



Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR522
Target Price	: INR680
Potential Return	: 30%

3QFY21 RESULT REVIEW

Dilip Buildcon

Steady growth ahead!

Guiding for another INR30-40bn inflows

In 3QFY21, DBL reported revenue of INR24.6bn (Estimate: INR24bn), up 3.6% YoY-better labour availability and more sites at works. In FY20, the company reported revenue of INR89bn, down by 2% annually. The company aims to meet FY20 levels. Currently, all sites are working with labour availability back to normal. Segment wise, however, road, special bridges and tunnels reported INR19.1bn in revenue, down 6% annually. New segments like mining, irrigation and urban infrastructure aided in the residual growth.

Cash flow from operations deteriorates in 3QFY21

At the end of 9MFY21, DBL reported INR2.1bn cash flow from operations, up from INR809mn at the end of 1H. However, the cash flow from operations at the end of 3QFY21 was INR1.3bn, down from INR2.8bn in 2QFY21. This was led by sequential deterioration in collections and increased inventory. The core working capital days have declined to 104 days, as compared to 101 in the previous quarter. Sequentially, the net debt has increased to INR33.3bn, up INR0.6bn. DBL has utilized 85% of its fund-based limits.

Effective tax rate at 34% in FY21

The company does not envisage additional pay-outs towards tax over and above available MAT credit and TDS. The unutilized MAT credit as on 31st December, 2020 at INR2.8bn. The effective tax rate for 9MFY21 is 34%. The company is not opting for concessional tax under section 115BAA, as it will result in higher cash flow due to non-availability of MAT credit.

Diversification strongly visible

DBL has achieved remarkable diversification, both in segment and geography. In March 2016, the road segment was 87% in the total order backlog. At the end of Dec-20, however, the road segment was 44%. Similarly, Madhya Pradesh, as a state, contributed 40% of the works. At the end of Dec-20, the share of Madhya Pradesh is less than 9%.

From over burden removal to mining

In 2016, DBL ventured into coal overburden removal. However, over last year, the company has snapped up Pachwara and Siarmal MDO. In Pachwara, the company expects INR321bn in revenue-over lifetime. That is, Annual revenue of INR5.8bn over 55 years at a peak rated capacity of 7MTPA. Similarly, Siarmal MDO promises INR315bn over lifetime, with INR14.5bn for 25 years, at peak rated capacity of 50MTPA. These two mines put together, can contribute INR20bn in revenue for 25+ years.

Divestment of roads

Over the next two years, DBL expects INR20bn from HAM assets monetization. In FY22, the company expects INR9bn. Additionally, in FY23, the company expects the residual INR11bn. DBL has walked the talk on asset monetization front. Now, after concluding the deal with Shrem group (24 assets) and Cube Highways (5 assets), DBL is in talks with an international investor to seal a 3rd deal (with 7 unsold assets). In the Cube deal concluded, 49% of 5 HAM assets will be held by Cube. For the remaining 51% equity, DBL will fork out INR2.9bn. The final exit of DBL's 51% will happen at 1.4x. In Shrem deal, where 24 assets were sold, INR405mn is the pending amount against 18 constructed assets. The remaining 6 are under-construction.

Valuation and view

Out of the INR261bn order backlog, less than 50% of the order book is constituted by roads-with remarkable diversification in a short span of time. While assuming INR140bn of order inflows over next two years, we anticipate 9%/6%/14% CAGR in revenue, EBITDA and net profit, from FY20-FY23E, respectively. We value the core EPC business at 10x FY23E earnings. We value investments at 1x the invested value. With a revised TP of 680, we maintain BUY.

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Market data	
Sensex	: 51,544
Sector	: Infra
Market Cap (INRbn)	: 71.5
Market Cap (USDbn)	: 0.982
O/S Shares (m)	: 136.8
52-wk HI/LO (INR)	: 547/190
Avg Daily Vol ('000)	: 546
Bloomberg	: DBL IN

Source: Bloomberg

Valuation			
	FY21e	FY22e	FY23e
EPS (INR)	31.8	41.6	48.5
P/E	16.4	12.5	10.8
P/BV	1.8	1.7	1.5
EV/EBITDA	6.0	5.1	4.5
Dividend Yield (%)	0.2	0.2	0.2

