

Dilip Buildcon Ltd.

BUY
INDUSTRY INFRASTRUCTURE
CMP (as on 20 Jan 2017) Rs 236
Target Price Rs 333

Nifty 8,349

Sensex 27,035

KEY STOCK DATA

Bloomberg DBL IN

No. of Shares (mn) 137

MCap (Rs bn) / (\$ mn) 32/474

5m avg traded value (Rs mn) 54

STOCK PERFORMANCE (%)
52 Week high / low Rs 262/178

3M 6M 12M

Absolute (%) 6.2 NA NA

Relative (%) 9.8 NA NA

SHAREHOLDING PATTERN (%)

Promoters 75.63

FIs & Local MFs 3.39

FIIs 14.78

Public & Others 6.20

Source : BSE

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Execution maestro

Dilip Buildcon Ltd's (DBL) strong focus on timely execution of EPC road projects (its principal area of operation) has resulted in early completion bonuses constituting as much as 26.5% of FY11-16 cumulative net profit.

Anticipating robust order inflows, DBL accumulated relatively higher gross block (~2x peers like ITD, NCC and Sadbhav). This enables DBL to manage more new sites, build up stone chips (aggregates) inventory for speedier execution and thus deliver better margins. Hereon, it will incur limited outgo on capex (a mere Rs 4.5bn over FY17-19E, down from Rs 12.5bn over FY14-16), a key positive.

We estimate earnings CAGR of 17.6% for DBL over FY17-19E, as the Government led infra order cycle takes off. With (1) FY16-19E order book multiplying 1.9x to Rs 200bn, (2) stable and high EBIDTA margins of ~17.9% over FY17-19E and (3) rising free cash flows leading to falling leverage, DBL is set for a strong re-rating, from its currently inexpensive valuation of 7.6x Dec-18E EPS (standalone, ex-BOT at 0.8x). Initiate coverage with a BUY. Our TP of Rs 333 is based on 12x Dec-18E EPS.

Investment arguments

- **Execution leverage to continue:** While FY16 was a bumper year with 56% revenue growth, DBL's revenues will rise at a relatively modest 12% CAGR over FY17-19E. This will result in 17.6% EPS

CAGR over FY17-19E as interest costs remain in check with tight working capital management.

- **WC controlled via more govt biz:** DBL's private sector clients now contribute 4% to the 1HFY17 order book vs 30% in FY14. The debtors' mix is 49% private. Recovery of Rs 3.5bn from two private clients is key to WC improvement hereon, even as DBL invests ~ Rs 8bn as equity into BoT projects.
- **Asset monetisation to help meet BOT equity:** DBL has invested Rs 3.7bn in completed road BOTs and has put these assets on the block, to meet the equity requirement of Rs 7.7bn (over 3yrs) in 8 under-development projects.
- **Attractive valuations:** DBL is trading at 7.6x Dec-18E EPS, adjusted for investments into BoT projects (valued conservatively at a 20% haircut to cost). Our TP of Rs 333 (12x P/E Dec-18E) is supported by (1) earnings CAGR of 17.6% over FY17-19E, (2) healthy RoE of 14.6%.

Financial Summary (Standalone)

(Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
Net Sales	25,758	40,176	47,936	53,062	59,918
EBITDA	5,172	7,315	8,724	9,445	10,617
APAT	1,429	2,089	2,280	2,457	3,151
EPS (Rs)	10.4	15.3	16.7	18.0	23.0
P/E (x)	22.6	15.4	14.2	13.1	10.2
EV/EBITDA (x)	10.0	7.7	6.2	5.8	5.2
RoE (%)	17.8	21.3	16.0	13.1	14.6

Source: Company, HDFC sec Inst Research

Healthy revenue visibility of 3.4x FY16 revenues

Roads comprising ~88% of the order book as of 1HFY17. With new order wins in mining during 3QFY17E, road' contribution may have come down to 77%

Government contracts constitute ~95% of the order book

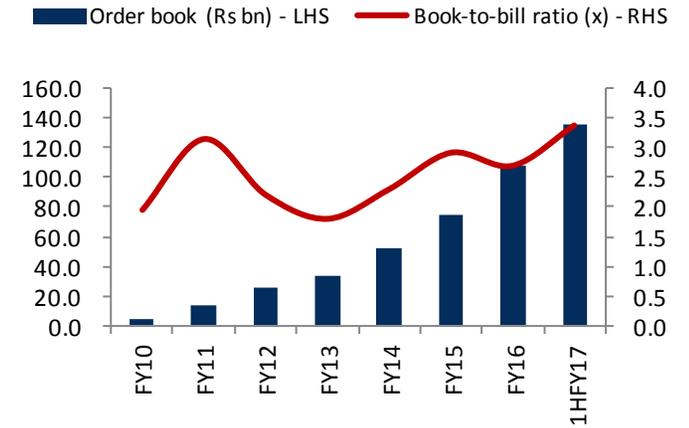
+80% orders outside the state of MP

Investment arguments

Order book provides revenue visibility

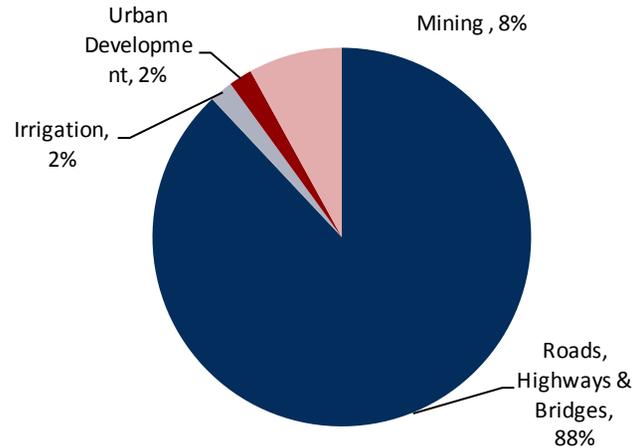
- Over the years, DBL's focus has been on creating a sustainable business model by expanding its order book to geographies across India, diversifying into new infra-related segments and limiting exposure to private clients.
- As a result, DBL's 1HFY17 order book of Rs 136bn provides healthy revenue visibility of 2.8x FY17 revenues, with road EPC comprising 88% of the order book (as on Dec-16, roads is 77%, mining 15%). Government contracts are ~95% while 80% of the order book is outside MP, DBL's home and anchor state for business so far.

Order Book Evolution (FY10-1HFY17)



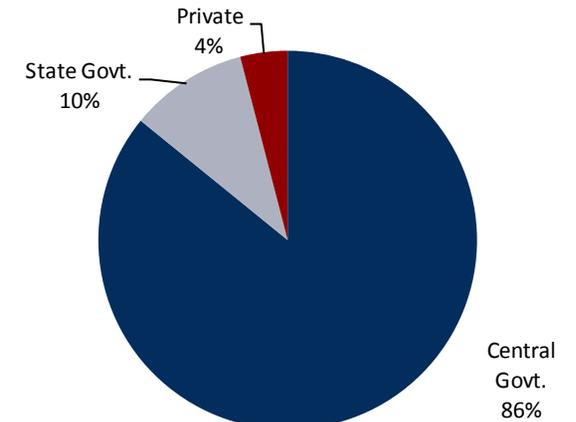
Source: HDFC sec Inst Research, Company

Order Book – By Sector (1HFY17)



Source: HDFC sec Inst Research, Company

Order Book – By Client (1HFY17)



Source: HDFC sec Inst Research, Company

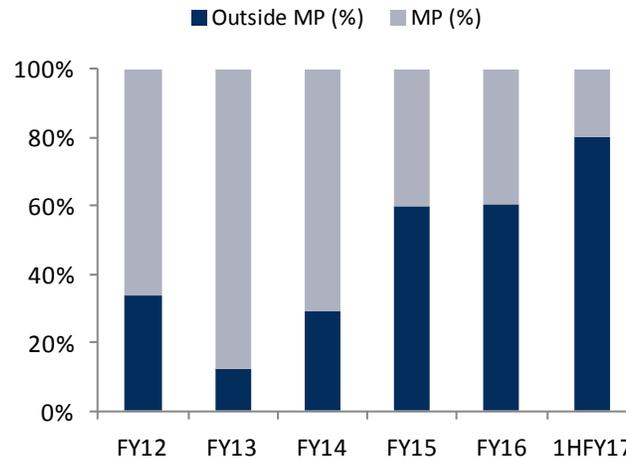
Share of orders booked outside MP has grown from ~12.1% in FY13 to ~80% in 1HFY17

Share of government orders in total order book has increased from ~22.9% in FY12 to ~95% in 1HFY17.

