

Dilip Buildcon Limited

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

Slow execution and delayed appointment date hurt the Revenue Growth

RATING **NEUTRAL**

CMP **485**
Price Target **554**
Potential Upside **14%**

Rating Change 

Estimate Change 

Target Change 

Stock Info

52wk Range H/L 1248/311.5
Mkt Capital (Rs Cr) 6633
Free float (%) 24%
Avg. Vol 1M (,000) 3002
No. of Shares (Cr) 14
Promoters Pledged % 21

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4QFY19 Results Update

- ❑ In 4QFY19, revenue was flat at 0.5% YoY to Rs 2571 Cr which is below our estimate of Rs. 2914 Cr. Slowdown in execution of EPC projects and delay in appointment date were the main reason behind subdued performance.
- ❑ EBITDA de grew by 5% YoY to Rs 450 Cr while EBITDA margins have down by 100 bps on account of absence of bonus. Last year in Q4FY18 company has reported early completion bonus of Rs. 64 Cr.
- ❑ The PAT went down by 3% YoY to Rs 211 Cr while the PAT margins fell by 30 bps only on account lower income tax. Tax was 9.7% compared to 16.4%.
- ❑ During the quarter company has completed Ghagra Bridge to Varanasi project worth Rs. 674 Cr and Lucknow-Sultanpur project worth Rs. 1780 Cr 177 days ahead of schedule completion date. DBL is eligible for the early completion bonus of Rs. Rs 32 Cr.
- ❑ Order inflow during the quarter stood at Rs 480 Cr and Rs 6125 Cr for the full year FY19. Performance was subdued on account of delay in land acquisition and general election.
- ❑ Order Book stood at Rs 21172 Cr with roads segment contributing 81% and rest from Mining (15%), Urban Development and Metro projects.
- ❑ During the quarter company has achieved financial closure of 2 HAM and projects and appointment date of 3 projects. In month of April Company has received appointment of Borgaon to Watambare.

View and Valuation

DBL performance was way below from our expectation on account of delay in appointment date of HAM projects and slow execution of ongoing projects. Financial closure of 11 projects out of 12 HAM has completed reaming one is expected to achieve in next quarter. Appointment date of 4 HAM projects already received and 6 HAM projects is expected to receive in Q1FY20 and reaming 2 by the Q2FY20 end. Execution of 6 under construction HAM projects also slow down due to election though the Lucknow Sultanpur has completed ahead of 177 days of schedule completion date. We have factored in slow execution and delayed in appointment date in our estimates and reduce FY20E estimates by 10%.We value stock the stock at Rs 554 (value EPC business at 9x FY20E EPS and Rs 79 per share for investment in HAM projects) and maintain our NEUTRAL rating on the stock.

Key Risks to our rating and target

- ❑ Appointment date of HAM projects.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20E
Net Sales	4085	5098	7746	9118	10897
EBITDA	799	992	1403	1604	1965
EBIT	616	765	1128	1284	1609
PAT	221	361	620	765	723
EPS (Rs)	19	26	45	56	53
EPS growth (%)	51%	40%	72%	23%	-6%
ROE (%)	21%	19%	25%	24%	18%
ROCE (%)	35%	31%	32%	30%	32%
BV	2206	2206	2771	3201	3295
P/B (X)	NA	2.6	5.6	4.3	1.7
EV/EBITDA (x)	NA	4.6	10.4	9.2	3.9
P/E (x)	0	13	22	18	9

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4QFY19 Results

Below expectation

Financials	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	2,558	2,436	1,624	2,487	2,571	1%	3%	7,746	9,118	17.7%
Other Op.	-	-	-	-	-	NA	NA	-	-	NA
Net Sales	2,558	2,436	1,624	2,487	2,571	1%	3%	7,746	9,118	17.7%
Other	4	9	13	5	19	366%	253%	16	46	199.0%
Total	2,562	2,445	1,637	2,493	2,590	1%	4%	7,761	9,165	18.1%
COGS	2,013	1,908	1,246	1,942	2,038	1%	5%	6,008	7,134	18.7%
Expenditure	2,085	2,004	1,342	2,047	2,121	2%	4%	6,343	7,514	18.5%
EBITDA	473	433	282	441	450	-5%	2%	1,403	1,604	14.4%
Depreciation	73	75	77	80	87	20%	8%	275	320	16.5%
EBIT	400	357	204	360	363	-9%	1%	1,128	1,284	13.9%
Interest	126	121	122	144	143	13%	-1%	464	530	14.1%
PBT	278	245	95	221	239	-14%	8%	679	801	17.9%
Tax	46	(10)	12	14	23	-49%	61%	43	40	-8%
PAT	217	255	83	207	211	-3%	2%	620	756	21.9%

