.
Bloomberg DBL IN
BSE CODE 540047

Strong Revenue growth with stable margin

RATING	BUY
CMP	335
Price Target	530
Potential Upside	58%

Rating Change	↔
Estimate Change	↓
Target Change	↓

Stock Info

52wk Range H/L	1248/311.5
Mkt Capital (Rs Cr)	4591
Free float (%)	24%
Avg. Vol 1M (,000)	205
No. of Shares (Cr)	14
Promoters Pledged %	0

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3QFY19 Results Update

- ❑ The Revenue during the quarter increased by 28% YoY to Rs 2487 Cr which is in line with our estimate of Rs.2445 Cr. Revenue from road segment was up by 29% YoY with contribution of 88%.
- ❑ EBITDA during the quarter was growing 28% YoY to Rs 441 Cr in line with revenue growth while EBITDA margins remain stable at 17.7%.
- ❑ The PAT went up by 26% YoY to Rs 207 Cr while the PAT margins fell by 20 bps on account of higher depreciation.
- ❑ During the quarter company has completed Kalamb-Ralegaon-Wadki project worth Rs. 292Cr and Majalgaon-Kajj project worth Rs. 288 Cr and received the early completion bonus of Rs. Rs 29 Cr.
- ❑ Order inflow during the quarter stood at Rs 1809 Cr including Indore and Bhopal Metro project worth Rs.475 Cr.
- ❑ Order Book stood at Rs 23100 Cr with roads segment contributing 81% to the total Order Book.
- ❑ Company has received final sanction letter of financial closure for 11 projects and In-principle approval for reaming 1 project. Documentation completed for 5 projects and in process for 6 projects. Company has received appointed dates for 4 projects.
- ❑ The average land acquisition status in all the projects is 60-75% at 3H level.

View and Valuation

DBL has continued to post strong earning numbers as the revenue was up by 28% YoY with stable EBITDA margin. Going forward, we expect, the revenue growth momentum will continue to remain strong on back of robust order book with superior execution and early completion of projects will help to keep EBITDA margin healthy. Company has completed financial closure of all the 12 HAM projects and appointment date of 4 has been already received. Another couple of projects will receive appointment date in Q4FY19 and reaming 6 projects is expected to receive in Q1 of next year. Working capital days have improved from high of 137 days to 83 days and it will further rationalize by way of implementation of SAP. Large amount of mobilization advance is expected to receive, which will keep borrowings level at 1x. Though, we have factored in delay in appointment date into our estimates and we have reduced our FY19/20E revenue expectation by 2/6%.

We continue to maintain our BUY rating on the stock with target price of Rs.530 per share. We value EPC business at 8x FY20E EPS and Rs.76 per share for investment in HAM projects.

Key Risks to our rating and target

- ❑ Appointment date of HAM projects.
- ❑ Debt Levels of the company.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	4085	5098	7746	9613	10595
EBITDA	799	992	1403	1718	2031
EBIT	616	765	1128	1404	1677
PAT	221	361	620	835	782
EPS (Rs)	19	26	45	61	57
EPS growth (%)	51.5%	39.8%	71.9%	34.6%	-6.3%
ROE (%)	20.8%	19.5%	25.2%	25.5%	19.4%
ROCE (%)	0.3	0.3	0.3	0.3	0.3
BV	2206.2	2205.6	2770.6	3131.5	3319.1
P/B (X)	NA	2.6	5.6	1.4	1.1
EV/EBITDA (x)	NA	4.6	10.4	3.3	2.9
P/E (x)	0	13	22	5	6

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3QFY19 Results

Financials	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY %	QoQ%	9MFY18	9MFY19	YoY %
Net Sales	1,942	2,558	2,436	1,624	2,487	28%	53%	5,188	6,547	26.2%
Other Op.	-	-	-	-	-	NA	NA	-	-	NA
Net Sales	1,942	2,558	2,436	1,624	2,487	28%	53%	5,188	6,547	26.2%
Other	6	4	9	13	5	-4%	-58%	11	27	139.2%
Total	1,948	2,562	2,445	1,637	2,493	28%	52%	5,199	6,575	26.4%
COGS	1,494	2,013	1,908	1,246	1,942	30%	56%	3,995	5,096	27.6%
Expenditure	1,597	2,085	2,004	1,342	2,047	28%	52%	4,258	5,392	26.6%
EBITDA	345	473	433	282	441	28%	57%	930	1,155	24.1%
Depreciation	70	73	75	77	80	15%	4%	202	233	15.2%
EBIT	275	400	357	204	360	31%	76%	728	922	26.6%
Interest	117	126	121	122	144	24%	19%	338	387	14.4%
PBT	164	278	245	95	221	35%	132%	401	562	40.2%
Tax	(1)	46	(10)	12	14	-1702%	18%	(2)	17	-887%
PAT	165	217	255	83	207	26%	149%	403	545	35.3%