Increasing share of orders booked outside MP

- DBL’s geographically diverse portfolio provides the company the leverage to hedge against any project-specific risks, while improving profitability and efficiency. Over the years, DBL has focused on project clustering by executing a larger number of projects (65 nos) with smaller ticket sizes (avg. size of Rs 2.5bn).
- Consequently, this has helped DBL to expand its footprint into 14 other states and avoid concentration in its home state of MP.
- Going ahead, DBL will continue to focus on NHAI and MoRTH projects outside MP, as they carry lower funding risks compared to the state projects.

Share Of Orders Outside MP

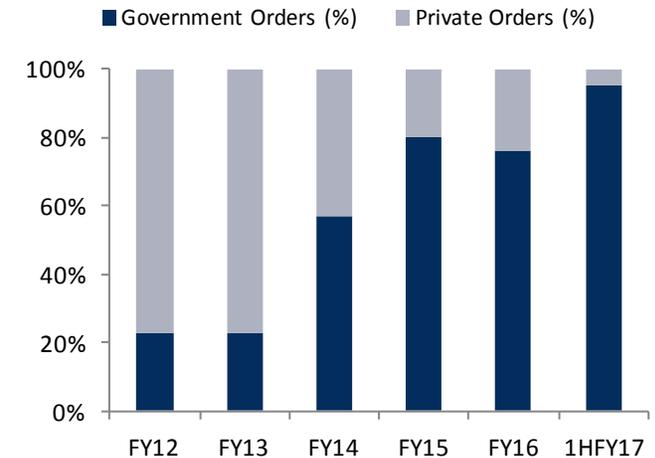


Source: HDFC sec Inst Research, Company

Increasing share of government clients

- While DBL’s net revenues grew 3.4x between FY12-16, its debtors ballooned 4.4x over the same period which impacted its balance sheet health as NWC cycle ballooned from ~52days in FY12 to ~163days in FY15.
- Apart from recovering its outstanding receivables from private sector debtors, DBL has also successfully shifted focus to executing government projects where collections are better compared to private sector clients.
- Consequently, share of government orders in total order book has increased from ~22.9% in FY12 to ~95% in 1HFY17.

Changing Composition Of Order Book



Source: HDFC sec Inst Research, Company

Order book is well diversified across sectors like roads (~88%), mining (~8%), urban development (~2%) and irrigation (~2%)

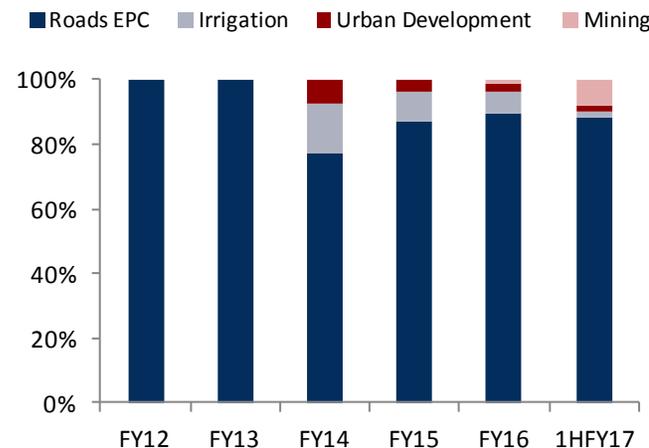
Based on orders announced, we estimate DBL mining share in order book to increase from 8% to 24%

Increased footprint in the mining sector with 1HFY17 order wins of Rs 21.6bn

Tapping newer opportunities in the infra sector

- While keeping its core focus on road EPC projects, DBL has also pursued growth opportunities across newer verticals within the infrastructure space, coinciding with its strategy of project clustering, maintaining higher efficiency and enhancing profitability.
- Over the years, the quantum of orders of roads, highways and bridges in the total order book has reduced to ~88% in 1HFY17 and been replaced by emerging sectors like irrigation (~2%), urban development (~2%) and mining (~8%).
- Going ahead, while DBL would continue to focus on road EPC orders, it will also actively pursue opportunities in other sectors. Recently, DBL has increased its footprint in mining by bagging orders of Rs 21.6bn (Rs 32.5bn as of Dec-16E, a 24% share in total order book).

Diversifying Outside Roads EPC

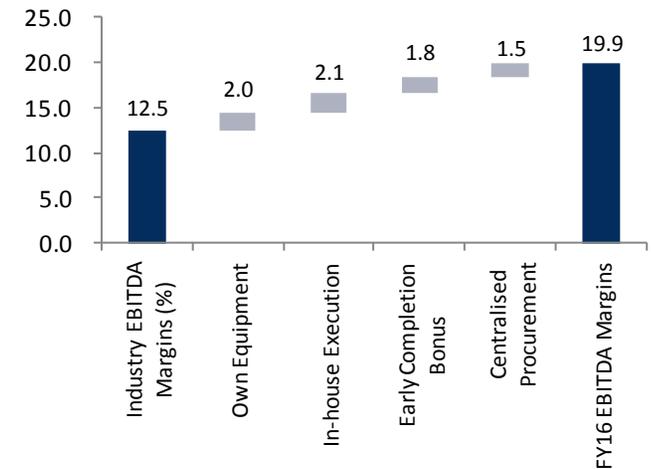


Source: HDFC sec Inst Research, Company

Industry-best EBITDA margins

- Aided by a self-owned equipment bank, superior in-house execution capabilities and timely early completion bonuses, DBL has successfully maintained a superior EBITDA margin profile as compared to its peers.
- A construction fleet of 7,345 equipments backed by a large employee base of +21,300 reduces DBL's dependence on third party sub-contractors, which not only lends it the comfort to execute projects in-house, but also helps save ~200-250bps of EBITDA margins.
- Relative to an asset-light leasing model, a self owned construction fleet also results in depreciation going below EBITDA, which leads to another 200-225bps higher EBITDA margins. EBITDA margins are also aided by early completion bonuses which account for ~1.5-2.0% of its net revenues.

Build-up Of EBITDA Margins (%)



Source: HDFC sec Inst Research, Company

Investor red flags – bloated gross block and stretched NWC cycle

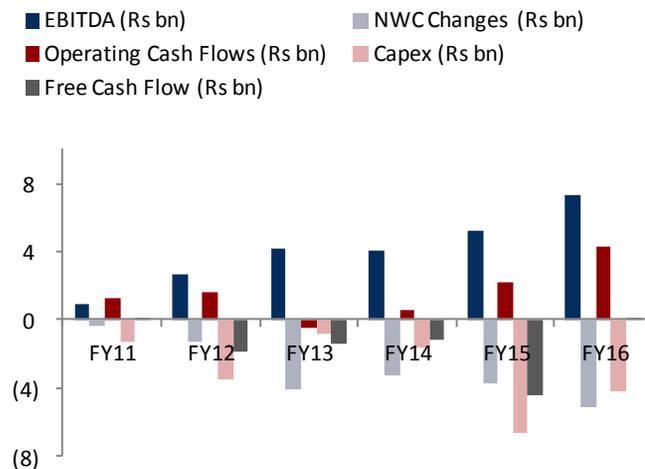
Higher inventory days justified by higher emphasis on in-house project execution

The associated interest on debt attributable to excess inventory of Rs 3bn to 4bn is Rs 400mn annually, which is balanced by Rs 500-600mn of early completion bonus

Investor red flags: bloated gross block and stretched NWC cycle

- While the in-house execution strategy of using its own equipments and labour force paid rich dividends in terms of higher-than-industry EBITDA margins, DBL’s balance sheet health came under pressure due to an aggressive gross block build up and higher NWC.
- Between FY11-FY16, DBL incurred a cumulative capex of Rs 18.1bn, which led to a 7.5x increase in the gross block over the same period to Rs 19.4bn in FY16. Similarly, the NWC cycle deteriorated from ~37 days in FY11 to ~163 days in FY16, largely led by an increase in inventory days from ~54 in FY11 to ~144 in FY16.
- The combined effect of higher capex and bloated NWC impacted profitability and led to negative Free Cash Flow (FCF) over FY12-15, which has been a key investor concern.

