

Dilip Buildcon

Election-hit Q1; crystallising MDO scale-up, an augury; retaining a Hold

Election-hit order execution and payments rendered Dilip Buildcon's Q1 revenue soft and raised leverage. Though third-party orders were soft, the receipt of EPC potential from the two MDO SPVs helped augment the assurance. Q1's soft execution and stretched NWC were identified as temporary, and operations are likely to normalise progressively. Counting on its diversified operations benefiting from the strong prospects, the company is sanguine of augmenting assurance, which would lead to a better FY26. The FY25 leverage target, too, was held. The focus is right, and our Hold rating stays with a 12-mth Rs527 TP.

One third-party railway order, two from MDO SPVs. Besides a ~Rs9.3bn railway order from the Haryana Rail Infrastructure Development Corp., it received works of ~Rs24bn (equal to a part of the three-year coal production planned) from two of its MDOs. Order accretion leading the Q1's execution meant the OB rises ~Rs12bn q/q to ~Rs186bn (~1.8x TTM revenue). Citing strong prospects of ~Rs2trn and continuing efforts to broad base its presence (targeting optic fibre, in a JV), it targets Rs150bn-160bn FY25 inflows.

MDOs scale up, crystallising. The two MDOs (Siarmal, Pacchhara) continue to scale up, with coal mining volumes expected to rise from ~11.8m tonnes in FY24 to ~22m (Q1 FY25: ~4.7m). Pachhara is envisaged to peak at ~7m tpa in FY25, and mining at Siarmal, though still some time away from a peak ~50m tpa, is likely to be almost 50% ahead of the planned scale up (~15m tonnes, against ~10m planned). For long-tenured concessions, rising scale is an augury, as it holds potential to bring stability and predictability.

Leverage rises on lengthened NWC. The impact of the general trend of slow disbursements in H1 was further accentuated by election-hit payments. Consequently, the cash-conversion cycle lengthened 19 days q/q (to 84, led by a 14-day longer receivables cycle), and pushed up net debt ~Rs7.1bn q/q to ~Rs22.3bn. Q1 equity infused of ~Rs1.6bn too had a role to play. Considering positive CF ahead and monetisation proceeds, it seeks to turn net debt zero in the next two years.

Valuation. FY25e earnings are ~21% lower, and FY26, ~16%, on the election-hit start to the year. Proposed monetisations make estimates hold potential. Currently, (excl. investments) the stock trades at 11.6x PER. **Risk:** Slow orders.

Key financials (YE Mar)	FY22	FY23	FY24	FY25e	FY26e
Sales (Rs m)	90,061	1,01,195	1,05,373	99,468	1,12,851
Adj. net profit (Rs m)	-1,310	1,199	3,736	3,479	4,604
Adj. EPS (Rs)	-9.0	8.2	25.5	23.8	28.3
Growth (%)	-138.4	-	211.5	-6.9	19.1
P/E (x)	-	20.6	17.9	21.5	18.0
EV / EBITDA (x)	8.3	4.9	6.3	7.8	7.2
P/BV (x)	0.8	0.5	1.3	1.4	1.3
RoE (%)	-3.6	2.1	7.1	6.5	7.7
RoCE (%)	5.4	9.1	14.9	13.3	14.4
Net debt / equity (x)	0.6	0.5	0.3	0.3	0.2

Source: Company, Anand Rathi Research P – Provisional

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Rating: **Hold**

Target Price: Rs.527

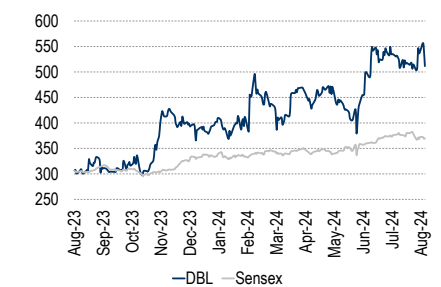
Share Price: Rs.511

Key data	DBL IN / DIBLBO
52-week high / low	Rs.585 / 286
Sensex / Nifty	79,106 / 24,144
3-m average volume	\$5.2m
Market cap	Rs.75bn / \$890.8m
Shares outstanding	146m