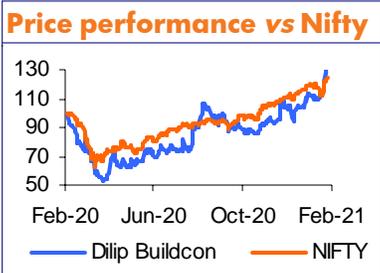
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	21	48	52	37
Relative	17	24	13	10

Source: Bloomberg

Shareholding pattern	
Promoters	: 75%
Public	: 25%
Others	: 0%

Source: Bloomberg



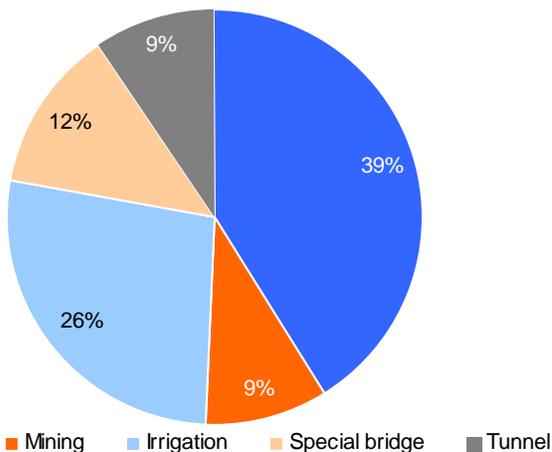
Source: Bloomberg Indexed to 100

Financial highlights

	3QFY21	3QFY20	YoY (%)	2QFY20	QoQ (%)	9MFY21	9MFY20	YoY (%)
Revenues	24,667	23,810	3.6%	19,252	28.1%	62,839	64,783	-3.0%
EBIDTA	4,070	4,201	-3.1%	3,060	33.0%	10,131	11,535	-12.2%
EBIDTA Margins	16.5%	17.6%		15.9%		16.1%	17.8%	
Other Income	59	80	-26.1%	94	-36.9%	238	275	-13.3%
Depreciation	1,000	1,079	-7.4%	1,044	-4.3%	3,110	3,182	-2.3%
Interest	1,449	1,530	-5.3%	1,402	3.4%	4,361	4,652	-6.2%
PBT	1,680	1,672	0.5%	708	137.3%	2,898	3,976	-27.1%
Tax	569	442	28.8%	235	141.9%	977.3	917.1	6.6%
Adjusted PAT	1,111	1,230	-9.7%	473	135.0%	1,920	3,059	-37.2%
Adj. EPS	8.1	9.0	-9.7%	3.5	135.0%	14.0	22.4	-37.2%