Impact On FCF Over FY11-16



Source: HDFC sec Inst Research, Company

Higher inventory days: justified by higher emphasis on in-house project execution

- DBL’s high inventory is largely attributable to its strategy of in-house project execution – mobilising its own equipment bank and workforce. With ~65 ongoing projects across India having an average ticket size of Rs 2.5-3bn, it is imperative for DBL to maintain a high inventory of raw materials.
- As per industry standards, construction aggregates typically constitute 10-12% of the project cost and are procured within a distance of ~100kms from the project site. Given its vast geographical diversification, DBL’s access to stone quarries is at an average distance of 150-200kms from its project sites.
- The incremental transportation cost of procuring, ‘road aggregate’ results in blended cost increasing from Rs 300/MT to Rs 500-600/MT. This leads to ‘aggregates’ constituting 20-24% of project cost.
- Additionally, in order to fulfill its endeavour to earn early completion bonuses, DBL exercises strong control on execution by accumulating its complete requirement for ‘road aggregates’ on ~20-30% completion of a project. This not only helps in speeding up the pace of execution but also helps mobilise the crusher and other similar equipments to new project sites.
- DBL also maintains an inventory for its captive manufacturing of ancillary structures and sidings used on roads. The associated interest on debt attributable to excess inventory of Rs 3bn to 4bn is Rs 400mn annually, which is balanced by Rs 500-600mn of early completion bonus.

Addressing debtors through collection of old private receivables

Over FY15-1HFY17, two large accounts, viz. Essel and Topworth Infra, paid Rs 4.9bn and Rs 2bn respectively.

At present, DBL's exposure to Pan Essel and Topworth Infra is to the tune of Rs 3.5bn

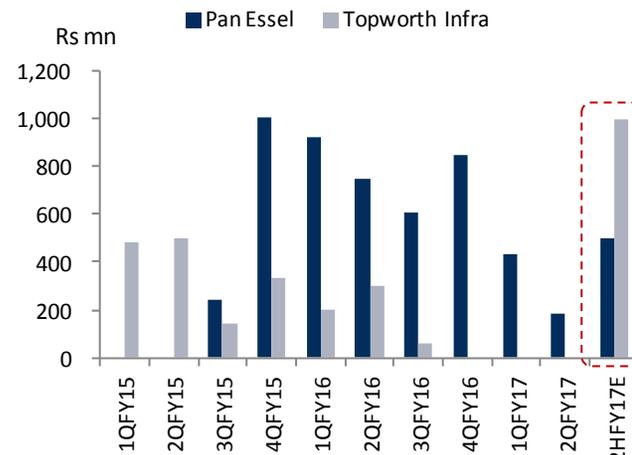
YTFDY17, DBL has already collected Rs 610mn from Pan Essel and targets to collect Rs 1.5bn in 2HFY17E from the two clients

Likely BOT asset monetisation to aid cash flows and de-leverage balance sheet

Addressing debtors through collection of old private receivables

- After peaking at ~179 days in FY15, DBL's debtor cycle has significantly improved to ~110 days in FY16, largely aided by the realisation of old private debtors. Collections from private clients improved in FY15-1HFY17 as DBL collected Rs 7bn from them. Two large accounts, viz Essel and Topworth Infra, paid Rs 4.9bn and Rs 2bn respectively.
- At present, DBL's exposure to Pan Essel and Topworth Infra is to the tune of Rs 3.5bn, where the velocity of collection is expected to improve. In YTFDY17, DBL has already collected Rs 610mn from Pan Essel and targets to collect Rs 1.5bn in 2HFY17E from the two clients.

Momentum In Collection Of Private Debtors



Source: HDFC sec Inst Research, Company

Likely BOT asset monetisation to aid cash flows and de-leverage balance sheet

- The likely monetisation of DBL's operational BOT portfolio is consequential as it would not only aid in partly meeting any residual equity requirement and capex need, but also result in balance sheet de-leveraging.
- We expect DBL to generate FY17E cash flow from operations of Rs 6.7bn, which, along with the net IPO proceeds of Rs 4.3bn, would result in a cash generation of Rs 11.1bn.
- Consequently, this can be deployed to fund (1) Rs 2.5bn of capex, (2) Rs 2.4bn FY17E BOT equity investment, (3) Rs 4.3bn for interest cost and (4) Rs 2bn debt repayment, leaving a likely net cash consumption of Rs 108mn by FY17E-end.
- Additionally, the BOT monetisation of Rs 3.8bn (assuming 1x BV) will result in net cash generation of Rs 3.6bn, which DBL can deploy for de-leveraging and drive execution ramp-up.

Particulars (Rs mn)	FY17E
Cash flow from operations	6,748
Net IPO proceeds	4,312
Sources of cash [A]	11,060
Capex	(2,500)
FY17E BOT investment	(2,400)
FY17E interest cost	(4,268)
FY17E debt repayment	(2,000)
Application of cash [B]	(11,168)
Net cash position [A-B]	(108)
BOT asset monetisation	3,800
Net cash flow [A-B] +[C]	3,692

Source: HDFC sec Inst Research, Company

We expect debt to stabilise at current levels of Rs 24bn

Over FY17-19E we expect debt repayment of Rs 1bn

Cumulative FY17-19E cash inflow is expected at Rs 26.8bn which shall be utilized to meet Rs 4.5bn Capex, Rs 7.7bn equity investments in BOT's and Rs 1bn of debt repayment

Interest payment would be Rs 12.8bn resulting in cumulative cash inflow of Rs 12mn

BOT asset monetization of Rs 3.8bn (1x P/BV) may result in meaningful cash surplus to repay debt

DBL standalone debt to stabilise over FY17-19E

- We expect DBL to stabilise debt at the current level of Rs 24bn over FY17-19E period. Strong operating profits would help meet working capital pressure, which would consequently aid execution ramp-up.
- NWC cycle can improve to ~141 days by FY19E from ~163 days in FY16-end on account of (1) tight control on raw material consumption with the inventory cycle improving to ~125 days in FY19E from ~144 days in FY16-end (2) collection of old private receivables to the tune of Rs3.5bn over FY17-19E, (3) increasing portion of government orders where WC cycle is better and (4) consequent debtor cycle reduction to ~90 days in FY19E from ~110 days in FY16-end.
- Higher profitability, coupled with an ease in the NWC cycle, should drive robust operating cash flow (post WC) generation of Rs 6.7/6.4/7.3bn in FY17/18/19E. With limited capex needs (Rs 4.5bn over FY17-19E) we model DBL to be FCF positive over FY17-19E.
- We expect DBL to deploy cash to fulfill the BOT equity requirement of Rs 7.7bn. Additionally, DBL could also monetise its operational BOT portfolio, releasing Rs 3.8bn (assuming 1x BV) worth of cash, which could be further deployed to de-leverage the balance sheet. We model for Rs 1bn of debt reduction over FY17-19E. Meaningful debt reduction is subject to BOT asset monetisation.

Sources & Application of funds (Rs mn)	Cumulative FY11-16	FY17E	FY18E	FY19E	Cumulative FY17-19E
Cash flow from operations	9,772	6,748	6,368	7,292	20,408
Cash flow from investments & other income	175	641	700	777	2,119
Cash flow from debt/equity issuance	22,600	4,312	-	-	4,312
Total Sources	32,547	11,701	7,068	8,069	26,838
Capex	(18,913)	(2,500)	(1,000)	(1,000)	(4,500)
Investments	(2,830)	(2,500)	(3,000)	(3,000)	(8,500)
Debt repaid		(2,000)	750	200	(1,050)
Interest Cost	(9,827)	(4,268)	(4,186)	(4,323)	(12,777)
Total Application	(31,570)	(11,268)	(7,436)	(8,123)	(26,827)
Net Cash Flow	977	433	(368)	(53)	12
BOT asset monetisation					3,800
Total Cash Flow					3,812

Source: HDFC sec Inst Research, Company

Tight control on raw material consumption, collection from old private debtors and focus on government orders should ease NWC cycle pressure

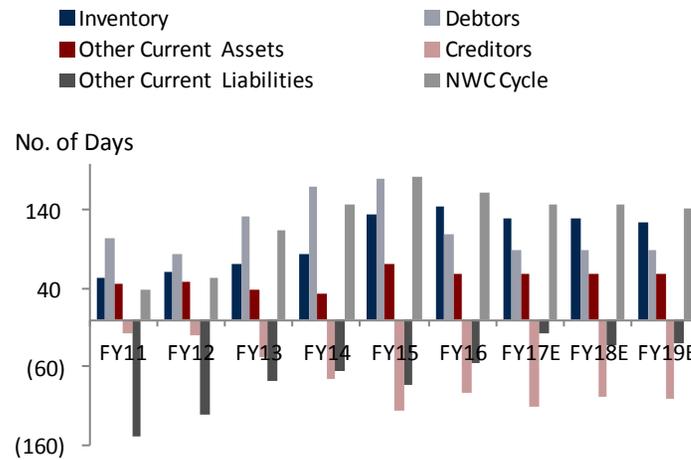
Ease in NWC, coupled with higher profitability, should aid operating cash flow generation

Lower capex needs to aid strong FCFF generation over FY17-19E

Cash flows to be utilised to meet BOT project equity requirement and WC funding. Debt would remain stable

