



Soft Quarter; Robust Order Book to Drive Growth

Ahluwalia Contracts India Ltd (ACIL) reported mixed set of Q2FY23 numbers. The company reported revenue of Rs 623 Cr (down 11% YoY) and EBITDA of Rs 62Cr (down 2% YoY). It posted an APAT of Rs39Cr (up 9% YoY). EBITDA Margins stood at 9.9% in Q2FY23 (Our Estimate: 10.2%) as against 9% in Q2FY22. The company reported APAT margins of 6.3% in Q2FY23 against 5.1% in Q2FY22.

As of 30th Sep'22, ACIL has an order book of Rs7,588Cr, comprising both public and private sector projects which imply revenue visibility for the next 2-3 years. With a robust bidding pipeline, we believe ACIL is well-placed to capture growth opportunities in the sector. With a robust order book and the company's proven execution prowess, we expect ACIL to post Revenues/EBITDA/PAT growth of 15%/22%/27% CAGR respectively over FY22-24E. We retain our BUY rating on the stock with a target price of Rs485/share, implying an upside of 20% from the CMP.

Key Concall Highlights

- Orderbook stands at Rs7,588Cr as of Q2FY23 end:** The company's order book break up of current executable projects is Hospital 32% (Rs 2,428 Cr), Commercial 8% (Rs 607 Cr), Institutional 36% (Rs 2,731 Cr), Residential 13% (Rs 986 Cr), Infrastructure 7% (Rs 607 Cr), and Hotel 4% (Rs 303 Cr). Geography-wise, it is: East constitutes 37.6%, North 33.9%, West 17.4%, South 4.9% and overseas 5.8%. The Government and Private segments form 82% and 18% of the overall project. Total order inflow to date in FY23 stood at Rs 3,183 Cr and the company is L1 in 3 projects worth Rs 1,099Cr expected to be awarded soon.
- Margin Outlook:** During the quarter, the company reported an EBITDA margin of 9.9%. It expects the margin to be ~12% moving ahead with better execution and also owing to softness in commodity prices. 15% of the total order book is on a fixed price contract and the balance 85% is on a variable basis.

Outlook & Valuation

During Q2FY23, the company faced project execution hurdles owing to design-related work of new EPC projects and extended monsoon season which impacted revenue growth for the company. However, the management indicated execution to see substantial improvement in the next two quarters with improved margins and maintained its target of achieving revenue growth of 15% in FY23. We expect the company to report margins in the range of 11%-12% moving ahead.

With favourable attributes such as a strong and diversified order book position, healthy bidding pipeline, order inflows, asset-light model, emerging opportunities in the construction space, and efficient and timely execution supported by high ROE and ROCE of ~20%, we expect the company to generate healthy free cash flows moving ahead and deliver Revenue/EBITDA/APAT growth of 15%/22%/27% CAGR over FY22-FY24E. Currently, the stock is trading at 13x and 11x FY23E and FY24E EPS. We value the company at 13x FY24E EPS to arrive at the TP of Rs485/share, implying an upside potential of 20% from the current levels.

Key Financials (Consolidated)

(Rs Cr)	FY22	FY23E	FY24E
Net Sales	2,692	3,096	3,561
EBITDA	257	318	385
Net Profit	155	205	249
EPS (Rs)	23	31	37
PER (x)	17	13	11
EV/EBITDA (x)	10	7	6
P/BV (x)	2.6	2.2	1.8
ROE (%)	16%	18%	18%

Source: Company, Axis Research

(CMP as of Nov 15, 2022)	
CMP (Rs)	405
Upside / Downside (%)	20
High/Low (Rs)	564/359
Market cap (Cr)	2717
Avg. daily vol. (6m) Shrs.	23394
No. of shares (Cr)	6.7

Shareholding (%)