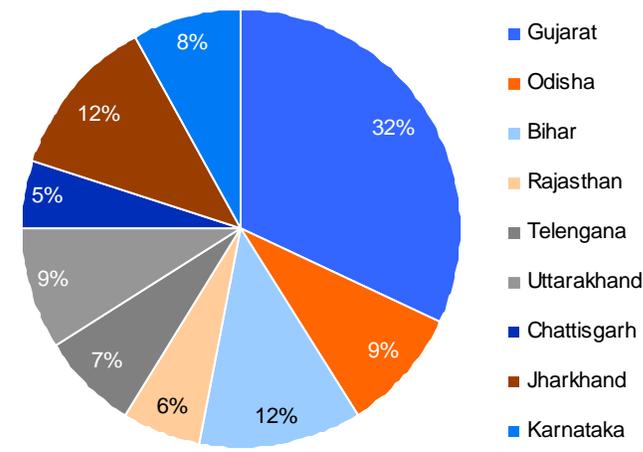
Source: Company, Antique

Order backlog exposure to segments



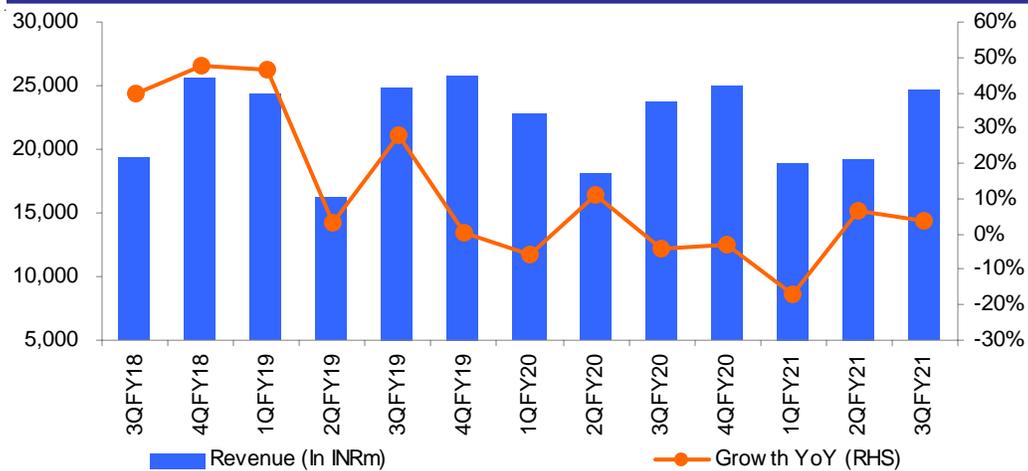
Source: Company, Antique

Geographical contribution to order backlog



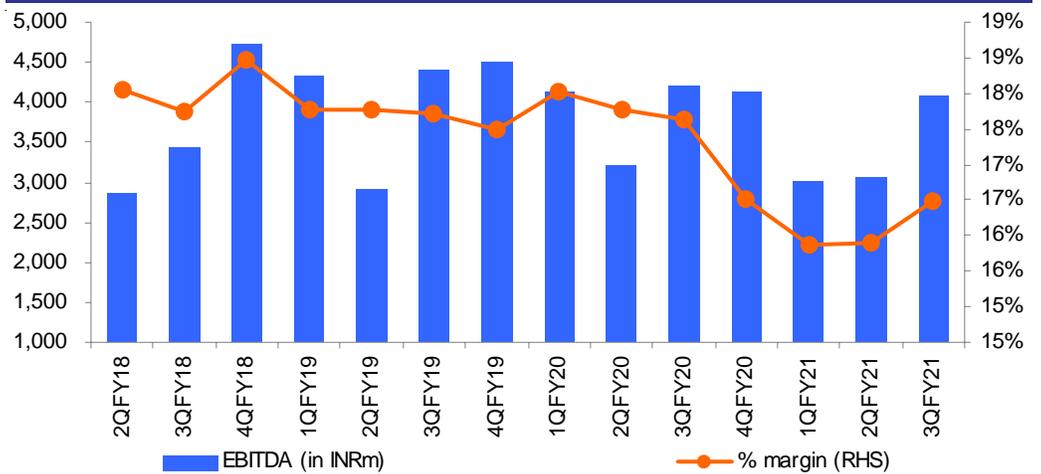
Source: Company, Antique

Revenue and revenue growth trend



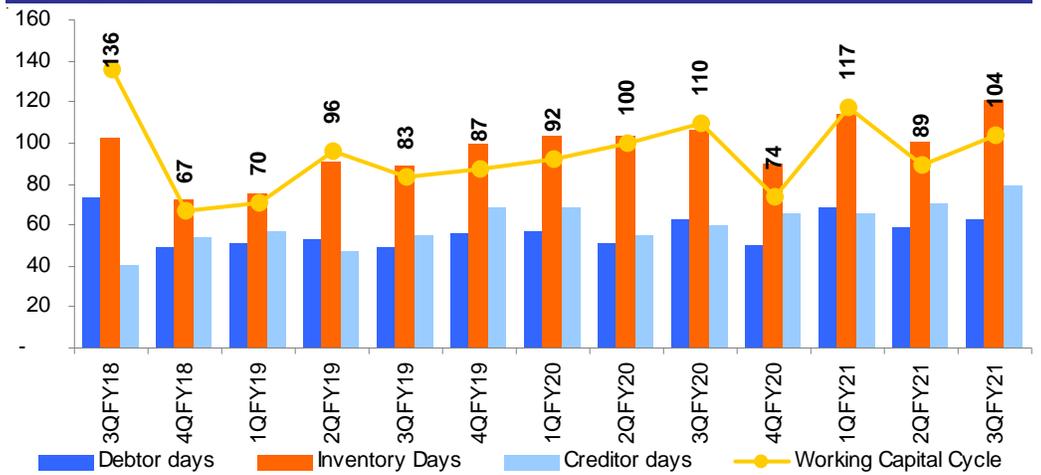
Source: Company, Antique

EBITDA and EBITDA margin trend



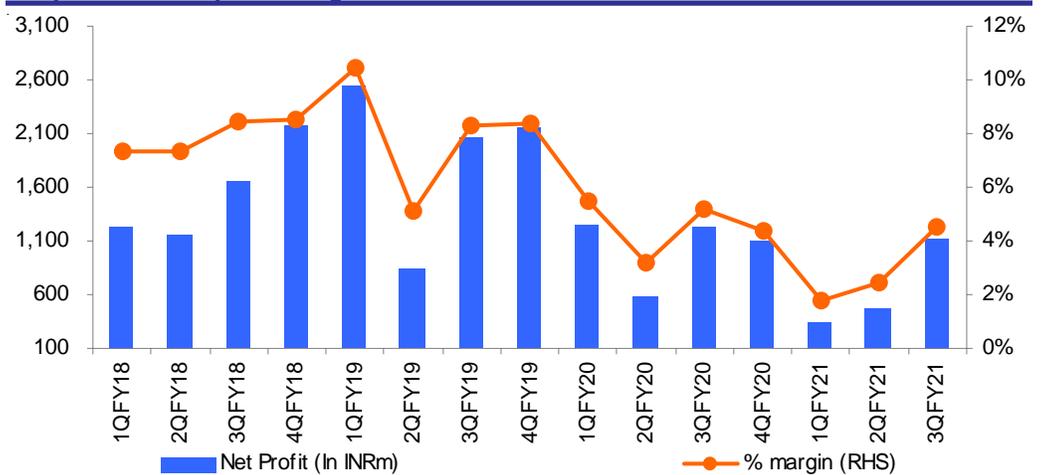
Source: Company, Antique

Working capital days trend



Source: Company, Antique

Net profit and net profit margin trend



Source: Company, Antique

Financials - Standalone

Profit and loss account (INRm)

Year-ended	March 31	FY19	FY20	FY21e	FY22e	FY23e
Net Revenue		91,182	89,838	88,175	1,04,759	1,16,036
Op. Expenses		(75,096)	(74,118)	(74,147)	(88,093)	(97,576)
EBITDA		16,086	15,720	14,027	16,666	18,460
Depreciation		(3,202)	(4,241)	(4,628)	(5,339)	(6,049)
EBIT		12,885	11,479	9,399	11,327	12,411
Other income		464	313	480	504	529
Interest Exp.		(5,299)	(5,776)	(4,067)	(4,223)	(4,074)
Extra Ordinary Items - gain/(loss)		43	89	-	-	-
Reported PBT		8,092	6,105	5,812	7,608	8,866
Tax		(400)	(1,505)	(1,463)	(1,915)	(2,232)
Reported PAT		7,692	4,601	4,349	5,693	6,634
Net Profit		7,692	4,601	4,349	5,693	6,634
Adjusted PAT		7,649	4,511	4,349	5,693	6,634
