

Accumulate

View: Stable quarter, fair valuation; maintain Accumulate

- DBL reported results broadly in line with estimates.
- DBL posted 3.6%/ -3.1%/ -9.7% YoY growth in revenue/ EBITDA/ Adj. PAT to Rs24.7 bn/ Rs4.1 bn/ Rs1.1 bn in Q3FY21.
- We maintain our revenue and EBITDA margin estimates for FY21E factoring 9MFY21 results. However, we factor lower depreciation thus accordingly upgrade APAT estimates by 17.4% for FY21E. We broadly maintain our FY22E/ FY23E estimates. We factor higher debt of Rs36.1 bn in FY21E vs. Rs32.6 bn in FY20 and expect it to reduce to Rs32.7 bn/ Rs31.5 bn in FY22E/ FY23E. We expect DBL's revenue/ Adj. APT to grow at CAGR of 6.6%/ 9.4% over FY20-23E.
- Though DBL has received robust order inflows in YTD FY21 and order book at a healthy position, the stock has increased ~50% since our result update dated 6 Nov'20 thus leaving limited room for upside. Thus, we maintain Accumulate with an upward revised SOTP of Rs569 (10x FY23E EPS + 1x FY22E PB for equity investment in HAM).

Order book at 3x TTM revenue

DBL's order inflow stood at Rs67.3 bn/ Rs130.4 bn (Rs66.1 bn is more than 4 years' execution period) for FY20/ YTD FY21 and order book at Rs261.4 bn (3x TTM revenue). We increase our order inflow estimates from Rs146.3 bn to Rs180.4 bn for FY21E and Rs120 bn/ Rs120 bn in FY22E/ FY23E.

Asset monetization – deal with Cube Highways

DBL entered into agreement with Cube Highways for sale of 5 under construction HAM projects on 31st Aug'19 for valuation of 1.41x on DBL's investment of Rs4.09 bn. DBL will invest 51% of the equity (Rs2.9 bn) and balance Rs2.78 will be invested by Cube. DBL also expects deal of balance 7 HAM projects in FY21E.

Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	24,667	23,810	3.6	19,252	28.1
Total Expense	20,598	19,610	5.0	16,192	27.2
EBITDA	4,069	4,201	(3.1)	3,060	33.0
Depreciation	1,000	1,079	(7.4)	1,044	(4.3)
EBIT	3,070	3,122	(1.7)	2,016	52.3
Other Income	59	80	(26.1)	94	(36.9)
Interest	1,449	1,530	(5.3)	1,402	3.4
EBT	1,680	1,712	(1.9)	708	137.3
Tax	569	442	28.8	235	141.9
RPAT	1,111	1,270	(12.5)	473	135.0
APAT	1,111	1,230	(9.7)	473	135.0
			(bps)		(bps)
Gross Margin (%)	20.8	23.8	(305)	21.7	(88)
EBITDA Margin (%)	16.5	17.6	(115)	15.9	60
NPM (%)	4.5	5.2	(66)	2.5	205
Tax Rate (%)	33.9	25.8	806	33.2	65
EBIT Margin (%)	12.4	13.1	(67)	10.5	197

CMP	Rs 523
Target / Upside	Rs 569 / 9%
NIFTY	15,163

Scrip Details

Equity / FV	Rs 1,368mn / Rs 10
Market Cap	Rs 72bn
	USD 986mn
52-week High/Low	Rs 547/ 190
Avg. Volume (no)	3,47,336
Bloom Code	DBL IN

Price Performance	1M	3M	12M
Absolute (%)	23	48	38
Rel to NIFTY (%)	19	30	13

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	75.0	75.0	75.0
MF/Banks/FIs	6.8	7.2	7.1
FIIIs	8.7	8.8	8.8
Public / Others	9.5	9.0	9.0

Valuation (x)

