



India

HOLD (previously ADD)

Consensus ratings*:	Buy 4	Hold 2	Sell 0
Current price:	Rs388		
Target price:	Rs400 ▲		
Previous target:	Rs350		
Up/downside:	3.1%		
InCred Research / Consensus:	-7.3%		
Reuters:	DIBL.NS		
Bloomberg:	DBL IN		
Market cap:	US\$684m		
	Rs56,746m		
Average daily turnover:	US\$6.0m		
	Rs496.3m		
Current shares o/s:	136.8m		
Free float:	29.9%		
*Source: Bloomberg			

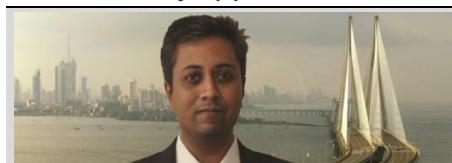
Key changes in this note

- Reduce our FY24F/25F EBITDA by 4%/ 7% respectively.
- Introduce FY26F estimates.
- Roll forward our target price to Mar 2025F.



Price performance	1M	3M	12M
Absolute (%)	(5.3)	3.3	80.8
Relative (%)	(3.3)	(5.6)	53.8

Major shareholders	% held
Promoter & Promoter Group	70.2
HDFC Trustee Company Ltd	5.9
LIC of India	3.0

Research Analyst(s)**Rajarshi MAITRA**

T (91) 22 4161 1546

E rajarshi.maitra@incredresearch.com

Parth THAKKAR

T (022) 22 4161 1566

E parth.thakkar@incredresearch.com

Dilip Buildcon Ltd**Weak order book; limited upside**

- Standalone 3QFY24 sales rose by 8% yoy and EBITDA rose by 28% yoy. The EBITDA margin (12.4%) was slightly below DBL's guidance (13-14%).
- The order book or OB-to-sales ratio stood at 2.1x and we expect it to decline to 1.8x in Mar 2024F. We forecast flat EPC sales over FY24F-26F.
- We roll forward our target price to Mar 2025F. We downgrade our rating on DBL to HOLD (from ADD earlier) after a 85% rise in CMP in the last one year.

Steady 3QFY24 results in line with our expectations

Standalone 3QFY24 sales (Rs25.7bn) of Dilip Buildcon or DBL rose by 8% yoy and EBITDA (Rs3.2bn) rose by 28% yoy. The EBITDA margin (12.4%) was slightly below DBL's guidance (13-14%). While yoy sales growth in 9MFY24 was 5%, DBL gave guidance of a 5-8% yoy revenue growth for FY24F.

Muted OB-to-sales; starting construction for entire OB is key

The order book or OB-to-sales ratio declined from 2.7x (Dec 2022) to 2.1x (Dec 2023) and we estimate 1.8x OB-to-sales ratio in Mar 2024F. 34% of the OB of Rs218bn comprise HAM projects. Thus, DBL must fund 20% of the OB (Rs9.9bn equity). Also, DBL will have to infuse another Rs4.3bn equity in its Siarmal coal project. Roads, bridges & tunnels/irrigation/ mining sectors accounted for 43%/ 33%/ 19% of DBL's OB, respectively. Orders won in the last 12 months comprised 27% of its OB – start of construction of recently won projects is key, considering relatively thin OB cover (vs. average 2.6x over Mar 2000-2023). Construction is yet to start for ~32% of DBL's OB. Over FY19-24F, the average OB/sales ratio was at 2.4x and sales grew at a CAGR of 3%. We forecast flat EPC sales over FY24F-26F considering (a) the weak OB-to-sales ratio, and (b) a likely weak industry order flow in the next two quarters. We factor in a 13% margin in FY25F-26F.

Asset divestment to reduce debt

DBL signed a deal with Shrem InvIT (Mar 2022) to transfer equity in 10 HAM projects for Rs23.5bn. 100%/ 49% stake in 9/ 1 projects, respectively, have been divested for Rs9.6bn in cash and Rs8.7bn invit units (received). DBL will enter into a long-term strategic partnership with Alpha Alternatives (AA) via an InvIT. AA will invest up to Rs20bn over the next 1.5 years via acquisition of a 26% stake in 8 operating HAM projects, a 26% stake in existing 10 under-construction HAM projects and a 10% stake in DBL through warrants.

