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## Delayed Appointment Date and Extended Monsoon resulted into muted revenue

RATING	HOLD
CMP	383
Price Target	424
Potential Upside	11%

Rating Change	↓
Estimate Change	↔
Target Change	↓

STOCK INFO	
52wk Range H/L	733/317
Mkt Capital (Rs Cr)	5244
Free float (%)	24%
Avg. Vol 1M (,000)	282
No. of Shares (Crs)	14
Promoters Pledged %	27

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	9118	9398	12358
EBITDA	1604	1704	2210
EBIT	1284	1274	1803
PAT	765	509	848
EPS (Rs)	56	37	62
EPS growth (%)	23%	-33%	67%
ROE (%)	24%	14%	19%
ROCE (%)	30%	26%	32%
BV	3201	3368	3690
P/B (X)	2.1	1.4	1.2
EV/EBITDA (x)	4.7	3.6	2.8
P/E (x)	9	10	6

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### 3QFY20 Result Update

- DBL reported revenue de growth of 4% YoY to Rs 2381 Cr due to delay in appointment date and extended monsoon.
- During the quarter company has recorded Rs 33 Cr of revenue as early completion bonus.
- EBITDA was also down by 4.7% YoY to Rs 420 Cr and though the margin remains stable at 17.6%.
- The PAT de-grew by 38% YoY to Rs 127 Cr and the PAT margins fell by 300 bps on account of increase in depreciation, finance cost and tax expense. Tax rate during the quarter was 26.4% v/s 6.5%.
- During the quarter the company has completed 2 projects ahead of schedule completion date (approx. 185 days ahead) and entitled to receive early completion bonus of Rs 37 Cr. In 9MFY20 company has completed total 10 projects worth Rs 6863 Cr.
- Order inflow during the quarter stood at Rs 4000 Cr, orders are for the construction of Roads, Airport and Metro. Till date in FY20 company has reported order inflow of Rs 8323 Cr.
- Order Book stood at Rs 21205 Cr with roads segment contributing 64% and rest from Mining (19.3%), Irrigation (6.46%), Special Bridge (4.28%), Tunnel (1.47%), Metro (1.92%) and Airport projects (2.72%).

### Delayed Appointment date and Extended Monsoon impacted the Execution

DBL has posted subdue earning numbers during the quarter, revenue was down by 4% YoY to 2381 Cr mainly on account of delayed appointment date and extended monsoon. Revenue from core Road and High business was down by 6% YoY to Rs 2040 Cr. Revenue from mining business also remain flat YoY. One of the mining projects in Jarkhand is on hold as the matter is pending in the Supreme Court. Core EBITDA (ex bonus) margin continue to remain strong at 17%. Due to higher depreciation and tax rate PAT has come down by 39% YoY. Company is coming out of the 80 IA benefit and as result of it income tax was 26.4% as compared to 6.5%.

### Reduce Revenue guidance but Maintain Order Inflow guidance

Revenue on 9MFY20 basis was down by 1% to Rs 6478 Cr due to delayed appointment date and extended monsoon. Earlier management had guided for the Rs 10500-11000 Cr, which was scale down to Rs 10000 Cr in Q2FY20 and it has further scale down to Rs 9500 Cr for the FY20. But order inflow during the first 9 month of the year is Rs 6637 Cr as compared to Rs 10000-12000 Cr and management has maintained order inflow guidance and expect Rs 5000-7000 Cr of new orders in Q4FY20. Company has submitted bids worth Rs 8000 Cr. Out of this Rs 2500 Cr from non-road segment and Rs 5500 Cr from Road spared over HAM and ECP in ratio of 42:58.

### View and Valuation

Execution in the first 9 month was remind impacted due to delayed appointment date and extended moons and revenue for the full year will likely to remain flat. Execution will only pick up next year and we expect robust growth in the next financial year. Order inflow is also expected to pick up and company will likely to receive Rs 5000-7000 Cr of new orders which will provide strong revenue visibility going ahead. We have largely maintained our FY21E EPS estimates but considering the execution hiccups in FY20 we have reduce our exit multiple and now value DBL at Rs 424 with HOLD rating on the stock.