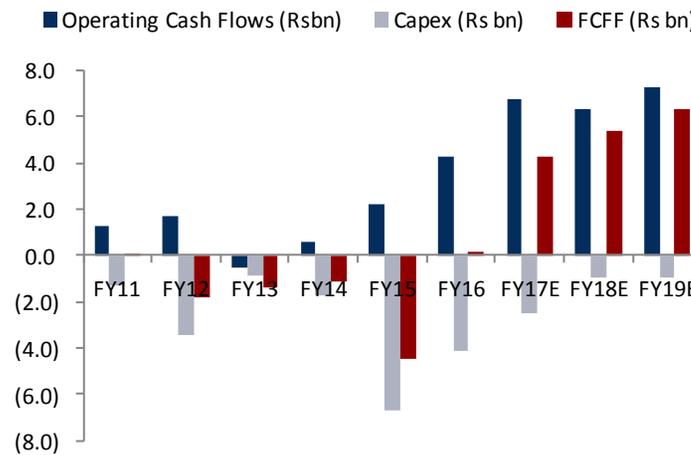
Balance sheet profitability ratios to remain at current levels

NWC Cycle To Improve To ~141 Days By FY19E



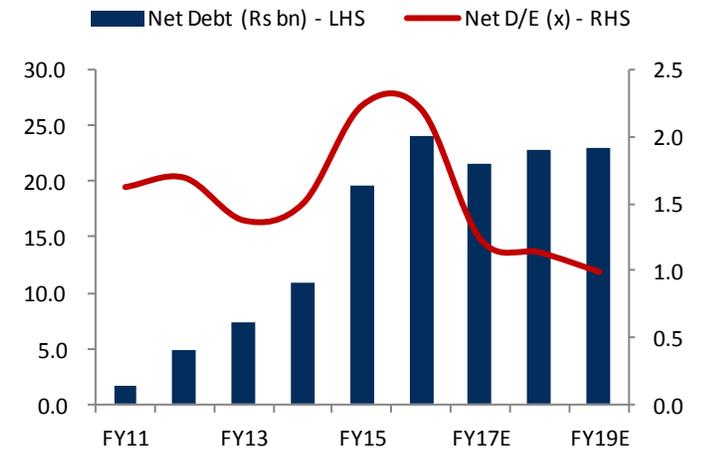
Source: HDFC sec Inst Research, Company

FY17-19E FCFF CAGR Of 21.7%



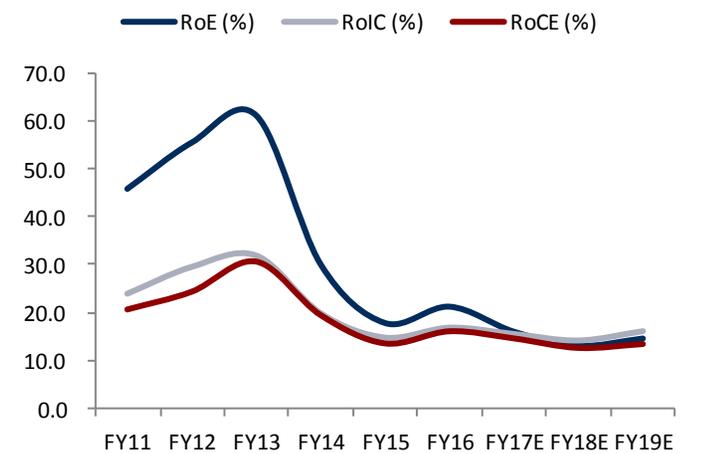
Source: HDFC sec Inst Research, Company

FY19E Net D/E Ratio of 1x



Source: HDFC sec Inst Research, Company

RoE/RoIC/RoCE To Stay At Current Levels



Source: HDFC sec Inst Research, Company

Order book to multiply 1.4x over FY17-19E to Rs 200bn

We estimate annual order inflow run-rate of Rs 80-85bn

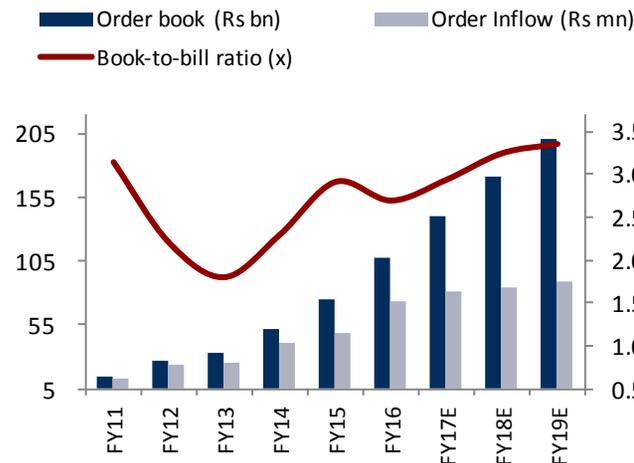
Net revenue CAGR of ~11.8% over FY17-19E

Financial Analysis

Order book to multiply 1.4x over FY17-19E

- We expect DBL's FY17E order backlog of Rs 140bn to multiply 1.4x to Rs 200bn by FY19E. The order book growth would be driven by an annual order inflow run-rate of Rs 80-85bn, largely on account of the government's impetus to roads' construction, urban infra and the mining segment.
- Having addressed the various economic hurdles to roads construction viz. policy interventions, developer funding issues and introduction of viable construction models, we expect NHAI/MORTH road awards to register a ~22.5% CAGR over FY17-19E to 15,000kms.

Order book to multiply 1.5x over FY17-19E

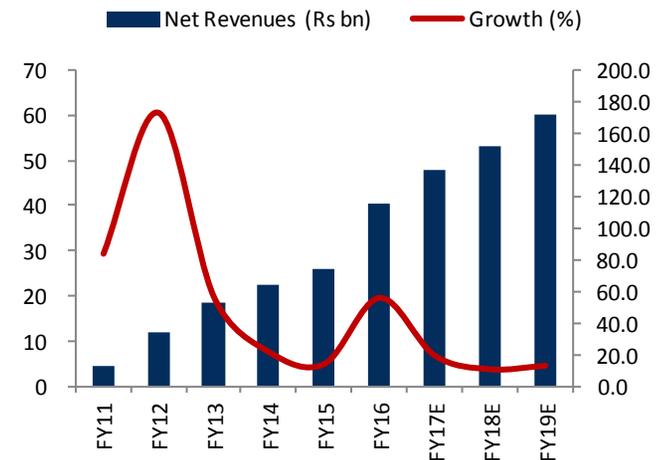


Source: HDFC sec Inst Research, Company

Net revenue CAGR of ~11.8% over FY17-19E

- DBL is expected to clock a net revenue CAGR of 11.8% over FY17-19E on the back of healthy traction in ordering activity from NHAI & state road authorities.
- Robust execution in recently bagged mining contracts (Rs 32.5bn) should also aid execution. DBL's foray into mining is limited to over burden removal and the company expects to clock better EBIDTA margin in this segment.
- We will cautiously watch the outlay in mining as it can be capex intensive with low asset turns.

Net revenue CAGR of 11.8% over FY17-19E



Source: HDFC sec Inst Research, Company

EBITDA CAGR of ~10.3% over FY17-19E

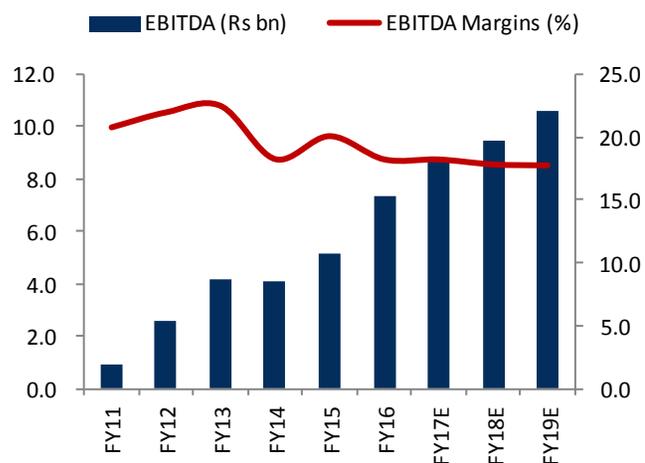
APAT CAGR of ~17.6% over FY17-19E

Quarterly PAT break even at Rs 9bn revenue, assuming EBIDTA margins at 17.9%, Capex and debt at current levels and tax rate of 31%. We have excluded other income/early bonus in our Revenue/PAT sensitivity

EBITDA CAGR of ~10.3% over FY17-19E

- Aided by its self-owned equipment bank, superior in-house execution capabilities and timely early completion bonuses, we expect DBL to continue to maintain a superior EBITDA margins profile compared to industry peers. We expect ~10.3% EBITDA CAGR over FY17-19E, with ~48bps contraction in EBITDA margins.