Strong Revenue growth with Stable Margin

Q3FY19 was a strong quarter for the company with revenue rising 28% YoY to Rs 2487 Cr which is in line with our expectation of Rs.2445 Cr. Roads sector contributing 88% to the total revenue and revenue up by 29% YoY to Rs.2181 Cr on back of strong execution. Revenue from Mining was up by 30% to Rs.286 Cr and revenue from Urban development is Rs.24 Cr. The EBITDA during the quarter was Rs 441 Cr rising 28% YoY which is in line with the revenue growth while the EBITDA margins stood stable at 17.7%. The PAT during the quarter increased by 25% to Rs 207 Cr. The effective tax rate for 9MFY19 stood at 3% and for the full year is expected to remain at 3-8% on account of 80IA benefit. Order inflow during the quarter stood at Rs 1809 Cr with Rs 1000 Cr of OB removal mining project in Odisha and Rs.475 Cr for Indor and Bhopal metro projects. The Order Book stood at Rs 23100 Cr with Roads segment contributing 81% to the Order Book. Net debt to equity at the end of quarter stood at Rs 1.16x while the company aims to bring it down to below 1x at the end of FY19.

Debt Levels maintained

Q2FY19 had witnessed the spike in debt levels to around Rs 3400 Cr but the company has been able to maintain the levels in Q3FY19. Company expects the net debt levels to be in range of Rs 3200- 3300 Cr at the end of FY19. The major reason for higher debt levels has been delay in the appointment date for the 8 HAM projects and 7 EPC projects which has hindered the company from receiving the mobilization advances. Going into Q4FY19 Company expects to receive the mobilization advance worth 810 Cr in Q4FY19 and Rs 1136 Cr in Q1FY20. The Company expects the appointment date for a 2 projects in Q4FY19 and remaining six in Q1FY20. Further company is also expects to receive Rs 190 Cr and reaming Rs.258 Cr in Q4FY19 and FY20 respectively from Shrem as part of assets sales. Keeping the above factors in mind the company expects to reduce the net debt significantly by the end of FY20. Management has guided net debt level of 1x by the end of FY19 and it will further improve to 0.7-0.8x in FY20.

Robust order book with superior execution to drive revenue growth

DBL has quite robust Order Book worth Of Rs 23100 Cr at the end of Q3FY19. The Order inflow guidance for FY20 is also healthy with company expecting around Rs 14000 Cr of new orders and majority of them being from Roads segment. The Company although does not see any more metro project in near term but it is open for the metro projects as and when they arrive. Company expects to receive the appointment date for all the HAM projects by Q1FY20 which would be strong booster for the company in terms of revenue growth. Out of the 8 HAM projects 2 projects are expected to received appointment date in Q4FY19 while the remaining are expected to be received in Q1FY20. The proven execution capability of the company provides the strong revenue visibility. Management expects to complete 6 ongoing HAM projects ahead of schedule time and expect to receive bonus of Rs.250 Cr.

