# Dilip Buildcon


## *Galloping Giant!!!*

**Sr. Analyst: Shravan Shah**
Tel: +9122 6176 4849
E-mail: shravans@dolatcapital.com

**Associate: Maulik Shah**
Tel: +9122 6176 4875
E-mail: mauliks@dolatcapital.com

DOLAT CAPITAL

**April 10, 2017**

# Dilip Buildcon

## Buy

Initiating Coverage

## *Galloping Giant!!!*

DBL with its differentiated business model that lays on project selection and execution with operational efficiency, is all set to emerge as one of the prime infrastructure players in India. It focuses on road and Govt projects with equipment ownership, skilled manpower, minimal sub-contracting, and backward integration. It has a presence in 13 states of India and is one of the leading private sector road focused EPC player. Owing to a large fleet of ~8,500 equipment, DBL has emerged has one of the best project executors in India, having successfully completed ~90% projects before time and winning ₹3.3bn early completion bonus during FY13-17. We expect DBL to witness traction in revenue, best EBITDA margin among peers, superior net profit margin, comfortable working capital, robust order inflow and order book, robust FCFF, declining leverage, and improving healthy return ratios (RoE and RoCE) over FY17-19E. We initiate DBL with a BUY rating.

### Strong inflow and robust order book enhances revenue visibility

With FY17E order inflow and order book at the historic level of ~₹115.4bn/ ~₹173.3bn (3.5x FY17E) and fresh inflow of ₹70 bn expected in FY18E/ FY19E each, will improve revenue visibility for DBL.

### Strong execution momentum to continue led by excellent capability

We expect DBL's revenue to grow at a healthy CAGR of 18.7% over FY17-19E driven by the continuation of execution momentum and pick-up in execution on orders won (₹115.4bn) in FY17. We expect a sharp jump in Mining revenue over FY17-19E (~14% revenue share in FY18E-19E vs. 2% in FY17E).

### Best EBITDA margin among its peers led by operational efficiency

DBL will continue to enjoy best EBITDA margin (17.8% in FY18E and FY19E) among its peers, due to operational efficiency which is led by large fleet of modern equipment, excellent in-house execution capabilities.

### Strong OCF, improving NWC, lower capex to reduce leverage

DBL's Net D:E to decline to 1x by FY19E vs. 2.2x/ 1.3x for FY16/ FY17E led by 28.1% adj. PAT CAGR, strong OCF of ₹16.7bn (FY18E+FY19E), limited capex (₹3 bn) and robust FCFF of ₹13.9bn (FY18E+FY19E).

### Initiating coverage with Buy, SOTP based TP of ₹493, 39% upside

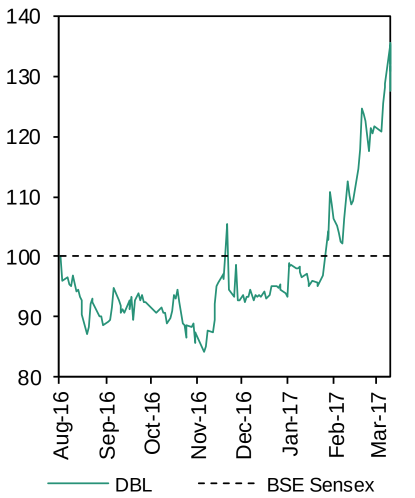
We value DBL's core construction business at ₹403 (14x FY19E EPS), its Road BOT portfolio at ₹90 (1x BV of equity invested by FY19E). Thus, we arrive at SOTP based TP of ₹493/ share. We initiate DBL with a Buy rating.

### FINANCIALS (₹ Mn) - *Standalone*

| Particulars | FY15 | FY16 | FY17E | FY18E | FY19E |
|---|---|---|---|---|---|
| Net Sales | 26,241 | 40,853 | 49,933 | 59,458 | 70,349 |
| Growth (%) | *13.3* | *55.7* | *22.2* | *19.1* | *18.3* |
| EBITDA | 5,655 | 7,992 | 9,487 | 10,583 | 12,522 |
| EBITDA (ex. O.I.) (%) | 21.6 | 19.6 | 19.0 | 17.8 | 17.8 |
| Adj. PAT | 1,073 | 1,688 | 2,400 | 2,694 | 3,939 |
| Growth (%) | *(39.9)* | *57.4* | *42.2* | *12.3* | *46.2* |
| EPS (₹) | 7.8 | 12.3 | 17.5 | 19.7 | 28.8 |
| Growth (%) | *(39.9)* | *57.4* | *42.2* | *12.3* | *46.2* |
| PER (x) | 45.3 | 28.8 | 20.2 | 18.0 | 12.3 |
| ROANW (%) | 13.4 | 17.2 | 16.5 | 13.8 | 17.2 |
| ROACE (%) | 18.3 | 18.9 | 18.6 | 18.2 | 20.6 |

| | |
|---|---|
| CMP | ₹ 355 |
| Target / Upside | ₹ 493/ 39% |
| BSE Sensex | 29,707 |
| NSE Nifty | 9,198 |
| **Scrip Details** | |
| Equity / FV | ₹ 1,368/ ₹ 10 |
| Market Cap | ₹ 49bn |
| | USD 756mn |
| 52 week High/Low | ₹ 374/ ₹ 178 |
| Avg. Volume (no) | 2,27,691 |
| NSE Symbol | DBL |
| Bloomberg Code | DBL IN |
| **Shareholding Pattern Mar'17(%)** | |
| Promoters | 75.6 |
| MF/Banks/FIs | 3.0 |
| FIIs | 15.3 |
| Public / Others | 6.1 |

### DBL Relative to Sensex





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Tel: +9122 6176 4849
E-mail:shravans@dolatcapital.com

**Associate:** Maulik Shah
Tel: +9122 6176 4875
E-mail: mauliks@dolatcapital.com


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## Investment thesis

- With historic highest inflows of ~₹115.4bn (FY17E), resulting spike in order book to ~₹173.3bn (FY17E) not only provides 3.5x FY17E revenue visibility but also expected to drive robust revenue growth (18.7% CAGR over FY17-19E).
- Differentiated business model along with proven execution capabilities leading to sustenance of highest EBITDA margin among peers, DBL is expected to clock strong adj. PAT CAGR (28.1% over FY17-19E).
- DBL is expected to generate robust operating cash, FCFF leading to a reduction in leverage.

## Risk

- If DBL is unable to bring equity partner in its BOT portfolio, it may adversely affect its debt, interest cost and profitability.
- Any delay in order inflow and execution, further rise in NWC cycle and under utilisation of large fleet of equipment and manpower may adversely affect its profitability.

## Catalyst

- Further expansion in its valuation multiples due to early project completion bonus (as it earned in last five years), positively impacting its profitability.
- Recovery of ₹3.3 bn from two private clients.

## Assumptions

| | FY17E | FY18E | FY19E |
|---|---|---|---|
| Order inflow (₹ bn) | 115.4 | 70.0 | 70.0 |
| Revenue growth (%) | 22.2 | 19.1 | 18.3 |
| EBITDA growth (%) | 18.7 | 11.6 | 18.3 |
| Adj. PAT growth (%) | 42.2 | 12.3 | 46.2 |
| EBITDA margin (%) | 19.0 | 17.8 | 17.8 |
| Tax rate (%) | 5.4 | 31.0 | 31.0 |
| Capex (₹ bn) | 4.0 | 1.5 | 1.5 |
| Gross debt (₹ bn) | 24.6 | 25.6 | 24.8 |
| NWC days | 158 | 142 | 128 |

## Company Background

DBL, started in 1988 and listed 11 August, 2016, has emerged as a leading diversified private sector EPC player with a presence in various infrastructure segments such as Roads and Highways, Irrigation, Urban development, and Mining.

With a modern construction fleet of ~8,500 equipment with GPS tracking backed by a large trained employee base of ~25,000, DBL has emerged as one of the best project executors in India with successfully completing 90% projects on/ before time and earning ₹3.3 bn as early completion bonus during last five years.

DBL also has a portfolio of 24 BOT projects with total project cost of ~₹106 bn, out of which, 14 are operational projects (2 became operational in Mar'17 and 12 were operational till FY16) and 10 are under development projects including recently bagged 6 HAM (Hybrid Annuity) projects.