Expect 10.3% EBITDA CAGR Over FY17-19E



Source: HDFC sec Inst Research, Company

Quarterly PAT break even at Rs 9bn revenue

- We have done revenue and profitability sensitivity, assuming capex and debt will stabilise

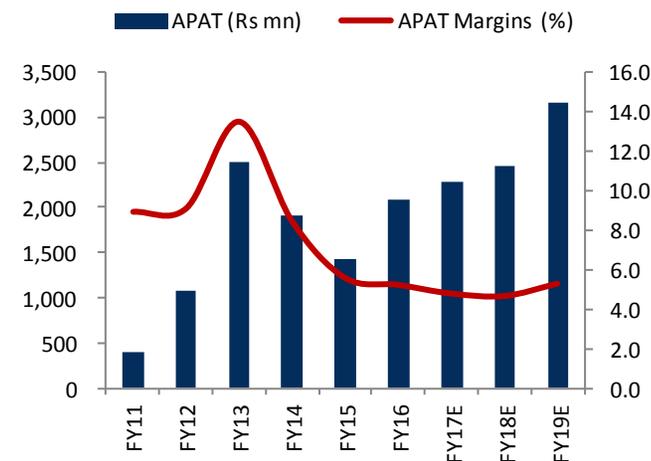
Revenue Growth (Rs mn)	9,000	11,500	14,000	16,500	19,000
PAT (Rs mn)	(7)	322	559	873	1,186
% Change in revenue		27.8	21.7	17.9	15.2
% Change in PAT		-	73.8	56.0	35.9

Source: HDFC sec Inst Research, Company

APAT CAGR of ~17.6% over FY17-19E

- A healthy operating profit level performance, coupled with stable interest costs, and limited increase in debt should aid APAT CAGR of ~17.6% over FY17-19E. Expect ~50bps expansion in APAT margins over FY17-19E.

Expect ~17.6% APAT CAGR Over FY17-19E



Source: HDFC sec Inst Research, Company

at current levels. We have excluded other income. We have assumed a 17.9% average EBIDTA margin, 30% tax rate and excluded other income/early completion bonus.

Total equity invested in 20 BOT projects is Rs 5.4bn and pending equity requirement is Rs 6bn

DBL has invested Rs 3.7bn as equity in 12 operational BOT projects

8 BOT/Annuity/HAM projects are currently under development

We estimate DBL completed projects to be cash profit

Well funded BOT portfolio generating healthy cash flows

- DBL owns a portfolio of 18 BOT projects – 12 completed and 8 under construction. DBL has so far invested Rs 5.4bn in its BOT portfolio with a residual investment of Rs 6bn to be made over the next 2-3 years. A majority of DBL's BOT assets are annuity based, which reduces the traffic risks and ensures fixed annuity payments.
- In FY16, out of the total BOT revenues of Rs 2.4bn, annuity revenue stood at Rs 2.1bn. Assuming a blended EBITDA margin of ~90%, we estimate DBL generated Rs 2.1bn of EBITDA. With an associated BOT debt of Rs 10.5bn and finance cost of Rs 1.3bn, DBL generated Rs 800mn cash profit before tax.

Completed Projects	Type	Length (km)	Awarding authority	Annual annuity (Rs mn)	COD
Betul Sarni Junnardeo- Parasia	Annuity + Toll	124	MPRDC	310	12-May-15
Nadiad-Modasa	Annuity	108	R&BD GoG	349	31-Dec-13
Mundi-Sanawad	Annuity + Toll	68	MPRDC	166	15-May-13
Jaora-Piploda	Annuity	88	MPRDC	241	9-May-14
Silwani-Sultanganj	Annuity+Toll	76	MPRDC	190	25-Mar-13
Bankhlafta-Dogawa	Annuity	65	MPRDC	198	31-Mar-14
Uchera-Nagod	Annuity+Toll	56	MPRDC	169	15-May-14
Sardarpur-Badnawar	Annuity+Toll	43	MPRDC	94	9-Jun-12
Ashoknagar-Vidisha	Annuity+Toll	36	MPRDC	101	26-Jul-14
Sitamau-Suwasara	Annuity+Toll	35	MPRDC	74	28-Mar-13
Mandsaur-Sitamau	Toll	44	MPRDC	300	5-Feb-09
Tilkamgrah(Dhajrai) Jatara-Palera Nowgaon	Annuity+Toll	76	MPRDC	178	26-May-15
Total		819		2,370	

Source: HDFC sec Inst Research, Company

Total equity requirement of 8 under construction projects is pegged at Rs 7.7bn of which DBL has already invested Rs 1.7bn as of Sep-16. Pending equity requirement is Rs 6bn

DBL currently has 8 projects under development

Under-construction projects – Rs 7.7bn equity requirement

- DBL has a portfolio of 8 projects at different stages of development. This comprise of Annuity and Annuity+Toll projects.
- Under the Hybrid Annuity Model of MORTH, DBL has won two projects. The Lucknow-Sultanpur HAM project bid NPV was higher by 6% vs MORTH project cost and Kalmath-Zarap HAM project bid NPV was 27% higher than MORTH project cost
- In comparison with the L2 bidder, Lucknow-Sultanpur, PNC Infra was L2 with bid NPV 5.5% higher than DBL. In Kalmath-Zarap HAM project, Chetak-Eagle JV was L2, with bid NPV 2.6% higher than DBL. This implies a close gap between L1 & L2 bidders.
- The total pending equity requirement of under development assets stands at Rs 6bn.

Project Under Development	Type	Length (km)	Awarding authority	Annual annuity (Rs mn)	Concession period (yrs)
Hata Fatehpur	Annuity + Toll	64.42	MPRDC	140.4	15
Guna-Biora	Toll	93.5	NHAI		26
Patan-Tendukeda-Rehli	Annuity + Toll	86.6	MPRDC	352.8	15
Mundargi-Hadagali-Harpanahalli	Annuity	51.21	KRDCL	354.6	10
Hassan-Ramanathpura-Periyapatna	Annuity	73.69	KRDCL	525.6	10
Hirekerur-Ranibennur	Annuity	55.69	KRDCL	392.4	10
Lucknow - Sultanpur	HAM	123.2	NHAI		17.5
Kalmath-Zarap	HAM	44	MORTH		17

Source: HDFC sec Inst Research, Company

DBL – HAM projects NPV bid higher than peers' average vs project cost

- HAM awards improved significantly towards the end of FY16 and the beginning of FY17.
- So far, NHAI has awarded 1,308kms of roads worth Rs 175bn under the HAM mode. The cumulative NPV was at a 6.4% premium to the total project cost. This implies conservative stance adopted by developers while bidding for HAM projects.
- A comparison of the L1/L2 NPV difference indicates low competition in recently-concluded bidding rounds. On an average, the NPV's for L1 bidder is 8.7% lower than that for the L2 bidders.
- With a robust pipeline of 1,250kms costing Rs 216bn to be awarded in 2HFY17E, we expect the competitive intensity to decrease. DBL NPV bids have been better vs the average of peers.