Concall Highlights

- The Company has received sanction letters of financial closure for 11 projects and In-principle approval for 1 project. Documentation completed for 5 projects and 6 projects are in process. Company has received appointed dates for 4 projects.
- The land acquisition status of projects yet to receive appointed date is 60-70%
- The company expects the appointment date for 2 projects in Q4FY20 and remaining 6 projects in Q1FY20. The 2 projects whose appointment date is expected in Q4FY19 are Mangloor to Telangana/Maharashtra Border and Sangli-Solapur Pkg 2.
- The order inflow expected for Q4FY19 is Rs 2000-4000 Cr and company would be bidding only for EPC projects. The inflows expected for FY20 is Rs 14000 Cr out of which Rs 10000-11000 Cr is expected from roads segment
- The Revenue guidance for FY19 stands at Rs 9400-9500 Cr. The EBITDA margins guidance stands at 17.5% to 18%.
- Management expects revenue contribution of 60:40 from HAM and EPC respectively in FY20.
- DBL has received early completion bonus of Rs 29 Cr for two projects from State of Maharashtra.
- The Company expects benefits in coming quarters from the SAP implementation into its various areas of operation.
- The Company expects Net debt to equity ratio to come down to 1x by the end of current financial year and for FY20 net debt to equity is expected to be in range of 0.7x to 0.8x
- The Company expects the Net debt number to improve in coming quarter with mobilization advance expected to be received going forward. The Net debt expected at the end FY19 is Rs 3200 Cr to Rs 3300 Cr.
- Mobilization advance of Rs 810 Cr is expected in Q4FY18 and remaining Rs 1136 Cr to be received in Q1FY20
- Company expects effective tax rate of 30-32% for FY20. The company is not expecting any cash outflow as it will be using MAT credit and TDS deducted on Revenue. The Company has MAT credit of Rs 386.7 Cr.
- The company stated it does not require any investment on equipment for FY20 as it considers current equipment bank to be sufficient.
- The company has put in close to Rs 500 Cr in 12 HAM and 7 EPC projects for preparatory works. The billing for the projects has started in January and remaining will continue in coming quarters as appointment date is received.
- The company does not see any more metro project in near future but is open to the projects as and when they arise.
- Provision for doubtful debtors against private debtors made during 9M2018-19 of Rs. 110 Cr and complete provisioning has been made of Rs. 242 Cr till date.

Revenue mix

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY (+/-)	QoQ (+/-)
Roads & Bridges	1392.9	1,366	1,692	2,219	2,196	1,414	2,181	28.92%	54.25%
Irrigation	71.1	28	28	34	35	3	-	-100%	-100%
Urban Development	1.1	1	2	28	11	8	24	1375%	188%
Mining	192.7	186	218	245	203	183	283	30.12%	54.53%
Total	1657.8	1,581	1,939	2,526	2,445	1,608	2,488	28.31%	54.73%

Order Book

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY (+/-)	QoQ (+/-)
Roads & Bridges	12763.2	11,506	9,886	21,977	22,404	21,150	18,755	89.72%	-11.33%
Irrigation	112.534	142	124	43	7	-	537	334.24%	NA
Urban Development	334.476	284	371	239	132	89	66	-82.28%	-26.35%
Mining	2419.48	2,273	1,977	1,672	1,578	2,696	3,318	67.83%	23.10%
Total	15629.7	14,204	12,357	23,931	24,090	23,935	23,100	86.94%	-3.49%

