

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

Robust order Book provides strong revenue visibility

RATING	BUY
CMP	398
Price Target	517
Potential Upside	30%

Rating Change	↔
Estimate Change	↔
Target Change	↔

Stock Info

52wk Range H/L	733/311
Mkt Capital (Rs Cr)	5450
Free float (%)	24%
Avg. Vol 1M (,000)	302
No. of Shares (Cr)	14
Promoters Pledged %	21

FINANCIAL	FY19	FY20E	FY21E
Net Sales	9118	10145	13280
EBITDA	1604	1849	2371
EBIT	1284	1439	1960
PAT	765	635	933
EPS (Rs)	56	46	68
EPS growth	23%	-17%	47%
ROE (%)	24%	17%	20%
ROCE (%)	30%	29%	33%
BV	3201	3547	3881
P/B (X)	2.1	1.5	1.2
EV/EBITDA	4.7	3.6	2.8
P/E (x)	9	9	6

Fig in Rs Cr

Research Analyst

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2QFY20 Results Update

- DBL reported revenue growth of 11% to Rs 1809 Cr better than our expectation. Revenue includes early completion bonus of Rs 53 Cr.
- EBITDA grew by 14% YoY to Rs 321 Cr and margin was up by 42 bps on account of Rs 53 Cr of bonus.
- The PAT de-grew by 30% YoY to Rs 58 Cr and the PAT margins fell by 192 bps on account of increase in depreciation, finance cost and tax expense. Tax rate during the quarter was 17.2% v/s 12.7%.
- During the quarter the company has completed 8 projects and has received early completion bonus of Rs 38 Cr on Yavatmal Vardha and Rs 15 Cr on Nalagampalli to AP/Karnataka Border project.
- Order inflow during the quarter stood at Rs 6170.7 Cr and all projects are EPC projects. All the projects are expected to start contributing in revenue from this financial year.
- Order Book stood at Rs 20389 Cr with roads segment contributing 63% and rest from Mining (21%), Irrigation (6.9%), Special Bridge (5%), Tunnel (2%), Metro (2.04%) and Airport projects (0.11%).

Better than Expected Revenue but higher interest cost dented the PAT

Revenue for the quarter grew by 11% YoY to Rs 1809 Cr with Road sector contributing 89% to total revenue registering growth of 13% YoY. Revenue from Mining was up by 7% YoY. The EBITDA grew by 14% YoY to Rs 321 Cr and margin was up by 192 bps to 17.8%. In 2QFY20 the company has reported bonus of Rs 53 Cr. Due to implication of Ind AS 116, depreciation was higher by Rs 10 Cr. Higher utilization of BG and interest cost on o/s mobilization advances (1775 Cr) has led to higher interest cost. As result of it PAT was down by 30% YoY to Rs 58 Cr. Tax rate for the quarter was 17.2% compared to 12.7%. Company did not opt new tax rate regime as the Rs 400 Cr of MAT is unutilized. If the company opts new rate than the Rs 400 Cr of MAT will not allowed utilizing as per new rules.

Revenue growth to be slow down in FY20 but remain Robust in FY21 backed by Strong Order Book

With slower execution in H1FY20 on account of delayed appointment date and heavy rainfall management has lowered its guidance to Rs 10000 Cr from Rs 10500-11000 Cr for FY20. But on back of strong order book revenue growth in FY21 is likely to remain robust. Now the appointment date on all the projects except one HAM project has received. Additionally, Company has won projects worth Rs 6170 Cr in H1FY20 and all are the EPC projects, which are expected to start in this financial year hence they will contribute heavily to the revenue in FY21. Management expects to win Rs 5000-6000 Cr of new projects in H2FY20 and currently it has order book of Rs 20389 Cr.