Initial bidding activity in HAM road projects

Bidder	Project	State	TPC (Rs mn)	NPV (Rs mn)	Diff Vs TPC (%)	Lower Vs L2 (%)
APCO - Chetak JV	Delhi - Meerut Expressway (Dasna to Hapur) - Package III	UP	10,237	10,200	(0.4)	(15.4)
APCO - Chetak JV	Four Laning of Meerut-Bulandshahr section	UP	6,804	7,730	13.6	(11.5)
Welspun Enterprise	Delhi - Meerut Expressway (Dasna to Hapur) - Package I	UP	6,636	7,350	10.8	(43.7)
Sadbhav Infra	4-Laning of Rampur-Kathgodam section of NH-87 - Package 1	UP	6,159	6,968	13.1	(1.3)
Sadbhav Infra	4-Laning of Rampur-Kathgodam section of NH-87 - Package 2	UP	5,714	6,378	11.6	(3.5)
Kalyan Infratech	Kashedi - Parshuram Ghat	MH	5,851	5,346	(8.6)	(1.9)
MEP Infra - San Jose JV	Arawali – Kante	MH	5,943	5,566	(6.4)	(13.2)
MBL Infra	4-Laning of Chutmalpur-Ganeshpur section of NH-72	UP	8,099	8,920	10.1	(7.5)
MEP Infra - San Jose JV	Nagpur Ring Road Pkg-1	MH	4,956	4,839	(2.4)	(5.6)
Agroh	Nagpur Ring Road Pkg-2	MH	5,480	5,804	5.9	(1.3)
MBL Infra	Gagalehri- Saharanpur- Yamunanagar	UP	10,094	11,008	17.3	(1.2)
Sadbhav Infra	4 laning of Bhavnagar-Talaja Section of NH-8E	GJ	8,021	7,870	(1.9)	(3.8)
Sadbhav Infra	4 Laning of Una to Kodinar of NH-8E	GJ	5,589	6,025	7.8	(2.5)
MEPL / San Jose JV	4 LANING OF TALAJA – MAHUVA SECTION OF NH – 8E	GJ	6,132	6,242	1.8	(0.3)
Agro Infra	4 Laning of Kagavadar - Una section of NH-8E	GJ	5,360	5,310	(0.9)	(2.7)
Dilip Buildcon	4 Laning of Lucknow - Sultanpur section of NH-56/NH-731	UP	16,619	17,618	6.0	(5.2)
Dilip Buildcon	4 Laning of Kalmath-Zarap section of NH-66	MH	6,536.6	8,301.9	27.0	(2.5)
MEP Infra	4 laning of Mahuva to Kagavadar of NH-8E	GJ	5,997	5,870	(2.1)	(1.3)
PNC Infra	2/4 Laning of Dausa - Lalsot Kothoon Section of NH-11A	RJ	6,887	7,861	14.1	(0.4)
Ashoka Buildcon	4/6 laning of kharar to ludhiana section of NH-95(new NH-05)	PB	14,726	14,947	1.5	(9.0)
Agro Infra	4 Laning of Kodinar to Veraval Section of NH-8E under NHDP Phase IV	GJ	6,104	5,965	(2.3)	(9.5)
Sadbhav Infra	2 laning of BRT Tiger Reserve Boundary to Bangalore Section of NH-209	KA	7,995	11,546	44.4	(17.1)
Eagle Infra India Ltd	Construction of 4 Lane Laddowal bypass linking NH-95 with NH-1	PB	3,646	3,920	7.5	(9.5)
DRA Infra	Salasar - Nagaur section of NH-65	RJ	5,570	4,825	14.4	3.1
	Total		175,156	186,410	6.4	(8.7)

Source: NHAI, HDFC sec Inst Research

Key Assumptions & Estimates

Key Assumptions	FY17E	FY18E	FY19E	Comments
Closing order book	140,279	171,664	200,416	We expect 19.5% FY17-19E order book CAGR on back of strong NHAI & State EPC roads pipeline. Mining is other key contributor
Order book growth (%)	30.1	22.4	16.7	
New order booking	80,427	84,448	88,671	We expect an average annual order inflow run-rate of Rs 80-85bn over FY17-19E
Book to bill ratio	2.9	3.2	3.3	Book to bill ratio to improve on new orders wins
Total Revenue	47,936	53,062	59,918	Expect 11.8% CAGR over FY17-19E
Growth (%)	19.3	10.7	12.9	
EBIDTA	8,724	9,445	10,617	FY17-19E EBIDTA CAGR of 10.3%
EBIDTA margin (%)	18.2	17.8	17.7	Expect margins to contract ~48bps over FY17-19E
Depreciation	2,211	2,399	2,506	Depreciation is assumed at 10% of average gross block
Financial Charges	4,268	4,186	4,323	Expect finance cost to be stable as debt increase will be limited
Other Income (Including EO Items)	641	700	777	
PBT	2,886	3,561	4,567	FY17-19E PBT CAGR of 25.8%
PBT margin (%)	6.0	6.7	7.6	PBT margins to expand by ~160bps
Tax	606	1,104	1,416	
Tax rate (%)	21.0	31.0	31.0	Tax rate assumed at ~31% for FY18E & FY19E as company loses benefit of MAT credit
APAT	2,280	2,457	3,151	FY17-19E PAT CAGR of 17.6%
Net margin (%)	4.8	4.6	5.3	APAT margins to expand ~50bps over FY17-19E

We expect 19.5% FY17-19E order book CAGR

FY17-19E revenue CAGR 11.8%, EBIDTA CAGR 10.3%

EBIDTA margins to decline 48bps over the FY17-19E period to 17.7%

Finance cost to remain stable

FY17-19E APAT CAGR of 17.6%

APAT margins to expand ~50bps over FY17-19E

NWC cycle to improve as debtor collection improves and strict control exercised on inventory

Expect FCFF CAGR of ~21.7% over FY17-19E

Net cash position doesn't change debt materially

Gross Block Turnover	2.2	2.3	2.5	Improvement on account of new orders inflow
NWC Days	147.1	146.5	141.4	NWC cycle to improve as debtor collection improves and strict control exercised on inventory
Cash flow from operations	6,748	6,368	7,292	Higher profitability coupled with ease in NWC to drive robust cash flow generation
Capex	(2,500)	(1,000)	(1,000)	
Free cash flows	4,248	5,368	6,292	Expect FCFF CAGR of ~21.7% over FY17-19E
Cash flow from investments	(4,359)	(3,300)	(3,223)	BOT investment of Rs 2.5-3bn per annum over FY17-19E
Debt issuance	(2,000)	750	200	Debt to remain stable
Cash flow from financing	(1,956)	(3,436)	(4,123)	
Total change in cash - a+b+c	433	(368)	(53)	

Outlook and valuation

Target Price of Rs 333 implies ~41.0% upside

- Valuation methodology:** We have valued DBL on P/E basis at a 20% discount to peers viz. Sadbhav/Ashoka buildcon. Our justification behind this assumption is (i) high net D/E of 1.5x (ii) large equity requirement of Rs 7.7bn for under-development BOT assets (iii) risks on above-average EBIDTA margins sustenance and (iv) likely delays in BOT asset monetisation timelines.
- A further expansion in multiples is premised on robust execution and stability of debt at current levels of Rs 23-24bn.
- Investments in the roads, mining, irrigation and urban infra sectors would continue to drive stock performance and DBL, with strong credentials, is likely to benefit from the pickup in ordering activity.
- We value the standalone EPC business at Rs 261/share (12x Dec-18E EPS) and BOT assets portfolio at Rs 71/share (at 0.8x P/BV of equity invested end Dec-18E). We arrive at a SOTP-based target price of Rs 331/share.

SOTP Valuation

Particulars	Segments	Value (Rsmn)	Value per share (Rs)	Rationale
Standalone	Core construction business	35,731	261	At 12x Dec-18E EPS
BOT Assets	Roads toll	9,736	71	At 0.8x P/BV(x) of invested equity until Dec-18E
Total		45,467	333	

Source: HDFC sec Inst Research

We value standalone EPC business at Rs 261/share (12x one-year forward Dec-18E EPS)

Our EPC valuation multiple is 20% discount to peers viz. Sadbhav, Ashoka & KNR on account of high net D/E of 1.5x end FY17E

BOT assets at Rs 71/share (at 0.8x P/BV of equity invested until Dec-18E)

Our SOTP target price is Rs 333/share

DB L has been fastest growing company amongst peers with FY11-16 Rev/PAT CAGR of 56/40.1%

Strong emphasis on execution has led to higher than peers EBIDTA margin of 19.9%

Net Working Capital cycle at 163days is inline with Sadbhav, JKIL and NCC

Net D/E is 2.2x worse amongst peer it is expected to improve to 1.5x in FY17E

FCFE is negative

Second higher order book amongst peer

Peer Comparison

Historical Comparison

Particulars	Dilip Buildcon	KNR Constructions	PNC Infratech	Sadbhav Engineering	J Kumar Infraprojects	NCC	ITD Cementation
FY11-16 CAGR (%)							
Net Revenues	56.0	2.2	12.1	7.6	8.2	10.4	16.0
EBITDA	54.7	2.8	15.6	6.5	11.6	8.7	6.4
APAT	40.1	7.2	17.3	3.9	7.2	8.3	38.8
Profitability Ratios (FY16)							
EBITDA Margins (%)	19.9	17.6	13.2	10.2	17.6	8.9	6.2
APAT Margins (%)	5.2	9.9	7.5	4.2	7.3	2.9	1.6
RoE (%)	21.3	13.8	14.6	9.2	9.9	7.4	9.0
RoIC (%)	16.9	33.5	26.7	9.3	15.1	12.3	11.8
RoCE (%)	15.9	12.8	19.8	12.2	14.1	11.4	10.2
Balance Sheet Ratios (x) (FY16)							
Asset Turnover (x)	2.1	2.1	4.7	3.4	1.0	6.6	5.1
Inventory Days	143.6	14.3	42.8	16.1	126.0	85.5	139.7
Debtors Days	110.0	52.3	68.2	109.2	76.6	58.1	40.2
Other Current Asset Days	58.0	177.2	90.4	155.7	86.1	190.5	46.1
Creditors	93.0	45.3	19.2	42.4	29.5	93.1	156.0
Other Current Liability Days	55.5	130.3	45.9	61.5	50.9	83.6	2.8
Net Working Capital Cycle	163.2	68.2	136.3	177.0	208.2	157.3	67.2
Net D/E (x)	2.20	0.14	(0.06)	0.80	0.00	0.49	0.89
Cash Flow Ratios (Rs mn)							
Operating Cash Flows (FY16)	4,265	2,565	1,212	1,639	681	4,880	4,651
CFO/EBITDA (%)	58.3	165.1	45.6	50.4	27.4	66.2	242.8
Free Cash Flow to Firm (FY16)	109	1,924	818	779	128	3,976	4,225
Free Cash Flow to Equity (FY16)	(1,211)	2,005	(2,927)	403	(2,097)	(2,886)	1,204
Operational Metrics							
Order Book (YTDFY17)	135,065	45,791	53,000	93,615	100,831	221,640	57,589
Order Inflow (YTDFY17)	46,825	20,660	13,740	31,280	76,163	89,320	26,460
Order Book / Net Revenues (x)	3.4	5.1	2.6	2.9	7.2	2.7	1.9