Shareholding pattern (%)	Jun'24	Mar'24	Dec'23
Promoters	70.2	70.2	70.2
- of which, Pledged	10.9	17.5	17.5
Free float	29.9	29.9	29.9
- Foreign institutions	2.8	2.9	2.9
- Domestic institutions	9.2	9.1	9.1
- Public	17.8	17.8	17.9

Estimates revision (%)	FY25e	FY26e
Sales	-3.3	0.6
EBITDA	-10.4	-6.1
Adj. PAT	-21.5	-16.0

Relative price performance



Source: Bloomberg

Prem Khurana
Research Analyst

Quick Glance – Financials and Valuations (standalone)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Order backlog	255,945	253,950	174,316	189,089	211,435
Order inflows	70,546	97,180	24,696	113,256	134,081
Net revenues	90,061	101,195	105,373	99,468	112,851
Growth (%)	-2.2	12.4	4.1	-5.6	13.5
Direct costs	80,011	89,032	89,722	85,685	96,972
SG&A	2,514	2,279	2,659	2,364	2,682
EBITDA	7,536	9,884	12,991	11,420	13,197
EBITDA margins (%)	8.4	9.8	12.3	11.5	11.7
Depreciation	3,932	3,881	3,476	3,036	3,424
Other income	340	646	1,129	1,083	1,080
Finance costs	6,048	5,137	5,016	4,120	3,778
PBT	-2,103	1,513	5,628	5,347	7,076
Effective tax rates (%)	29.9	38.3	38.0	34.9	34.9
+ Associates / (Minorities)	-	-	-	-	-
Net income	-860	2,218	4,220	3,479	4,604
Adjusted income	-1,310	1,199	3,736	3,479	4,604
WANS	146	146	146	146	162
FDEPS (Rs)	-9.0	8.2	25.5	23.8	28.3

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
PBT+ Net interest expense	3,605	6,003	9,515	8,384	9,773
+ Non-cash items	3,932	3,881	3,476	3,036	3,424
Oper. prof. before WC	7,536	9,884	12,991	11,420	13,197
- Incr. / (decr.) in WC	6,174	-713	-4,068	-2,356	4,247
Others incl. taxes	81	149	2,283	1,868	2,472
Operating cash-flow	1,281	10,449	14,776	11,907	6,478
- Capex (tang. + intang.)	1,359	619	1,361	1,518	1,712
Free cash-flow	-77	9,830	13,415	10,390	4,766
Acquisitions	-	-	-	-	-
- Div.(incl. buyback & taxes)	146	15	15	146	162
+ Equity raised	5,008	-	1,331	-	3,993
+ Debt raised	-3,803	-3,179	-8,177	-1,511	-1,508
- Fin investments	-3,621	3,698	3,421	5,909	4,215
- Net int. expense + Misc.	4,196	3,170	2,715	3,038	2,698
Net cash-flow	407	-231	418	-214	176

Source: Company, Anand Rathi Research P – Provisional

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

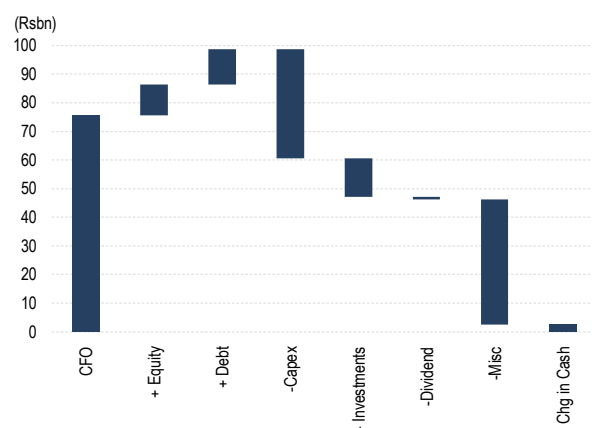
Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Share capital	1,462	1,462	1,462	1,462	1,624
Net worth	43,361	46,031	51,865	55,197	63,632
Debt	30,718	26,857	18,666	17,155	15,647
Minority interest	-	-	-	-	-
DTL / (Assets)	-969	-287	-273	-273	-273
Capital employed	73,110	72,601	70,257	72,079	79,005
Net tangible assets	16,448	13,251	11,195	9,670	7,954
Net intangible assets	130	64	5	12	16
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	-	-	-	-	-
Investments (strategic)	6,825	10,524	13,945	19,854	24,069
Investments (financial)	-	-	-	-	-
Current assets (excl. cash)	84,604	88,780	84,585	78,737	88,062
Cash	3,329	3,098	3,516	3,302	3,478
Current liabilities	38,226	43,115	42,988	39,496	44,573
Working capital	46,378	45,665	41,597	39,241	43,488
Capital deployed	73,110	72,601	70,257	72,079	79,005
Contingent liabilities	61,557	38,549	-	-	-