Revenue and EBITDA below Estimates

4QFY19 was a flat quarter for the company with revenue rising only 0.5% YoY to Rs 2590 Cr which is below than our expectation of Rs.2920 Cr due slowdown in execution of EPC projects and delay in appointment date of HAM projects. Roads sector contributing 87% to the total revenue and revenue up by only 3% YoY to Rs.2224 Cr v/s our expectation of Rs 2628 Cr. Revenue from Mining was up by 10% to Rs.270 Cr and revenue from urban development is Rs. 68 Cr. The EBITDA de grew by 5% to Rs 450 Cr while the EBITDA margins were down by 100 bps to 17.5%. Last year in Q4FY18 company has reported bonus of Rs 68 Cr which was absence in this quarter due to delay in completion. The PAT de grew by 3% to Rs 211 Cr. The effective tax rate for FY19 stood at 5%. Order inflow during the quarter stood at Rs 480 Cr. The Order Book stood at Rs 21172 Cr with Roads segment contributing 81% to the Order Book.

Delay in Appointment date is serious Issue

Appointment date across the sector has seen delayed due to the slow progress on land acquisition. Land acquisition was delayed as the NHAI has bid out the so many projects together in March 2018 and it becomes difficult for NHAI to clear all the projects and general election has also slow down the land acquisition speed. Though, the appointment date of 3 projects was received during the quarter. Appointment date for 8 HAM projects are expected to come in 1QFY20 except for Bangalore Nidagatta and Bellary Byrapura for which it is expected to be received in 2QFY20. Financial closure of 11 projects is achieved and reaming one will be achieved by Q1FY20.

Robust Year Awaits

Financial Year FY19 was not the great year for road sector as the most the projects awarded last year has not started construction and tendering was also down. But now, 1 lakh Cr of projects was in bid pipeline and tendering will start right after the election. This time NHAI has stringent its criteria for awarding and land acquisition. NHAI has introduce new norms like if the 80% of the land is not hand over to the developer in 80 days then the contract will stand void and 1% of the project cost will be released to contractor without actually working on it. This will lead to bidding of only those projects which have good land bank. This step will ensure the timely appointment date before bidding the projects. Management has intended to strike Rs 12000-15000 Cr of new orders and 80% of it will be from road sectors. Currently company's focus is limited to only EPC projects and will bid HAM projects only if company is able to sell it's under construction HAM projects portfolio.

Concall Highlights

- Due to delay in appointment date for HAM projects, revenue for 4QFY19 was down. Going forward appointment dates of all pending projects are expected to be announced in H1FY20.
- Appointment date for 8 HAM projects are expected to come in 1QFY20 except for Bangalore Nidagatta and Bellary Byrapura for which it is expected to be received in 2QFY20. Financial closer for all 12 HAM projects is done in 1QFY20.
- Land acquisition was delayed as the NHAI has bid out the so many projects together in March 2018 and it becomes difficult for NHAI to clear all the projects and general election has also slow down the land acquisition speed.
- Rs 32 received toward early completion bonus in FY19. Rs 200 Cr of bonus is expected to be received from 6 HAM projects including Lucknow Sultanpur for which was completed during the quarter.
- Mining project in Telangana is progressing as per schedule and will complete according its schedule completion date which is 31st March 2020.
- FY20 revenue is expected to increase by 15-20% making approx Rs 11K Cr and 70% will be from new projects which are about to start in FY20 with margin of 17-18% in FY20.
- Current monthly execution run rate is Rs 800 Cr.
- Rs 1 Lakh Cr of orders are in pipeline and will bid for all orders of which 20-30% of the orders are expected to be won based on past bid win ration. Ordering will start post code of conduct ends. Rs 12-15K Cr of orders is expected in FY20 of which road will be 80% and balance will be form other.
- DBL's focus will be on EPC projects as far as new orders are concerned. Company will bid HAM projects only if they are able to sale its current HAM projects portfolio.
- As per new rules of NHAI, if the 80% of the land is not hand over to the developer in 80 days then the contract will stand void and 1% of the project cost will be released to contractor without actually working on it. This will lead to bidding of only those projects which have good land bank with them.
- NHAI has reduced the time for completion of EPC projects which will impact margins over the longer run as early completion of projects will be now even more difficult and hence receiving of bonus will difficult.
- Inventory represents expenses made towards 8 HAM projects for which appointment date is not received.
- No major capex is expected in FY20.
- Debt to equity is likely to remain below 1x.