Exhibit: Order Book and Book to Bill

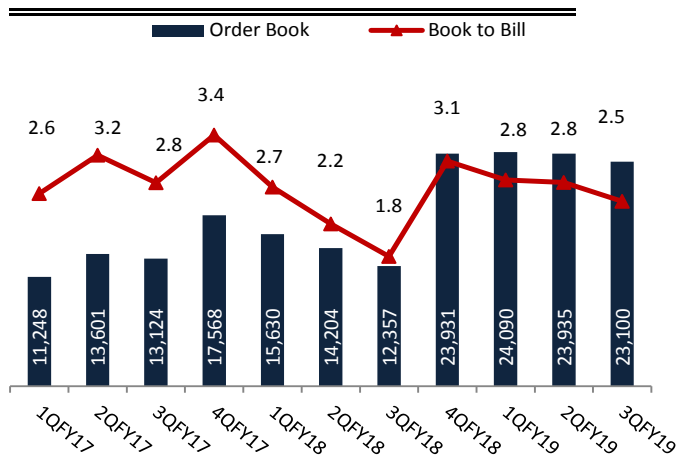


Exhibit: Order Book – By State

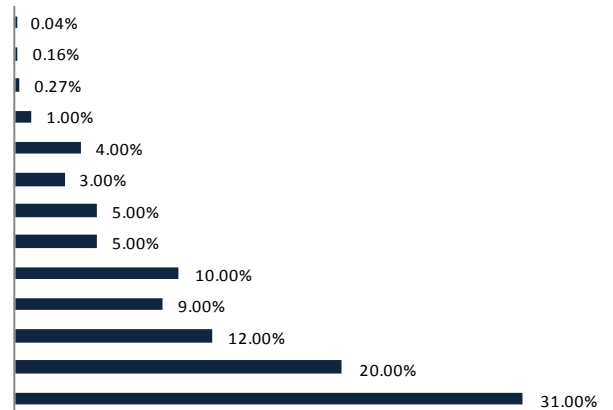


Exhibit: Operating Margin performance

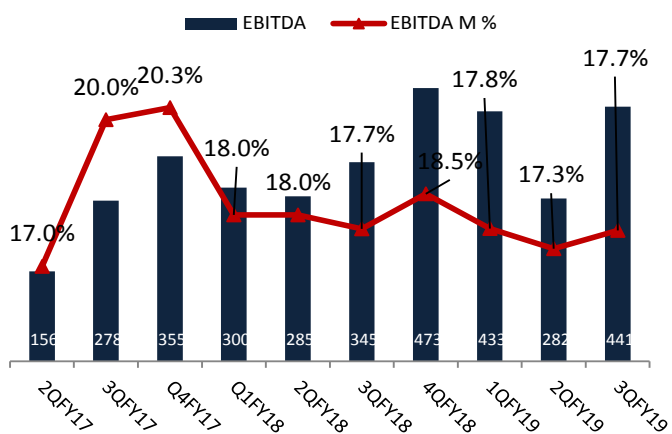


Exhibit: PAT Margin performance

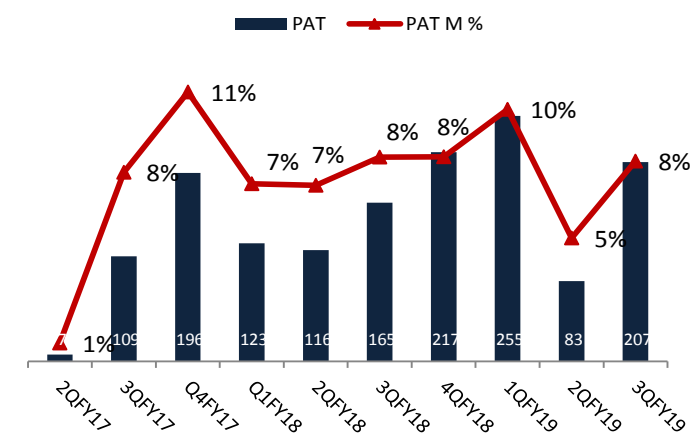


Exhibit: Healthy Debt to Equity

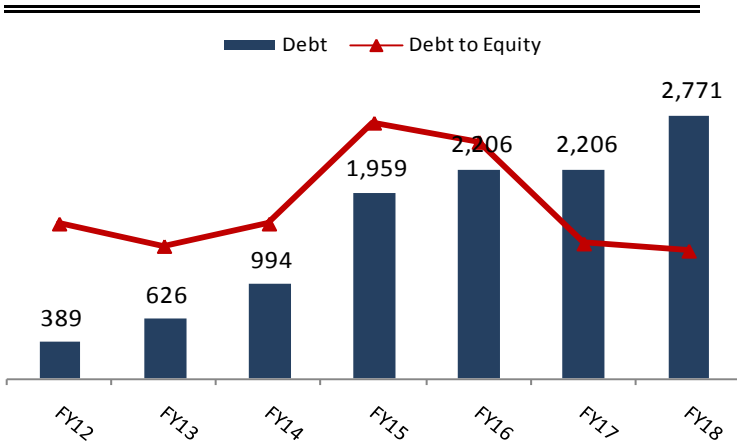


Exhibit: Net Working Capital Days

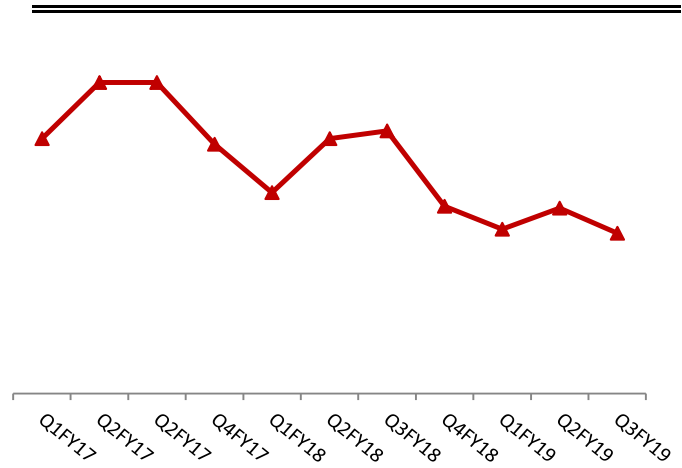


Exhibit: Interest and Interest cost as % of Sales

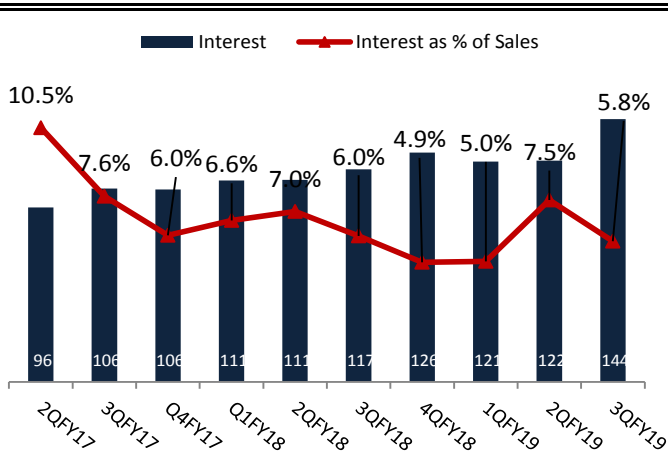


Exhibit: Largest Equipment Bank

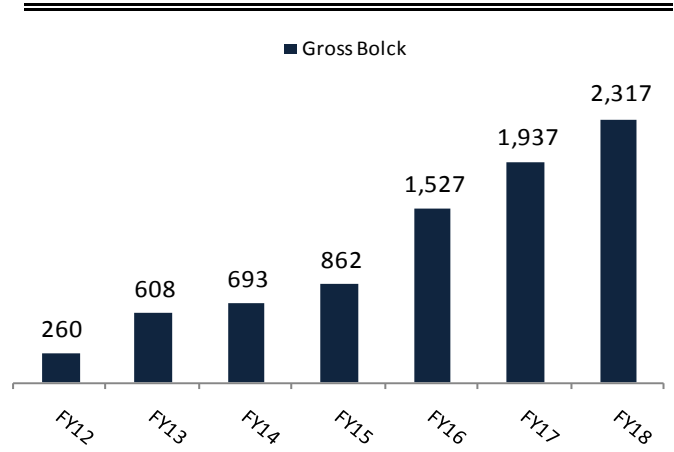
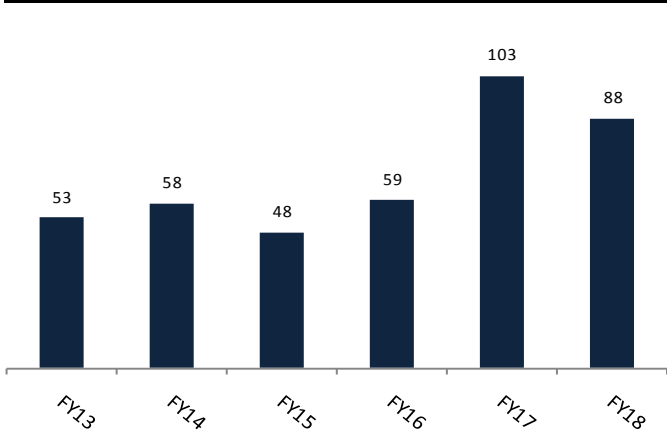


Exhibit: Bonus



Financial Details

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operatio	1,911	2,316	2,624	4,085	5,098	7,746	9,613	10,595
Change (%)	61%	21%	13%	56%	25%	52%	24%	10%
EBITDA	472	470	566	799	992	1,403	1,718	2,031
Change (%)	81%	0%	20%	41%	24%	41%	22%	18%
Margin (%)	25%	20%	22%	20%	19%	18%	18%	19%
Depr & Amor.	71	79	118	183	227	275	313	353
EBIT	401	391	448	616	765	1,128	1,404	1,677
Int. & other fin. Cost	105	155	259	381	416	464	526	531
Other Income	2	7	6	16	11	16	33	22
EBT	299	243	195	250	360	679	911	1,168
Exp Item	-	-	-	-	-	15	-	-
Tax	48	48	49	29	(1)	43	76	385
Minority Int & P/L share	-	-	-	-	-	-	-	-
Reported PAT	251	194	146	221	361	620	835	782
Adjusted PAT	251	194	146	221	361	606	835	782
Change (%)		-23%	-25%	51%	64%	68%	38%	-6%
Margin(%)	13%	8%	6%	5%	7%	8%	9%	7%