	FY21E	FY22E	FY23E
P/E	23.4	18.1	13.1
EV/EBITDA	7.3	6.3	5.7
ROE (%)	8.2	9.7	12.0
RoACE (%)	12.6	13.1	14.5

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	90,154	99,515	1,08,873
EBITDA	14,542	16,121	17,855
PAT	3,060	3,950	5,453
EPS (Rs.)	22.4	28.9	39.9

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Exhibit 1: Actual V/s DART estimates (Rs mn)

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	24,667	25,657	(3.9)	Broadly in line
EBITDA (Rs mn)	4,069	4,106	(0.9)	-
EBITDA%	16.5	16.0	49	Broadly in line
PAT (Rs mn)	1,111	1,062	4.5	Broadly in line

Source: Company, DART

Exhibit 2: Change in estimates – Upgrade FY21E but broadly maintain FY22E/ FY23E estimates

(Rs mn)	FY21E			FY22E			FY23E		
	New	Old	% change	New	Old	% change	New	Old	%change
Net revenues	90,154	88,472	1.9	99,515	97,320	2.3	1,08,873	1,05,636	3.1
EBIDTA	14,542	14,156	2.7	16,121	15,960	1.0	17,855	17,430	2.4
EBIDTA margin (%)	16.1	16.0	13	16.2	16.4	(20)	16.4	16.5	(10)
Adj. Net Profit	3,060	2,607	17.4	3,950	3,838	2.9	5,453	5,162	5.6
EPS (Rs)	22.4	19.1	17.4	28.9	28.1	2.9	39.9	37.7	5.6

Source: DART, Company

Key earnings takeaways

- MORTH has awarded 7,597 kms till Jan'21 with a target to cross 10,000 kms by end of FY21. Under the Bharatmala Pariyojana, 13,000+ kms worth Rs3.3 tn has already been awarded and there is plan to award 8,500 kms by FY22. NHAH has set a target to build 60,000 kms of highway in the next 5 years.
- DBL has bid for Rs200 bn worth of road projects (Rs60 bn EPC and Rs150 bn HAM). Bid pipeline is of Rs1 tn (Rs600 bn HAM and Rs400 bn EPC). Expect additional order inflow of Rs50-70 bn in Q4FY21E. Lot of road projects getting completed thus machines will be free. No MDO projects in bid pipeline as of now for FY21E, will see in FY22E as bidding process takes 4-5 months.
- Guided for flat revenue growth for FY21E and 15-20% for FY22E. DBL plans to grow its revenue 15-20% each year and double its revenue in 4 years. Expect marginally lower EBITDA margins of 16-17% as exposure of other segments increasing which don't have any early completion bonus.
- DBL is diversifying to long term contracts and won 2 mining orders where they expect Rs20 bn revenue each year for the next 25 years. DBL's strategy is to secure long term contracts with stable revenues where no bidding is required each year and no need to move its equipments in every 2-3 years.
- Divestment from 12 HAM projects will give them Rs9 bn/ Rs11 bn in FY22E/ FY23E. Rs2.66 bn equity is already invested for 12 HAM and expect Rs1.66 bn/ Rs3.67 bn in Q4FY21E/ FY22E.
- Siarmal Open cast mining – Expect revenue to commence after 2 years. Equity infusion of Rs4 bn for 4 years. Total capex will be Rs13 bn (Rs9 bn capex + Rs4 bn coal handling plant). This capex will be done between 2nd to 6th year and major capex will be done post 6th year.
- Pachwara Mining project – This is a running mine and very less capex is required for the same. Rs400-500 mn equity is infused and expect Rs5.5-6 bn revenue per year for next 55 years.
- Received 2 mobilization advance for RVNL projects. No payment issues as Union Budget has specifically allotted budget to this project.

