

Industry  
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Eng. & Cons.  
DBL IN  
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 (Crs) | 14      |
| Promoters Pledged % | 21      |

Fig in Rs Cr

| 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 (x)  | 4.7  | 3.6   | 2.8   |
| P/E (x)        | 9    | 9     | 6     |

## RESEARCH ANALYST

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### 2QFY20 Result 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. Income | -      | -      | -      | -      | -      | NA    | NA   | -      | -      | NA     |
| Net Sales        | 1,624  | 2,487  | 2,571  | 2,288  | 1,809  | 11%   | -21% | 4,060  | 4,097  | 0.9%   |
| Other Income     | 13     | 5      | 19     | 12     | 7      | -42%  | -39% | 22     | 19     | -11.2% |
| Total Income     | 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%   |

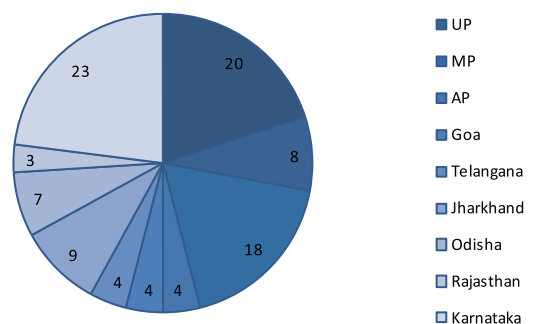
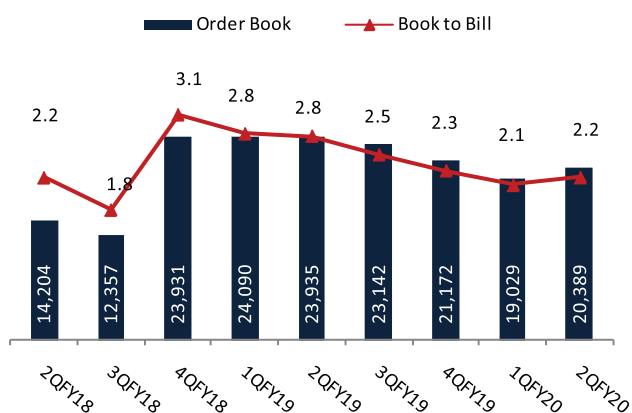
## Order Book Break Up (bn)

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%     |

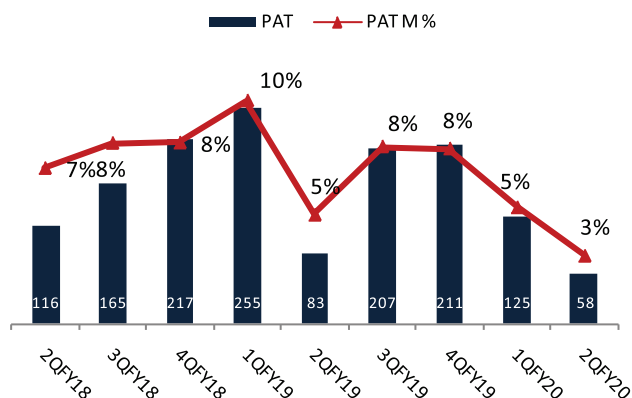
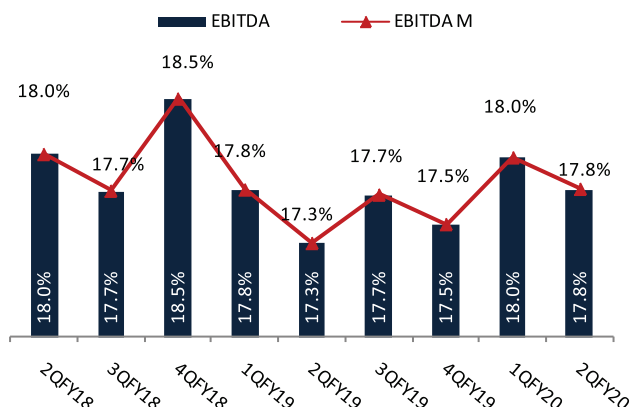
## Exhibit: Order Book and Book to Bill

