

India

**ADD** (no change)

Consensus ratings*: Buy 2 Hold 3 Sell 1	
Current price:	Rs167
Target price:	Rs350
Previous target:	Rs400
Up/downside:	109.6%
InCred Research / Consensus:	23.7%
Reuters:	
Bloomberg:	DBL IN
Market cap:	US\$337m
	Rs24,454m
Average daily turnover:	US\$1.2m
	Rs87.9m
Current shares o/s:	136.8m
Free float:	29.9%
*Source: Bloomberg	

**Key changes in this note**

- Reduce FY24F EBITDA by 26% and introduce FY25F estimates.
- Roll forward target price to Mar 2024F.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	(6.5)	(19.6)	(25.4)
Relative (%)	(9.7)	(22.2)	(34.4)

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

**Analyst(s)**



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# Dilip Buildcon Ltd

## Margin uptick is key for a rerating

- 4QFY23 EPC sales and EBITDA grew by 15% yoy each. Dilip Buildcon (DBL) is optimistic about 13-14% margins in FY24F.
- We cut the target price to Rs350 from Rs400 & retain ADD rating. We value the EPC business at 5x EV/EBITDA FY25F, below its five-year median (5.9x).

### Steady growth in execution

Standalone 4QFY23 sales (Rs28.6bn) of Dilip Buildcon (DBL) rose by 14% yoy while EBITDA (Rs2.7bn) increased by 15% yoy. The EBITDA margin was at 9.5%, lower than DBL's guidance of 13%, in FY23. For FY24F, DBL gave guidance of 10% yoy sales growth and 13-14% EBITDA margin. DBL is optimistic of higher margins going ahead, as most low-margin old projects have been completed.

### Commencement of construction of all projects in order book is key

The order book or OB-to-sales ratio was at 2.5x in Mar 2023, vs. 2.8x in Mar 2022. Hybrid Annuity Model (HAM) projects accounted for ~40% of the OB worth Rs254bn and thus, DBL must fund 24% of the OB (Rs14bn equity, remaining via debt). Also, DBL will infuse Rs5bn equity in the Siarmal coal project. Roads, bridges & tunnels/ irrigation/ mining sectors accounted for 50%/ 26%/ 18% of DBL's OB, respectively. DBL's OB-to-sales ratio is a tad lower than the industry average (2.8x). Orders won in FY23 comprised 40% of its OB and construction is yet to begin for 50% of its OB (as of end-Dec 2022). We forecast a 4% EPC sales CAGR over FY23-25F (vs. a 4% CAGR over FY20-23). We expect OB/sales ratio of 1.8x in FY25F from 2.5x in FY23. The EBITDA margin in FY23 was at 9.8%, vs. 17.5% in FY20. We factor in 13% margins in FY25F. Please note that DBL won projects worth Rs17bn in 4QFY23.

### Leverage to be in a reasonable range over FY24F-25F

The standalone net debt/EBITDA ratio fell from 5.3x in Mar 2022 to 3.3x in FY23. The high leverage in FY22 was due to muted EBITDA. We expect the net debt/EBITDA ratio to be manageable over FY24F-25F. DBL has signed a deal with Shrem InvIT (in Mar 2022) to transfer equity in 10 HAM projects (three completed), after their construction, for Rs23.5bn. Of these, eight projects have been divested (100% stake in five projects and a 49% stake in three projects) in FY23 (Rs4.5bn cash and Rs8.7bn invit units received). The remaining sum of Rs10.3bn will be received in phases.

### Roll forward target price to Mar 2024F; maintain ADD rating

We believe DBL trades at trough valuation (standalone 3x FY24F EV/EBITDA vs. five-year median of 5.9x). We reduce our FY24F EBITDA estimate by 26% and introduce FY25F estimates. We roll forward our valuation to Mar 2024F, valuing the EPC business at 5x FY25F EV/EBITDA, below its five-year median (5.9x), with a lower target price of Rs350 (Rs400 earlier). Retain our ADD rating on the stock. Capex overrun in HAM projects is a downside risk.