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## Muted Performance

### 3QFY20 Results

Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	9MFY19	9MFY20	YoY %
Net Sales	2,487	2,571	2,288	1,809	2,381	-4%	32%	6,547	6,478	-1.1%
Other Op. Income	-	-	-	-	-	NA	NA	-	-	NA
Net Sales	2,487	2,571	2,288	1,809	2,381	-4%	32%	6,547	6,478	-1.1%
Other Income	5	19	12	7	8	49%	9%	27	28	0.6%
Total Income	2,493	2,590	2,300	1,817	2,389	-4%	32%	6,575	6,506	-1.0%
COGS	1,942	2,038	1,798	1,398	1,814	-7%	30%	5,096	5,010	-1.7%
Expenditure	2,047	2,121	1,876	1,488	1,961	-4%	32%	5,392	5,325	-1.3%
EBITDA	441	450	412	321	420	-5%	31%	1,155	1,154	-0.1%
Depreciation	80	87	105	105	108	34%	3%	233	318	36.3%
EBIT	360	363	307	216	312	-13%	44%	922	836	-9.3%
Interest	144	143	159	153	153	6%	0%	387	465	20.2%
PBT	221	239	161	70	167	-24%	138%	562	398	-29.2%
Tax	14	23	35	12	44	207%	267%	17	92	442%
PAT	207	211	125	58	127	-39%	119%	545	310	-43.1%

### Concall Highlights

- Revised revenue guidance from Rs 10000 Cr for FY20 to Rs 9500 Cr on account of delayed in appointment date and extended monsoon.
- Order inflow will be Rs 5000-7000 Cr in Q4FY20. DBL has submitted bids worth Rs 8000 Cr, out of this Rs 2500 Cr bids are non-roads. The remaining bids of Rs 5500 Cr is divided in ratio of 58:42 in EPC:HAM.
- Execution of Mumbai Nagpur is on the full swing and will complete the project next year.
- Pachhwara Central Coal Block mining project matter is in the Supreme Court as the last mining company has issue with the PSPL. It will take time to sort out the matter.
- Recent order in mining for OB removal at Nigahi Project at Singrauli District in the State of Madhya Pradesh by the Northern Coal field Limited (NCL) a subsidiary of Coal India Limited (CIL) has started from February.
- Currently having discussion with investors to sell remaining 7 under construction HAM assets and the deal will be completed by the Q1FY21.
- Debtor's days will be 100-105 days by the year end.
- Capex for the FY21 will be Rs 100-150 Cr.
- Tax rate will be 30% in FY20.
- Target 0.8x Debt to Equity by the year end.
- Rs 200 Cr of Mobilization advances are expected to receive in Q4FY20.

## Revenue mix

Fig in Rs Cr

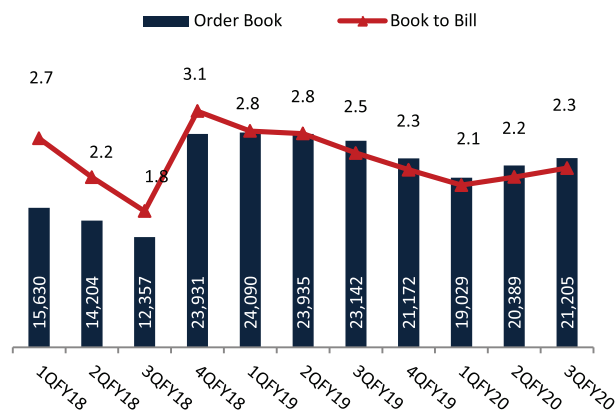
	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Roads & Bridges	2,196	1,414	2,181	2,224	1,942	1,601	2,040	-6.43%	27.45%
Irrigation	35	3	-	-	-	-	33	NA	NA
Urban Development	11	8	24	68	17	4	34	43%	684%
Mining	203	183	283	270	313	197	245	-13.66%	24.15%
Total	2,445	1,608	2,488	2,562	2,272	1,802	2,351	-5.48%	30.46%