Fig 4 – Ratio analysis

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	-	20.6	17.9	21.5	18.0
EV / EBITDA (x)	8.3	4.9	6.3	7.8	7.2
EV / Sales (x)	0.7	0.5	0.8	0.9	0.8
P/B (x)	0.8	0.5	1.3	1.4	1.3
RoE (%)	-3.6	2.1	7.1	6.5	7.7
RoCE (%)	5.4	9.1	14.9	13.3	14.4
Sales / FA (x)	5.4	7.6	9.4	10.3	14.2
DPS (Rs)	1.0	0.1	0.1	1.0	1.0
Dividend yield (%)	0.4	0.1	0.0	0.2	0.2
Dividend pay-out (%) - incl. DDT	-	1.6	0.4	4.2	3.5
Net debt / equity (x)	0.6	0.5	0.3	0.3	0.2
Receivables (days)	66	78	65	70	70
Inventory (days)	138	120	116	114	113
Payables (days)	91	108	99	98	97
CFO : PAT %	-	871.4	395.5	342.3	140.7

Source: Company, Anand Rathi Research P – Provisional

Fig 6 – Capital allocation – FY13-24 cumulative



Source: Company

Result Highlights

With ~43% y/y, ~44% q/q, lower revenue, Roads key to ~10% y/y, ~20% q/q, lower standalone revenue

Coal production rising at two MDOs; ~4.7m tonnes in Q1, against FY24's ~11.8m

For Siarmal MDO, FY25 volumes targeted at ~15m tonnes, against scheduled ~10m; Pachhvara likely to hit 7m peak

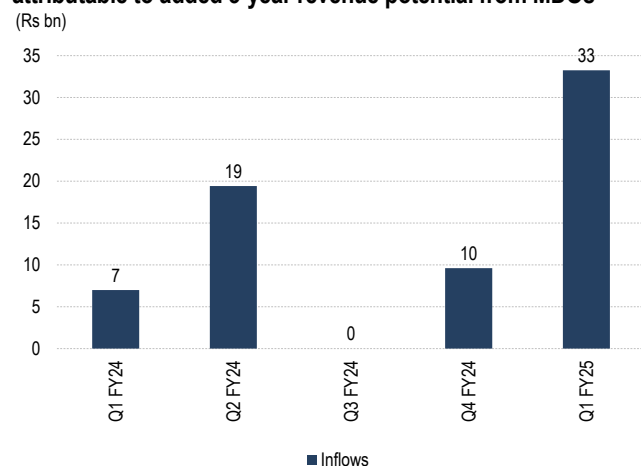
FY25 revenue guidance pruned, expected ~5% lower vs. flattish earlier; Resultantly, 11-12% margin likely vs earlier 12-14%

Fig 7 – Standalone highlights

(Rs m)	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% Y/Y	% Q/Q
Revenue from operations	26,084	24,270	25,711	29,308	23,579	-9.6	-19.5
EBITDA	3,348	2,935	3,185	3,524	2,624	-21.6	-25.5
EBITDA margins (%)	12.8	12.1	12.4	12.0	11.1	-171bps	-90bps
Finance costs	1,374	1,280	1,292	1,070	1,192	-13.3	11.3
Depreciation	927	906	852	791	762	-17.9	-3.7
Other income	185	345	257	342	130	-29.8	-62.0
Exceptional gain / (loss)	-	364	203	163	-	-	-100.0
PBT	1,232	1,458	1,500	2,169	801	-35.0	-63.1
Tax	398	262	547	932	327	-17.9	-64.9
PAT	834	1,197	953	1,237	474	-43.2	-61.7