Revenue mix

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	YoY (+/-)	QoQ (+/-)
Roads & Bridges	1366.4	1,692	2,219	2,196	1,414	2,181	2,224	0.19%	1.96%
Irrigation	28.4	28	34	35	3	-	-	-100%	#DIV/0!
Urban Development	0.9	2	28	11	8	24	68	144%	188%
Mining	185.7	218	245	203	183	283	270	10.20%	-4.73%
Total	1581.4	1,939	2,526	2,445	1,608	2,488	2,562	1.41%	2.97%

Order Book

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	YoY (+/-)	QoQ (+/-)
Roads & Bridges	11505.6	9,886	21,977	22,404	21,150	18,755	17,114	-22.13%	-8.75%
Irrigation	142	124	43	7	-	537	537	NA	NA
Urban Development	284	371	239	132	89	66	48	-79.95%	-27.09%
Mining	2273	1,977	1,672	1,578	2,696	3,318	3,048	82.29%	-8.14%
Total	14204.4	12,357	23,931	24,090	23,935	23,100	21,172	-11.53%	-8.35%

Exhibit: Order Book and Book to Bill

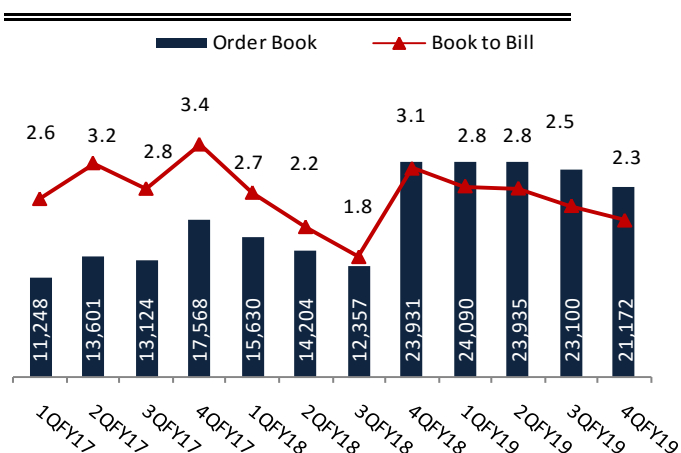


Exhibit: Order Book – By State

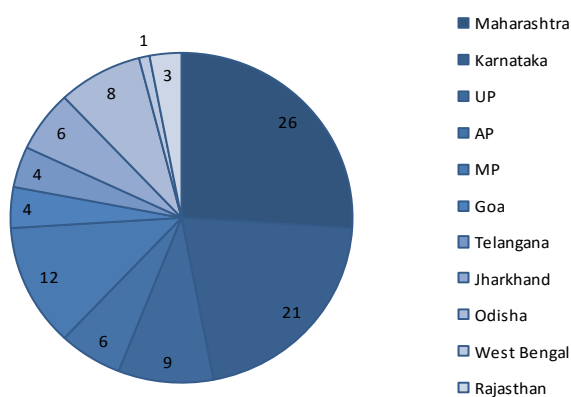


Exhibit: Operating Margin performance

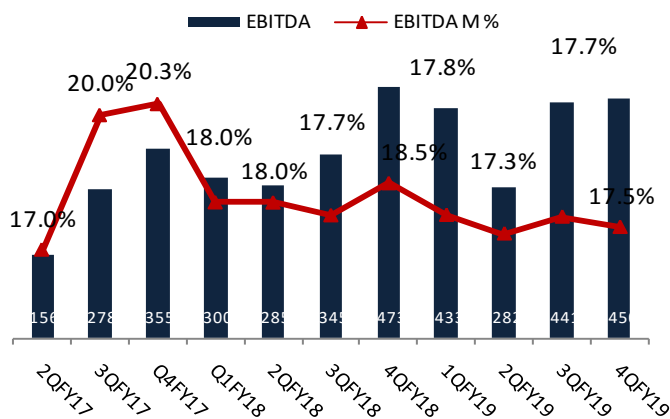


Exhibit: PAT Margin performance

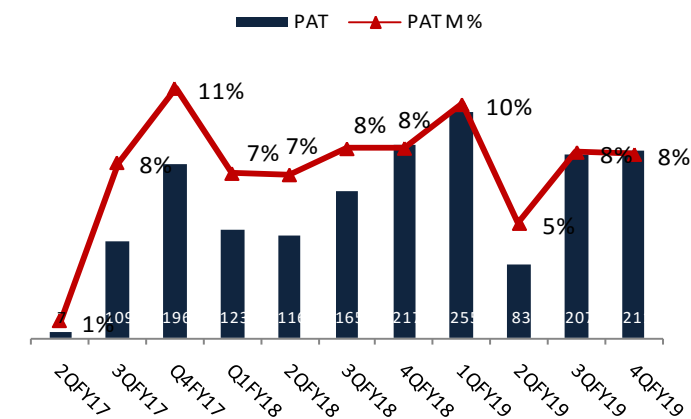


Exhibit: Healthy Debt to Equity

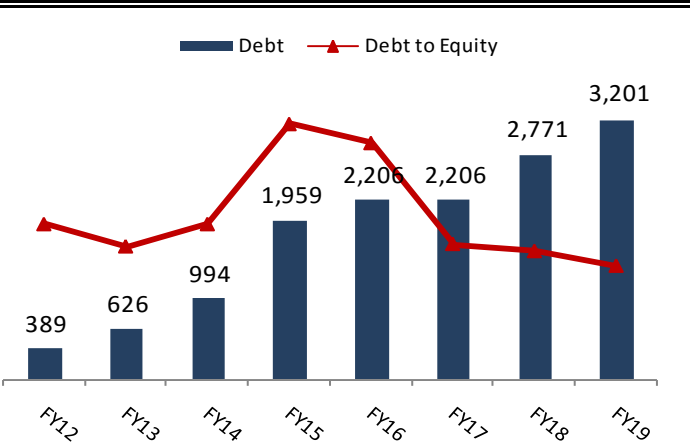


Exhibit: Interest and Interest cost as % of Sales

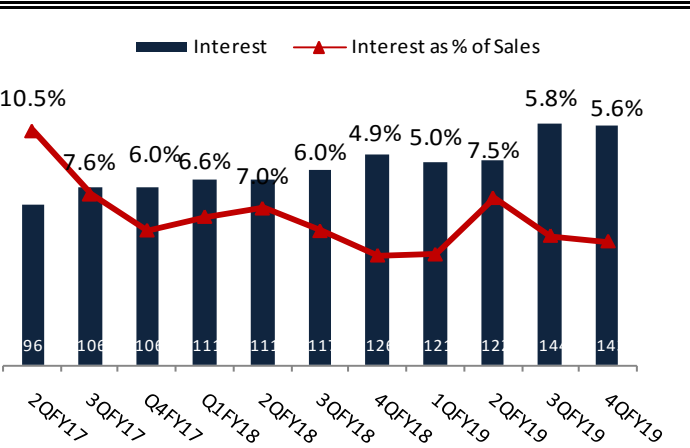


Exhibit: Bonus

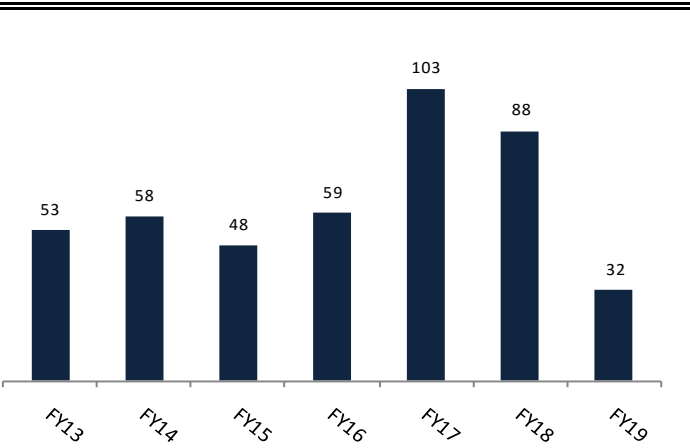


Exhibit: Net Working Capital Days

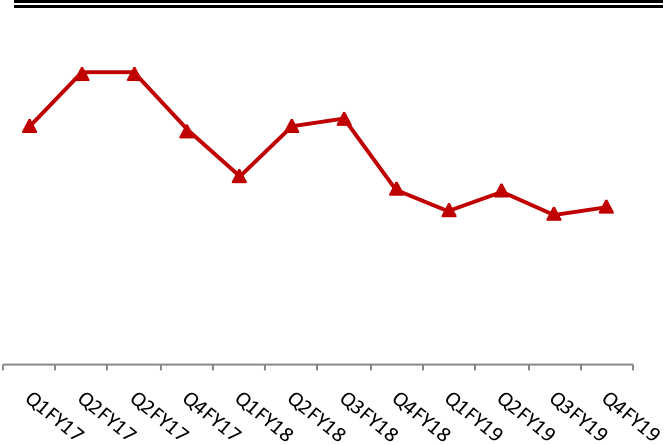
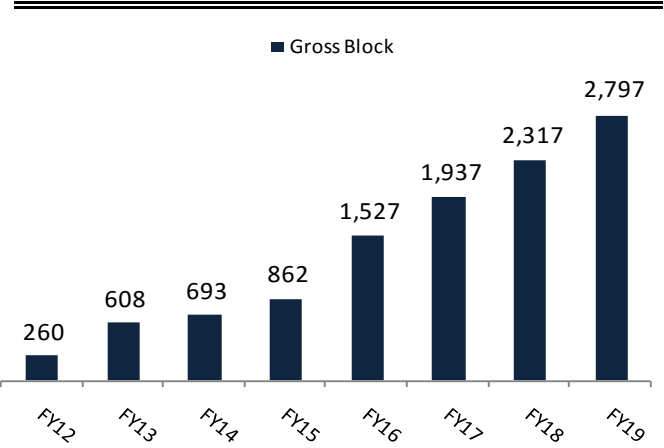


Exhibit: Largest Equipment Bank



Financial Details

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Revenue from Operatio	1,911	2,316	2,624	4,085	5,098	7,746	9,118	10,897
Change (%)	61%	21%	13%	56%	25%	52%	18%	20%
EBITDA	472	470	566	799	992	1,403	1,604	1,965
Change (%)	81%	0%	20%	41%	24%	41%	14%	22%
Margin (%)	25%	20%	22%	20%	19%	18%	18%	18%
Depr & Amor.	71	79	118	183	227	275	320	356
EBIT	401	391	448	616	765	1,128	1,284	1,609
Int. & other fin. Cost	105	155	259	381	416	464	530	546
Other Income	2	7	6	16	11	16	46	15
EBT	299	243	195	250	360	679	801	1,079
Exp Item	-	-	-	-	-	15	(4)	-
Tax	48	48	49	29	(1)	43	40	356
Minority Int & P/L share	-	-	-	-	-	-	-	-
Reported PAT	251	194	146	221	361	620	765	723
Adjusted PAT	251	194	146	221	361	606	769	723
Change (%)		-23%	-25%	51%	64%	68%	27%	-6%
Margin(%)	13%	8%	6%	5%	7%	8%	8%	7%

