

## Transcending to the Next Phase of Growth

We initiate coverage on Ahluwalia Contracts (India) Ltd (ACIL) with a **BUY** recommendation and a Target Price (TP) of Rs 490 /share, implying an upside of 17% from the current levels. We believe ACIL is well-positioned to take advantage of the government's focus on infrastructure development and emerging opportunities in the construction sector through its experienced management team, technological prowess, and healthy financials.

## Investment Thesis

### Strong and diversified order book provides robust revenue growth visibility

The company has a strong order book of Rs 5,870 Cr (as of 31<sup>st</sup> Mar'22), which provides good revenue visibility for the next 2 years. Moreover, the order book is well-diversified between public and private sectors at 84% and 16% respectively. The company has a strong presence across Institutional, Hospital, Infrastructure, Commercial and Residential (Private and Public) projects which ensures steady order inflow. With a strong bidding pipeline of projects (Rs 7,000 Cr) both at the public and private levels (80:20), we expect the company's order inflows to remain robust moving forward. The company is also increasingly looking at opportunities from the public sector to capitalise on the government spending on the Infra development. With a healthy and diversified order book coupled with large emerging opportunities, we expect the company to deliver robust revenue growth of 22% CAGR over FY21-FY24E.

### Established track record and project execution prowess

ACIL has successfully completed over 75 plus projects by far and has 40 plus projects ongoing across 14 states. The company is associated with the country's leading architects and consultants and has also established a strong network of channel partner's pan-India. Its commitment to creating an efficient organization is reflected through its continuous investments in upgrading its technology, systems, and processes. For instance, the company collaborated with a Russian entity to build structures using patented high-speed pre-cast construction using KUB 2.5 System. The company also has a strong foothold in housing segment and with this technology, it will have even higher capabilities in the low-cost mass housing segment. Going forward, we expect the company to improve its EBITDA margin to 11%-12% from the existing 9%-10%.

### Healthy financials and experienced management to support future growth

ACIL exhibits a robust financial position, reflected in its lean balance sheet, low Debt to Equity ratio, high returns and interest coverage ratios, and stringent working capital management. We believe the company's capital structure will remain healthy from a medium to long-term perspective. Moreover, it is well-capitalized in terms of its employee engagement and has a pool of on-roll qualified and professional employees, contract staff, and sub-contract workers for the timely execution of projects.

### Outlook & Valuation – Initiate with BUY

With emerging opportunities in the construction sector and favorable attributes such as a strong and diversified order book position, a higher proportion of stable public order book, expertise across industries and geographies, synergistic strength, timely execution, and healthy financials with low debt, we expect the company to deliver healthy Revenue/EBITDA/APAT growth of 22%/38%/50% CAGR over FY21-FY24E. Currently, the stock is trading at 13x and 11x FY23E and FY24E EPS. **We initiate coverage on the company with a BUY rating and value the company at 12.5x FY24E EPS to arrive at the target price of Rs 490/share, implying an upside potential of 17% from the current levels.**

### Key Financials (Standalone)

| (Rs Cr)       | FY21  | FY22  | FY23E | FY24E |
|---------------|-------|-------|-------|-------|
| Net Sales     | 1,982 | 2,692 | 3,096 | 3,561 |
| EBITDA        | 154   | 257   | 323   | 402   |
| Net Profit    | 77    | 155   | 207   | 262   |
| EPS (Rs)      | 12    | 23    | 31    | 39    |
| PER (x)       | 26    | 18    | 13    | 11    |
| EV/EBITDA (x) | 12    | 10    | 8     | 6     |
| P/BV (x)      | 2.3   | 2.7   | 2.2   | 1.9   |
| ROE (%)       | 9%    | 16%   | 18%   | 19%   |

Source: company, Axis Research

(CMP as of 29 June, 2022)

|                            |         |
|----------------------------|---------|
| CMP (Rs)                   | 418     |
| Upside /Downside (%)       | 17%     |
| High/Low (Rs)              | 564/337 |
| Market cap (Cr)            | 2800    |
| Avg. daily vol. (6m) Shrs. | 51514   |
| No. of shares (Cr)         | 6.7     |

### Shareholding (%)

|              | Sept-21 | Dec-21 | Mar-22 |
|--------------|---------|--------|--------|
| Promoter     | 55.32   | 55.32  | 55.32  |
| FII's        | 12.15   | 12.34  | 12.31  |
| MFs / UTI    | 28.52   | 27.82  | 27.6   |
| Banks / FIIs | 0       | 0      | 0      |
| Others       | 4.01    | 4.52   | 4.77   |

### Financial & Valuations

| Y/E Mar (RsCr) | FY22  | FY23E | FY24E |
|----------------|-------|-------|-------|
| Net Sales      | 2,692 | 3,096 | 3,561 |
| EBITDA         | 257   | 323   | 402   |
| Net Profit     | 155   | 207   | 262   |
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| P/BV (x)       | 2.7   | 2.2   | 1.9   |
| ROE (%)        | 16%   | 18%   | 19%   |

### Key Drivers (%) (Growth in %)

| Y/E Dec    | FY23E | FY24E |
|------------|-------|-------|
| Net Sales  | 15    | 15    |
| EBITDA     | 26    | 24    |
| Net Profit | 33    | 27    |

### Axis vs Consensus

| EPS Estimates                     | FY23E      | FY24E |
|-----------------------------------|------------|-------|
| Axis                              | 31         | 39    |
| Consensus                         | 33         | 38    |
| <b>Mean Consensus TP (12M) Rs</b> | <b>506</b> |       |

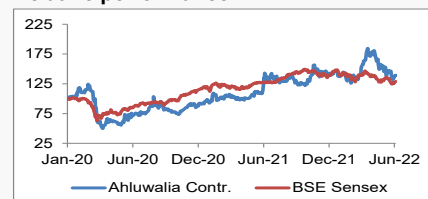
### ESG disclosure Score\*\*

|                                |    |
|--------------------------------|----|
| Environmental Disclosure Score | NA |
| Social Disclosure Score        | NA |
| Governance Disclosure Score    | NA |
| Total ESG Disclosure Score     | 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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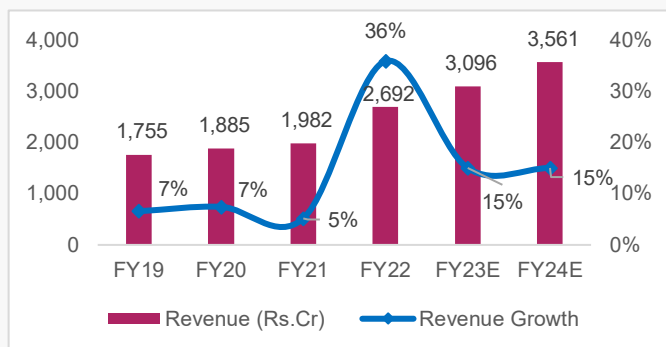
**Shikha Doshi**