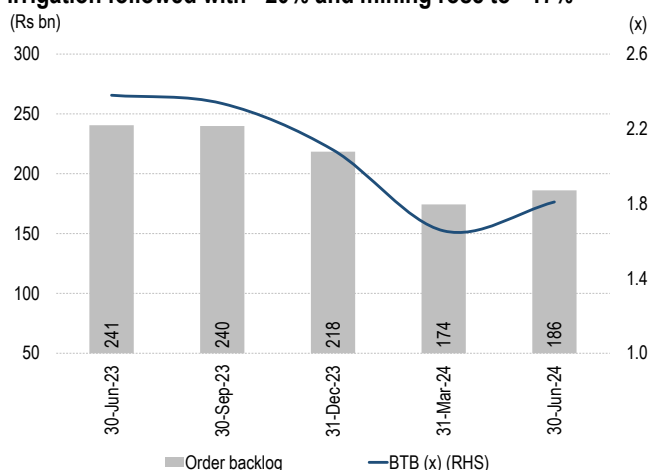
Source: Company

Fig 8 – Added railway order of ~Rs9.3bn, balance Q1 accretion attributable to added 3-year revenue potential from MDOs



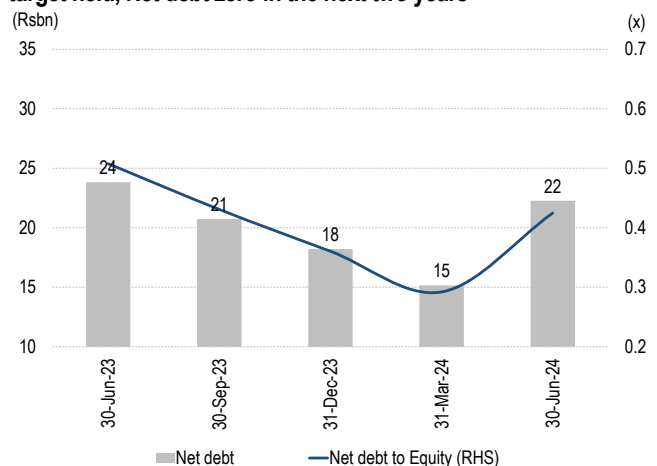
Source: Company Note: Q1 FY25 includes ~Rs24bn EPC potential from MDO SPVs

Fig 9 – End-Jun'24 OB at ~Rs186bn; roads ~31% of total, irrigation followed with ~20% and mining rose to ~17%



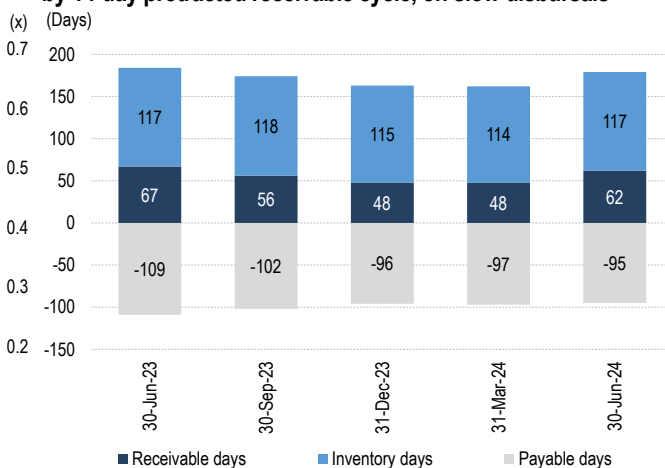
Source: Company

Fig 10 – Leverage rose on election-hit disbursements; De-levering target held, Net debt zero in the next two years



Source: Company

Fig 11 – Cash-conversion cycle lengthened 19-days q/q, at 84; led by 14-day protracted receivable cycle, on slow disbursements



Source: Company

Valuation

On the more-than-anticipated impact of the recently concluded general election, we lower our FY25e revenue ~3%. On a combination of a rub-off and slightly raised inflow estimates (due to receipt of works from the two MDOs), FY26e revenue is ~1% higher. FY25 EBITDA margin has been pruned primarily due to lowered revenue, whereas FY26e is lowered keeping in mind the changing OB composition (roads gradually becoming a smaller portion). Consequently, FY25e EBITDA is down ~10% and FY26e is ~6% lower. This holds the key to ~21% lower FY25e earnings, and ~16% for FY26. Some minor tweaks in depreciation charge and finance costs (considering Q1 actuals), too, have had roles to play in the earnings revision.