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
<i>Share Capital</i>	59	59	117	117	137	137	137	137
<i>Reserves</i>	476	669	756	945	1,716	2,320	3,068	3,772
<i>Networth</i>	535	728	873	1,062	1,853	2,457	3,204	3,909
<i>Debt</i>	626	994	1,959	2,206	2,206	2,771	3,201	3,295
<i>Other Non Cur Liab</i>	152	229	294	312	492	1,166	982	1,132
<i>Total Capital Employed</i>	1,161	1,722	2,832	3,268	4,059	5,228	6,406	7,203
<i>Net Fixed Assets (incl Cl</i>	548	639	1,189	1,420	1,682	1,832	2,082	1,726
<i>Non Cur Investments</i>	95	183	279	346	606	540	815	1,379
<i>Other Non Cur Asst</i>	681	773	1,565	1,649	2,053	2,377	2,840	2,484
<i>Non Curr Assets</i>	776	956	1,844	1,995	2,659	2,917	3,655	3,863
<i>Inventory</i>	363	522	948	1,580	1,664	2,026	2,504	2,937
<i>Debtors</i>	671	1,058	1,264	912	1,017	1,604	1,409	1,758
<i>Cash & Bank</i>	52	67	234	106	114	161	189	154
<i>Other Curr Assets</i>	130	182	265	690	1,196	2,343	2,874	3,205
<i>Curr Assets</i>	1,215	1,829	2,711	3,289	3,990	6,135	6,976	8,055
<i>Creditors</i>	249	464	828	1,023	889	1,508	1,724	1,612
<i>Provisions</i>	54	22	6	7	8	10	12	12
<i>Other Curr Liab</i>	376	347	882	673	1,202	1,162	1,507	1,958
<i>Curr Liabilities</i>	679	834	1,716	1,703	2,099	2,680	3,243	3,582
<i>Net Curr Assets</i>	537	996	995	1,585	1,891	3,455	3,733	4,473
<i>Total Assets</i>	1,991	2,785	4,555	5,284	6,649	9,348	10,906	12,193

Financial Details

Cash Flow

Y/E March

	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	299	243	195	250	360	664	801	1,079
(inc)/Dec in Working Capital	(481)	(336)	(289)	(350)	(297)	(811)	(584)	(625)
Non Cash Op Exp	71	79	118	183	227	275	320	356
Int Paid (+)	105	155	259	381	416	464	530	546
Tax Paid	44	80	65	59	83	150	40	356
others	(2)	(3)	3	16	10	(65)	-	-
CF from Op. Activities	(53)	56	220	427	654	419	1,027	999
(inc)/Dec in FA & CWIP	(85)	(171)	(687)	(418)	(493)	(444)	(570)	-
Free Cashflow	(138)	(115)	(467)	9	161	(25)	456	999
(Pur)/Sale of Inv	(37)	(87)	(96)	(11)	(180)	(44)	(282)	(564)
others	2	4	22	6	14	32	(47)	-
CF from Inv. Activities	(119)	(254)	(761)	(422)	(659)	(456)	(899)	(564)
inc/(dec) in NW	-	-	-	-	430	-	-	-
inc/(dec) in Debt	236	368	965	249	(1)	565	431	94
Int. Paid	104	155	256	381	416	464	530	546
Div Paid (inc tax)	1	1	1	1	0	16	-	19
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	131	212	708	(133)	13	84	(99)	(471)
Inc(Dec) in Cash	(41)	15	167	(128)	8	48	28	(36)
Add: Opening Balance	93	52	67	234	106	114	161	189
Closing Balance	52	67	234	106	114	161	189	153

Key Ratio

Y/E March

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
ROE	47%	27%	17%	21%	19%	25%	24%	18%
ROCE	57%	43%	32%	35%	31%	32%	30%	32%
Asset Turnover	0.96	0.83	0.58	0.77	0.77	0.83	0.84	0.89
Debtor Days	128	167	176	81	73	76	56	60
Inv Days	69	82	132	141	119	95	100	100
Payable Days	48	73	115	91	64	71	69	55
Int Coverage	4	3	2	2	2	2	2	3
P/E	NA	NA	NA	NA	13	22	18	9
Price / Book Value	NA	NA	NA	NA	3	6	4	2
EV/EBITDA	NA	NA	NA	NA	5	10	9	4
FCF per Share	(39)	(33)	(132)	1	14	(2)	33	73
Div Yield	NA	NA	NA	NA	0.3%	0.1%	0.1%	0.3%

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