## Event

| | |
|---|---|
| May'17 | Q4FY17 results |

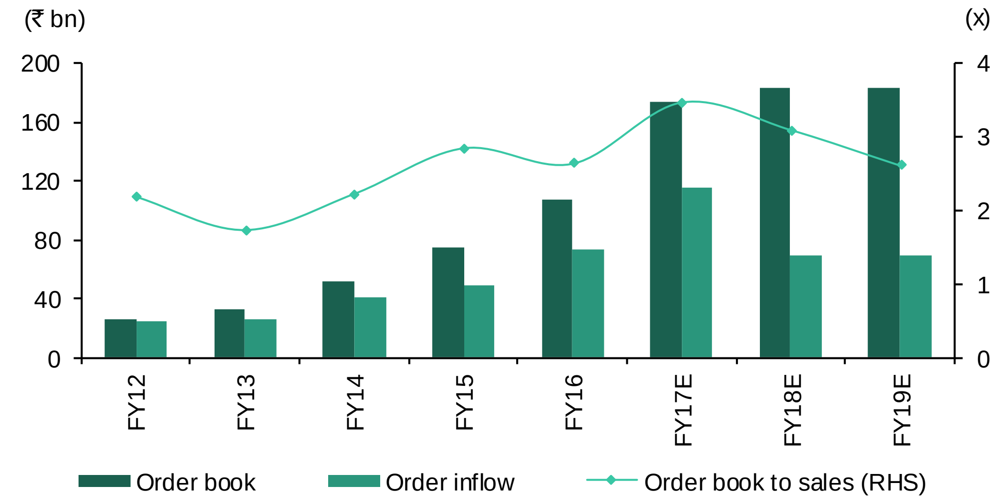
# Investment Thesis

## Strong inflow and robust order book enhances revenue visibility

DBL was successful in its strategy to build a sustainable business model by not only growing, but also diversifying both geographically and segmentally its order book. It also effectively raised its exposure towards Govt. clients (96%) from just 22.9% (FY13).

DBL received a significant boost with the historic highest fresh inflows of ~₹115.4bn (Exhibit 4) during FY17 which resulted spike in its order book to the historic highest level of ~₹173.3bn (considering ~₹16.5bn execution in Q4FY17E) as on FY17E vs. ₹107.8bn/ ~₹127.7bn (excluding ₹3.5bn order cancellation) as on FY16/ Q3FY17. We considered 71% of total projects cost (~₹41.8bn) as EPC order book for 4 HAM projects awarded post Q3FY17. Thus, its order book provides revenue visibility (3.5x FY17E revenue). We factored in ₹70bn order inflow for FY18E and FY19E which is 39%/ 26% lower than FY17E/ average of FY16 and FY17E order inflow.

**Exhibit 1:** Rising order book

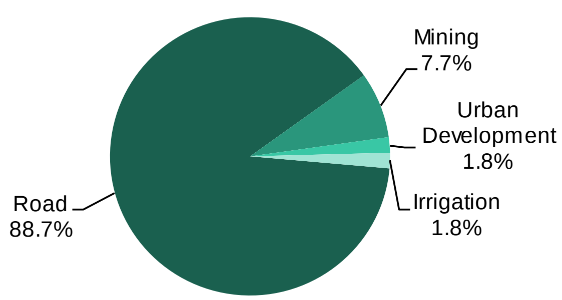



*Source: DART, Company*

**De-risking business by expanding into other infra verticals**

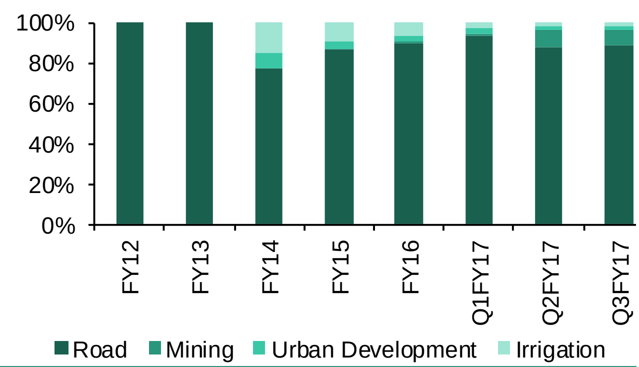
DBL, to de-risk its business model and build expertise into other emerging infra verticals, has expanded its footprints into Mining, Irrigation, Urban Development while maintained its focus on core business segment i.e. Road. The share of Mining segment

**Exhibit 2:** Segmental order book (Q3FY17)




*Source: DART, Company*

**Exhibit 3:** Diversifying apart from core Road segment




*Source: DART, Company*

in order book has increased to 7.7% (Exhibit 2) from 1% in FY16 (Exhibit 3), whereas, Irrigation and Urban Development segment accounted for 1.8% each in the order book (Q3FY17). However, in this diversification, DBL will try to stick to its strategy of project clustering, improvement in efficiency and profitability. Recently, (LoA on 20 January 2017), the company bagged ₹16.7bn Mining order from Northern Coalfields Ltd.

DBL in JV with Dhansar Engineering Company Pvt Ltd has also been declared L1 for MDO (Mine Developer cum Operator) project worth ₹108.8bn with ₹837/tonne of mined out coal for development and operations of Tubed Coal Block, Auranga Coalfields, Jharkhand from Damodar Valley Corporations, GoI. The company will own 90% stake in the JV with 10% by the JV partner. The project life is 29 years (including 2 years of construction period) and 130 mn tonnes mineable reserves with 6 mn tonne/ p.a. peak capacity. At peak capacity of 6 mn tonne/ p.a., the JV can expect revenue of ₹5bn with much better EBITDA margin. Though we have neither factored any financials nor considered in our valuations, we believe DBL's financials would be positively impacted by this MDO project.

**Exhibit 4:** Orders bagged in FY17

| Authority | Segment | Project | State | EPC (₹ mn) |
|---|---|---|---|---|
| MoRTH | Road | Approaches for bridge across river Zuari | Goa | 4,401 |
| MoRTH | Road | Approaches for bridge across river Zuari | Goa | 4,176 |
| MoRTH | Road | Rayachoti - Kadapa | AP | 1,980 |
| MoRTH | Road | Kalamb - Ralegaon - Wadki | MH | 2,925 |
| MoRTH | Road | Mantha Taluka Border - Barshi | MH | 2,880 |
| MoRTH | Road | Kalmath - Zarap (HAM) | MH | 6,980 |
| NHAI | Road | Lucknow-Sultanpur (HAM) | UP | 17,800 |
| NHAI | Road | Tuljapur-Ausa (HAM) | MH | 6,500* |
| NHAI | Road | Mahagaon - Yavatmal (HAM) | MH | 8,241* |
| NHAI | Road | Yavatmal - Wardha (HAM) | MH | 7,407* |
| NHAI | Road | Wardha - Butibori (HAM) | MH | 7,565* |
| NHAI | Road | Chichra-Kharagpur | WB | 6,131 |
| NHAI | Road | Nalagampalli - AP/Karnataka Border | AP | 5,031 |
| Singareni Collieries | Mining | Excavation of overburden including coal | Telangana | 9,736 |
| Western Coalfield | Mining | Ghonsa OCM of Wani North Area. | MH | 1,519 |
| Western Coalfield | Mining | Kolarpimpari Extn. OCM of Wani North Area | MH | 5,411 |
| Northern Coalfields | Mining | Excavation of overburden | MP | 16,736 |
| | | **Total** | | **115,418** |

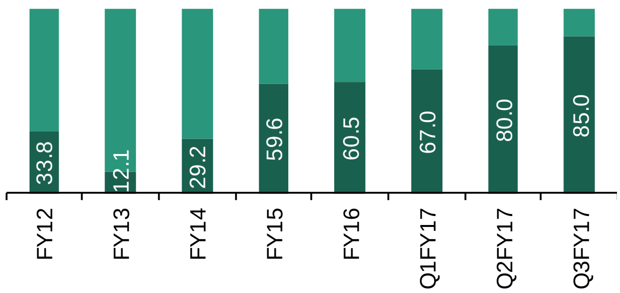
*Source: DART, Company * Note: We considered 71% of TPC as EPC*

**De-risking business by geographical diversification and increasing exposure towards Govt clients**

DBL to de-risk business model not diversified into other infra segments but also diversified geographically across India and significantly increased its exposure towards Govt orders. The company has successfully diversified across India and currently its order book is spread over 13 states with a share of orders outside its home state, MP, has increased sharply to 85% (Q3FY17) (Exhibit 5) vs. 12.1% in FY13. This well diversification across India helps DBL to reduce project specific and state-specific risk. Needless to mention, DBL bagged 85.5% fresh orders outside MP in FY17.