Research Analyst

email:shikha.doshi@axissecurities.in

## Financial Story in Charts

Exhibit 1: Revenue to grow with efficient project execution capabilities



Source: company, Axis Securities

Exhibit 2: EBITDA to grow with improving margins

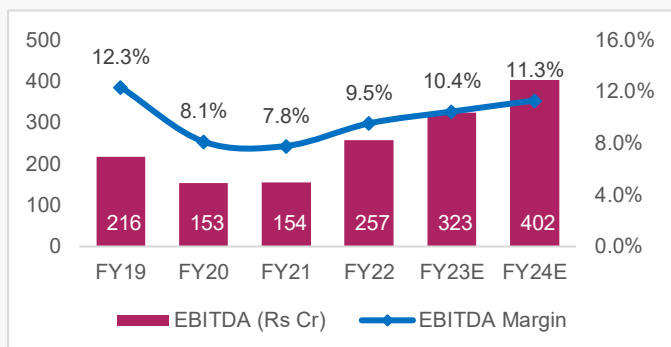
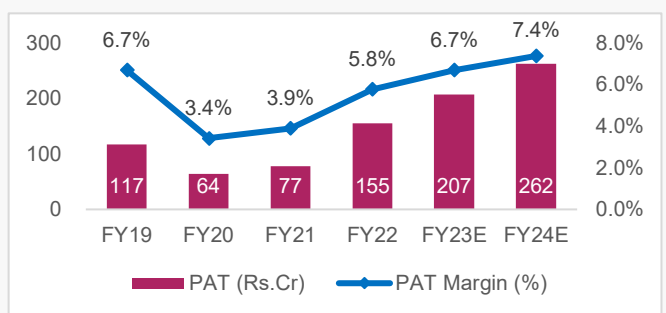


Exhibit 3: PAT to show notable improvement



Source: company, Axis Securities

Exhibit 4: Order book and revenue to grow in tandem

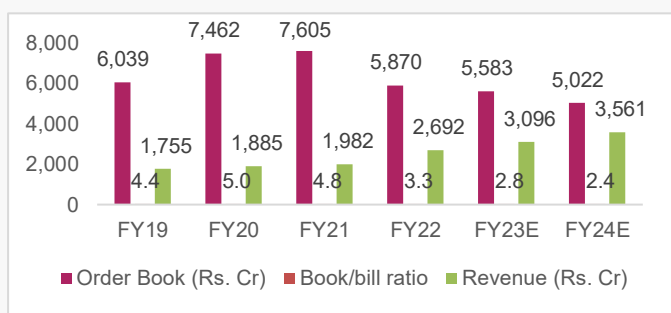
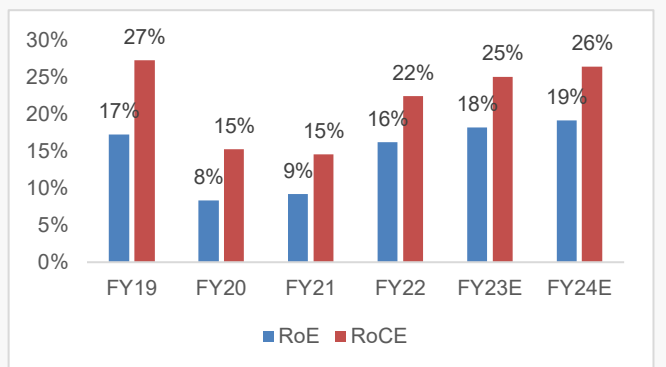


Exhibit 5: ROE & ROCE to improve



Source: company, Axis Securities

Exhibit 6: CCC to remain stable

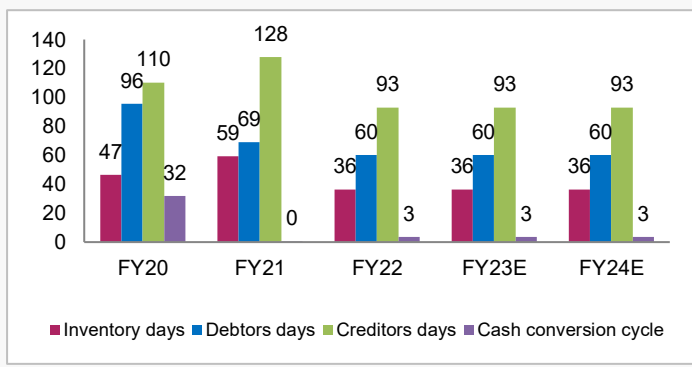
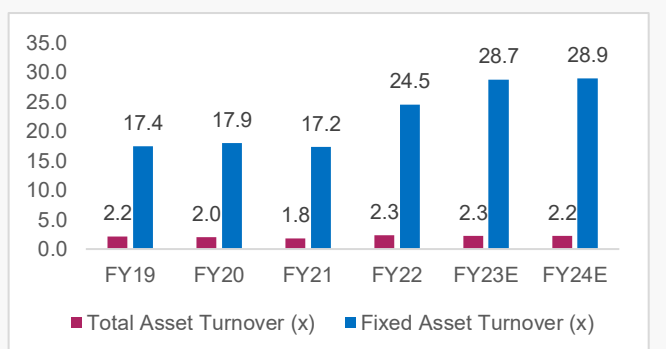
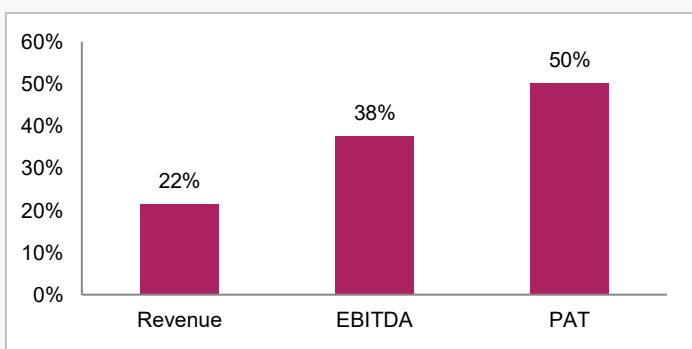


Exhibit 7: Asset turnover to improve



Source: company, Axis Securities

Exhibit 8: Encouraging CAGR trend (FY21-FY24E)