Source: HDFC sec Inst Research, Company

Whilst revenue CAGR will slow down, operating leverage will result in 17.6% EPS CAGR over FY17-19E

EBITDA margins highest amongst peers

Net Working Capital cycle at 145days inline with Sadbhav, PNC

Net D/E is 1.1x worse amongst peer

FCFE is muted

Second higher order book amongst peer

Changes vs Peer – Over FY17-19E

Particulars	Dilip Buildcon	KNR Constructions	PNC Infratech	Sadbhav Engineering	J Kumar Infraprojects	NCC	ITD Cementation
FY17-19 CAGR (%)							
Net Revenues	11.8	18.7	20.6	14.5	21.1	9.4	11.6
EBITDA	10.3	17.4	21.4	17.3	18.3	11.4	30.4
APAT	17.6	11.8	13.6	28.7	16.8	22.6	69.0
Profitability Ratios (Avg FY17-19E)							
EBITDA Margins (%)	17.9	14.6	13.1	10.8	16.6	9.2	8.8
APAT Margins (%)	5.1	8.3	6.8	5.2	6.7	2.9	3.4
RoE (%)	15.1	14.6	10.4	11.9	9.7	7.3	18.7
RoIC (%)	16.5	31.6	13.7	11.8	14.7	11.8	17.9
RoCE (%)	13.8	13.7	10.5	14.2	14.4	10.5	16.5
Balance Sheet Ratios (x) (Avg FY17-19E)							
Asset Turnover (x)	2.3	2.5	3.2	3.4	1.1	6.4	4.2
Inventory Days	128.0	20.7	45.0	13.7	140.6	98.7	102.0
Debtors Days	90.0	65.0	88.3	104.8	61.6	70.3	48.3
Other Current Asset Days	58.0	79.1	90.9	129.6	97.8	185.3	42.7
Creditors	104.0	39.2	20.0	45.0	38.2	82.3	128.3
Other Current Liability Days	27.0	96.3	58.7	69.3	62.7	105.3	2.5
Net Working Capital Cycle	145.0	29.2	145.5	133.8	199.0	166.7	62.2
Net D/E (x)	1.10	(0.1)	0.1	0.3	0.3	0.4	0.3
Cash Flow Ratios (Avg FY17-19E)							
Operating Cash Flows (Rs mn)	6,803	1,659	1,133	3,746	1,096	4,440	2,531
CFO/EBITDA (%)	70.9	70.0	36.0	83.5	31.8	49.9	76.9
Free Cash Flow to Firm (Rs mn)	5,303	926	(167)	2,330	(320)	3,274	1,662
Free Cash Flow to Equity (Rs mn)	694	756	913	26	(650)	(1,532)	46
Operational Metrics							
Order Book (FY19E)	200,416	60,938	119,183	122,230	114,389	221,054	77,570
Order Inflow (FY19E)	88,671	35,000	48,708	68,818	30,000	127,144	50,600
Order Book / Net Revenues (x)	3.3	3.7	4.2	2.7	4.7	2.1	1.9

Source: HDFC sec Inst Research, Company

India EPC Valuation Comparable

Company name	Market Cap (Rs bn)	CMP (Rs/sh)	P/E (x)			EV/EBITDA (x)			ROE (%)		
			FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
Ashoka Buildcon	30.5	163	21.9	20.0	18.5	11.9	11.4	10.8	8.0	8.2	8.3
Dilip Buildcon	32.3	236	14.2	13.1	10.2	6.2	5.8	5.2	16.0	13.1	14.6
ITD Cementation	25.3	163	39.8	18.3	13.9	12.8	8.1	7.2	11.8	21.6	22.7
J Kumar Infraprojects	17.6	232	14.9	12.3	11.0	6.6	5.9	5.4	8.8	9.9	10.4
KNR Constructions	25.7	183	22.3	17.9	17.8	13.1	10.5	9.1	14.6	15.5	13.5
NCC India	44.5	80	20.4	15.7	13.6	8.0	7.0	6.4	6.2	7.6	8.2
PNC Infratech	27.0	105	18.7	17.5	14.5	10.7	8.8	7.5	10.1	9.9	11.1
Sadbhav Engineering	46.4	271	29.7	19.2	17.9	15.4	11.6	10.4	9.7	13.2	12.6
Average Peers			22.7	16.8	14.7	10.6	8.6	7.8	10.7	12.4	12.7

Source: HDFC sec Inst Research, Bloomberg

Risks

- Lower-than-expected returns on investment in BOT projects may adversely affect financial results. Hence, there is risk of DBL not able to divest BOT projects at all or at anticipated prices. New alternate routes may compete with its BOT road projects, resulting in traffic leakage and lower valuations.
- DBL has substantial existing debt and may incur sizeable additional debt, which could adversely affect its financial health. Ability to obtain financing in the future, reaction to changes in business and increases in interest rates on borrowings may impact operational/financial performance.
- DBL owns a large fleet of equipment and has a large number of employees, resulting in increased fixed costs. In the event, if DBL is not able to win profitable orders, it may have an adverse impact on operations
- DBL's business is relatively concentrated in the state of Madhya Pradesh and may be affected by various factors associated with the state. Both political and economical.
- DBL may be seriously affected by delays in the collection of receivables and may not be able to recover adequately on claims. There may be delays in the collection of receivables from private clients.
- DBL's contingent liabilities that have not been provided for could adversely affect business, cash flows, financial condition and results of operations.

Company background

- Dilip Buildcon Ltd. (DBL) is one of the leading private sector road – focused EPC contractors in India. Owing a large fleet of 7,345 construction equipments and vehicles, DBL has emerged as one of the best project executors in the country, having successfully completed ~90% projects before time and winning Rs 2.2bn early completion bonus in last four years. As of 30th Sept, 2016 DBL had an order backlog of Rs 136bn (3.4x FY16 net revenues), with ~88% of the order book comprising road projects.
- Apart from roads, DBL has also developed EPC capabilities in bridges & flyovers, irrigation, mining and urban development. These collectively comprise ~12% of its order book.
- DBL also owns a portfolio of 20 BOT project – 12 completed and 8 under-constructions. DBL has so far invested Rs 5.4bn in its BOT portfolio with a residual investment of Rs 6bn to be made over the next 2-3 years.
- Majority of DBL’s BOT assets are annuity based, which reduces the traffic risks and ensures fixed annuity payments. Recently, the company also won its 1st HAM in the state UP for 4 laning of Lucknow – Sultanpur section of NH-56 for an NPV Rs 17.6bn.