Further, to increase recoverability of debtors, DBL focused on Govt orders vs. private clients. The share of Govt orders increased significantly in last few years with 96% (Q3FY17) contributed by the Govt projects (Exhibit 6) vs. 22.9% in FY13. Even in Govt, 88% of the total order book is from Central Govt. DBL will continue to focus on orders from MoRTH and NHAI due to lower funding risks which ensure smooth execution.

**Exhibit 5:** Rising share of other states in order book




*Source: DART, Company*

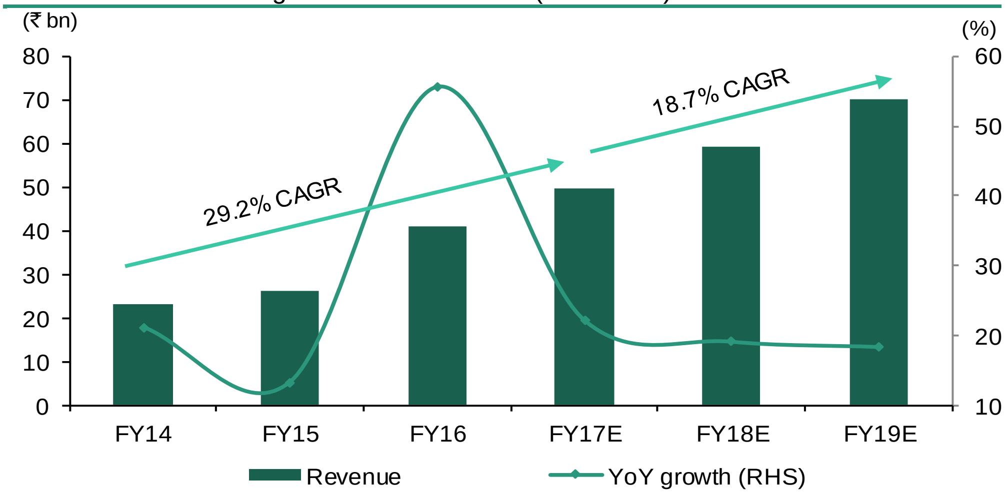
**Exhibit 6:** Increasing focus on Govt orders


*Source: DART, Company*

## Strong execution momentum to continue led by excellent capability

DBL will be able to manage 50.2% revenue CAGR over FY11-17E during which its revenue will be multi-folding 11.5x to ₹49.9bn (FY17E) from ₹0.43bn (FY11). This will have led by its differentiated business model with thrust on project selection and execution with operational efficiency. Even during 9MFY17, its revenue grew at a healthy rate of 22.5% YoY to ₹33.5bn and we expect FY17E to witness 22.5% YoY growth. We expect DBL's revenue to grow at a healthy CAGR of 18.7% over FY17-19E (Exhibit 7) driven by the continuation of execution momentum and pick-up in execution on orders won (₹115.4bn) in FY17. We expect a significant jump in Mining revenue over FY17-19E with its share in total revenue rising from mere 2% in FY17E to 15%/ 13% in FY18E/ FY19E.

**Exhibit 7:** Revenue to grow at 18.7% CAGR (FY17-19E)




*Source: DART, Company*

DBL is likely to continue to focus on the Road segment due to its proven execution track record in the segment and the ability to identify profitable road projects to drive its revenue growth. Moreover, due to its vast experience of working in various states, owned equipment, backward integration, excellent project execution capability and well defined project selection and monitoring, the company would be able to execute most of its projects on time or ahead of schedule.

**Exhibit 8:** Early completion bonus

| (₹ mn) | FY13 | FY14 | FY15 | FY16 | FY17 | Total |
|---|---|---|---|---|---|---|
| From BOT projects | 394 | 585 | 483 | 457 | 515 | 2,434 |
| From EPC projects | 140 | 0 | 0 | 142 | 582 | 868 |
| **Total** | **534** | **585** | **483** | **599** | **1,097*** | **3,303** |
| As % of revenue | 2.8 | 2.5 | 1.8 | 1.5 | 2.2 | |

*Source: DART, Company *Note: Announced so far*

**Exhibit 9:** Early completion bonus in FY17

| (₹ mn) | Bonus (₹ mn) | Actual completion days | Early completion days | Project cost (₹ mn) | Length (kms) |
|---|---|---|---|---|---|
| Hata – Dargawon | 154 | 329 | 400 | 1,011 | 64 |
| Patan - Rehli | 362 | 356 | 374 | 2,613 | 87 |
| **Total bonus from BOT projects** | **515** | | | **3,624** | **151** |
| Jabalpur-Patan-Shahpura | 27 | 539 | 190 | 900 | 39 |
| Adoni to Madhavaram via Mantralayam section | 49 | 627 | 102 | 1,641 | 55 |
| Mandla to Pindari | 57 | 544 | 185 | 1,908 | 106 |
| Rewa-Sidhi (NH-75E) | 78 | 619 | 111 | 2,600 | 58 |
| Jarwal - Bahraich | 87 | 623 | 107 | 2,610 | 50 |
| Sidhi-Tikhri (MDR-45-2), Kyothi Katra Lalgaon (MDR-43-02), Mauganj-Katra (MDR-43-04) | 72 | 385 | 254 | 1,449 | 96 |
| Badnagar - Sundarabad | 49 | 580 | 150 | 1,620 | 95 |
| Kanti - Shahdol - Anuppur - MP/Chattisgarh Border | 102 | 630 | 100 | 3,402 | 92 |
| Jabalpur- Mandla-Chilpi | 60 | 630 | 100 | 2,011 | 22 |
| **Total bonus from EPC projects** | **582** | | | **18,140** | **613** |
| **Total bonus from all projects** | **1,097*** | | | **21,764** | **763** |

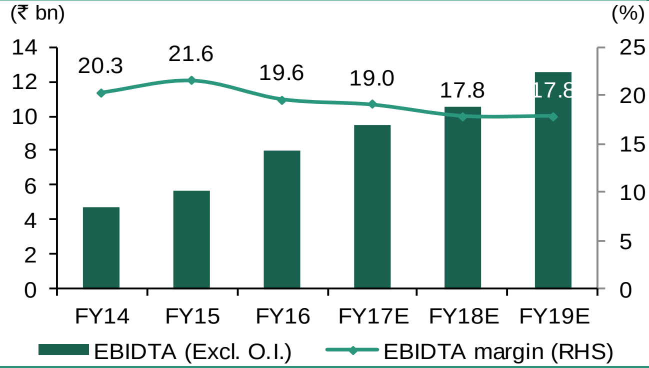
*Source: DART, Company *Note: Announced so far*

DBL earned ₹2.2bn (Exhibit 8) as early completion bonus during FY13-16 which stood at an average 2.2% of revenue. Even during FY17, the company so far announced the highest ₹1.1bn (Exhibit 9) in a year as early completion bonus for 11 projects worth ₹21.8bn totaling 763 kms. The key point to note here that out of 11 projects 9 were EPC projects contributing 53% vs. 12.8% (for FY13-16) of total early completion bonus. We believe, the company is likely to continue this trend in coming years, however, we have not factored in any early completion bonus in our valuation.

## Best EBITDA margin among peers led by operational efficiency

DBL enjoys best EBITDA margin among peers (Exhibit 11) due to operational efficiency which is led by a large fleet of owned homogenous equipment, excellent in-house execution capabilities, and early completion bonus. A modern construction fleet of ~8,500 equipment with GPS tracking backed by a large trained employee base of ~25,000 reduces DBL's dependence on sub-contracting. Thus, DBL can do the smooth execution ahead of schedule time, if not, at least on-time and earn better EBITDA margin by saving overheads. DBL's asset-heavy model vs. asset-light helps it to clock superior EBITDA margin as depreciation forms below EBITDA line item.