## Order Book Break Up (bn)

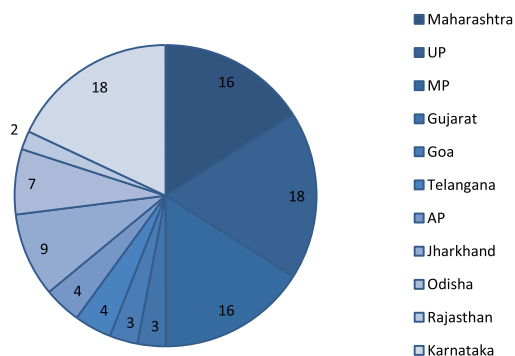
Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Roads & Bridges	22,404	21,150	21,252	17,114	14,147	12,714	13,531	-36.33%	6.43%
Irrigation	7	-	42	537	537	1,402	1,370	NA	NA
Urban Development	132	89	231	48	32	120	577	149.69%	381.75%
Metro	-	-	-	-	423	414	407	NA	NA
Tunnel	-	-	-	-	430	388	312	NA	NA
Special Bridge	-	-	-	-	726	1,015	908	NA	NA
Mining	1,578	2,696	1,617	3,048	2,735	4,337	4,101	153.62%	-5.43%
Total	24,090	23,935	23,142	21,172	19,029	20,389	21,205	-8.37%	4.01%

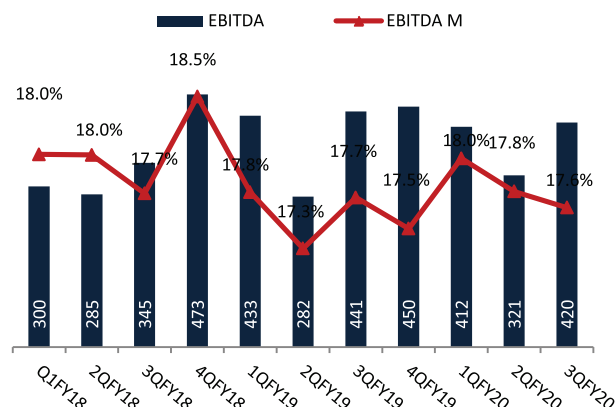
## Exhibit: Order Book and Book to Bill



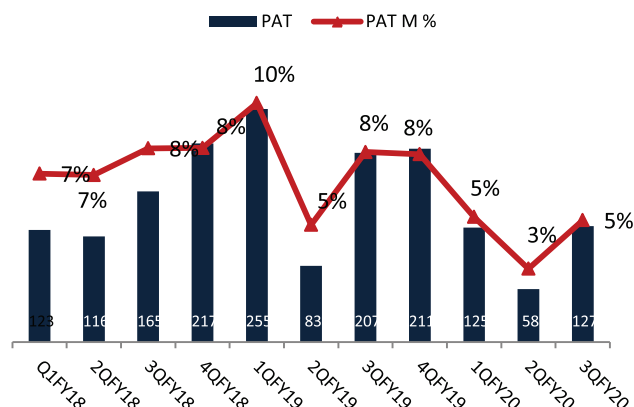
## Exhibit: Order Book – By State



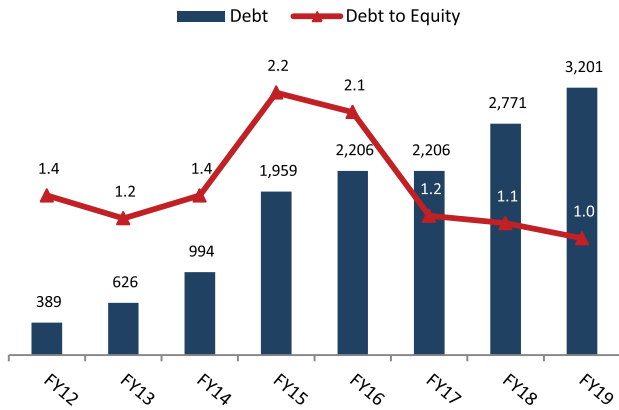
## Exhibit: Operating Margin performance