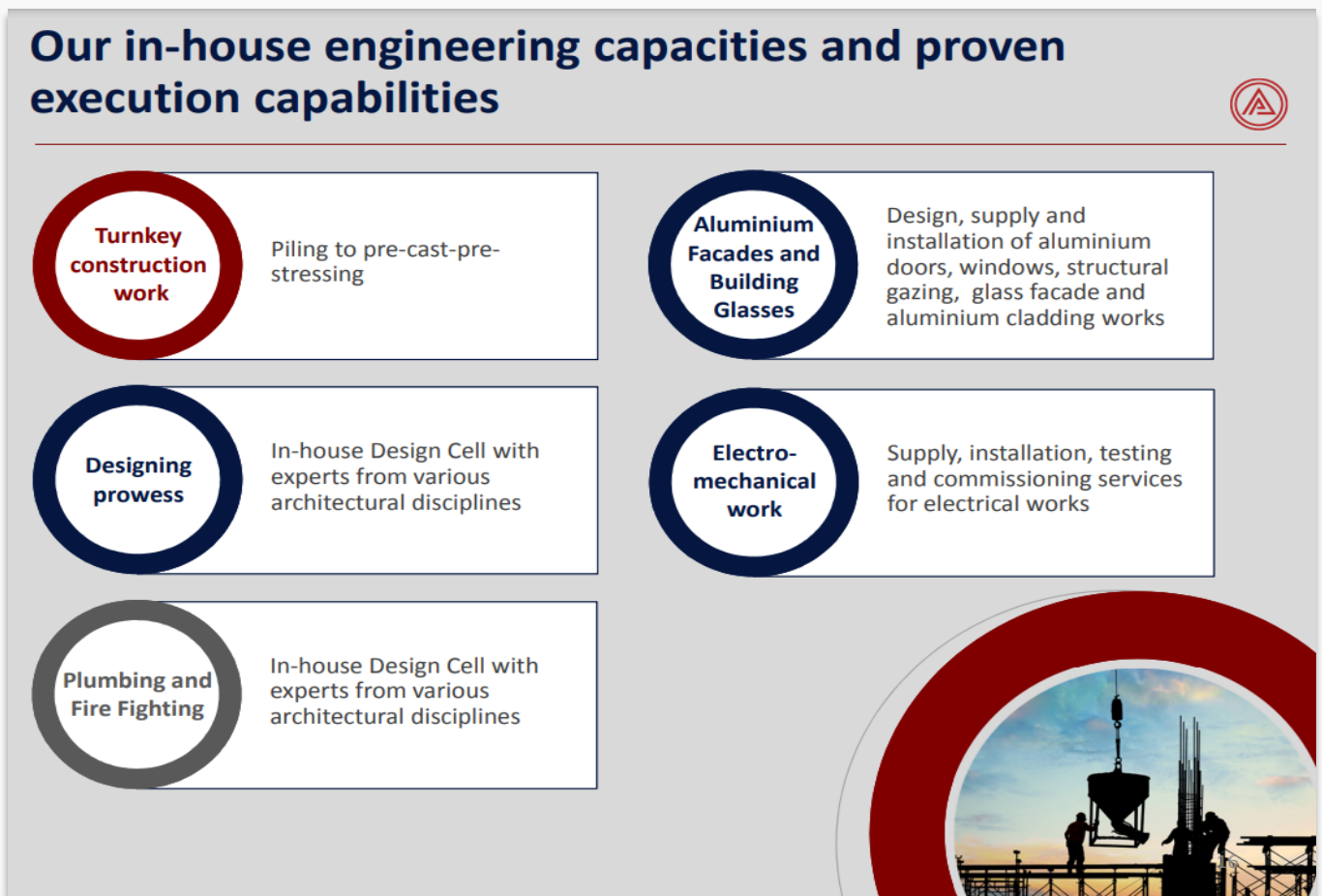


## Company Overview

- ACIL is an Engineering & Construction company engaged in delivering state-of-the-art infrastructure and building projects for clients in India. Four decades of strong, customer-centric approach with a sharp focus on world-class quality have enabled ACIL to deliver projects that have created a lasting legacy. The company's extraordinary track record of success in all segments of construction has earned it the reputation of being a technology-driven and resource-rich organisation with high standards of Health, Safety, and Environmental practices.
- The company has expanded its expertise across industries and geographies with 40+ongoing projects across High Rise Residential, Commercial Complexes, Luxury Hotels, Institutional Buildings, Hospitals & Medical Colleges, Corporate Office Complexes, IT Parks & Industrial Complexes, Metro Rail Stations & Depots, Power Plants, and Motorised Car Parking, among others.
- ACIL has completed construction in 23+cities across 9+states
- The company have 1,700+employees, 750 engineers and 22,000 workers
- The company owns 99+Tower Cranes & Hydra Cranes, 175+Batching Plants, Boom, Concrete Pumps, Load Excavators, 45+Transit Mixers
- The Company was recognized and awarded in the category of "Best Professionally Managed Company (> Rs1000 Cr)" by Construction Industry Development Council (CIDC). The company has earned the three recognition i.e. ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018. It is amongst a select group of 3-4 Contractors who are pre-qualified to bid for most of the mega building projects in the country.
- ACIL strives to be the company of choice for the construction of complex buildings by continuously setting higher standards of excellence in different facets of EPC in the building Industry.

An experienced EPC player with more than 5 decades of strong customer centric approach

Exhibit 9: Company's engineering capacities



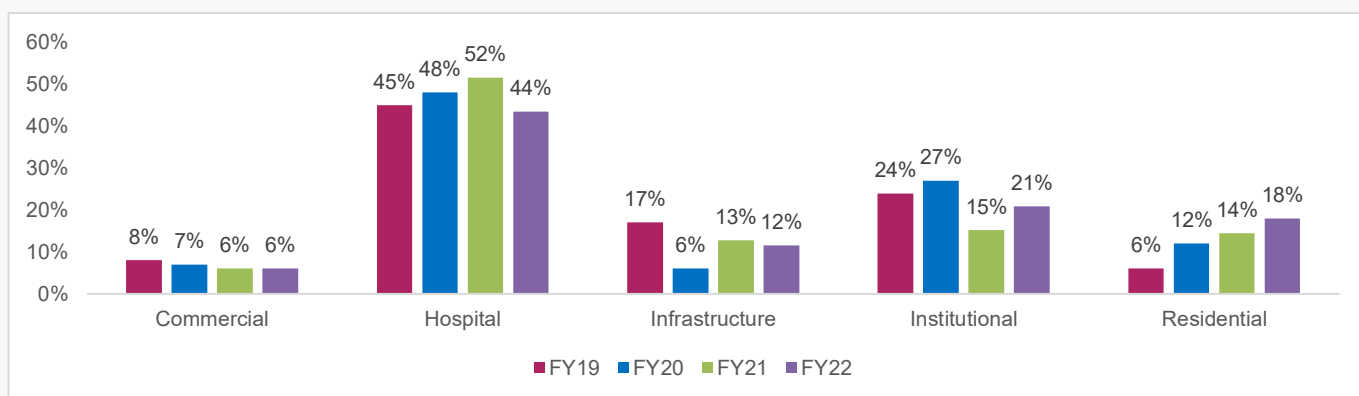
Source: company, Axis Securities

### Strong and diversified order book gives good revenue growth visibility

- Robust order book position:** The company's order book position stands robust at Rs 5,870 Cr (as of 31st Mar'22) and provides good revenue visibility for the next 2 years. The order book is well-diversified between public and private sectors at 84% and 16% respectively. The company recently was awarded construction projects of the National Police Academy, Maharajgunj, Kathmandu (EPC basis), and Janakpur in Nepal worth a contract value of Rs 442 Cr (70% of JV). Also, it was awarded re-construction of Assam Bhawan Chanakyapuri, Delhi for Rs 62 Cr. The total order book plus L1 stands at Rs 6,617 Cr as of now.
- Healthy bidding pipeline:** The construction industry contributes a full 8% of India's GDP. Moreover, the government continues to sharply focus on developing the country's infrastructure and has undertaken several proactive policy initiatives, providing significant growth opportunities to the company. The company has a strong presence in Institutional, Hospital, Infrastructure, Commercial and Residential (Private & Public) projects which ensures steady order inflow. With a strong bidding pipeline of projects (Rs 7,000 Cr) both at the public and private level (80:20), the company expects order inflows to remain robust to the tune of Rs 2,500-3,000 Cr in FY23.
- Diversified Order Book:** The company's order book is well diversified across segments with its major chunk comprised of government projects. The company continues with its higher focus on government sector projects along with continuously reducing its exposure to private sector contracts. As of 31<sup>st</sup> Mar 2022, the segment-wise breakup was 43%/21%/18%/12%/5%/1% of hospital, institutional, residential, infrastructure, commercial, and hotel respectively.
- Healthy order book growth:** The company's order book has grown consistently at 21% CAGR in the last 4 years to Rs 7,605 Cr in FY21 from Rs 3,553 Cr in FY17.
- Robust revenue growth projections:** Moving forward, with the healthy and diversified order book and emerging opportunities in other construction spaces, we expect the company to deliver a robust revenue CAGR of 22% over FY21-FY24E.