**Exhibit 10:** Superior EBITDA margin to continue




*Source: DART, Company*

**Exhibit 11:** Highest EBITDA margin among peers

| Company | FY16 | FY17E | FY18E | FY19E |
|---|---|---|---|---|
| DBL | 19.6 | 19.0 | 17.8 | 17.8 |
| J.Kumar | 17.6 | 17.2 | 16.5 | 16.5 |
| KNR | 17.2 | 14.8 | 14.3 | 14.3 |
| PNC | 13.2 | 13.0 | 13.0 | 13.0 |
| Ashoka Buildcon | 13.7 | 12.4 | 11.6 | 12.2 |
| Sadbhav Eng. | 10.3 | 11.5 | 11.9 | 12.2 |
| Simplex Infra | 10.9 | 11.6 | 11.6 | 11.6 |
| NCC | 8.9 | 8.9 | 9.5 | 9.7 |

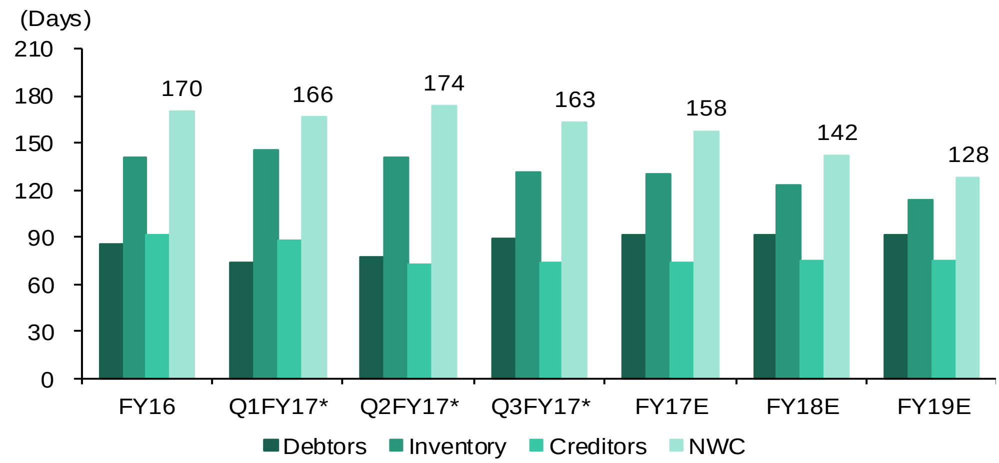
*Source: DART, Company, Bloomberg*

We expect DBL to enjoy the superior EBITDA margin of 17.8% (Exhibit 10) in FY18E/ FY19E, translating into a CAGR of 14.9% in the EBITDA over FY17-19E. We have not factored in any early completion bonus for FY18E and FY19E and accordingly our estimate of 17.8% EBITDA margin is lower than 19.6% (FY16)/ 19% (9MFY16 and FY19E).

## Strong OCF, improving NWC, lower capex to reduce leverage

We expect DBL's Net D:E to decline to 1x (Exhibit 14) by FY19E vs. 2.2x/ 1.3x for FY16/ FY17E supported by strong operating cash flows (OCF) (Exhibit 13) due to rise in profitability along with gradual improvement in net working capital cycle (NWC) (Exhibit 12) and much lower capex.

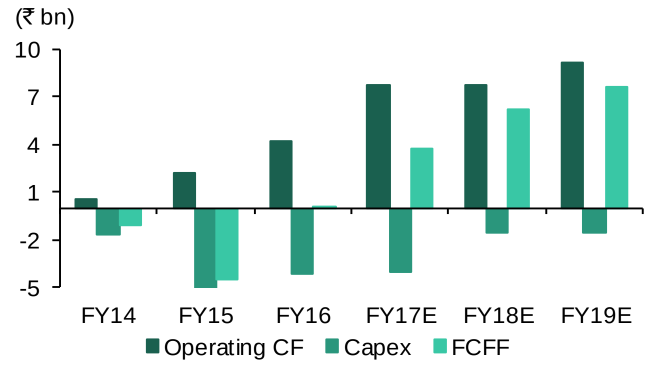
**Exhibit 12:** Gradual improvement in NWC cycle to 128 days by FY19E




*Source: DART, Company *Note: based on TTM revenue*

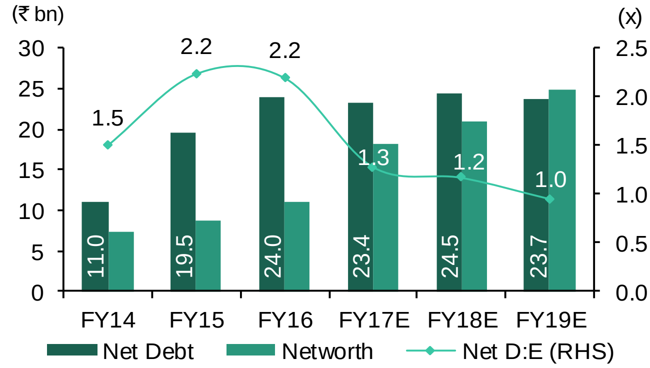
**High inventory days a concern but justified**
DBL's higher inventory days vs. most of its peers results into overall high NWC cycle for the company, though not much higher than one of the best players such KNR. The company's higher inventory days is attributable to its strategy of earning early completion bonus and completing most of its projects on time by strong control on entire execution process and availability of required aggregates (inventory) is the most crucial in the entire process. If the company opts to source aggregates from the third party, then it carries a risk of delay in getting required quantity as per schedule which in turn can lead to delay in overall execution of the project which is against its core strength and strategy.

**Exhibit 13:**+OCF, lower capex to aid robust FCFF




*Source: DART, Company*

**Exhibit 14:**Declining Net D:E – 1x by FY19E




*Source: DART, Company*

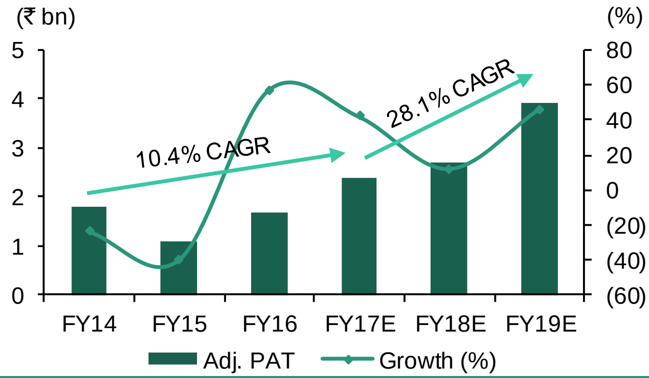
We expect gradual improvement in NWC days to 128 days by FY19E vs. 163/ 158 days in Q3FY17/ FY17E (Exhibit 12) due to (i) better monitoring and utilization of inventory leading to improvement in inventory days to 114 days by FY19E vs. 132/ 130 days in Q3FY17/ FY17E (ii) maintaining debtor days at current level of 91 days due to (a) recovery of ₹3.3bn old private receivables (Pan Essel and Topworth Infra) (b) focus on Govt orders (96% of total order book as on Q3FY17) where recoverability and time to recover are much better vs. private clients.

**Robust FCFF led by strong OCF, lower capex will lower leverage**
We expect DBL to witness strong OCF (Exhibit 13) to the tune of ₹16.7bn (FY18E + FY19E) led by the higher profitability of ₹6.6bn (FY18E + FY19E) along with gradual improvement in NWC cycle. The company will be doing limited capex (₹1.5bn each year) during FY18E and FY19E as it has done most of its required capex ₹16.5bn during FY14-17E. Thus, we expect DBL to generate robust FCFF to the tune of ₹13.9bn (FY18E + FY19E). Thus, we expect its gross debt to stabilize at the current level of ~₹25.2bn over FY17-19E which will result in lower Net D:E of 1x (Exhibit 14) by FY19E vs. 2.2x/ 1.3x for FY16/ FY17E. At the same time, we have considered ~₹6bn further equity investment in its BoT portfolio over FY17-19E.

## Adjusted PAT CAGR of 28.1% over FY17-19E

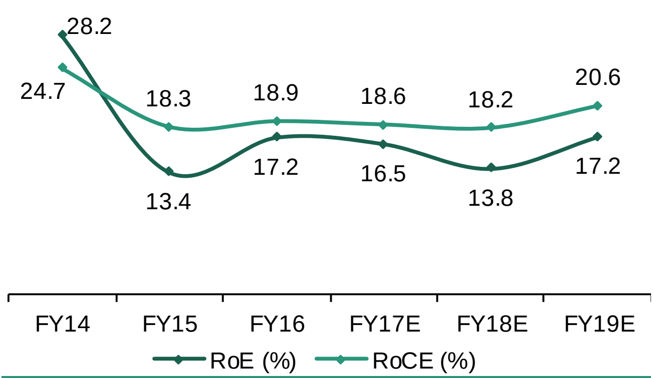
We expect Adjusted PAT to grow at a robust CAGR of 28.1% over FY17-19E, much better than 10.4% CAGR (FY14-17) and 6.1% (9MFY17) driven by healthy operating performance, stable interest cost due to stabilization of debt. We have considered 31% tax rate in FY18E and FY19E vs. 12.3%/ 5.4% in FY16/ FY17E. We expect extraordinary adjusted PAT for the Q4FY17E primarily aided by robust operating performance along with ₹870mn early completion bonus. We expect NPM to rise to 5.6% by FY19E vs. 4.1%/ 4.8% in FY16/ FY17E. Due to robust growth in profitability, we expect return rations (RoE and RoCE) to improve marginally to 17.2%/ 20.6% by FY19E vs. 16.5%/ 18.6% in FY17E. The networth and capital employed has increased by ₹4.1bn during FY17 due to IPO.