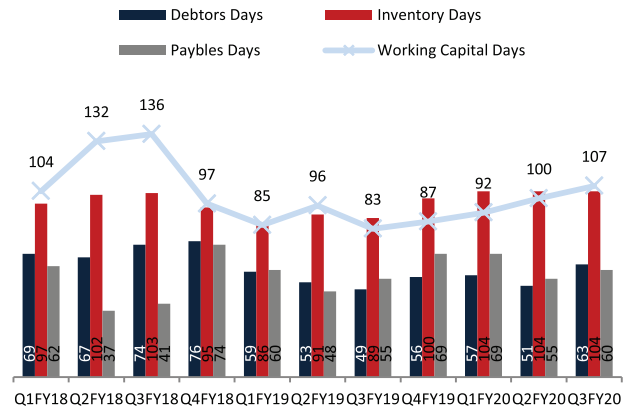
## Exhibit: PAT Margin performance



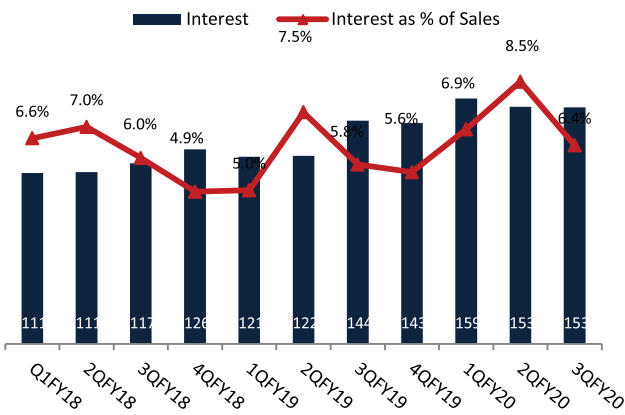
## Exhibit: Healthy Debt to Equity



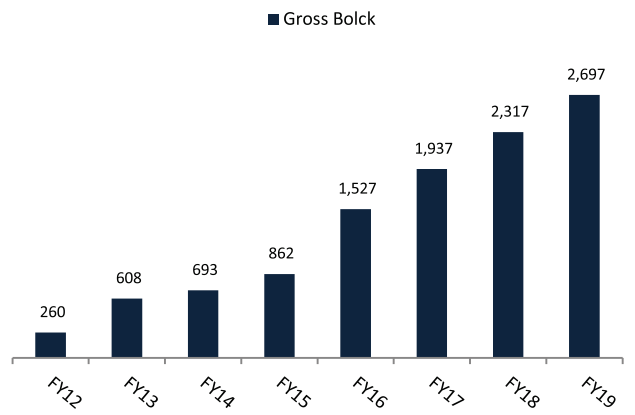
## Exhibit: Net Working Capital Days



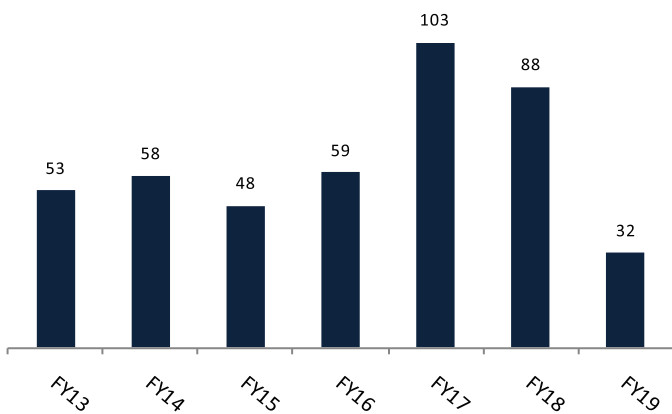
## Exhibit: Interest and Interest cost as % of Sales