- Effective tax rate guidance of 33-35% for FY21E. Unutilized MAT credit stands at Rs2.8 bn as on Dec'20. DBL is not opting for concessional rate of tax u/s 115BAA as it will result into higher cash outflow due to non-allowability of MAT credit.
- Debt stood at Rs36.8 bn. Interest rate stands at 9.5-10%, down by 100bps. Capex for 9MFY21 was Rs1.6 bn and expect Rs2 bn/ Rs500mn- Rs1 bn for FY21E/ FY22E. Expect Net D:E of 0.3-0.5x in next 3 years.
- Mobilization advance/ Retention money/ Unbilled revenue stood at Rs12 bn/ Rs 7.0 bn/ Rs5 bn. Can expect additional mobilization advance of Rs1.5 bn in Q4FY21E. Total Fund and Non Fund based limits stands at Rs90 bn.
- Equity requirement for 17 HAM projects is Rs20.84 bn and Rs7.01 bn to be received for Cube deal, net requirement Rs13.83 bn. Rs3.9 bn/ Rs6.95 bn/ Rs1.63 bn already invested in FY19/ FY20/ 9MFY21 and expect Rs2.7 bn/ (Rs990 mn)/ Rs2.06 bn/ (Rs2.4 bn) in Q4FY21E/ FY22E/ FY23E/ FY24E.
- Shrem Deal update – Only Rs800 mn is remaining and expect the deal to close in Q4FY21E. 49% will be transferred before Mar'21 and 51% will take another 1-2 months.

We have not valued DBL's equity investment in 24 BOT projects, which it signed an agreement in Aug'17 to sell 100% to Shrem Group for Rs16 bn (Rs13.7 bn received upto FY20, Rs206 mn in H1FY21 and Rs0.8 bn in Q4FY21E and balance savings). We have assumed Rs87.1 bn (Rs35 bn additional in Q4FY21E)/ Rs36 bn/ Rs36 bn as HAM projects order inflow in FY21E/ FY22E/ FY23E. We assumed 10% equity requirement for the same and 50% of it to be infused in FY22E/ FY23E for HAM order inflow in FY21E/ FY22E. We have also factored Rs18.1 bn (Rs3.9 bn/ Rs6.9 bn/ Rs3.0 bn/ Rs3.0 bn/ Rs1.2 bn in FY19/ FY20/ FY21E/ FY22E/ FY23E) equity investment for 17 HAM projects won in Q4FY18, Q1FY19, Q4FY20 and Q2FY21. Accordingly, we have valued its equity investments (Rs23.4 bn) in HAM projects at 1x FY23E book value.

Exhibit 3: Income statement (Standalone)

Particulars (Rs mn)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	9MFY21	9MFY20	YoY (%)
Revenue	24,667	23,810	3.6	19,252	28.1	62,839	64,841	(3.1)
(Inc)/dec in stocks & WIP	(9)	1,026	-	184	-	299	1,437	(79.2)
Material consumed	19,553	17,114	14.3	14,900	31.2	49,397	48,665	1.5
Employees cost	523	531	(1.4)	481	8.7	1,492	1,458	2.3
Other expenditure	530	939	(43.5)	627	(15.4)	1,521	1,687	(9.9)
Total expenditure	20,598	19,610	5.0	16,192	27.2	52,709	53,247	(1.0)
EBITDA	4,069	4,201	(3.1)	3,060	33.0	10,131	11,594	(12.6)
Depreciation	1,000	1,079	(7.4)	1,044	(4.3)	3,110	3,182	(2.3)
Operating profit	3,070	3,122	(1.7)	2,016	52.3	7,021	8,411	(16.5)
Other income	59	80	(26.1)	94	(36.9)	238	217	9.8
EBIT	3,129	3,202	(2.3)	2,110	48.3	7,259	8,628	(15.9)
Interest	1,449	1,530	(5.3)	1,402	3.4	4,362	4,652	(6.2)
Exceptional item	-	40	(100.0)	-	-	-	40	-
EBT	1,680	1,712	(1.9)	708	137.3	2,897	4,016	(27.8)
Tax	569	442	28.8	235	141.9	977	917	(6.2)
Net income	1,111	1,270	(12.5)	473	135.0	1,920	3,099	(38.0)
Adjustments	-	(40)	-	-	-	-	(40)	-
Adjusted net income	1,111	1,230	(9.7)	473	135.0	1,920	3,059	(37.2)
EPS (Rs)	8.1	9.0	(9.7)	3.5	135.0	14.0	22.4	(37.2)
			bps		bps			bps
EBIDTA Margin (Excl. O.I.)	16.5	17.6	(115)	15.9	60	16.1	17.9	(176)
EBIDTA Margin (Incl. O.I.)	16.7	18.0	(124)	16.4	36	16.5	18.2	(171)
NPM (%)	4.5	5.1	(66)	2.4	205	3.0	4.7	(166)
Tax/PBT (%)	33.9	25.8	806	33.2	65	33.7	22.8	1,089
Material cons/Revenue (%)	79.2	76.2	305	78.3	88	79.1	77.3	181