View and Valuation

Execution in H1FY20 was impacted due to delay in appointment date and heavy rainfall. Now all the pending appointment date has received except one HAM project, which is likely to be received in December. Additionally, projects won in H1FY20 are expected to start contributes to revenue in this financial year as all the projects are on EP basis. Though the revenue growth in FY20 is likely to be slow down the FY21 continuous to remain robust. We have trimmed down FY20 estimates by 19% and largely maintain FY21 estimates. We value the stock at Rs 517 (EPC business at 7x FY21 EPS and Rs 40 per share for investment into HAM) and maintain our BUY rating on the stock.

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2QFY20 Results

Fig in Rs Cr										
Financials	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	H1FY19	H1FY20	YoY %
Net Sales	1,624	2,487	2,571	2,288	1,809	11%	-21%	4,060	4,097	0.9%
Other Op.	-	-	-	-	-	NA	NA	-	-	NA
Net Sales	1,624	2,487	2,571	2,288	1,809	11%	-21%	4,060	4,097	0.9%
Other	13	5	19	12	7	-42%	-39%	22	19	-11.2%
Total	1,637	2,493	2,590	2,300	1,817	11%	-21%	4,082	4,117	0.9%
COGS	1,246	1,942	2,038	1,798	1,398	12%	-22%	3,155	3,196	1.3%
Expenditure	1,342	2,047	2,121	1,876	1,488	11%	-21%	3,346	3,364	0.5%
EBITDA	282	441	450	412	321	14%	-22%	714	733	2.7%
Depreciation	77	80	87	105	105	36%	0%	153	210	37.4%
EBIT	204	360	363	307	216	6%	-30%	561	524	-6.7%
Interest	122	144	143	159	153	26%	-3%	243	312	28.7%
PBT	95	221	239	161	70	-26%	-56%	341	231	-32.2%
Tax	12	14	23	35	12	-1%	-66%	3	47	1775%
PAT	83	207	211	125	58	-30%	-54%	338	183	-45.8%

Concall Highlights:

- Reduce revenue guidance from 10500-11000 Cr to Rs 10000 Cr for FY20.
- NHAI has project pipeline of Rs 60k Cr of which Rs 35k Cr are under HAM and Rs 25k Cr of projects under EPC for which bid is pending and conclude by Jan 2020.
- Debt to Equity is expected to come down to 0.8-0.85 as huge amount of revenue will be coming in H2FY20.
- Asset utilization will be 5-6x in FY20.
- MAT credit unutilized as on 30th September 2019 is Rs. 402.5 Cr
- Effective tax rate will be between 30-32%. Company does not envisage additional payouts towards tax over and above available MAT credit and TDS. In FY23 company will be opting for 25.17% tax rate.
- Expect to win Rs 5000-6000 Cr of order in H2FY20.
- 51% of the Equity will be first invested by company and balance 49% will be invested by Cube for 12 HAM projects.
- Average cost of debt is around 10%.
- Rs 480 Cr of mobilization advances received in 2QFY20 and targeting Rs 150-200 Cr in 3QFY20.
- Airport, Coal mine projects, Bundelkhand and Gorakhpur Express will start in this financial year.
- Fund based limit is Rs 2250 Cr and non-fund based is Rs 6890 Cr.
- For FY20 Capex will Rs 50-100 Cr.
- O/s Mobilization is Rs 1775 Cr.

Revenue mix

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Roads & Bridges	2,219	2,196	1,414	2,181	2,224	1,942	1,601	13.25%	-17.57%
Irrigation	34	35	3	-	-	-	-	NA	NA
Urban Development	28	11	8	24	68	17	4	-48%	-75%
Mining	245	203	183	283	270	313	197	7.47%	-36.99%
Total	2,526	2,445	1,608	2,488	2,562	2,272	1,802	12.10%	-20.68%