Adjusted EPS (INR)		55.9	33.0	31.8	41.6	48.5

Balance sheet (INRm)

Year-ended	March 31	FY19	FY20	FY21e	FY22e	FY23e
Share Capital		1,368	1,368	1,368	1,368	1,368
Reserves & Surplus		31,056	34,277	37,321	41,306	45,950
Networth		32,424	35,644	38,689	42,674	47,318
Debt		21,281	18,380	19,580	20,780	17,280
Net deferred Tax liabilities		759	-	759	759	759
Capital Employed		54,464	54,024	59,028	64,213	65,357
Gross Fixed Assets		34,182	34,182	39,866	45,550	51,234
Accumulated Depreciation		13,403	17,644	22,272	27,610	33,659
Net Fixed Assets		20,779	16,538	17,594	17,940	17,575
Investments		5,238	11,444	14,834	18,224	21,614
Non Current Investments		5,238	11,444	14,834	18,224	21,614
Current Investments		12,621	5,072	5,072	5,072	5,072
Current Assets, Loans & Adv.		53,436	62,269	60,253	70,229	73,473
Inventory		25,038	26,309	24,157	28,701	31,790
Debtors		14,093	12,397	20,534	22,961	22,253
Cash & Bank balance		1,888	3,219	1,068	1,348	355
Loans & advances and others		12,417	20,344	14,494	17,220	19,074
Current Liabilities & Prov.		37,652	41,914	38,726	47,253	52,377
Liabilities		37,530	41,792	38,604	47,131	52,256
Provisions		122	122	122	122	122
Net Current Assets		15,784	20,355	21,527	22,977	21,096
Miscellaneous expenses		42	614			
Application of Funds		54,464	54,024	59,028	64,213	65,357