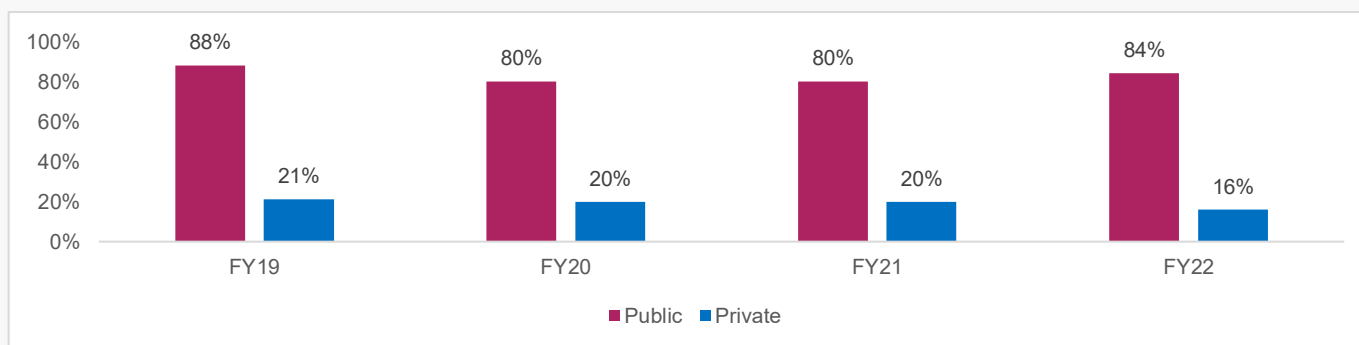
*The order book gives revenue growth visibility for the next 2 years with improving margins.*

Exhibit 10: Order book across verticals



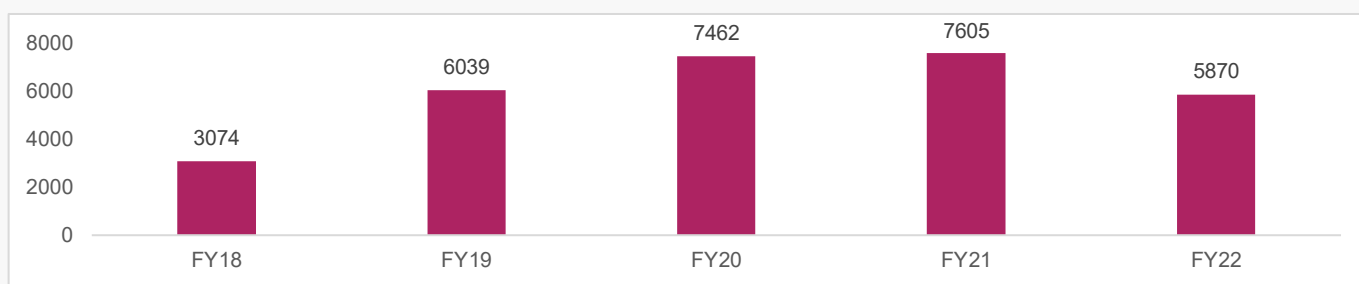
Source: company, Axis Securities

Exhibit 11: Order Book Across Public & Private Projects (Rs Cr)



Source: company, Axis Securities

Exhibit 12: Order Book Position (Rs Cr)



Source: company, Axis Securities

Exhibit 13: Important Projects and Contract Value (Rs Cr) as of 31<sup>st</sup> Mar'22

| Sr No | Project                          | Location            | Name of the Client          | Contract Value | O/s Contract Value |
|-------|----------------------------------|---------------------|-----------------------------|----------------|--------------------|
| 1     | Bihar Animal Science University  | Patna, Bihar        | Bihar Animal Husbandry      | 890            | 890                |
| 2     | AIIMS                            | Jammu               | CPWD                        | 1254           | 877                |
| 3     | AIIMS                            | Kalyani, WB         | Ministry of Health & Family | 691            | 330                |
| 4     | AIIMS                            | Nagpur, Maharashtra | Ministry of Health & Family | 632            | 12                 |
| 5     | Central Vista                    | New Delhi           | CPWD                        | 610            | 11                 |
| 6     | Medical College                  | Rewari, Haryana     | PWD                         | 535            | 202                |
| 7     | Redevelopment of LTMG Hospital   | Sion, Mumbai        | MCGM                        | 533            | 506                |
| 8     | Construction of Mandale Depot    | Mankhurd, Mumbai    | MMRDA                       | 530            | 385                |
| 9     | Construction of Officers Enclave | Patna, Bihar        | PWD                         | 518            | 384                |
| 10    | Medical College                  | Chapra, Bihar       | PWD                         | 425            | 201                |

## MILESTONES

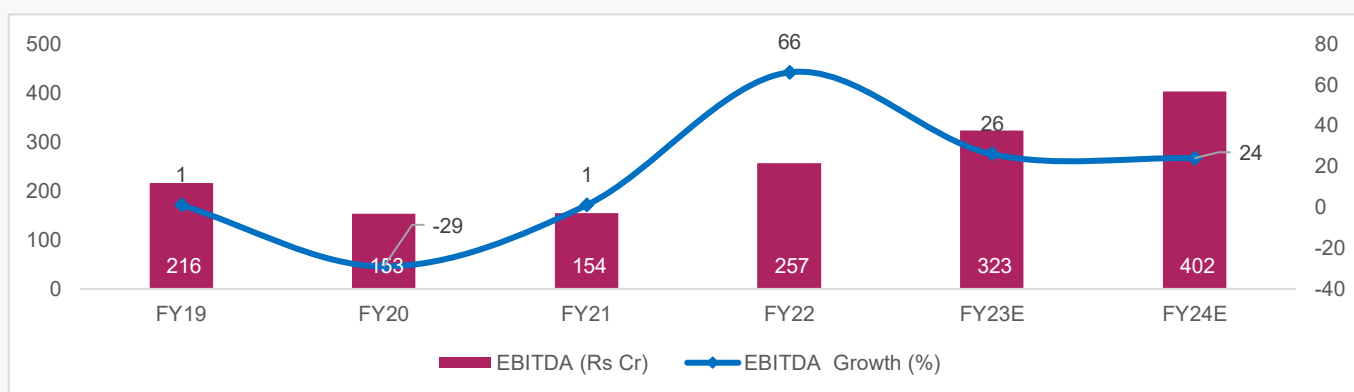
- Games Village Housing Complex for **Commonwealth Games 2010** at New Delhi.
- Dr S.P.M. Swimming Pool (**Talkatora Stadium**) for Common Wealth Games 2010 in New Delhi for CPWD.
- Hotel ITC Royal Gardenia in Bangalore Asia's first **LEED (Leadership in Energy & Environmental Design) Platinum Rated Hotel**.
- **District Court Complex & Advocate Chamber** (Comosite Work) for P.W.D., Govt. of NCT Delhi at Saket, New Delhi.
- **Brigade Metropolish Housing Complex**, Bangalore.
- **Ranchi Airport** Terminal Building for AAI.
- Three **Elevated Metro Stations, viz Tollgate, Hsahalli and Vijaynagar Stations**, in Reach-2 for Bangalore Metro Rail Corporation Phase-I.
- Metro Depot – Civil work for **Mumbai Metro One Pvt. Ltd.** – VAG Corridor MRTS Project, Mumbai.
- **Leela Palace** 5-Star Hotel at New Delhi