Order Book

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Roads & Bridges	21,977	22,404	21,150	21,252	17,114	14,147	12,714	-39.89%	-10.13%
Irrigation	43	7	-	42	537	537	1,402	NA	NA
Urban Development	239	132	89	231	48	32	120	34.22%	275.32%
Metro	-	-	-	-	-	423	414	NA	NA
Tunnel	-	-	-	-	-	430	388	NA	NA
Special Bridge	-	-	-	-	-	726	1,015	NA	NA
Mining	1,672	1,578	2,696	1,617	3,048	2,735	4,337	60.88%	58.53%
Total	23,931	24,090	23,935	23,142	21,172	19,029	20,389	-14.82%	7.15%

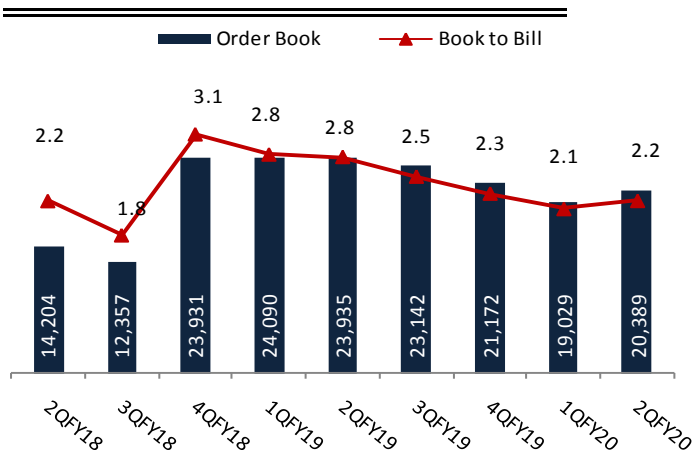
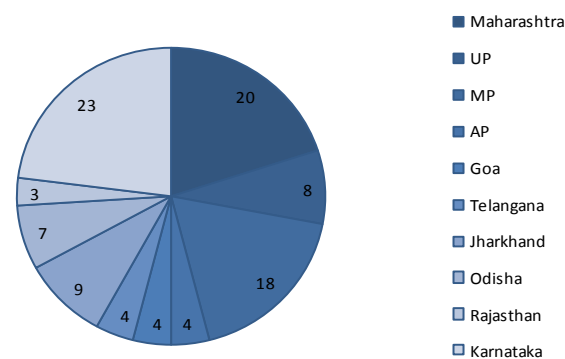
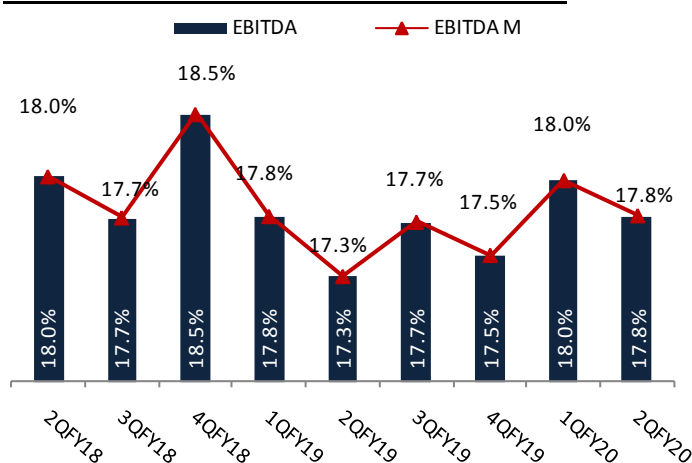
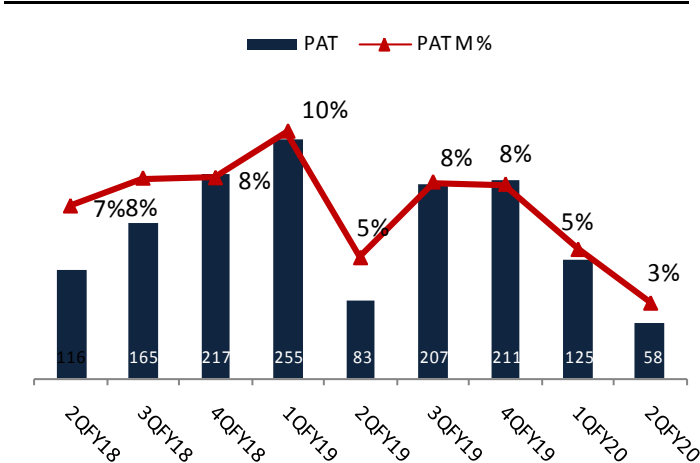
Exhibit: Order Book and Book to Bill