## Exhibit: Order Book – By State

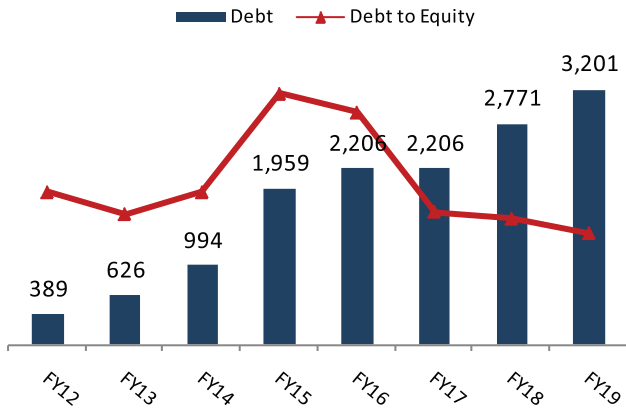


## Exhibit: Operating Margin performance

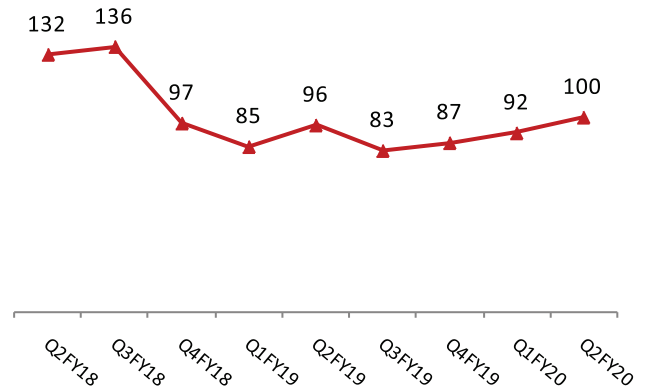
## Exhibit: PAT Margin performance



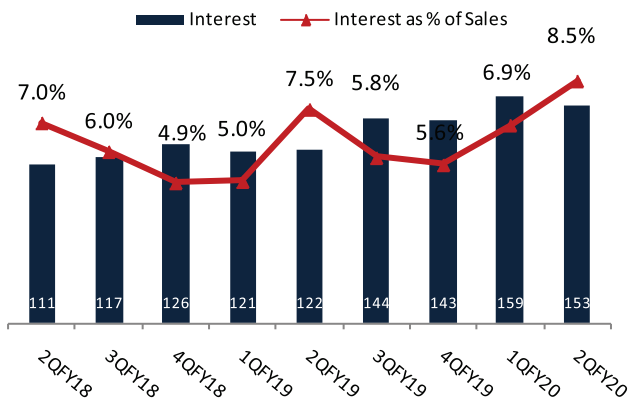
## Exhibit: Healthy Debt to Equity



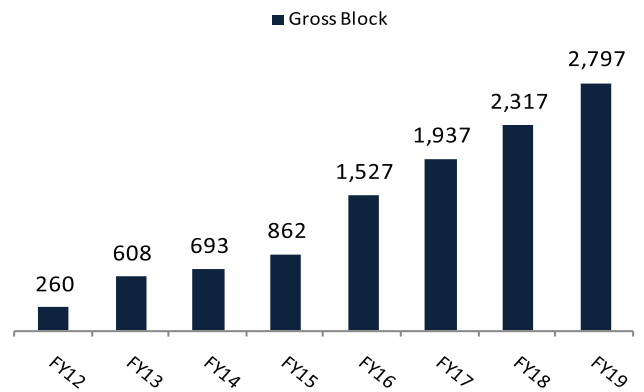
## Exhibit: Net Working Capital Days



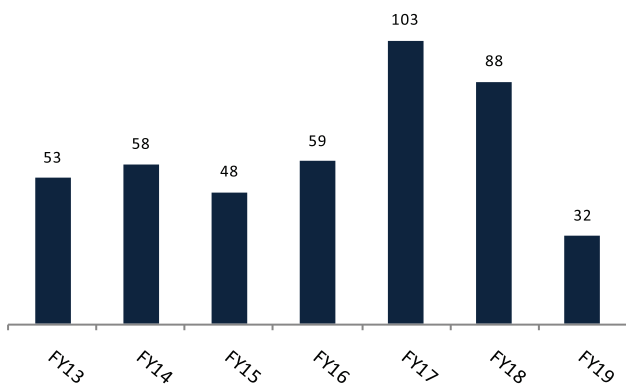
## Exhibit: Interest and Interest cost as % of Sales



## Exhibit: Largest Equipment Bank



## Exhibit: Bonus



## Financial Details

### Income Statement

Fig in Rs Cr

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

### Key Ratios

| 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%  |

### Cash Flow Statement

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)   |



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