### Financial Summary

	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue (Rsm)	101,683	95,664	106,436	119,127	119,484
Operating EBITDA (Rsm)	21,284	7,726	9,566	17,849	17,902
Net Profit (Rsm)	4,183	(5,497)	(14)	1,916	1,065
Core EPS (Rs)	28.2	(34.7)	(26.0)	13.1	7.3
Core EPS Growth	15.3%	(223.0%)	(25.1%)	(150.4%)	(44.4%)
FD Core P/E (x)	5.47	(4.31)	(1,775.15)	12.76	22.96
DPS (Rs)	1.0	0.1	1.0	1.0	1.0
Dividend Yield	0.72%	0.07%	0.72%	0.72%	0.72%
EV/EBITDA (x)	6.26	16.07	10.81	12.63	11.88
P/FCFE (x)	8.19	(20.29)	(2.72)	(6.12)	2.72
Net Gearing	282.8%	282.9%	197.4%	481.3%	441.2%
P/BV (x)	0.67	0.69	0.61	0.59	0.57
ROE	11.7%	(14.2%)	(10.1%)	4.7%	2.5%
% Change In Core EPS Estimates					(62.39%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Margin uptick is key for a rerating

Figure 1: Standalone financials

(Rs. m)	Quarter ended				
	Mar 23	Mar-22	% Chg	Dec 22	% Chg
Net Sales	28,573	25,062	14	23,788	20
<b>EBIDTA</b>	<b>2,720</b>	<b>2,368</b>	<b>15</b>	<b>2,497</b>	<b>9</b>
Other income	110	66	66	285	-61
Depreciation	929	968	-4	988	-6
Interest	1,340	1,425	-6	1,298	3
Tax	200	11		167	
<b>Adjusted PAT</b>	<b>360</b>	<b>30</b>	<b>1,105</b>	<b>329</b>	
Extra ordinary income	223	0	-	467	
Reported PAT	583	30		796	-27
<b>EBIDTA margin (%)</b>	<b>9.5</b>	<b>9.5</b>		<b>10.5</b>	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Key metrics

	Mar-21	Mar-22	Dec 22	Mar 23
Order book (Rs bn)	274	256	265	254
Order flow (Rs bn)	49	40	26	17
Order book/ TTM sales (x)	3.0	2.8	2.7	2.5
OB - Roads, bridges & tunnels %	66	59	50	50
Sales from Roads, bridges & tunnels %	85	86	75	77
NWC/ Sales (days)	44	40	89	70
EBITDA margin %	15.6	9.5	10.5	9.5
EBITDA margin % ex bonus	15.5	9.5	10.5	9.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Projects where construction is yet to start (as of end-Dec 2022 OB)

Project name	Awarded by	Type	Value (Rs m)
Construction of Kharkai Dam at Icha	Water Resource Dept.	EPC	8,664
Development and Operation of Siarmal OCP (MDO Project)	Mahanadi Coalfields Ltd.	Mining	10,846
Amadand OCP (OB Removal Project)	South Eastern Coalfields Ltd.	Mining	22,737
Sargi - Basanwahi	NHAI	HAM	9,252
Karimnagar Warangal	NHAI	HAM	12,026
Maradgi S Andola to Baswantpur	NHAI	HAM	11,669
Mehgama-Hansdiha	NHAI	HAM	6,919
Urga-Pathalgaon	NHAI	HAM	14,003
Ahmedabad Metro Rail Project, Phase-2 (Package C3)	Gujarat Metro Rail Corporation	EPC	7,235
Kodur to Vanavolu (Bengaluru – Vijaywada Economic Corridor) (Package 1)	NHAI	HAM	4,316
Odulapalle to Nallacheruvu (Bengaluru – Vijaywada Economic Corridor) (Package 4)	NHAI	HAM	5,574
Rewa Bansagar Multi-Village Water Supply Scheme	Madhya Pradesh Jal Nigam Maryadit	EPC	19,470
<b>Total</b>			<b>1,32,713</b>

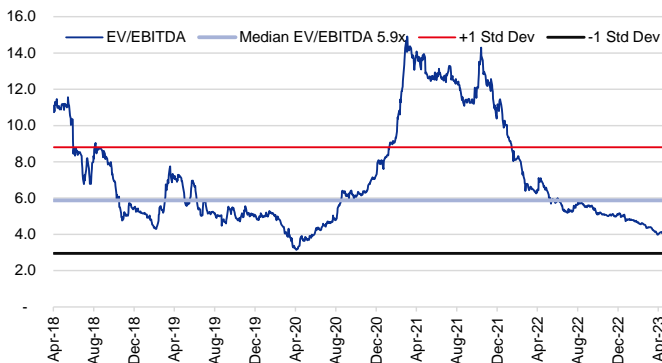
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: DBL's order book, order flow and order book cover over FY20-25F