Exhibit: Order Book – By State

Exhibit: Operating Margin performance

Exhibit: PAT Margin performance


Exhibit: Healthy Debt to Equity

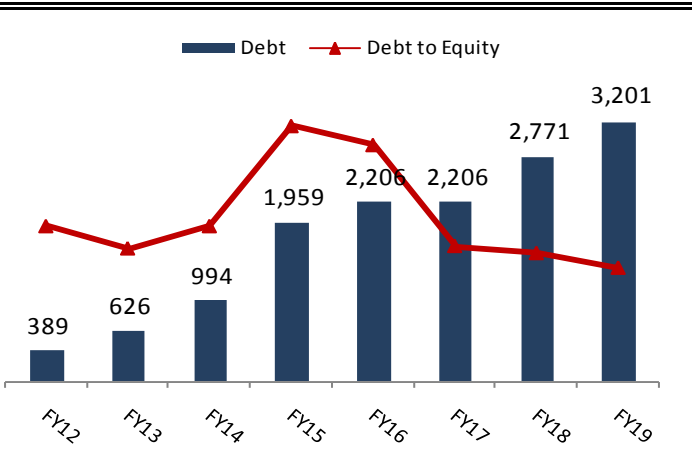


Exhibit: Interest and Interest cost as % of Sales

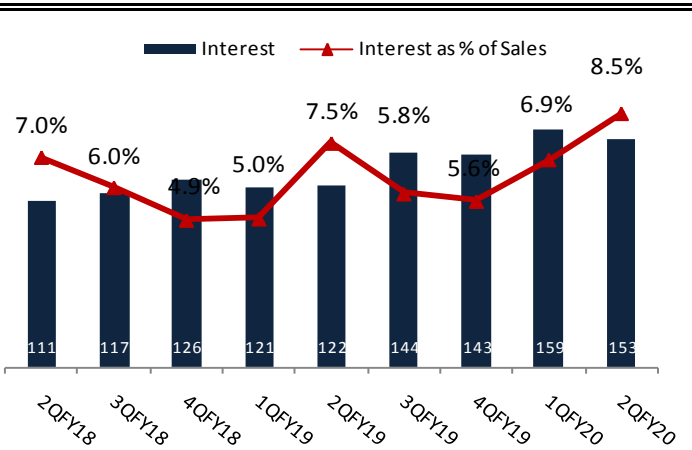


Exhibit: Bonus

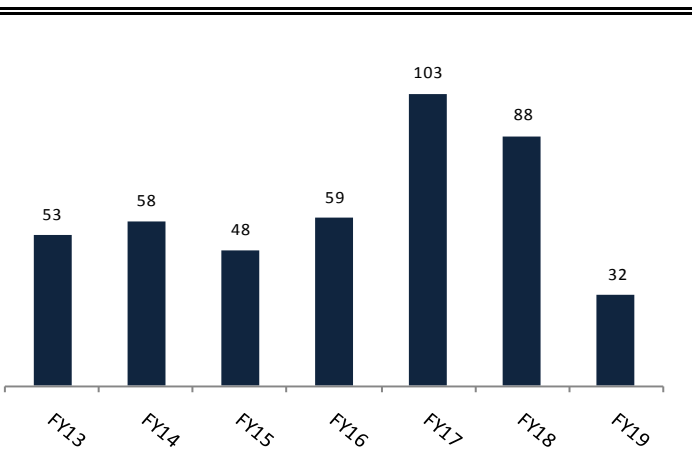


Exhibit: Net Working Capital Days

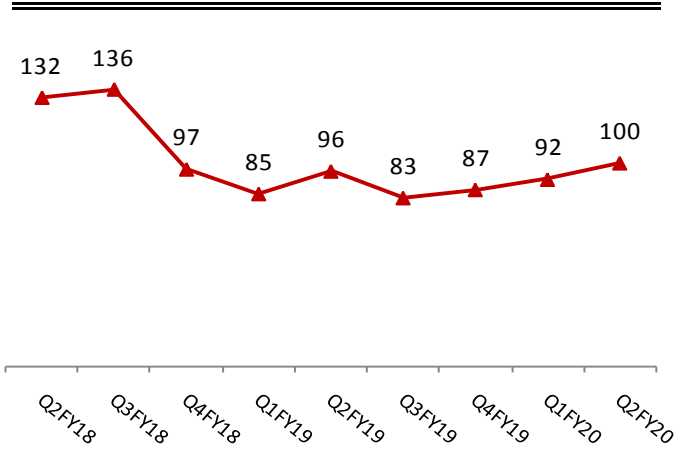
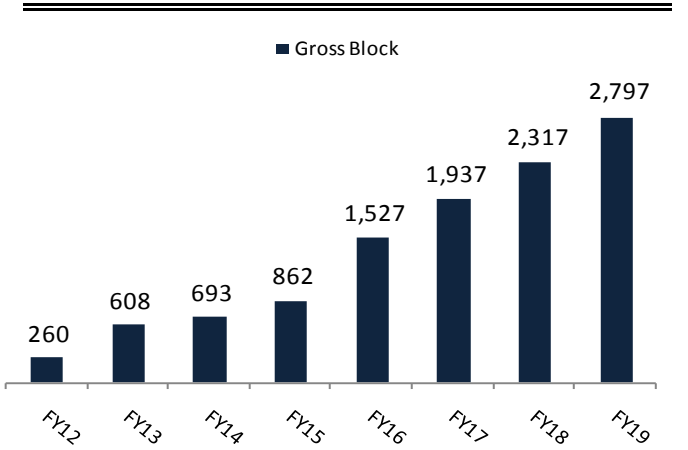


Exhibit: Largest Equipment Bank



Financial Details

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operatio	2,316	2,624	4,085	5,098	7,746	9,118	10,145	13,280
Change (%)	21%	13%	56%	25%	52%	18%	11%	31%
EBITDA	470	566	799	992	1,403	1,604	1,849	2,371
Change (%)	0%	20%	41%	24%	41%	14%	15%	28%
Margin (%)	20%	22%	20%	19%	18%	18%	18%	18%
Depr & Amor.	79	118	183	227	275	320	410	411
EBIT	391	448	616	765	1,128	1,284	1,439	1,960
Int. & other fin. Cost	155	259	381	416	464	530	589	644
Other Income	7	6	16	11	16	46	18	18
EBT	243	195	250	360	679	801	868	1,333
Exp Item	-	-	-	-	15	(4)	-	-
Tax	48	49	29	(1)	43	40	233	400
Minority Int & P/L share	-	-	-	-	-	-	-	-
Reported PAT	194	146	221	361	620	765	635	933
Adjusted PAT	194	146	221	361	606	769	635	933
Change (%)	-23%	-25%	51%	64%	68%	27%	-17%	47%
Margin(%)	8%	6%	5%	7%	8%	8%	6%	7%