	Mar-22	Jun-22	Sep-22
Promoter	55.32	55.32	55.32
FII/FPIs	12.34	12.28	12.30
MFs / UTI	27.82	27.32	27.28
Banks / FIs	0	0	0
Public	4.52	5.08	5.1

Financial & Valuations

Y/E Mar (Rs Cr)	FY22	FY23E	FY24E
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Change in Estimates (%)

Y/E Mar	FY23E	FY24E
Revenue	0	-1
EBITDA	-3	-5
Net Profit	-4	-6

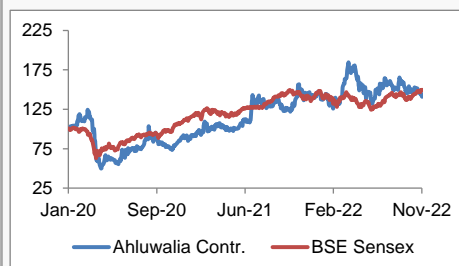
ESG disclosure Score**

Environmental Disclosure	NA
Social Disclosure Score	NA
Governance Disclosure	NA
Total ESG Disclosure	NA

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

Relative performance



Source: Capitaline, Axis Securities

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Key Concall Takeaways

- **Revenue guidance:**The pace of execution was slow owing to the monsoon season and new EPC projects where designing work takes some time in the first phase of project execution. The company has guided revenue growth of 15%-20% in FY23. The company indicated that revenue growth will not be an issue in FY24 also.
- **Order Inflow:**The order inflow in Q2FY23 stood at Rs 3,183Cr including both public and private projects. The company is L1 in projects worth Rs 1,099Cr, expected to be awarded soon. The company expects order inflow in the range of Rs 3000-4000 Cr in FY23. The company expects competitive intensity to be there as others are also venturing into the space but it also indicated that many medium size players are facing challenges in terms of execution. Jammu project, Adani Data Centre and Max Hospital (Dwarka) are expected to be completed in the next 12 months.
- **Bidding Pipeline:**The current bidding pipeline is Rs5000 Cr. The bidding pipeline includes projects from both govt (65%) as well as private parties(35%).The company is selectively choosing projects from the private side and is working with only marquee clients with strong financial standing. It is selectively looking into small residential projects and has taken orders for two projects in Mumbai. Healthcare and Education will remain a focus area for the company moving ahead also.
- **Working capital days:**Networking capital days increased to 71 days in Q2FY23 but are not expected to increase going forward.
- **Capex:**In Q2FY23, the company expended Rs 33Cr in Capex. The company targets to expend a Capex of Rs 20 Cr in the balance FY23 and maintain a range of Rs 50-60 Cr in FY24.
- **As of 30thSep'22:** Unbilled Revenue stood at Rs315 Cr, Retention Money stood at Rs 160 Cr, Mobilization Advance stood at Rs190Cr, Trade receivable Rs 691 Cr, Inventory Rs 238 Cr including Rs 40 Cr Real Estate Inventory, Trade payable Rs 605 Cr.

Ahluwalia Contracts Limited: Result Update

(Rs Cr)	Quarterly Performance				
	Q2FY23	Q1FY23	% Change (YoY)	Q2FY22	% Change (YoY)
Sales	623	609	2%	698	-11%
Other Op. Inc					
Total Revenue	623	609	2%	698	-11%
Expenditure					
Cost of material consumed	307	277	11%	321	-4%
Changes in Inventories of Work-In-Progress	0	0		0	
Construction expenses	36	35	3%	36	-1%
Subcontract work	162	179	-9%	211	-23%
Labour cost	0	0		0	
Employee Cost	47	46	3%	50	-6%
Other Expenses	9	12	-25%	17	-46%
Total Expenditure	561	549	2%	635	-12%
EBIDTA	62	61	2%	63	-2%
EBIDTA margin	9.93%	9.9%	3 bps	9.0%	93 bps
Oth. Inc.	7	7	-9%	7	-5%
Interest	7	8	-9%	12	-39%
Depreciation	9	9	3%	8	5%
PBT	52	51	2%	50	5%
Tax	13	14	-3%	14	-6%
PAT	39	38	4%	36	9%
EPS (Rs.)	5.9	5.6	4%	5.3	10%