DBL Business Snapshot

Segment	Road EPC	In – house Road BOT	Irrigation & Urban Development	BOT Asset Portfolio
FY16 Revenue (%)	84%	2%	8%	6%
Scope of Work	<ul style="list-style-type: none"> ▪ Construction of road contracts awarded by NHAI/State or other developers 	<ul style="list-style-type: none"> ▪ Construction of roads for its captive BOT contracts 	<ul style="list-style-type: none"> ▪ Constructs dams, canals, syphon, remodeling & improvement of canals 	<ul style="list-style-type: none"> ▪ DBL has portfolio of 12 completed and 8 under-construction BOT projects
Growth Drivers	<ul style="list-style-type: none"> ▪ Strong pipeline of orders worth Rs 756 bn to be ordered by March 2017 ▪ Full year expected ordering of 10,000 KM ▪ Land acquisition completed and clearances received for projects to be ordered ▪ Government resolving policy issues such as easier exit and premium rescheduling 		<ul style="list-style-type: none"> ▪ Completed main canal for Sardar Sarovar project ▪ Announced Pradhan Mantri Krishi Sinchayee Yojna, river linking and cleaning 	<ul style="list-style-type: none"> ▪ DBL has invested Rs 5.4 bn in BOT assets till date with Rs 6bn to be invested in 2-3 years

Source: HDFC sec Inst Research, Company

Income Statement (Standalone)

(Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
Net Revenues	25,758	40,176	47,936	53,062	59,918
Growth (%)	14.1	56.0	19.3	10.7	12.9
Material Expenses	19,325	30,170	35,952	40,008	45,226
Employee Expenses	363	713	863	955	1,079
Other Expenses	898	1,978	2,397	2,653	2,996
EBIDTA	5,172	7,315	8,724	9,445	10,617
EBIDTA (%)	20.1	18.2	18.2	17.8	17.7
EBIDTA Growth (%)	25.7	41.4	19.3	8.3	12.4
Depreciation	1,179	1,835	2,211	2,399	2,506
EBIT	3,993	5,480	6,513	7,046	8,112
OI (Incl EO Items+bonus)	543	831	641	700	777
Interest	2,587	3,805	4,268	4,186	4,323
PBT	1,949	2,507	2,886	3,561	4,567
Tax	491	308	606	1,104	1,416
RPAT	1,458	2,199	2,280	2,457	3,151
EO (Loss) / Profit	(29)	(110)	-	-	-
APAT	1,429	2,089	2,280	2,457	3,151
APAT Growth (%)	(24.9)	46.2	9.1	7.8	28.2
Adj. EPS	10.4	15.3	16.7	18.0	23.0
Adj. EPS Growth (%)	(24.9)	46.2	9.1	7.8	28.2

Source: Company, HDFC sec Inst Research

Balance Sheet (Standalone)

(Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
SOURCES OF FUNDS					
Share Capital	1,171	1,171	1,367	1,367	1,367
Reserves	7,558	9,754	16,149	18,607	21,758
Total Shareholders Funds	8,730	10,925	17,517	19,974	23,125
Long Term Debt	5,463	10,232	8,232	8,232	8,232
Short Term Debt	16,407	14,906	14,906	15,656	15,856
Total Debt	21,870	25,138	23,138	23,888	24,088
Deferred Taxes	707	937	937	937	937
TOTAL SOURCES OF FUNDS	31,307	37,000	41,592	44,799	48,150
APPLICATION OF FUNDS					
Net Block	11,890	14,204	14,493	13,094	11,588
Investments	4,252	3,785	6,285	9,285	12,285
Total Non-current Assets	16,142	17,989	20,777	22,379	23,873
Inventories	9,476	15,803	17,073	18,899	20,520
Debtors	12,636	12,103	11,820	13,084	14,775
Cash & Equivalents	2,342	1,059	1,492	1,124	1,071
Loans & Advances	3,761	5,572	6,649	7,360	8,311
Other Current Assets	1,194	812	969	1,073	1,212
Total Current Assets	29,409	35,351	38,003	41,540	45,888
Creditors	8,278	10,232	14,775	14,250	16,727
Other Current Liabilities	5,823	5,893	2,189	4,634	4,635
Short Term Provisions	143	215	225	237	248
Total Current Liabilities & Provns	14,245	16,339	17,189	19,120	21,611
Net Current Assets	15,165	19,012	20,814	22,420	24,277
TOTAL APPLICATION OF FUNDS	31,307	37,000	41,592	44,799	48,150

Source: Company, HDFC sec Inst Research

Cash Flow (Standalone)

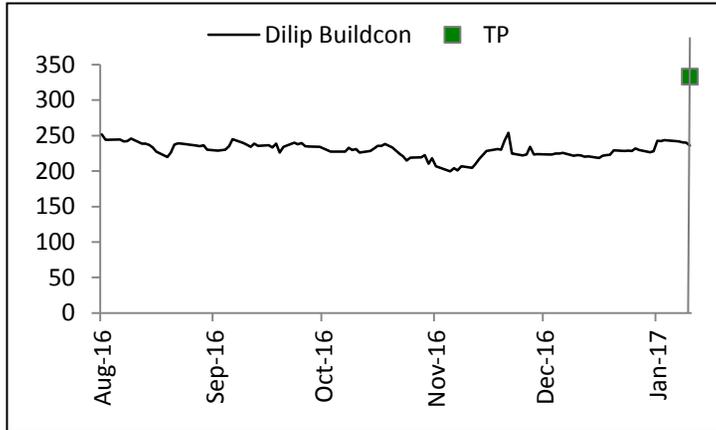
(Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
Reported PBT	1,949	2,507	2,886	3,561	4,567
Non-operating & EO items	29	(37)	(641)	(700)	(777)
Interest expenses	2,587	3,805	4,268	4,186	4,323
Depreciation	1,179	1,835	2,211	2,399	2,506
Working Capital Change	(2,895)	(3,255)	(1,370)	(1,973)	(1,910)
Taxes	(647)	(589)	(606)	(1,104)	(1,416)
OPERATING CASH FLOW (a)	2,203	4,265	6,748	6,368	7,292
Capex	(6,682)	(4,156)	(2,500)	(1,000)	(1,000)
Free cash flow (FCF)	(4,479)	109	4,248	5,368	6,292
Investments	(959)	(109)	(2,500)	(3,000)	(3,000)
Interest received on FDR	31	44	641	700	777
INVESTING CASH FLOW (b)	(7,610)	(4,221)	(4,359)	(3,300)	(3,223)
Share capital Issuance	-	-	4,312	-	-
Debt Issuance	9,654	2,482	(2,000)	750	200
Interest expenses	(2,562)	(3,802)	(4,268)	(4,186)	(4,323)
FCFE	2,613	(1,211)	(2,020)	1,932	2,169
Dividend	(12)	(7)	-	-	-
FINANCING CASH FLOW (c)	7,081	(1,327)	(1,956)	(3,436)	(4,123)
NET CASH FLOW (a+b+c)	1,674	(1,283)	433	(368)	(53)
Closing Cash & Equivalents	2,342	1,059	1,492	1,124	1,071

Source: Company, HDFC sec Inst Research

Key Ratios (Standalone)

	FY15	FY16	FY17E	FY18E	FY19E
PROFITABILITY (%)					
GPM	25.0	24.9	25.0	24.6	24.5
EBITDA Margin	20.1	18.2	18.2	17.8	17.7
EBIT Margin	15.5	13.6	13.6	13.3	13.5
APAT Margin	5.5	5.2	4.8	4.6	5.3
RoE	17.8	21.3	16.0	13.1	14.6
Core RoCE	14.9	16.9	15.6	14.3	16.2
RoCE	13.3	15.9	14.4	12.4	13.2
EFFICIENCY					
Tax Rate (%)	25	12	21	31	31
Asset Turnover (x)	1.7	2.1	2.2	2.3	2.5
Inventory (days)	134.3	143.6	130	130	125
Debtors (days)	179.1	110.0	90	90	90
Loans & Advances (days)	53.3	50.6	51	51	51
Other Current Assets (days)	16.9	7.4	7	7	7
Payables (days)	117.3	93.0	113	98	102
Other Current Liabilities & Provns (days)	84.6	55.5	18	34	30
Cash Conversion Cycle (days)	181.7	163.1	147	146	141
Debt/EBITDA (x)	4.2	3.4	2.7	2.5	2.3
Net D/E	2.2	2.2	1.2	1.1	1.0
Interest Coverage	1.5	1.4	1.5	1.7	1.9
PER SHARE DATA					
EPS (Rs/sh)	10.4	15.3	16.7	18.0	23.0
CEPS (Rs/sh)	19.1	28.7	32.8	35.5	41.4
DPS (Rs/sh)	0.1	0.1	1.0	1.0	1.0
BV (Rs/sh)	63.8	79.9	128.1	146.1	169.1
VALUATION					
P/E	22.6	15.4	14.2	13.1	10.2
P/BV	3.7	3.0	1.8	1.6	1.4
EV/EBITDA	10.0	7.7	6.2	5.8	5.2
EV/Net Revenues	2.0	1.4	1.1	1.0	0.9
OCF/EV (%)	4.3	7.6	12.5	11.6	13.2
FCF/EV (%)	(8.6)	0.2	7.9	9.8	11.4
FCFE/Market Cap (%)	8.1	(3.8)	(6.3)	6.0	6.7
Dividend Yield (%)	0.0	0.0	0.4	0.4	0.4

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
20-Jan-17	236	BUY	333

Rating Definitions

- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

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