## Established track record and project execution prowess

- Successful and timely project execution:** In an extremely competitive and highly dynamic construction space, the need to create a differentiated identity lies at the core of the operational strategy. ACIL has been associated with most of the leading architects and consultants of the country such as Mahendra Raj, Rajinder Kumar, C.P. Kukreja, and Raja Aederi, among many others for the building of large Institutional Buildings and Corporate Office Complexes, Industrial Complex Buildings, Multi-Storeyed Housing Complexes, and Township Development projects, among others.
- Introduction of new technology and new methods of construction:** The company's commitment to creating an efficient organization is reflected through continuous investments in the upgradation of technology, systems, and process. The company collaborated with a Russian entity to build structures using patented high-speed pre-cast construction using KUB 2.5 System. It already has a strong foothold in housing, and with this technology, will have even higher capabilities in the low-cost mass housing segment.
- Margins to improve:** Going forward, we expect the company's EBITDA margins to improve to 11%-12% over FY23-FY24E from the existing 9-10%.

*Exemplary and timely project execution to bring better order inflows and improve margins moving ahead*

Exhibit 14: EBITDA and EBITDA Growth



Source: company, Axis Securities

Exhibit 15: Marquee Clientele



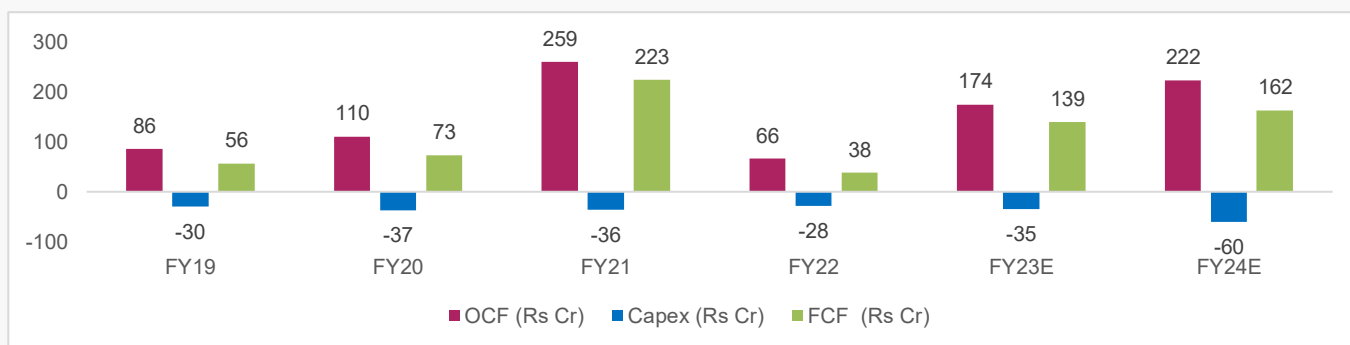
Source: company, Axis Securities

## Healthy financials & experienced management to support future growth

- **Healthy revenue growth and Cash-rich B/S:** The company's revenue has grown at 14% CAGR over FY17-FY22 to Rs 2,692 Cr in FY22 from Rs 1,427 Cr in FY17. As of 31<sup>st</sup> Mar'22, the company's cash and cash equivalent along with FDs stood at Rs 433 Cr, indicating a strong liquidity profile. Furthermore, in the last two years, the company has cleaned off its balance sheet by writing off receivables as bad debt. Its Capex requirements are low (Rs 40-60 Cr) each for FY23 and FY24. We expect the company to generate healthy free cash moving ahead.
- **Robust financial position:** The company exhibits a robust financial position, which is reflected in its lean balance sheet, low Debt-Equity ratio, high returns and interest coverage ratios, and superior management of working capital. We believe the company's capital structure will remain healthy from a medium to long-term perspective.
- **Qualified and Professional Team:** The company is well-capitalized in terms of its employee engagement and has a pool of on-roll qualified and professional employees, contract staff, and sub-contract workers for the timely execution of projects. The leadership team at ACIL has formidable competencies and possesses extensive experience across multiple disciplines in the core construction business.
- **Fresh funds through Preferential Issue:** Promoter infused fresh funds of Rs 50 Cr earlier through Preferential Issue, which indicates confidence and faith in the company's ability to fight the tough times.
- **Credit Rating:** a) Long-term Bank Facilities – CARE A+; Stable (Single A Plus; Outlook; Stable) b) Long-term / short-term Bank Facilities – CARE A+; Stable/ CARE A1 (Single A Plus; Outlook; Stable/A One).

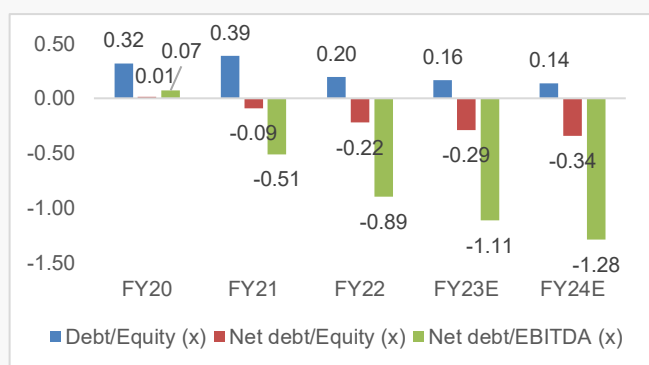
*Experienced management and reputed clientele provide business strength and strong financial lends support for the future growth*