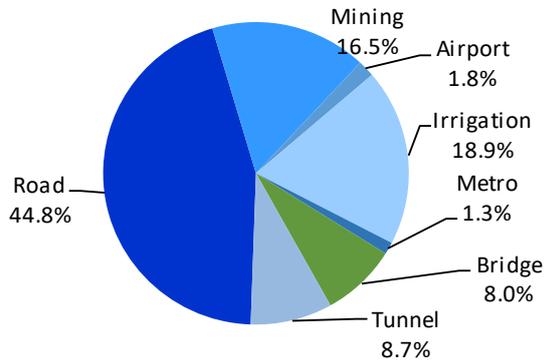
Source: DART, Company

Exhibit 4: SOTP Valuation

Component	Valuation Method	Rs/sh	%
Standalone cons business	10x FY23E EPS	398.7	70.0
Road BOTs	1x FY23E P/B	170.7	30.0
Total		569.4	100.0
CMP		523.2	
Potential upside (%)		8.8	

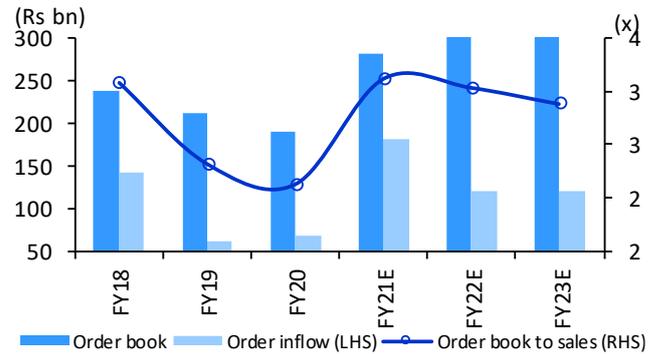
Source: DART, Company

Exhibit 5: Order book (Rs261.4 bn) break-up



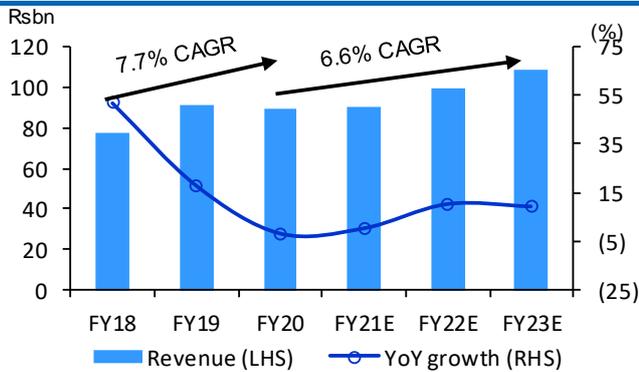
Source: Company, DART

Exhibit 6: Order book trend



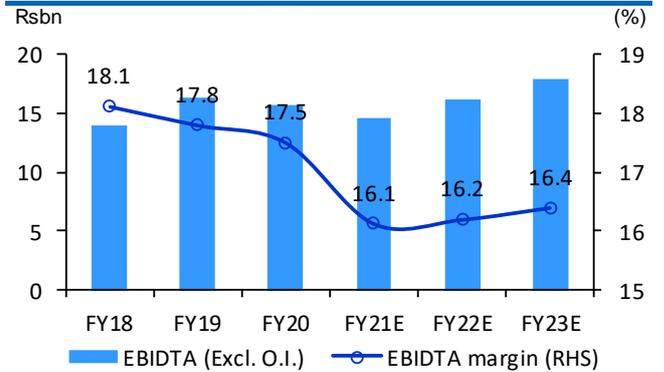
Source: Company, DART

Exhibit 7: Revenue CAGR of 6.6% over FY20-23E



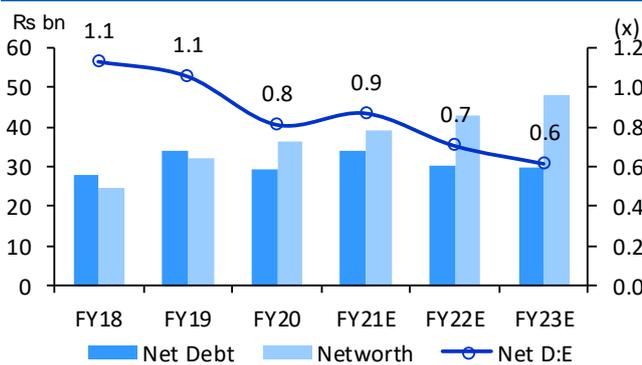
Source: Company, DART

Exhibit 8: EBITDA Margin trend



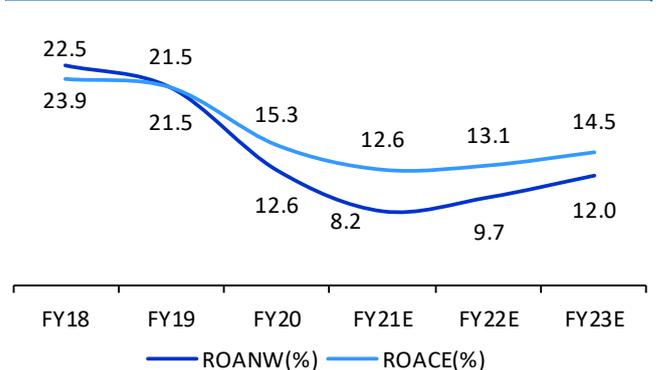
Source: Company, DART

Exhibit 9: Reduction in Net D:E



Source: Company, DART

Exhibit 10: Return Ratio Trend



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	89,838	90,154	99,515	1,08,873
Total Expense	74,118	75,612	83,394	91,017
COGS	70,132	71,357	78,617	85,792
Employees Cost	1,958	2,092	2,388	2,613
Other expenses	2,029	2,164	2,388	2,613
EBIDTA	15,720	14,542	16,121	17,855
Depreciation	4,241	4,218	4,641	5,006
EBIT	11,479	10,324	11,480	12,849
Interest	6,127	6,000	5,900	5,800
Other Income	313	313	316	319
Exc. / E.O. items	89	0	0	0
EBT	5,754	4,637	5,896	7,368
Tax	1,505	1,576	1,946	1,916
RPAT	4,250	3,060	3,950	5,453
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	4,160	3,060	3,950	5,453

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	1,368	1,368	1,368	1,368
Minority Interest	0	0	0	0
Reserves & Surplus	34,692	37,588	41,373	46,661
Net Worth	36,060	38,955	42,741	48,029
Total Debt	32,562	36,105	32,745	31,548
Net Deferred Tax Liability	0	0	0	0
Total Capital Employed	68,622	75,061	75,486	79,577