(Rs bn)	FY20	FY21	FY22	FY23	FY24F	FY25F
Closing Order bk	191	274	256	254	196	199
Order Flow	69	175	72	99	51	112
Sales	90	92	90	101	109	109
yoy growth %		3	(2)	12	8	-
OB/ TTM Sales (x)	2.1	3.0	2.8	2.5	1.8	1.8
EBITDA margin %	17.5	16.0	8.4	9.8	13.0	13.0
EBITDA margin ex-bonus %	16.4	15.8	8.4	9.8	13.0	13.0
NWC/ Sales %	39	43	56	51	48	49
OB from Roads & bridges	69	66	59	50		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Median EV/EBITDA of 5.9x over the last five years, currently trading at 4.2x FY24F EV/EBITDA



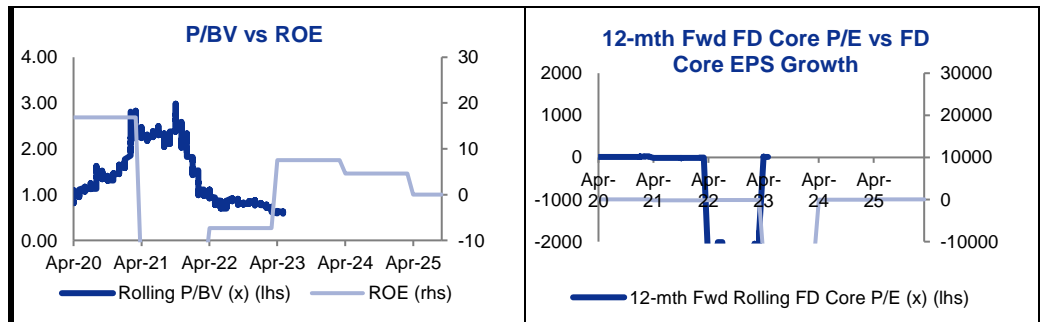
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Earnings revision summary

(Rs m)	FY24F		FY25F
	Old	New	
Sales	1,12,060	1,19,127	1,19,484
% change		6	
EBITDA	24,219	17,849	17,902
% change		-26	
PAT	5,459	1,916	1,065
% change		-65	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
<b>Total Net Revenues</b>	<b>101,683</b>	<b>95,664</b>	<b>106,436</b>	<b>119,127</b>	<b>119,484</b>
<b>Gross Profit</b>	<b>25,961</b>	<b>12,954</b>	<b>13,335</b>	<b>35,022</b>	<b>35,379</b>
<b>Operating EBITDA</b>	<b>21,284</b>	<b>7,726</b>	<b>9,566</b>	<b>17,849</b>	<b>17,902</b>
Depreciation And Amortisation	(4,429)	(3,998)	(3,985)	(4,155)	(4,345)
<b>Operating EBIT</b>	<b>16,854</b>	<b>3,728</b>	<b>5,581</b>	<b>13,694</b>	<b>13,557</b>
Financial Income/(Expense)	(11,733)	(10,570)	(9,014)	(11,419)	(12,429)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	422	384	680	800	800
<b>Profit Before Tax (pre-EI)</b>	<b>5,543</b>	<b>(6,457)</b>	<b>(2,753)</b>	<b>3,074</b>	<b>1,928</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>5,543</b>	<b>(6,457)</b>	<b>(2,753)</b>	<b>3,074</b>	<b>1,928</b>
Taxation	(1,681)	1,538	(1,048)	(1,158)	(863)
Exceptional Income - post-tax	321	(578)	3,787		
<b>Profit After Tax</b>	<b>4,183</b>	<b>(5,497)</b>	<b>(14)</b>	<b>1,916</b>	<b>1,065</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>4,183</b>	<b>(5,497)</b>	<b>(14)</b>	<b>1,916</b>	<b>1,065</b>
Recurring Net Profit	3,862	(4,919)	(3,801)	1,916	1,065
<b>Fully Diluted Recurring Net Profit</b>	<b>3,862</b>	<b>(4,919)</b>	<b>(3,801)</b>	<b>1,916</b>	<b>1,065</b>