Source: Company, Axis Securities

Actual/Axis Estimates
(Rs Cr)

	Actual	Estimated	% Variance	Consensus	% Variance
Net Sales	623	733	-15%	746	-16%
EBITDA	62	75	-17%	75	-18%
EBITDA margin	9.9%	10.2%	(30bps)	10.1%	(10bps)
PAT	39	47	-18%	48	-18%

Source: Company, Axis Securities

Financials (Consolidated)
Profit & Loss

(Rs Cr)

Y/E March	FY22	FY23E	FY24E
Net sales	2,692	3,096	3,561
Other operating income	0	0	0
Total income	2,692	3,096	3,561
Cost of materials consumed	1,239	1,473	1,638
Changes in Inventories of Work-In-Progress	0	0	0
Construction expenses	961	1,036	1,218
Contribution (%)	18.3%	19.0%	19.8%
Other Expenses	236	270	320
Operating Profit	257	318	385
Other income	29	32	39
EBITDA	286	350	424
Depreciation	34	37	45
Interest & Fin Chg.	44	37	45
Pre-tax profit	208	276	334
Tax provision	53	71	85
PAT	155	205	249

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY22	FY23E	FY24E
Total assets	2,047	2,340	2,690
Net Block	110	109	124
CWIP	0	0	0
Investments	6	6	6
Wkg. cap. (excl cash)	106	106	106
Cash / Bank balance	65	78	93
Other assets	433	563	707
	1326	1478	1653
Capital employed	2,047	2,340	2,690
Equity capital	13	13	13
Reserves	1023	1228	1477
Minority Interests	0	0	0
Borrowings	1	1	1
Other Liabilities	1010	1097	1198

Source: Company, Axis Securities

Cash Flow		(Rs Cr)		
Y/E March	FY22	FY23E	FY24E	
PBT	208	276	334	
Depreciation	34	37	45	
Interest Expense	32	37	45	
Changes in Working Capital	-141	-78	-89	
Others	-8	-32	-39	
Tax Paid	-59	-71	-85	
Net Cash from Operations	66	169	211	
Capex	-28	-35	-60	
Investment	0	0	0	
Others	-73	32	39	
Net Cash from Investing	(101)	(3)	(21)	
Borrowings	-16	0	0	
Interest Expense	-26	-37	-45	
Others	-3	0	0	
Net Cash from Financing	(44)	(37)	(45)	
Net Change in Cash	(79)	129	145	
Opening cash	325	246	376	
Closing cash	246	376	521	