**Exhibit 15:** Robust Adj. PAT CAGR over FY17-19E




*Source: DART, Company*

**Exhibit 16:** Improving healthy return ratios




*Source: DART, Company*

## Operational BOT projects – able to meet interest & debt repayment

DBL has a portfolio of 24 BOT projects with total project cost of ~₹106 bn, of which, 14 are operational projects (2 became operational in Mar'17 and 12 were operational till FY16) and 10 are under development projects including recently bagged 6 HAM (Hybrid Annuity) projects. The company has invested ₹6.1 bn by Q3FY17 and expected to have invested ₹6.25 bn equity by FY17E. The company needs to invest further ₹11-12 bn over FY17-19E in 10 under development projects. The company is looking to bring equity partner in the entire BOT portfolio as it made an arrangement with Shrem Infraventure Pvt Ltd to bring 49% equity in one HAM project (Tuljapur – Ausa). We have assumed ₹6 bn equity investment by DBL over FY17-19E and rest by its new equity partner. The Out of 24 BOT projects, 22 are annuity/ annuity+Toll based projects ensuring fixed annuity payments and reducing traffic risks.

**Exhibit 17:** Operational BOT portfolio of 14 projects

| Project | Type | Authority | Length (kms) | Cost (₹ mn) | Annul Annuity (₹ mn) | CoD | Concession Period (yrs) |
|---|---|---|---|---|---|---|---|
| Betul - Sami | Annuity + Toll | MPRDC | 124 | 3,240 | 310 | May-15 | 15 |
| Nadiad - Modasa | Annuity | R&BD GoG | 108 | 2,072 | 349 | Dec-13 | 14 |
| Jaora - Sailana | Annuity | MPRDC | 88 | 1,360 | 241 | May-14 | 15 |
| Bankhlafata - Dogawa | Annuity | MPRDC | 65 | 1,177 | 198 | Mar-14 | 15 |
| Silwani - Sultanganj | Annuity + Toll | MPRDC | 76 | 1,342 | 190 | Mar-13 | 15 |
| Tikamgarh - Nowgaon | Annuity + Toll | MPRDC | 76 | 1,300 | 178 | May-15 | 15 |
| Uchera - Nagod | Annuity + Toll | MPRDC | 56 | 1,158 | 169 | May-14 | 15 |
| Mundi - Sanawad | Annuity + Toll | MPRDC | 68 | 1,405 | 166 | May-13 | 15 |
| Ashoknagar - Vidisha | Annuity + Toll | MPRDC | 36 | 887 | 101 | Jul-14 | 15 |
| Sardarpur - Badnawar | Annuity + Toll | MPRDC | 43 | 968 | 92 | Jun-12 | 15 |
| Sitamau - Suwasara | Annuity + Toll | MPRDC | 35 | 652 | 74 | Mar-13 | 15 |
| Mandasur - Sitamau | Toll | MPRDC | 44 | 290 | - | Feb-09 | 25 |
| Hata- Dargawon | Annuity + Toll | MPRDC | 64 | 1,011 | 140 | Mar-17 | 15 |
| Patan - Rehli | Annuity + Toll | MPRDC | 87 | 2,618 | 353 | Mar-17 | 15 |
| **Total** | | | **970** | **19,480** | **2,561** | | |

*Source: DART, Company*

The total annual annuity on 14 operational projects stands at ₹2.6 bn. 12 BOT projects which were operational till FY16 earned ₹2.1 bn annuity out of total BOT revenue of ₹2.7 bn in FY16 and generated cash profit (PAT + Depreciation) of ₹774 mn post interest cost of ₹1.3 bn. This implies that the portfolio of 12 operational projects are not only well-funded but also able to meet its interest and debt repayment.

## Under development BOT projects – expect CoD ahead of time

DBL has a portfolio of 10 BOT projects which are at various stages of under development including recently bagged 6 HAM projects with total project cost of ~₹86.4 bn. Out of 10 projects 9 are annuity based. We expect DBL to achieve CoD for all the projects before schedule date as it did in the 14 are operational BOT projects.

**Exhibit 18:** Under development BOT portfolio of 10 projects

| Project | Type | Authority | Length (kms) | Cost (₹ mn) | Annul Annuity (₹ mn) | Concession Period (yrs) |
|---|---|---|---|---|---|---|
| Guna - Biora | Toll | NHAI | 94 | 9,010 | - | 26 |
| Mundargi - Harapanahalli | Annuity | KRDCL | 51 | 1,790 | 355 | 10 |
| Hassan - Periyapatna | Annuity | KRDCL | 74 | 2,546 | 526 | 10 |
| Hirekerur - Ranibennur | Annuity | KRDCL | 56 | 1,984 | 392 | 10 |
| Luknow - Sultanpur | HAM | NHAI | 123 | 20,160 | - | 18 |
| Kalmath - Zarap | HAM | MoRHTH | 44 | 9,140 | - | 15 |
| Tuljapur - Ausa | HAM | NHAI | 67 | 9,110 | - | 17 |
| Mahagaon - Yavatmal | HAM | NHAI | 80 | 11,606 | - | 17.5 |
| Yavatmal - Wardha | HAM | NHAI | 65 | 10,433 | - | 17.5 |
| Wardha - Butibori | HAM | NHAI | 59 | 10,655 | - | 17.5 |
| **Total** | | | **713** | **86,434** | **1,273** | |

*Source: DART, Company*

**Exhibit 19:** Rational bidding by DBL in 6 HAM projects bagged by it

| Project | (a) Authority Estimated Cost (₹ bn) | (b) Bid Cost (₹ bn) | (c) NPV (₹ bn) | % Diff b/w (b) & (a) | % Diff b/w (c) & L2 | No of bidders |
|---|---|---|---|---|---|---|
| Luknow - Sultanpur | 16.6 | 20.2 | 17.3 | 21.3 | (7.0) | 7 |
| Kalmath - Zarap | 6.5 | 9.1 | 8.3 | 39.8 | (2.6) | 2 |
| Tuljapur - Ausa | 9.1 | 9.1 | 8.1 | 0.7 | (8.2) | 5 |
| Mahagaon - Yavatmal | 11.0 | 11.6 | 10.3 | 5.7 | (7.7) | 7 |
| Yavatmal - Wardha | 9.9 | 10.4 | 9.3 | 5.6 | (5.3) | 8 |
| Wardha - Butibori | 10.3 | 10.7 | 9.5 | 3.4 | (1.5) | 5 |

*Source: DART, Company*

## SAP implementation – a positive strategy

DBL has started implementation of SAP S4 HANA in collaboration with IBM where IBM will implement 11 modules of SAP which will cover all major operations of the company. This process will take 6-8 months to start operating. The company expects further improvement in operational efficiency and profitability post operationalization of SAP.

## Valuation: Initiating coverage with BUY rating

We expect DBL to witness traction in revenue, best EBITDA margin among peers (Exhibit 11), superior net profit margin, comfortable working capital, robust order inflow and order book, robust FCFF (Exhibit 13), declining leverage, and improving healthy return ratios (RoE and RoCE) over FY17-19E. We like DBL's differentiated business model with thrust on project selection and execution with operational efficiency. Earning early project completion bonuses as it did in last five years (Exhibit 8 & 9) along with improvement in NWC cycle and a decline in leverage will act as key positive triggers. An equity partner in its BOT portfolio at a higher valuation than 1x BV will also act as a positive trigger. This, coupled with a reasonable valuation of 9.2x FY19E EPS (excluding Road BoTs), makes the stock attractive.