Roll forward our target price to Mar 2025F; downgrade to HOLD

We reduce our FY24F/ 25F EBITDA estimates by 4%/ 7%, respectively, and introduce our FY26F estimates. We roll forward our valuation to Mar 2025F, valuing the EPC business at 5x FY26F EV/EBITDA, lower than the last six-year median (5.6x). We believe the discount is warranted due to the low OB-to-sales ratio and the likely weak order placement environment for the industry over the next two quarters. We raise our target price on it to Rs400 (Rs350 earlier) but downgrade the stock's rating to HOLD (ADD earlier) after a 85% rise in its market price in the last one year. Upside risk: Strong order wins in FY25F (vs. our estimate of Rs92bn). Downside risk is slow execution of the existing orderbook.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	95,664	106,436	117,113	109,263	120,718
Operating EBITDA (Rsm)	7,726	9,566	17,051	16,574	18,070
Net Profit (Rsm)	(5,497)	(14)	1,989	1,497	2,901
Core EPS (Rs)	(34.7)	(26.0)	13.6	10.2	19.8
Core EPS Growth	(223.0%)	(25.1%)	(152.3%)	(24.8%)	93.8%
FD Core P/E (x)	(10.00)	(4,119.20)	28.53	37.92	19.56
DPS (Rs)	0.1	1.0	1.0	1.0	2.0
Dividend Yield	0.03%	0.31%	0.31%	0.31%	0.62%
EV/EBITDA (x)	20.12	13.69	14.31	14.32	13.15
P/FCFE (x)	(47.08)	(6.32)	(14.11)	31.31	(63.47)
Net Gearing	282.9%	185.5%	447.7%	418.6%	395.8%
P/BV (x)	1.60	1.42	1.36	1.32	1.24
ROE	(14.2%)	(10.1%)	4.9%	3.5%	6.5%
% Change In Core EPS Estimates			3.81%	40.48%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Weak order book; limited upside

Figure 1: Standalone financials

(Rs. m)	Quarter ended				
	Dec 23	Dec 22	% Chg	Sep 23	% Chg
Net Sales	25,711	23,788	8	24,270	6
EBITDA	3,185	2,497	28	2,935	9
Other income	257	285	-10	345	-26
Depreciation	852	988	-14	906	-6
Interest	1,292	1,298	0	1,280	1
Tax	547	167		262	
Adjusted PAT	750	329	128	833	
Extraordinary income	203	467	-	364	
Reported PAT	953	796		1,197	-20
EBITDA margin (%)	12.4	10.5		12.1	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Key metrics

	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23
Order book (Rs bn)	265	254	241	240	218
Order flow (Rs bn)	26	17	13	24	4
Order book/ TTM sales (x)	2.7	2.5	2.4	2.3	2.1
OB - Roads, bridges & tunnels %	50	50	47	42	43
Sales from Roads, bridges & tunnels %	75	77	74	62	53
NWC/ Sales (days)	89	70	75	72	67
EBITDA margin %	10.5	9.5	12.8	12.1	12.4
EBITDA margin % ex bonus	10.5	9.5	12.8	12.1	12.4
HAM as % of OB	38.0	38.0	36.7	33.2	33.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Key financials

(Rs bn)	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F
Closing Order bk	191	274	256	254	196	189	197
Order Flow	69	175	72	99	49	92	119
Sales	90	92	90	101	107	99	110
yoy growth %		3	(2)	12	6	(8)	11
OB/ TTM Sales (x)	2.1	3.0	2.8	2.5	1.8	1.9	1.8
EBITDA margin %	17.5	16.0	8.4	9.8	12.5	13.0	13.0
EBITDA margin ex-bonus %	16.4	15.8	8.4	9.8	12.5	13.0	13.0
NWC/ Sales %	38	48	62	45	43	43	43
OB from Roads & bridges	69	66	59	50			

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: DBL's six-year median EV/EBITDA is 5.6x



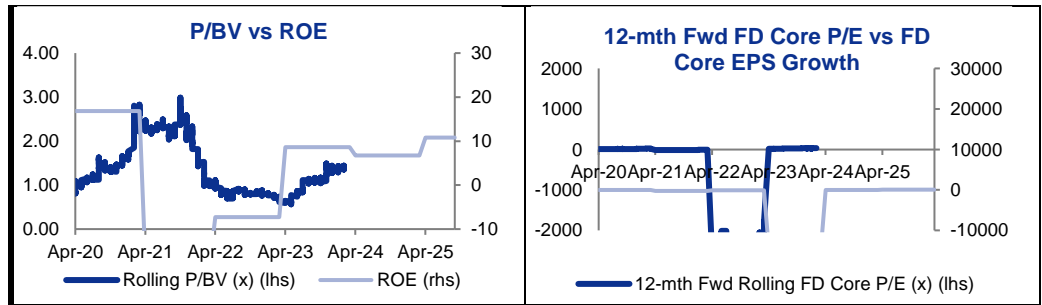
SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 5: Our revised earnings estimates