Per share data

Year-ended	March 31	FY19	FY20	FY21e	FY22e	FY23e
No. of shares (m)		137	137	137	137	137
Diluted no. of shares (m)		137	137	137	137	137
BVPS (INR)		237.1	260.6	282.9	312.0	346.0
CEPS (INR)		79.7	64.6	65.6	80.7	92.7
DPS (INR)		1.0	1.0	1.0	1.0	1.0

Source: Company, Antique

Cash flow statement (INRm)

Year-ended	March 31	FY19	FY20	FY21e	FY22e	FY23e
PBT		8,092	6,105	5,812	7,608	8,866
Depreciation & amortisation		3,202	4,241	4,628	5,339	6,049
Interest expense		5,299	5,776	4,067	4,223	4,074
(Inc)/Dec in working capital		7,331	(3,240)	(3,323)	(1,170)	889
Tax paid		(400)	(2,264)	(704)	(1,915)	(2,232)
Less: Interest/Div. Income Recd.		(464)	(313)	(480)	(504)	(529)
Other operating Cash Flow		43	89	-	-	-
CF from operating activities		23,103	10,395	10,001	13,581	17,117
Capital expenditure		(5,684)	-	(5,684)	(5,684)	(5,684)
Inc/(Dec) in invest./other LT assets		(10,372)	1,342	(3,390)	(3,390)	(3,390)
Add: Interest/Div. Income Recd.		464	313	480	504	529
CF from investing activities		(15,592)	1,655	(8,594)	(8,570)	(8,545)
Inc/(Dec) in debt		(1,853)	(2,901)	1,200	1,200	(3,500)
Interest/Dividend Paid		(5,299)	(5,776)	(4,067)	(4,223)	(4,074)
Others		-	(1,380)	(1,305)	(1,708)	(1,990)
CF from financing activities		(7,151)	(10,057)	(4,172)	(4,731)	(9,564)
Net cash flow		360	1,993	(2,765)	279	(992)
Opening balance		1,613	1,973	3,966	1,201	1,480
Closing balance		1,973	3,966	1,201	1,480	487

Growth indicators (%)

Year-ended	March 31	FY19	FY20	FY21e	FY22e	FY23e
Revenue(%)		17.7	(1.5)	(1.9)	18.8	10.8
EBITDA(%)		14.7	(2.3)	(10.8)	18.8	10.8
Adj PAT(%)		20.4	(41.0)	(3.6)	30.9	16.5
Adj EPS(%)		20.4	(41.0)	(3.6)	30.9	16.5

Valuation (x)

Year-ended	March 31	FY19	FY20	FY21e	FY22e	FY23e
P/E		9.3	15.8	16.4	12.5	10.8
P/BV		2.2	2.0	1.8	1.7	1.5
EV/EBITDA		4.9	5.2	6.0	5.1	4.5
EV/Sales		0.9	0.9	1.0	0.8	0.7
Dividend Yield (%)		0.2	0.2	0.2	0.2	0.2

Financial ratios

Year-ended	March 31	FY19	FY20	FY21e	FY22e	FY23e
RoE (%)		26.8	13.3	11.7	14.0	14.7
RoCE (%)		25.9	21.7	17.5	19.2	20.0
Asset/T.O (x)		2.9	2.6	2.4	2.5	2.4
Net Debt/Equity (x)		0.2	0.3	0.3	0.3	0.3
EBIT/Interest (x)		2.5	2.0	2.4	2.8	3.2

Margins (%)

Year-ended	March 31	FY19	FY20	FY21e	FY22e	FY23e
EBITDA Margin(%)		17.6	17.5	15.9	15.9	15.9
EBIT Margin(%)		14.1	12.8	10.7	10.8	10.7
PAT Margin(%)		8.3	5.0	4.9	5.4	5.7

Source: Company Antique