DBL has a very short period of comparable historical 1-year forward valuation multiples such as P/E, EV/EBITDA and P/B as it got listed on 11 August, 2016. With better revenue CAGR over FY17-19E vs. some of its large peers like NCC, Simplex Infra and Sadbhav Engineering, best EBITDA margin compared to peers, slightly better return ratios (RoE and RoCE) compared to peers' average (Exhibit 21) and excellent execution capabilities resulting into early completion bonuses, the company should be able to command a marginally higher PE multiple compared to its peers' average.

Despite these factors, we are valuing DBL's core construction business at ₹403/ share based on 14x FY19E EPS (Exhibit 20) which is just 2% premium compared to FY19E average of its peers under coverage (Exhibit 21). We value DBL's investment in Road BOT projects at ₹90 based on 1x BV of equity invested by FY19E. Thus, we arrive at our SOTP based TP of ₹493/ share (Exhibit 20) which provides 39% upside from current level. Hence, we initiate coverage on DBL with a Buy rating.

**Exhibit 20:** SOTP Valuation

| Component | Valuation Method | ₹ /sh | % |
|---|---|---|---|
| Standalone cons business | 14x FY19E EPS | 403.2 | 81.8 |
| Road BOTs | 1x FY19E BV | 89.6 | 18.2 |
| Total | | 492.8 | 100.0 |
| CMP | | 355.3 | |
| Potential upside (%) | | 38.7 | |

*Source: Company, DART*

**Exhibit 21:** Peer comparison

| Name | CMP | MCap | P/E (x) | | | EV/EBITDA (x) | | | RoE (%) | | | | RoCE (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (₹ bn) | FY17E | FY18E | FY19E | FY17E | FY18E | FY19E | FY16 | FY17E | FY18E | FY19E | FY16 | FY17E | FY18E | FY19E |
| J.Kumar | 247 | 18.7 | 15.1 | 12.1 | 10.2 | 7.4 | 6.1 | 5.4 | 10.0 | 9.3 | 10.6 | 11.3 | 14.5 | 14.2 | 15.4 | 16.0 |
| KNR | 196 | 27.6 | 18.5 | 16.1 | 13.7 | 13.8 | 11.3 | 9.0 | 24.9 | 17.5 | 18.1 | 17.8 | 18.9 | 20.1 | 19.7 | 20.8 |
| NCC | 85 | 47.0 | 19.8 | 15.3 | 12.8 | 9.0 | 7.9 | 7.1 | 6.7 | 6.8 | 8.2 | 9.1 | 15.7 | 13.4 | 14.6 | 15.2 |
| Simplex | 370 | 18.3 | 21.4 | 16.7 | 13.8 | 7.5 | 7.2 | 6.8 | 6.9 | 5.4 | 6.5 | 7.4 | 11.9 | 11.6 | 11.8 | 12.2 |
| PNC | 128 | 32.8 | 20.3 | 21.8 | 18.2 | 13.7 | 11.6 | 9.6 | 15.6 | 11.0 | 9.1 | 9.8 | 19.1 | 14.7 | 13.8 | 14.8 |
| DBL | 355 | 48.6 | 20.2 | 18.0 | 12.3 | 7.6 | 6.9 | 5.8 | 17.2 | 16.5 | 13.8 | 17.2 | 18.9 | 18.6 | 18.2 | 20.6 |
| Avg.(excl. DBL) | | | 22.9 | 14.6 | 13.7 | 10.3 | 8.8 | 7.6 | 12.8 | 10.0 | 10.5 | 11.1 | 17.4 | 16.7 | 19.3 | 18.0 |

*Source: DART, Company*

**Exhibit 22:** Peer comparison

| Name | Revenue (₹ bn) | | | | EBITDA margin (%) | | | Net D:E (x) | | | Gross FA turnover (x) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY17E | FY18E | FY19E | CAGR (%) | FY17E | FY18E | FY19E | FY17E | FY18E | FY19E | FY17E | FY18E | FY19E |
| J.Kumar | 16.5 | 21.6 | 25.1 | 23.4 | 17.2 | 16.5 | 16.5 | 0.2 | 0.2 | 0.2 | 2.2 | 2.1 | 2.3 |
| KNR | 14.1 | 18.0 | 22.8 | 27.0 | 14.8 | 14.3 | 14.3 | 0.2 | 0.2 | 0.1 | 2.0 | 2.2 | 2.5 |
| NCC | 80.9 | 86.1 | 91.0 | 6.1 | 8.9 | 9.5 | 9.7 | 0.5 | 0.4 | 0.4 | 6.0 | 5.9 | 5.9 |
| Simplex | 58.4 | 61.3 | 64.4 | 5.0 | 11.6 | 11.6 | 11.6 | 2.0 | 1.9 | 1.7 | 2.5 | 2.5 | 2.5 |
| PNC | 18.2 | 21.8 | 26.3 | 20.3 | 13.0 | 13.0 | 13.0 | (0.0) | 0.0 | 0.0 | 3.0 | 3.2 | 3.5 |
| DBL | 49.9 | 59.5 | 70.3 | 18.7 | 19.0 | 17.8 | 17.8 | 1.3 | 1.2 | 1.0 | 2.1 | 2.4 | 2.7 |
| Avg.(excl. DBL) | | | | | 13.1 | 13.0 | 13.0 | 0.6 | 0.5 | 0.5 | 3.1 | 3.2 | 3.3 |

*Source: DART, Company*

## Upside risk to valuation

### Early completion bonus

If DBL earns early completion bonuses (as it did in last 5 years) which is likely considering its excellent track record of completing most of its projects before time (Exhibit 8 and 9) which is not factored in our valuation, then it will positively impact its revenue and profitability. This may lead to further expansion in its valuation multiples and poises upside risk to our target price.

### Reduction in debt vs. expectation of stabilization

If DBL can manage to reduce its debt due to a faster reduction in NWC cycle compared to our estimates, then it will positively impact its profitability by a reduction in interest cost and balance sheet by a further reduction in leverage. This may lead to further expansion in its valuation multiples and poises upside risk to our target price.

## Downside risk to valuation

### Not able to monetise/ bring partner in its BOT portfolio

DBL need to invest ₹11-12 bn equity in its under-development BOT portfolio over FY17-19E. The company is looking to bring equity partner in the entire BOT portfolio. We have assumed ₹6 bn equity investment by DBL over FY17-19E and rest by its new equity partner. If the company is unable to do that then it may adversely affect its debt, interest cost and profitability.

### Further rise in NWC cycle

Any further rise in NWC cycle led by particularly inventory days and delay in recovery of old private debtors compared to our estimate of marginal decline in NWC cycle may result into higher debt and interest cost which will adversely affect its profitability.

### Under utilisation of large fleet of equipment and manpower

DBL owns a large fleet of equipment and has high employees base, resulting in higher fixed costs. It may have an adverse impact on its profitability, if DBL is unable to utilize them properly.

### Execution delays

Though the company has managed to complete most of its projects on or before time, any project delays due to an impediment at the client's end or other regulatory bottlenecks could adversely affect DBL's revenue and profitability.

### Delay in order intake

Postponement in capex by private and government sectors will lead to a delay in the awarding of orders to DBL, negatively impacting its revenue and profitability.