(Rs m)	FY24F		FY25F		FY26F
	Old	New	Old	New	
Sales	1,19,127	1,17,113	1,19,484	1,09,263	1,20,718
% change		-2		-9	
EBITDA	17,849	17,051	17,902	16,574	18,070
% change		-4		-7	
PAT	1,916	1,989	1,065	1,497	2,901
% change		4		41	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	95,664	106,436	117,113	109,263	120,718
Gross Profit	12,954	13,335	34,559	33,029	35,952
Operating EBITDA	7,726	9,566	17,051	16,574	18,070
Depreciation And Amortisation	(3,998)	(3,985)	(3,844)	(4,034)	(4,224)
Operating EBIT	3,728	5,581	13,207	12,540	13,846
Financial Income/(Expense)	(10,570)	(9,014)	(10,465)	(10,472)	(9,852)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	384	680	800	800	801
Profit Before Tax (pre-EI)	(6,457)	(2,753)	3,543	2,867	4,796
Exceptional Items					
Pre-tax Profit	(6,457)	(2,753)	3,543	2,867	4,796
Taxation	1,538	(1,048)	(1,553)	(1,371)	(1,895)
Exceptional Income - post-tax	(578)	3,787			
Profit After Tax	(5,497)	(14)	1,989	1,497	2,901
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(5,497)	(14)	1,989	1,497	2,901
Recurring Net Profit	(4,919)	(3,801)	1,989	1,497	2,901
Fully Diluted Recurring Net Profit	(4,919)	(3,801)	1,989	1,497	2,901

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	7,726	9,566	17,051	16,574	18,070
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,320)	9,810	(3,841)	3,386	(4,914)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(578)	3,787			
Other Operating Cashflow					
Net Interest (Paid)/Received	(10,186)	(8,334)	(9,665)	(9,672)	(9,051)
Tax Paid	1,538	(1,048)	(1,553)	(1,371)	(1,895)
Cashflow From Operations	(3,819)	13,781	1,992	8,916	2,210
Capex	11,159	5,025	(114,846)	(2,104)	(2,104)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	11,159	5,025	(114,846)	(2,104)	(2,104)
Debt Raised/(repaid)	(8,507)	(27,780)	108,830	(5,000)	(1,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(18)	(175)	(175)	(175)	(351)
Preferred Dividends					
Other Financing Cashflow	(1,085)	7,582			
Cash Flow From Financing	(9,609)	(20,374)	108,655	(5,175)	(1,351)
Total Cash Generated	(2,269)	(1,568)	(4,198)	1,637	(1,245)
Free Cashflow To Equity	(1,167)	(8,974)	(4,023)	1,812	(894)
Free Cashflow To Firm	17,910	27,820	(102,389)	17,285	9,958

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	5,828	4,260	62	1,699	454
Total Debtors	22,811	21,881	23,685	22,679	24,380
Inventories	34,391	33,683	34,651	32,024	35,570
Total Other Current Assets	42,397	48,483	57,941	54,740	59,061
Total Current Assets	105,428	108,307	116,338	111,142	119,465
Fixed Assets	52,441	43,431	154,433	152,503	150,383
Total Investments					
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	52,441	43,431	154,433	152,503	150,383
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	21,621	35,877	44,266	40,819	45,473
Total Current Liabilities	21,621	35,877	44,266	40,819	45,473
Total Long-term Debt	106,281	78,500	187,331	182,331	181,331
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	106,281	78,500	187,331	182,331	181,331
Total Provisions	(5,539)	(2,656)	(2,656)	(2,656)	(2,656)
Total Liabilities	122,362	111,722	228,941	220,494	224,148
Shareholders Equity	35,507	40,016	41,830	43,151	45,701
Minority Interests					
Total Equity	35,507	40,016	41,830	43,151	45,701

Key Ratios

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	(5.9%)	11.3%	10.0%	(6.7%)	10.5%
Operating EBITDA Growth	(63.7%)	23.8%	78.2%	(2.8%)	9.0%
Operating EBITDA Margin	8.1%	9.0%	14.6%	15.2%	15.0%
Net Cash Per Share (Rs)	(687.02)	(507.75)	(1,280.78)	(1,235.39)	(1,237.06)
BVPS (Rs)	242.84	273.68	286.08	295.12	312.56
Gross Interest Cover	0.35	0.62	1.26	1.20	1.41
Effective Tax Rate			43.9%	47.8%	39.5%
Net Dividend Payout Ratio	(0.3%)	(6.4%)	5.0%	6.1%	7.3%
Accounts Receivables Days	112.55	76.63	71.01	77.44	71.14
Inventory Days	143.15	133.44	151.06	159.62	145.53
Accounts Payables Days					
ROIC (%)	2.6%	4.3%	11.8%	5.5%	6.3%
ROCE (%)	2.6%	4.4%	7.7%	5.6%	6.2%
Return On Average Assets	2.4%	4.0%	6.6%	5.0%	5.5%

Key Drivers

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Outstanding Orderbook (Rs m)	255,945	253,950	195,926	188,618	197,152
Orderbook Replenishment (Rs m)	71,892	99,200	47,231	89,739	116,661

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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