**Exhibit 16: Expected trend in OCF, Capex, and FCF**



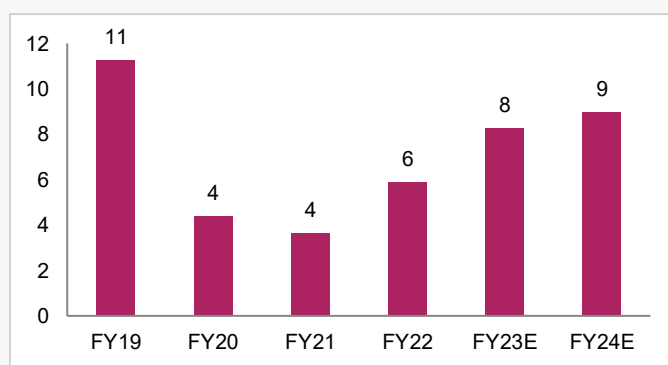
Source: company, Axis Securities

**Exhibit 17: Leverage ratio**



Source: company, Axis Securities

**Exhibit 18: Interest Coverage Ratio**





## Outlook & Valuation

We initiate coverage on ACIL with a BUY recommendation and value it 12.5x FY24E EPS to arrive at a Target Price of Rs 490/share. This implies an upside of 17% from the CMP. The current order book is healthy, backed by the government's focus on augmenting the country's overall infrastructure. We expect the company to maintain a healthy book-to-bill ratio moving forward. Having written off a substantial portion of receivables as bad debt in the last two years, which impacted the margins of the company, we expect margins to improve moving ahead to 11-12% in FY23E and FY24E.

The company's outlook over FY23E-24E continues to be robust driven by attributes such as a high order book with 2 years of revenue visibility. The company's successful track record in all segments of construction has earned it the reputation of a technology-driven, resource-rich organisation with high standards of Health, Safety, and Environmental practices. ACIL's pursuit of engineering and construction perfection which have been achieved through ground-breaking technologies, creative systems, and procedures, aided them in delivering challenging projects and solutions on time, maintaining the best quality, and within the budget.

The government's focus on a digitised India is a key driver in the growth of the new construction ecosystem and it is sure to escalate it into newer heights. The increased budget and focus on schemes such as Housing for All using advanced construction methods is likely to boost India's existing construction portfolio. These factors will ensure higher revenue growth for the company going forward.

We expect the company to report Revenue/EBITDA/APAT CAGR of 22%/38%/50% over FY21-FY24E. The stock is currently trading at 13x and 11x FY23E and FY24E EPS which is attractive. We initiate coverage on ACIL with a BUY recommendation and value it at 12.5x FY24E EPS to arrive at a Target Price of Rs 490/share. TP implies an upside of 17% from the CMP.

Robust order book, improving margin and emerging opportunities in the construction space to support the company's growth moving forward.

Exhibit 19: FWD PE BAND (x)

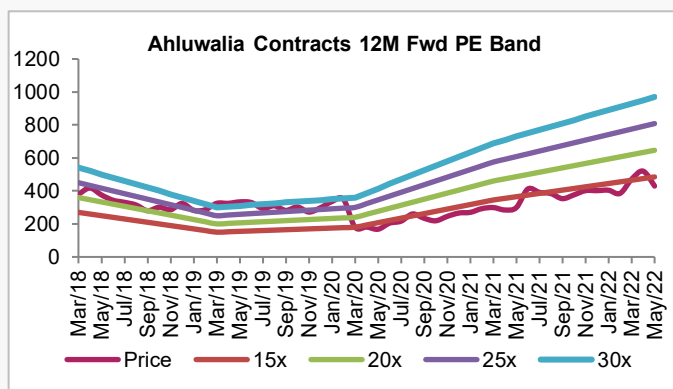
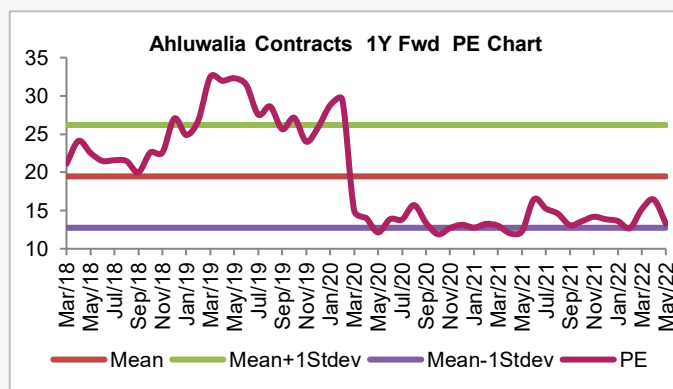


Exhibit 20: FWD PE CHART (x)



Source: company, Axis Securities



## Management Profile

| Key Management Personnel  | Experience  |
|---|---|
| <b>Mr. Bikramjit Ahluwalia</b><br><i>Chairman &amp; MD</i>                    | <p>Mr. Bikramjit Ahluwalia, Founder Promoter and Presently Chairman &amp; Managing Director, Ahluwalia Contracts (India) Limited (ACIL), aged 83 years, has been involved in the construction activity for more than 50 years.</p> <p>Under his leadership and guidance, ACIL's gross order book stands at over Rs 10,000 Cr, with project execution in 12 States catering to both private and public sector clients and the company has achieved a turnover of Rs 2000 Cr in FY21.</p>   |
| <b>Mr. Shobhit Uppal</b><br><i>Deputy Managing Director</i>                   | <p>Mr. Shobhit Uppal, aged 54 years, is an Electrical Engineering graduate from the National Institute of Technology, Kurukshetra, India. He has to his credit, well over three decades of experience in wide-ranging activities relating to the construction and infrastructure industry including superstructures, integrated townships, hospitals, hotels, commercial complexes, manufacturing facilities, and pipelines.</p>  |
| <b>Mr. Vikas Ahluwalia</b><br><i>Whole Time Director</i><br><i>BE (Civil)</i> | <p>Mr. Vikas Ahluwalia is aged 47 years s/o Sh. Bikramjit Ahluwalia has more than 20 years of experience in multifarious activities of infrastructure. He is currently overseeing the Chairman (Project Monitoring Committee) of Ahluwalia Contracts (India) Ltd. He has been involved with the execution of Jolly Grant Airport, Dehradun, Mumbai Metro Depot, Mumbai, Sion Hospital, Mumbai Project and All Projects of Pune i.e. Bluegrass Residences Yerawada Pune (Housing Project) (MH) and Nephronia Ecospaces Nephronia Commercial tower Yerawada, Pune (MH).</p> |
| <b>Mr. Sanjiv Sharma</b><br><i>Whole Time Director</i>                        | <p>Mr. Sanjiv Sharma aged 52 years has a Masters in Civil Engineering with Honors from IIT Roorkee and has been to his credit more than 29 years of Experience in multifarious activities relating to the Construction Industry.</p> <p>He has been involved with the execution of Mumbai Metro Depot, Mumbai, Sion Hospital, Mumbai Project, and All Projects of Pune i.e., Bluegrass Residences Yerawada Pune (Housing Project) (MH) and Nephronia Ecospaces Nephronia Commercial tower Yerawada, Pune (MH).</p>  |