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	59	117	117	137	137	137	137	137
Reserves	669	756	945	1,716	2,320	3,068	3,689	4,602
Networth	728	873	1,062	1,853	2,457	3,204	3,826	4,739
Debt	994	1,959	2,206	2,206	2,771	3,201	3,547	3,881
Other Non Cur Liab	229	294	312	492	1,166	982	982	982
Total Capital Employed	1,722	2,832	3,268	4,059	5,228	6,406	7,373	8,620
Net Fixed Assets (incl Cl	639	1,189	1,420	1,682	1,832	2,082	1,823	1,711
Non Cur Investments	183	279	346	606	540	815	1,233	1,390
Other Non Cur Asst	773	1,565	1,649	2,053	2,377	2,840	2,580	2,469
Non Curr Assets	956	1,844	1,995	2,659	2,917	3,655	3,813	3,859
Inventory	522	948	1,580	1,664	2,026	2,504	2,862	3,804
Debtors	1,058	1,264	912	1,017	1,604	1,409	1,526	2,029
Cash & Bank	67	234	106	114	161	189	202	250
Other Curr Assets	182	265	690	1,196	2,343	2,874	3,134	4,160
Curr Assets	1,829	2,711	3,289	3,990	6,135	6,976	7,725	10,454
Creditors	464	828	1,023	889	1,508	1,724	1,526	2,029
Provisions	22	6	7	8	10	12	12	12
Other Curr Liab	347	882	673	1,202	1,162	1,507	1,644	2,185
Curr Liabilities	834	1,716	1,703	2,099	2,680	3,243	3,183	4,226
Net Curr Assets	996	995	1,585	1,891	3,455	3,733	4,542	6,228
Total Assets	2,785	4,555	5,284	6,649	9,348	10,906	11,814	14,588

Financial Details

Cash Flow

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	243	195	250	360	664	805	868	1,333
(inc)/Dec in Working Capital	(336)	(289)	(350)	(297)	(811)	(620)	(796)	(1,426)
Non Cash Op Exp	79	118	183	227	275	320	410	411
Int Paid (+)	155	259	381	416	464	530	589	644
Tax Paid	80	65	59	83	150	160	233	400
others	(3)	3	16	10	(65)	(26)	-	-
CF from Op. Activities	56	220	427	654	419	958	837	562
(inc)/Dec in FA & CWIP	(171)	(687)	(418)	(493)	(444)	(571)	(150)	(300)
Free Cashflow	(115)	(467)	9	161	(25)	387	687	262
(Pur)/Sale of Inv	(87)	(96)	(11)	(180)	(44)	(266)	(418)	(368)
others	4	22	6	14	32	22	-	-
CF from Inv. Activities	(254)	(761)	(422)	(659)	(456)	(815)	(568)	(668)
inc/(dec) in NW	-	-	-	430	-	-	-	-
inc/(dec) in Debt	368	965	249	(1)	565	431	346	334
Int. Paid	155	256	381	416	464	530	589	644
Div Paid (inc tax)	1	1	1	0	16	16	14	20
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	212	708	(133)	13	84	(115)	(257)	(330)
Inc(Dec) in Cash	15	167	(128)	8	48	27	12	(436)
Add: Opening Balance	52	67	234	106	114	161	189	202
Closing Balance	67	234	106	114	161	189	201	(234)

Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	0.3	0.2	0.2	0.2	0.3	0.2	0.2	0.2
ROCE	43%	32%	35%	31%	32%	30%	29%	33%
Asset Turnover	0.83	0.58	0.77	0.77	0.83	0.84	0.86	0.91
Debtor Days	167	176	81	73	76	56	56	56
Inv Days	82	132	141	119	95	100	105	105
Payable Days	73	115	91	64	71	69	56	56
Int Coverage	3	2	2	2	2	2	2	3
P/E	NA	NA	NA	13	22	9	9	6
Price / Book Value	NA	NA	NA	3	6	2	1	1
EV/EBITDA	NA	NA	NA	5	10	5	4	3
FCF per Share	(33)	(132)	1	14	(2)	28	50	19
Div Yield	NA	NA	NA	0.3%	0.1%	0.3%	0.4%	0.4%

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