Applications of Funds

Net Block	20,276	18,357	16,216	13,710
CWIP	43	0	0	0
Investments	11,444	11,444	14,165	18,929
Current Assets, Loans & Advances	80,009	82,685	90,377	97,524
Inventories	26,309	29,111	31,690	34,587
Receivables	12,397	14,875	15,922	17,420
Cash and Bank Balances	3,219	2,165	2,513	1,910
Loans and Advances	5,880	6,049	6,671	7,281
Other Current Assets	32,204	30,484	33,580	36,327
Less: Current Liabilities & Provisions	43,149	37,426	45,272	50,586
Payables	16,389	18,903	20,014	21,844
Other Current Liabilities	26,761	18,523	25,257	28,742
		<i>sub total</i>		
Net Current Assets	36,859	45,259	45,105	46,938
Total Assets	68,622	75,061	75,486	79,577

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	21.9	20.9	21.0	21.2
EBIDTA Margin	17.5	16.1	16.2	16.4
EBIT Margin	12.8	11.5	11.5	11.8
Tax rate	26.1	34.0	33.0	26.0
Net Profit Margin	4.6	3.4	4.0	5.0
(B) As Percentage of Net Sales (%)				
COGS	78.1	79.2	79.0	78.8
Employee	2.2	2.3	2.4	2.4
Other	2.3	2.4	2.4	2.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.9	0.9	0.8	0.7
Interest Coverage	1.9	1.7	1.9	2.2
Inventory days	107	118	116	116
Debtors days	50	60	58	58
Average Cost of Debt	17.9	17.5	17.1	18.0
Payable days	67	77	73	73
Working Capital days	150	183	165	157
FA T/O	4.4	4.9	6.1	7.9
(D) Measures of Investment				
AEPS (Rs)	30.4	22.4	28.9	39.9
CEPS (Rs)	61.4	53.2	62.8	76.5
DPS (Rs)	1.2	1.2	1.2	1.2
Dividend Payout (%)	4.0	5.4	4.2	3.0
BVPS (Rs)	263.7	284.8	312.5	351.2
RoANW (%)	12.6	8.2	9.7	12.0
RoACE (%)	15.3	12.6	13.1	14.5
RoAIC (%)	15.9	13.1	13.5	14.9
(E) Valuation Ratios				
CMP (Rs)	523	523	523	523
P/E	17.2	23.4	18.1	13.1
Mcap (Rs Mn)	71,558	71,558	71,558	71,558
MCap/ Sales	0.8	0.8	0.7	0.7
EV	1,00,901	1,05,498	1,01,790	1,01,197
EV/Sales	1.1	1.2	1.0	0.9
EV/EBITDA	6.4	7.3	6.3	5.7
P/BV	2.0	1.8	1.7	1.5
Dividend Yield (%)	0.2	0.2	0.2	0.2
(F) Growth Rate (%)				
Revenue	(1.7)	0.4	10.4	9.4
EBITDA	(3.3)	(7.5)	10.9	10.8
EBIT	(12.1)	(10.1)	11.2	11.9
PBT	(28.5)	(19.4)	27.2	25.0
APAT	(27.4)	(26.4)	29.1	38.0
EPS	(27.4)	(26.4)	29.1	38.0

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	18,529	3,724	15,300	14,113
CFI	(7,709)	(2,156)	(5,527)	(7,555)
CFE	(9,489)	(2,622)	(9,425)	(7,161)
FCFF	15,422	1,424	12,800	11,613
Opening Cash	1,888	3,219	2,165	2,513
Closing Cash	3,219	2,165	2,513	1,910

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Mar-20	Buy	335	222
Mar-20	Buy	335	211
May-20	Accumulate	275	260
Aug-20	Accumulate	403	351
Nov-20	Accumulate	410	347

*Price as on recommendation date

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Analyst(s) Certification

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