## 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>9,398</b>	<b>12,358</b>
Change (%)	21%	13%	56%	25%	52%	18%	3%	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>1,704</b>	<b>2,210</b>
Change (%)	0%	20%	41%	24%	41%	14%	6%	30%
<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	430	407
<b>EBIT</b>	<b>391</b>	<b>448</b>	<b>616</b>	<b>765</b>	<b>1,128</b>	<b>1,284</b>	<b>1,274</b>	<b>1,803</b>
Int. & other fin. Cost	155	259	381	416	464	530	606	613
Other Income	7	6	16	11	16	46	33	21
<b>EBT</b>	<b>243</b>	<b>195</b>	<b>250</b>	<b>360</b>	<b>679</b>	<b>801</b>	<b>700</b>	<b>1,212</b>
Exp Item	-	-	-	-	15	(4)	-	-
Tax	48	49	29	(1)	43	40	191	363
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>509</b>	<b>848</b>
<b>Adjusted PAT</b>	<b>194</b>	<b>146</b>	<b>221</b>	<b>361</b>	<b>606</b>	<b>769</b>	<b>509</b>	<b>848</b>
Change (%)	-23%	-25%	51%	64%	68%	27%	-34%	67%
Margin(%)	8%	6%	5%	7%	8%	8%	5%	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	3,566	4,396
Networth	728	873	1,062	1,853	2,457	3,204	3,703	4,533
Debt	994	1,959	2,206	2,206	2,771	3,201	3,368	3,690
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	7,071	8,223
Net Fixed Assets (incl CWIP)	639	1,189	1,420	1,682	1,832	2,082	1,802	1,545
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	2,560	2,303
Non Curr Assets	956	1,844	1,995	2,659	2,917	3,655	3,792	3,693
Inventory	522	948	1,580	1,664	2,026	2,504	2,649	3,539
Debtors	1,058	1,264	912	1,017	1,604	1,409	1,413	1,887
Cash & Bank	67	234	106	114	161	189	243	147
Other Curr Assets	182	265	690	1,196	2,343	2,874	2,902	3,871
Curr Assets	1,829	2,711	3,289	3,990	6,135	6,976	7,207	9,444
Creditors	464	828	1,023	889	1,508	1,724	1,413	1,887
Provisons	22	6	7	8	10	12	12	12
Other Curr Liab	347	882	673	1,202	1,162	1,507	1,522	2,033
Curr Liabilities	834	1,716	1,703	2,099	2,680	3,243	2,947	3,932
Net Curr Assets	996	995	1,585	1,891	3,455	3,733	4,261	5,512
Total Assets	2,785	4,555	5,284	6,649	9,348	10,906	11,275	13,413

## 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	0.1	0.2
ROCE	43%	32%	35%	31%	32%	30%	26%	32%
Asset Turnover	0.83	0.58	0.77	0.77	0.83	0.84	0.83	0.92
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	10	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	67	27
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	700	1,212
(inc)/Dec in Working Capital	(336)	(289)	(350)	(297)	(811)	(620)	(474)	(1,347)
Non Cash Op Exp	79	118	183	227	275	320	430	407
Int Paid (+)	155	259	381	416	464	530	606	613
Tax Paid	80	65	59	83	150	160	191	363
others	(3)	3	16	10	(65)	(26)	-	-
CF from Op. Activities	56	220	427	654	419	958	1,072	520
(inc)/Dec in FA & CWIP	(171)	(687)	(418)	(493)	(444)	(571)	(150)	(150)
Free Cashflow	(115)	(467)	9	161	(25)	387	922	370
(Pur)/Sale of Inv	(87)	(96)	(11)	(180)	(44)	(266)	(418)	(157)
others	4	22	6	14	32	22	-	-
CF from Inv. Activities	(254)	(761)	(422)	(659)	(456)	(815)	(568)	(307)
inc/(dec) in NW	-	-	-	430	-	-	-	-
inc/(dec) in Debt	368	965	249	(1)	565	431	167	322
Int. Paid	155	256	381	416	464	530	606	613
Div Paid (inc tax)	1	1	1	0	16	16	11	18
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	212	708	(133)	13	84	(115)	(450)	(309)
Inc(Dec) in Cash	15	167	(128)	8	48	27	54	(96)
Add: Opening Balance	52	67	234	106	114	161	189	243
Closing Balance	67	234	106	114	161	189	243	147



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