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
<b>EBITDA</b>	<b>21,284</b>	<b>7,726</b>	<b>9,566</b>	<b>17,849</b>	<b>17,902</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,698)	(2,320)	5,078	(13,050)	9,687
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	321	(578)	3,787		
Other Operating Cashflow					
Net Interest (Paid)/Received	(11,311)	(10,186)	(8,334)	(10,619)	(11,629)
Tax Paid	(1,681)	1,538	(1,048)	(1,158)	(863)
<b>Cashflow From Operations</b>	<b>5,915</b>	<b>(3,819)</b>	<b>9,049</b>	<b>(6,978)</b>	<b>15,098</b>
Capex	(11,149)	11,159	5,025	(114,846)	(2,104)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(11,149)</b>	<b>11,159</b>	<b>5,025</b>	<b>(114,846)</b>	<b>(2,104)</b>
Debt Raised/(repaid)	8,028	(8,507)	(23,048)	117,830	(4,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(164)	(18)	(175)	(175)	(175)
Preferred Dividends					
Other Financing Cashflow	(2,428)	(1,085)	7,582		
<b>Cash Flow From Financing</b>	<b>5,436</b>	<b>(9,609)</b>	<b>(15,642)</b>	<b>117,655</b>	<b>(4,175)</b>
Total Cash Generated	202	(2,269)	(1,568)	(4,169)	8,818
<b>Free Cashflow To Equity</b>	<b>2,794</b>	<b>(1,167)</b>	<b>(8,974)</b>	<b>(3,994)</b>	<b>8,994</b>
<b>Free Cashflow To Firm</b>	<b>6,499</b>	<b>17,910</b>	<b>23,088</b>	<b>(110,405)</b>	<b>25,423</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Total Cash And Equivalents	8,088	5,828	4,260	91	8,909
Total Debtors	36,184	22,811	21,881	26,152	26,295
Inventories	30,485	34,391	33,683	38,572	38,572
Total Other Current Assets	40,088	42,397	48,483	52,172	52,172
<b>Total Current Assets</b>	<b>114,846</b>	<b>105,428</b>	<b>108,307</b>	<b>116,987</b>	<b>125,948</b>
Fixed Assets	66,462	52,441	43,431	154,121	151,880
Total Investments					
Intangible Assets					
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>66,462</b>	<b>52,441</b>	<b>43,431</b>	<b>154,121</b>	<b>151,880</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	31,098	21,621	31,145	30,945	40,775
<b>Total Current Liabilities</b>	<b>31,098</b>	<b>21,621</b>	<b>31,145</b>	<b>30,945</b>	<b>40,775</b>
Total Long-term Debt	114,787	106,281	83,232	201,063	197,063
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>114,787</b>	<b>106,281</b>	<b>83,232</b>	<b>201,063</b>	<b>197,063</b>
Total Provisions	(2,303)	(5,539)	(2,656)	(2,656)	(2,656)
<b>Total Liabilities</b>	<b>143,583</b>	<b>122,362</b>	<b>111,722</b>	<b>229,352</b>	<b>235,182</b>
Shareholders Equity	33,998	35,507	40,016	41,757	42,647
Minority Interests	3,727				
<b>Total Equity</b>	<b>37,725</b>	<b>35,507</b>	<b>40,016</b>	<b>41,757</b>	<b>42,647</b>

<b>Key Ratios</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Revenue Growth	4.6%	(5.9%)	11.3%	11.9%	0.3%
Operating EBITDA Growth	2.9%	(63.7%)	23.8%	86.6%	0.3%
Operating EBITDA Margin	20.9%	8.1%	9.0%	15.0%	15.0%
Net Cash Per Share (Rs)	(780.14)	(687.02)	(540.11)	(1,374.49)	(1,286.83)
BVPS (Rs)	248.58	242.84	273.68	285.58	291.67
Gross Interest Cover	1.44	0.35	0.62	1.20	1.09
Effective Tax Rate	30.3%			37.7%	44.8%
Net Dividend Payout Ratio	3.0%	(0.3%)	(6.4%)	5.7%	9.1%
Accounts Receivables Days	129.30	112.55	76.63	73.58	80.11
Inventory Days	137.23	143.15	133.44	156.79	167.40
Accounts Payables Days					
ROIC (%)	12.9%	2.6%	4.3%	11.8%	5.6%
ROCE (%)	11.7%	2.6%	4.3%	7.6%	5.7%
Return On Average Assets	10.0%	2.4%	4.0%	6.9%	5.2%

<b>Key Drivers</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Outstanding Orderbook (Rs m)	274,114	255,945	253,950	196,067	199,251
Orderbook Replenishment (Rs m)	175,387	71,892	99,200	66,124	112,410

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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	Analyst/ Relative	Entity/ Associates
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any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
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been engaged in market making activity for the subject company	NO	NO

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