**Exhibit 23:** Q3FY17 performance (Standalone)

| Y/E Mar (₹ mn) | Q3FY17 | Q3FY16 | *YoY (%)* | Q2FY17 | *QoQ (%)* | 9MFY17 | 9MFY16 | *YoY (%)* |
|---|---|---|---|---|---|---|---|---|
| Income from operations | 13,884 | 9,786 | *41.9* | 9,157 | *51.6* | 33,431 | 27,288 | *22.5* |
| Other operating income | 7 | 5 | *41.4* | 7 | *0.3* | 43 | 27 | *57.8* |
| **Total revenue** | **13,891** | **9,791** | ***41.9*** | **9,163** | ***51.6*** | **33,474** | **27,315** | ***22.5*** |
| Raw Materials | 10,370 | 7,400 | *40.1* | 6,738 | *53.9* | 24,902 | 19,924 | *25.0* |
| Staff cost | 226 | 168 | *34.2* | 255 | *(11.6)* | 667 | 426 | *56.5* |
| Other Expenses | 520 | 330 | *57.5* | 615 | *(15.5)* | 1,529 | 1,181 | *29.6* |
| Operating expenditure | 11,115 | 7,898 | *40.7* | 7,608 | *46.1* | 27,099 | 21,531 | *25.9* |
| **EBITDA** | **2,776** | **1,893** | ***46.6*** | **1,555** | ***78.5*** | **6,375** | **5,784** | ***10.2*** |
| Depreciation | 593 | 480 | *23.5* | 539 | *10.0* | 1,656 | 1,333 | *24.2* |
| **Operating profit** | **2,183** | **1,413** | ***54.5*** | **1,016** | ***114.8*** | **4,719** | **4,452** | ***6.0*** |
| Other income | 27 | 9 | *182.4* | 36 | *(25.2)* | 82 | 27 | *205.8* |
| **EBIT** | **2,209** | **1,422** | ***55.3*** | **1,052** | ***110.1*** | **4,802** | **4,478** | ***7.2*** |
| Interest | 1,062 | 972 | *9.2* | 959 | *10.7* | 3,105 | 2,760 | *12.5* |
| **EBT** | **1,147** | **450** | ***154.9*** | **92** | ***1,140.9*** | **1,697** | **1,718** | ***(1.3)*** |
| Tax | 61 | 18 | *232.1* | 23 | *167.7* | 45 | 125 | *(64.3)* |
| **Reported PAT** | **1,086** | **432** | ***151.7*** | **70** | ***1,459.3*** | **1,652** | **1,593** | ***3.7*** |
| **EPS (₹)** | **7.9** | **3.2** | ***151.7*** | **0.5** | ***1,459.3*** | **12.1** | **11.6** | ***3.7*** |
| | | | *bps* | | *bps* | | | *bps* |
| EBIDTA Margin (excl. O.I.) | 20.0 | 19.3 | *65* | 17.0 | *301* | 19.0 | 21.2 | *(213)* |
| EBIDTA Margin (incl. O.I.) | 20.2 | 19.4 | *74* | 17.4 | *281* | 19.3 | 21.3 | *(198)* |
| NPM (%) | 7.8 | 4.4 | *340* | 0.8 | *705* | 4.9 | 5.8 | *(90)* |
| Tax/PBT (%) | 5.3 | 4.1 | *124* | 24.7 | *(1,934)* | 2.6 | 7.3 | *(466)* |
| Raw Materials/sales (%) | 74.7 | 75.6 | *(92)* | 73.5 | *112* | 74.4 | 72.9 | *145* |

*Source: DART, Company*

# Annexure I: About the Company

DBL, started in 1988 and listed on 11 August 2016, has emerged as a leading diversified private sector EPC player with a presence in various infrastructure segments such as Roads and Highways, Irrigation, Urban development, and Mining. The company's core expertise lies in the areas of Roads and Highways. DBL has excellent track record of completing 8,000 road lane kms (5,612 lane kms in last five years) over 100+ projects spread across India. Currently, the company is working on ~54 projects across the Road (8,422 lane kms), Irrigation, Urban development and Mining spread across 13 states in India.

DBL has emerged has one of the best project executors in India with successfully completing 90% projects on/ before time and earning ₹3.3 bn as early completion bonus during last five years. The company recently bagged MDO (Mine Developer cum Operator) project worth ₹108.8bn in the state of Jharkhand. A modern construction fleet of ~8,500 equipment with GPS tracking backed by a large trained employee base of ~25,000 not only reduces DBL's dependence on sub-contracting but also drive timely execution with best margins among peers. DBL received a significant boost with the highest fresh inflows of ~₹115.4 bn during FY17 which resulted spike in its order book to the historic highest level of ~₹173.3 bn (FY17E). As at Q3FY17, out of total order book of ₹127.7 bn Road accounted for 88% whereas Mining, Irrigation and Urban Development contributed 8%, 2% and 2%, respectively. At the same time 96% order book was from Govt clients. The company's revenue/ EBITDA/ PAT grew at very robust CAGR of 50%/ 51%/ 35% during FY11-17E.

DBL has a portfolio of 24 BOT projects with total project cost of ~₹106 bn, out of which 14 are operational projects (2 became operational in Mar'17 and 12 were operational till FY16) and 10 are under development projects including recently bagged 6 HAM (Hybrid Annuity) projects.

# Annexure II: Management

| Name | Designation |
|---|---|
| Dilip Suryavanshi | Chairman & Managing Director |
| Devendra Jain | Whole-time Director & Chief Executive Officer |
| Mrs. Seema Suryavanshi | Women & Whole-time Director |
| Aditya Vijay Singh | Independent Director |
| Naval Jawharlal Totla | Independent Director |
| Ashwini Verma | Independent Director |
| Amogh Kumar Gupta | Independent Director |
| Satish Chandra Pandey | Independent Director |
| Vaibhav Rawat | Chief Financial Officer |
| Vijay Chhibber | Independent Director |
| Abhishek Shrivastava | Company Secretary & Compliance Officer |

*Source: Company, DART*

**Dilip Suryavanshi** is the Chairman and Managing Director, holds a Bachelor's Degree in Civil Engineering from the University of Jabalpur and has over 32 years of experience in the construction business. He is currently the President of the Madhya Pradesh Builders Association. As the Managing Director of DBL, he liaises with various departments of the government and supervises process including tendering, bidding, and planning the projects.

**Seema Suryavanshi** is an Executive Director, holds a Bachelor’s Degree in Arts (honors) from Ranchi Women's College, Ranchi and has over 17 years of experience in the construction business. She actively participates in finance, investment, and various Company affairs as a coordinator between execution and administrative wing of DBL.

**Devendra Jain**, an Executive Director and Chief Executive Officer, holds a Bachelor’s Degree in Civil Engineering from Vikram University, Ujjain and has over 17 years of experience in the construction business. He looks after project implementation along with the quality of work and ensures timely completion of the projects undertaken by our Company.

## Income Statement (Standalone)

| Particulars | Mar16 | Mar17E | Mar18E | Mar19E |
|---|---|---|---|---|
| **Revenue** | **40,853** | **49,933** | **59,458** | **70,349** |
| *Growth (%)* | *55.7* | *22.2* | *19.1* | *18.3* |
| Total Expenditure | 32,861 | 40,446 | 48,874 | 57,827 |
| Cost of Construction | 30,170 | 36,951 | 44,355 | 52,199 |
| Employees cost | 713 | 999 | 1,308 | 1,688 |
| Other Expenses | 1,978 | 2,497 | 3,211 | 3,940 |
| Other Income | 154 | 105 | 110 | 116 |
| **EBIDTA (Excl. OI)** | **7,992** | **9,487** | **10,583** | **12,522** |
| *Growth (%)* | *41.3* | *18.7* | *11.6* | *18.3* |
| **EBIDTA (Incl. OI)** | **8,146** | **9,592** | **10,694** | **12,638** |
| Depreciation | 1,835 | 2,270 | 2,562 | 2,721 |
| **EBIT** | **6,311** | **7,322** | **8,132** | **9,917** |
| Interest | 3,805 | 4,170 | 4,230 | 4,210 |
| Profit Before Tax | 2,507 | 3,152 | 3,902 | 5,707 |
| Tax | 308 | 169 | 1,208 | 1,768 |
| Net Profit | 2,199 | 2,983 | 2,694 | 3,939 |
| Adjustments | (511) | (583) | - | - |
| **Adj. Net Profit** | **1,688** | **2,400** | **2,694** | **3,939** |
| *Growth (%)* | *57.4* | *42.2* | *12.3* | *46.2* |

## Balance Sheet (Standalone)

| Particulars | Mar16 | Mar17E | Mar18E | Mar19E |
|---|---|---|---|---|
| **Sources of Funds** | | | | |
| Equity Capital | 1,171 | 1,368 | 1,368 | 1,368 |
| Reserves | 9,777 | 16,855 | 19,532 | 23,455 |
| **Net Worth** | **10,948** | **18,222** | **20,900** | **24,823** |
| Long Term Loans | 10,195 | 9,149 | 10,479 | 11,631 |
| Short Term Loans | 14,906 | 15,406 | 15,136 | 13,136 |
| **Loan Funds** | **25,100** | **24,555** | **25,615** | **24,767** |
| Deferred Tax Liability | 948 | 959 | 985 | 1,012 |
| **Total Capital Employed** | **36,996** | **43,736** | **47,500** | **50,602** |
| **Applications of Funds** | | | | |
| Gross Block | 19,416 | 23,416 | 24,916 | 26,416 |
| Less: Accumulated Depreciation | 5,213 | 7,483 | 10,044 | 12,765 |
| **Net Block** | **14,204** | **15,934** | **14,872** | **13,651** |
| Capital Work in Progress | - | - | - | - |
| Investments | 2,898 | 6,248 | 9,498 | 12,248 |
| **Current Assets, Loans & Advances** | | | | |
| Inventories | 15,803 | 17,796 | 20,038 | 21,974 |
| Sundry Debtors | 9,619 | 12,483 | 14,864 | 17,587 |
| Cash and Bank Balance | 1,059 | 1,171 | 1,093 | 1,047 |
| Other Financial Assets | 1,618 | 2,422 | 2,599 | 2,713 |
| Other Current Assets | 8,136 | 8,980 | 9,792 | 10,415 |
| *sub total* | 36,235 | 42,853 | 48,387 | 53,736 |
| **Less: Current Liabilities & Provisions** | | | | |
| Current Liabilities | 16,138 | 21,032 | 24,926 | 28,624 |
| Provisions | 203 | 267 | 331 | 409 |
| *sub total* | 16,341 | 21,299 | 25,257 | 29,034 |
| Net Current Assets | 19,894 | 21,555 | 23,129 | 24,703 |
| **Total Assets** | **36,996** | **43,736** | **47,500** | **50,602** |