Source: company, Axis Securities

## Key Risk

- **Performance of construction industry and real estate market risk:** The economic slowdown and changes in the regulatory environment may adversely impact the construction industry or real estate market affecting the company's operations and profitability.
  - ✓ **Mitigation:** The Company is positioned to capitalise on the growing market opportunities. In such situations, the company reviews its policy every quarter with a focus on achieving its key business objectives in the given policy framework covering the growth, profitability and actions undertaken to address these risks.
- **Contractual Risk:** Contractual obligations for quality, timeliness, protection of confidential information and other specific terms and conditions are crucial for EPC orders. Inability to adhere to them can attract legal actions and lead to losses and damage to the company's goodwill and operational performance.
  - ✓ **Mitigation:** The company has professional and highly experienced project management and legal team. It evaluates the project's legal and contractual risks in detail and works towards limiting the liabilities. The company also tries to ensure that the contract includes a 'no consequential losses' clause to protect from any downside risk. It also has subscribed to the Workers' Compensation Policy, Contractors All Risk (CAR) Policy, and ESIC insurances to protect itself from financial obligations.
- **Raw materials price risk:** The price of key raw materials such as cement, bricks, sand, and steel constantly fluctuates with the changing demand-supply dynamics which may lead to a rise in input cost, which in turn, put pressure on the company's margins and profitability.
  - ✓ **Risk Mitigation:** The company maintains strong and long-standing relations with suppliers enabling it to mitigate risks arising from price fluctuations, which in turn, gives it a competitive edge over its peers. Moreover, most of the company's private contracts include a price escalation clause ensuring margin stability
- **Manpower Shortage risk:** Construction work requires a significant pool of labour on the construction site to execute projects in a time-bound manner. Any labour shortage may impact the performance of the company.
  - ✓ **Risk Mitigation:** The company has a strong track record spanning decades in the construction space and has built long-term relationships with suppliers, enabling it to mitigate the risk.
- **Assets and Inventory Risk:** Unnatural events such as fire, theft, and accidents may adversely impact the company's operations and profitability.
  - ✓ **Mitigation:** The company has contingency plans for protecting its assets and inventory from such unfortunate events. It continues to implement loss-prevention measures on an ongoing basis such as high safety and security standards to ensure it's well-prepared in case of any contingencies. The company has also subscribed to several risk policies such as Workmen Compensation Insurance Policy/Contractor all risk to minimize the impact of this risk.

*The company is exposed to different kind of risks. The management remains cautious and vigilant to mitigate these risks*

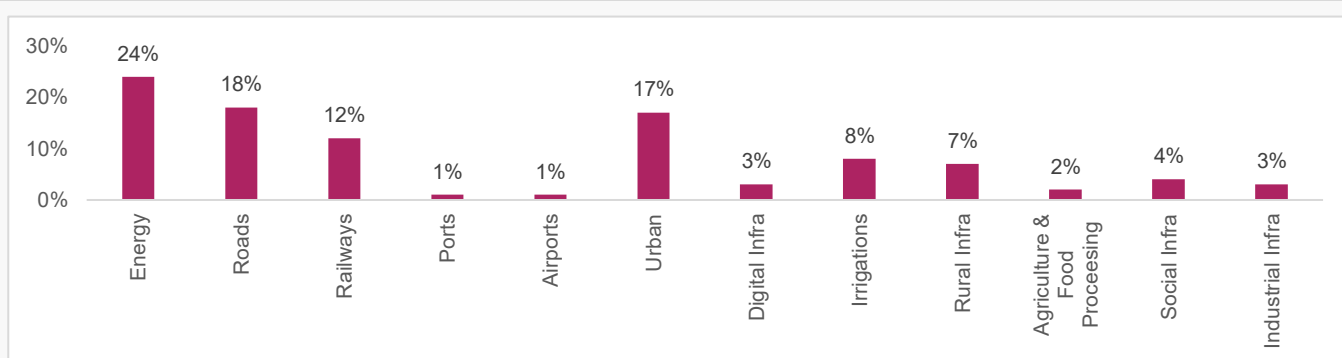
## Industry Overview

- **The Indian Construction Industry:** The Indian construction industry is the engine of the Indian economy and is responsible for propelling the country's overall development as good infrastructure is the basis for all other projects. ~9% of India's GDP is spent on Infrastructure services. It comprises of construction of power, bridges, dams, roads, and urban infrastructure development which also forms the base and supporting factor for other services sectors.
- There are mainly three segments in the construction industry viz. Real Estate includes residential and commercial construction; Infrastructure Development which includes roads, railways, power, etc, and Industrial construction which consists of Oil & Gas refineries, pipelines, and textiles, among many others.
- India is expected to become the third-largest construction market globally by 2022. This will be supported by large investments in infrastructure through overall PE (Private Equity) and VC (Venture Capital) investments in India. The country has recorded an all-time high investment of \$14.5 Bn in CY19 and plans to spend \$1.4 Tn on infrastructure in the next five years.
- **Real Estate market to grow:** Real estate market is projected to reach \$650 Bn by FY25. Residential, commercial, and Retail are the three key asset classes that are primarily contributing to the sector's growth. Currently, the industry employs 55 Mn people and is expected to employ 67 Mn people by FY22. The Real estate sector is expected to contribute 13% of the country's GDP by FY25.
- **The National Infrastructure Pipeline (NIP):** The NIP has a mission to improve project preparation and attract investments into infrastructure to provide world-class infrastructure to Indian citizens and thereby improve their quality of life. It will also support and encourage more infrastructure projects and create employment in the process. It intends to implement the latest technology to enhance service standards, efficiency, and safety across the Indian construction industry. The idea is to improve citizens' ease of living and provide equitable access to infrastructure, thus, making growth more inclusive.
- **Healthy long-term outlook:** The government initiatives include the flagship scheme Pradhan Mantri Awas Yojana, which aims to build 20 Mn urban homes and 30 Mn rural houses by 2022. Smart Cities and government schemes are fueling the growth of urban infrastructure and construction development. Over the 2017-2021 period, the construction and infrastructure sectors received FDI inflows amounting to \$105 Mn and \$422 Mn respectively. In the Union Budget 2022-23, the government has substantially increased the Capex from Rs 5.54 Lc Cr to 7.5 Lc Cr to create world-class infrastructure and all this augurs well for the construction sector.

*Overall outlook for the construction industry is robust on account of high government spending. We expect industry to grow at a CAGR of 6% over FY20-FY25*

Source: Industry, Axis Securities.