Source: Company, Axis Securities

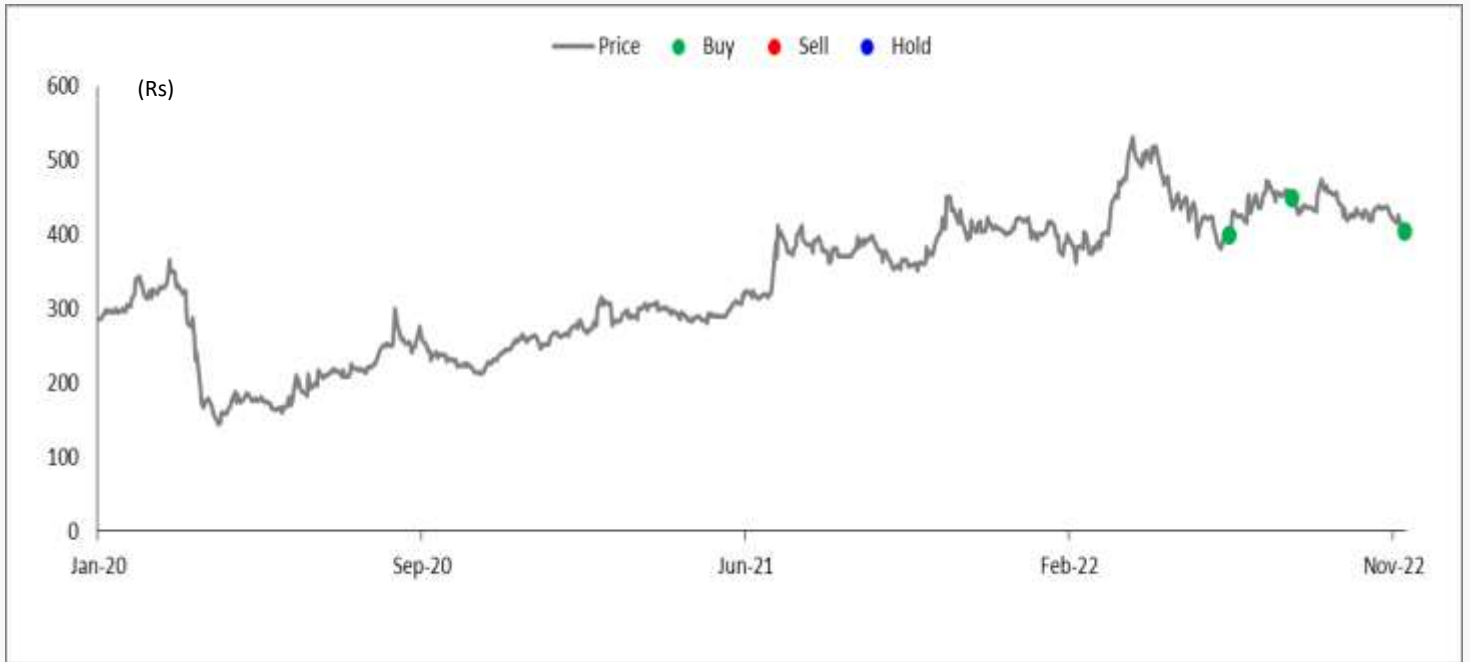
Ratio Analysis

(%)

Y/E March	FY22	FY23E	FY24E
Sales Growth	36%	15%	15%
EBITDA Growth	66%	24%	21%
PAT Growth	101%	32%	21%
Profitability Ratio			
EBITDA Margin	9.5%	10.3%	10.8%
Adjusted net margin	5.8%	6.6%	7.0%
Efficiency Ratio			
Capital Turnover	2.6	2.5	2.4
Total Asset Turnover	2.3	2.3	2.2
Fixed Asset Turnover	24.5	28.5	28.8
Debtor days	60	60	60
Inventory days	36	36	36
Payable days	93	93	93
Cash Conversion Cycle (days)	3	3	3
Leverage Ratios			
Debt to equity	0.00	0.00	0.00
Net debt to equity	-0.42	-0.45	-0.47
Interest coverage	6	9	9
Per Share Data			
Diluted EPS (Rs)	23	31	37
Book value per share (Rs)	155	185	223
DPS (Rs)	0.0	0.0	0.0
Return Ratios			
Return on equity	16%	18%	18%
Return on capital employed	22%	25%	25%
Valuation Ratio			
P/E	17	13	11
P/BV	2.6	2.2	1.8
EV/EBITDA	10.6	8.5	7.1
Cash Flow Ratio (%)			
OCF/EBITDA	26%	53%	55%
OCF/Sales	2%	5%	6%
FCF/Sales	1%	4%	4%
OCF/ROIC	19%	39%	39%

Source: Company, Axis Securities

Ahluwalia Contracts India Price Chart and Recommendation History



Date	Reco	TP	Research
28-Jun-22	BUY	490	Initiating Coverage
17-Aug-22	BUY	515	Result Update
16-Nov-22	BUY	485	Result Update

Source: Axis Securities

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HOLD	Between 10% and -10%
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