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	59	59	117	117	137	137	137	137
Reserves	476	669	756	945	1,716	2,320	3,133	3,895
Networth	535	728	873	1,062	1,853	2,457	3,270	4,032
Debt	626	994	1,959	2,206	2,206	2,771	3,132	3,319
Other Non Cur Liab	152	229	294	312	492	1,166	921	921
Total Capital Employed	1,161	1,722	2,832	3,268	4,059	5,228	6,401	7,351
Net Fixed Assets (incl Cl	548	639	1,189	1,420	1,682	1,832	2,082	1,729
Non Cur Investments	95	183	279	346	606	540	755	1,299
Other Non Cur Asst	681	773	1,565	1,649	2,053	2,377	2,686	2,333
Non Curr Assets	776	956	1,844	1,995	2,659	2,917	3,441	3,632
Inventory	363	522	948	1,580	1,664	2,026	2,227	2,418
Debtors	671	1,058	1,264	912	1,017	1,604	1,441	1,706
Cash & Bank	52	67	234	106	114	161	176	150
Other Curr Assets	130	182	265	690	1,196	2,343	2,428	2,842
Curr Assets	1,215	1,829	2,711	3,289	3,990	6,135	6,272	7,116
Creditors	249	464	828	1,023	889	1,508	1,441	1,422
Provisions	54	22	6	7	8	10	10	10
Other Curr Liab	376	347	882	673	1,202	1,162	1,052	1,246
Curr Liabilities	679	834	1,716	1,703	2,099	2,680	2,503	2,678
Net Curr Assets	537	996	995	1,585	1,891	3,455	3,769	4,438
Total Assets	1,991	2,785	4,555	5,284	6,649	9,348	10,009	11,043

Financial Details

Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	299	243	195	250	360	664	911	1,168
(inc)/Dec in Working Capital	(481)	(336)	(289)	(350)	(297)	(811)	(603)	(695)
Non Cash Op Exp	71	79	118	183	227	275	313	353
Int Paid (+)	105	155	259	381	416	464	526	531
Tax Paid	44	80	65	59	83	150	76	385
others	(2)	(3)	3	16	10	(65)	-	-
CF from Op. Activities	(53)	56	220	427	654	419	1,071	972
(inc)/Dec in FA & CWIP	(85)	(171)	(687)	(418)	(493)	(444)	(563)	-
Free Cashflow	(138)	(115)	(467)	9	161	(25)	507	972
(Pur)/Sale of Inv	(37)	(87)	(96)	(11)	(180)	(44)	(215)	(544)
others	2	4	22	6	14	32	-	-
CF from Inv. Activities	(119)	(254)	(761)	(422)	(659)	(456)	(779)	(544)
inc/(dec) in NW	-	-	-	-	430	-	-	-
inc/(dec) in Debt	236	368	965	249	(1)	565	361	188
Int. Paid	104	155	256	381	416	464	526	531
Div Paid (inc tax)	1	1	1	1	0	16	22	21
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	131	212	708	(133)	13	84	(187)	(364)
Inc(Dec) in Cash	(41)	15	167	(128)	8	48	105	64
Add: Opening Balance	93	52	67	234	106	114	161	176
Closing Balance	52	67	234	106	114	161	266	240

Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	47%	27%	17%	21%	19%	25%	26%	19%
ROCE	57%	43%	32%	35%	31%	32%	31%	30%
Asset Turnover	0.96	0.83	0.58	0.77	0.77	0.83	0.96	0.96
Debtor Days	128	167	176	81	73	76	55	60
Inv Days	69	82	132	141	119	95	85	85
Payable Days	48	73	115	91	64	71	55	50
Int Coverage	4	3	2	2	2	2	3	3
P/E	NA	NA	NA	NA	13	22	5	6
Price / Book Value	NA	NA	NA	NA	3	6	1	1
EV/EBITDA	NA	NA	NA	NA	5	10	3	3
FCF per Share	(39)	(33)	(132)	1	14	(2)	37	71
Div Yield	NA	NA	NA	NA	0.3%	0.1%	0.5%	0.5%

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