Though earnings have been pruned, we raise the PER multiple for the construction business to 12x to account for the crystallising scale-up in MDOs, as these hold potential to bring stability and improve predictability.

We now value the core-construction business at 12x FY26e EPS of ~Rs28.3 and the asset-ownership business (hybrid annuities, MDO) at a combination of 1x invested/book value and anticipated gains from transfer of the 26% equity stake in the committed hybrid annuity assets. Consequently, our sum-of-parts TP is Rs527. The construction division has been valued at Rs340/sh, asset ownership at Rs187.

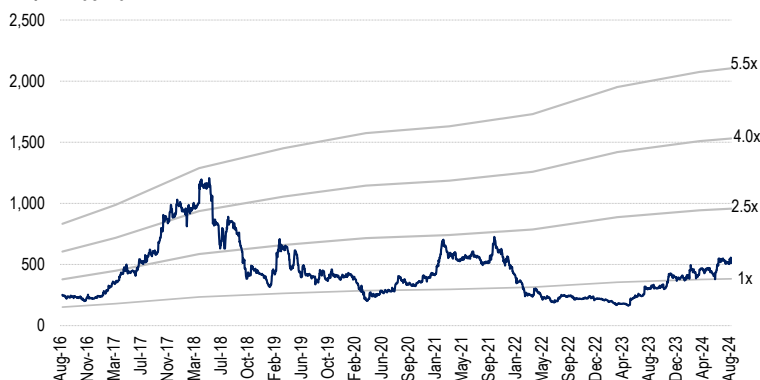
Fig 12 – Change in estimates

(Rs m)	Old		Revised		% change	
	FY25e	FY26e	FY25e	FY26e	FY25	FY26
Revenue	102,866	112,231	99,468	112,851	-3.3	0.6
EBITDA	12,744	14,058	11,420	13,197	-10.4	-6.1
Adj. PAT	4,431	5,481	3,479	4,604	-21.5	-16.0

Source: Anand Rathi Research

On our estimates, the stock (excl. investments) trades at 13.9x FY25e and 11.6x FY26e core construction EPS. On P/BV, it quotes at 1.4x FY25e and 1.3x FY26e.

Fig 13 – P/BV band



Source: Bloomberg, Anand Rathi Research

Risk

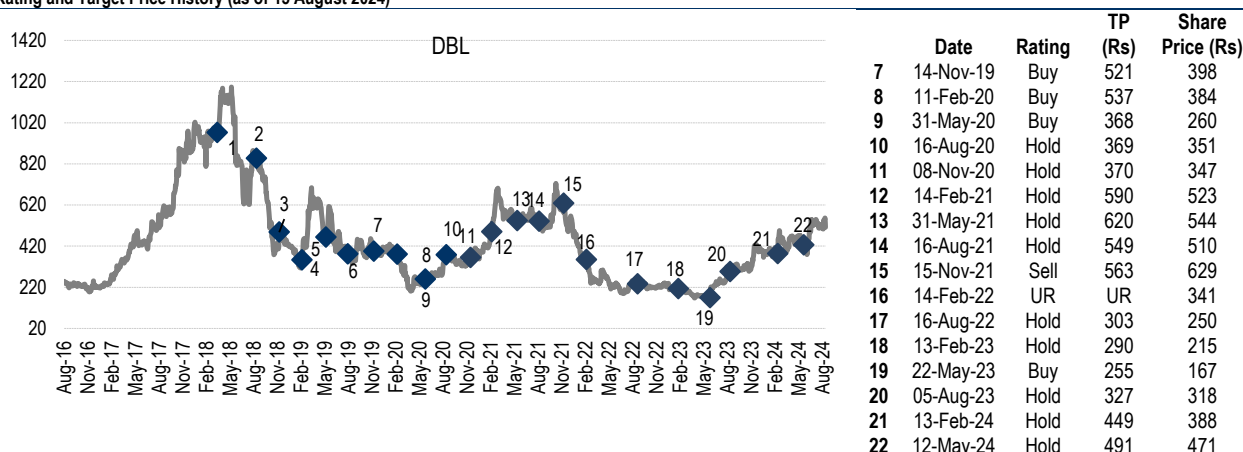
- Slower pace of order addition.

Appendix

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