E – Estimates

## Cash Flow (Standalone)

| Particulars | Mar16 | Mar17E | Mar18E | Mar19E |
|---|---|---|---|---|
| **Profit before tax** | **2,507** | **3,152** | **3,902** | **5,707** |
| Depreciation | 1,835 | 2,270 | 2,562 | 2,721 |
| Finance cost | 3,805 | 4,170 | 4,230 | 4,210 |
| Other income | (44) | (105) | (110) | (116) |
| Others | 7 | - | - | - |
| Direct taxes paid | (589) | (158) | (1,182) | (1,741) |
| Change in Working Capital | (3,255) | (1,548) | (1,654) | (1,619) |
| **(A) CF from Operations** | **4,265** | **7,782** | **7,747** | **9,162** |
| Capex | (4,156) | (4,000) | (1,500) | (1,500) |
| **Free Cash Flow to Firm** | **109** | **3,782** | **6,247** | **7,662** |
| Inc./ (Dec.) in Investments | (109) | (3,350) | (3,250) | (2,750) |
| Others | 44 | 105 | 110 | 116 |
| **(B) CF from Investments** | **(4,221)** | **(7,245)** | **(4,640)** | **(4,134)** |
| Issue of Equity/ Preference | - | 4,308 | - | - |
| Inc./(Dec.) in Debt | 2,482 | (546) | 1,060 | (848) |
| Interest exp net | (3,802) | (4,170) | (4,230) | (4,210) |
| Dividend Paid (Incl. Tax) | (7) | (16) | (16) | (16) |
| **(C) CF from Financing** | **(1,327)** | **(424)** | **(3,186)** | **(5,074)** |
| Net Change in Cash | (1,283) | 112 | (79) | (46) |
| Opening Cash balances | 2,342 | 1,059 | 1,171 | 1,093 |
| Closing Cash balances | 1,059 | 1,171 | 1,093 | 1,047 |

## Important Ratios (Standalone)

| Particulars | Mar16 | Mar17E | Mar18E | Mar19E |
|---|---|---|---|---|
| **(A) Measures of Performance (%)** | | | | |
| EBIDTA Margin (excl. O.I.) | 19.6 | 19.0 | 17.8 | 17.8 |
| EBIDTA Margin (incl. O.I.) | 19.9 | 19.2 | 18.0 | 18.0 |
| EBIT Margin | 15.4 | 14.7 | 13.7 | 14.1 |
| Interest/EBIT | 60.3 | 57.0 | 52.0 | 42.5 |
| Tax/PBT | 12.3 | 5.4 | 31.0 | 31.0 |
| Net Profit Margin | 4.1 | 4.8 | 4.5 | 5.6 |
| **(B) As Percentage of Net Sales** | | | | |
| Cost of Construction | 73.8 | 74.0 | 74.6 | 74.2 |
| Employees cost | 1.7 | 2.0 | 2.2 | 2.4 |
| Other Expenses | 4.8 | 5.0 | 5.4 | 5.6 |
| **(C) Measures of Financial Status** | | | | |
| Debt / Equity (x) | 2.3 | 1.3 | 1.2 | 1.0 |
| Interest Coverage (x) | 2.1 | 2.3 | 2.5 | 3.0 |
| Average Cost of Debt (%) | 16.2 | 16.8 | 16.9 | 16.7 |
| Debtors Period (days) | 86 | 91 | 91 | 91 |
| Closing stock (days) | 141 | 130 | 123 | 114 |
| Working Capital (days) | 170 | 158 | 142 | 128 |
| Fixed Assets Turnover (x) | 2.1 | 2.1 | 2.4 | 2.7 |
| **(D) Measures of Investment** | | | | |
| Diluted EPS (₹) | 12.3 | 17.5 | 19.7 | 28.8 |
| CEPS (₹) | 34.4 | 44.9 | 44.9 | 56.9 |
| DPS (₹) | 0.0 | 0.1 | 0.1 | 0.1 |
| Book Value (₹) | 80.0 | 133.2 | 152.8 | 181.5 |
| RoANW (%) | 17.2 | 16.5 | 13.8 | 17.2 |
| RoACE (%) | 18.9 | 18.6 | 18.2 | 20.6 |
| RoAIC (%) (Excl Cash&Invt) | 21.3 | 21.1 | 22.2 | 26.7 |
| **(E) Valuation Ratios** | | | | |
| CMP (₹) | 355 | 355 | 355 | 355 |
| P/E (x) | 28.8 | 20.2 | 18.0 | 12.3 |
| Market Cap. (₹ Mn) | 48,594 | 48,594 | 48,594 | 48,594 |
| MCap/ Sales (x) | 1.2 | 1.0 | 0.8 | 0.7 |
| EV (₹ Mn) | 70,379 | 72,306 | 72,547 | 72,715 |
| EV/Sales (x) | 1.7 | 1.4 | 1.2 | 1.0 |
| EV/EBDITA (x) | 8.8 | 7.6 | 6.9 | 5.8 |
| P/BV (x) | 4.4 | 2.7 | 2.3 | 2.0 |
| FCFE Yield (%) | (4.1) | (1.9) | 6.3 | 5.4 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 |

E – Estimates

## Stock price return objective (12 Months)

| | |
|---|---|
| **Buy** | **> 15%** |
| **Accumulate** | **5 to 15%** |
| **Reduce** | **(-5) to 5%** |
| **Sell** | **< -5%** |

# *Dolat* Team

| | | | |
|---|---|---|---|
| **Purvag Shah** | **Principal** | **purvag@dolatcapital.com** | **+9122 6176 4847** |
| **Amit Khurana, CFA** | **Head of Equities and Head of Research** | **amit@dolatcapital.com** | **+9122 6176 4845** |

### CONTACT DETAILS

| **Equity Trading** | **Designation** | **E-mail** | **Direct Lines** |
|---|---|---|---|
| Kishor Bagri, CFA | VP- Equity Sales | kishorb@dolatcapital.com | +9122 6176 4846 |
| Akshata Deshmukh | VP- Equity Sales & Derivatives Strategist | akshatad@dolatcapital.com | +9122 6176 4805 |
| Kapil Yadav | VP - Institutional Sales | kapil@dolatcapital.com | +9122 6176 4835 |
| Yomika Agarwal | VP - FII Sales | yomika@dolatcapital.com | +9122 6176 4873 |
| **Equity Trading** | **Designation** | **E-mail** | |
| P. Sridhar | Head - Sales Trading (Equities) | sridhar@dolatcapital.com | +9122 6176 4828 |
| Chandrakant Ware | AVP - Equity Sales Trading | chandrakant@dolatcapital.com | +9122 6176 4807 |
| **Derivatives Trading** | **Designation** | **E-mail** | |
| Jatin Padharia | Head - Sales Trading (Derivatives) | jatin@dolatcapital.com | +9122 6176 4803 |
| Shirish Thakkar | AVP - Derivatives | shirisht@dolatcapital.com | +9122 6176 4802 |

## *Dolat* Capital Market Pvt. Ltd.

Corporate Identity Number: U65990MH1993PTC075189
Member: BSE Limited and National Stock Exchange of India Limited.
SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685
Registered office: "*DOLAT*" Plot 60B, East West Road No. 2, JVPD Scheme, Vile Parle (West), Mumbai-400 049.
Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatcapital.com

**Analyst(s) Certification**

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**I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)**

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