Exhibit 21- Break-up of Rs 111 Lc Cr under NIP during FY20-25E for various sector



Source: NIP, Axis Securities

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

| Y/E March                                  | FY21         | FY22         | FY23E        | FY24E        |
|--|--------------|--------------|--------------|--------------|
| <b>Net sales</b>                           | <b>1,982</b> | <b>2,692</b> | <b>3,096</b> | <b>3,561</b> |
| Other operating income                     | 0            | 0            | 0            | 0            |
| <b>Total income</b>                        | <b>1,982</b> | <b>2,692</b> | <b>3,096</b> | <b>3,561</b> |
| Cost of materials consumed                 | 919          | 1,239        | 1,384        | 1,567        |
| Changes in Inventories of Work-In-Progress | 0            | 0            | 0            | 0            |
| Construction Exp                           | 668          | 961          | 153          | 185          |
| Sub construction work                      | 0            | 0            | 957          | 1,086        |
| Contribution (%)                           | 19.9%        | 18.3%        | 19.4%        | 20.3%        |
| Other Expenses                             | 241          | 236          | 278          | 320          |
| <b>Operating Profit</b>                    | <b>154</b>   | <b>257</b>   | <b>323</b>   | <b>402</b>   |
| Other income                               | 22           | 29           | 31           | 39           |
| <b>PBITD</b>                               | <b>177</b>   | <b>286</b>   | <b>354</b>   | <b>442</b>   |
| Depreciation                               | 30           | 34           | 37           | 45           |
| Interest & Fin Chg.                        | 43           | 44           | 39           | 45           |
| <b>Pre-tax profit</b>                      | <b>104</b>   | <b>208</b>   | <b>278</b>   | <b>352</b>   |
| Tax provision                              | 26           | 53           | 71           | 90           |
| <b>PAT</b>                                 | <b>77</b>    | <b>155</b>   | <b>207</b>   | <b>262</b>   |

Source: company, Axis Securities

### Balance Sheet

(Rs Cr)

| Y/E March               | FY21         | FY22         | FY23E        | FY24E        |
|-------------------------|--------------|--------------|--------------|--------------|
| <b>Total assets</b>     | <b>2,062</b> | <b>2,047</b> | <b>2,340</b> | <b>2,700</b> |
| Net Block               | 115          | 110          | 108          | 123          |
| CWIP                    | 0            | 0            | 0            | 0            |
| Right of use asset      | 7            | 6            | 6            | 6            |
| Investments             | 108          | 106          | 106          | 106          |
| Wkg. cap. (excl cash)   | 31           | 65           | 79           | 96           |
| Cash / Bank balance     | 418          | 433          | 564          | 720          |
| Other assets            | 1383         | 1326         | 1476         | 1648         |
| <b>Capital employed</b> | <b>2,062</b> | <b>2,047</b> | <b>2,340</b> | <b>2,700</b> |
| Equity capital          | 13           | 13           | 13           | 13           |
| Reserves                | 867          | 1023         | 1230         | 1492         |
| Minority Interests      | 0            | 0            | 0            | 0            |
| Borrowings              | 16           | 1            | 1            | 1            |
| Other Liabilities       | 1166         | 1010         | 1096         | 1194         |

Source: company, Axis Securities

**Cash Flow**

(RsCr)

| Y/E March                       | FY21        | FY22         | FY23E       | FY24E       |
|---------------------------------|-------------|--------------|-------------|-------------|
| PBT                             | 104         | 208          | 278         | 352         |
| Depreciation                    | 30          | 34           | 37          | 45          |
| Interest Expense                | 30          | 32           | 39          | 45          |
| Changes in Working Capital      | 94          | -141         | -79         | -91         |
| Others                          | 33          | -8           | -31         | -39         |
| Tax Paid                        | -32         | -59          | -71         | -90         |
| <b>Net Cash from Operations</b> | <b>259</b>  | <b>66</b>    | <b>174</b>  | <b>222</b>  |
| Capex                           | -36         | -28          | -35         | -60         |
| Investment                      | 0           | 0            | 0           | 0           |
| Others                          | -12         | -73          | 31          | 39          |
| <b>Net Cash from Investing</b>  | <b>(48)</b> | <b>(101)</b> | <b>(4)</b>  | <b>(21)</b> |
| Borrowings                      | -31         | -16          | 0           | 0           |
| Interest Expense                | -19         | -26          | -39         | -45         |
| Others                          | -1          | -3           | 0           | 0           |
| <b>Net Cash from Financing</b>  | <b>(51)</b> | <b>(44)</b>  | <b>(39)</b> | <b>(45)</b> |
| <b>Net Change in Cash</b>       | <b>161</b>  | <b>(79)</b>  | <b>131</b>  | <b>156</b>  |
| Opening cash                    | 165         | 325          | 246         | 377         |
| <b>Closing cash</b>             | <b>325</b>  | <b>246</b>   | <b>377</b>  | <b>533</b>  |

Source: company, Axis Securities

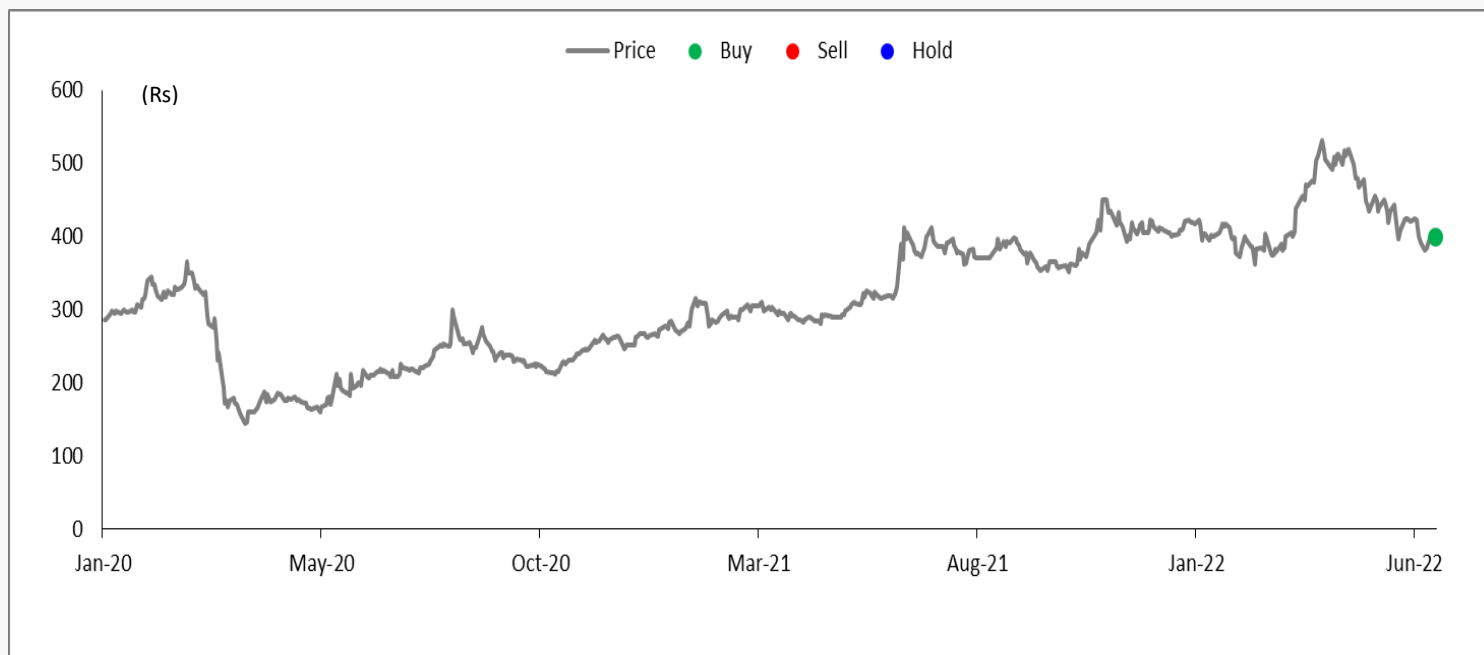
**Ratio Analysis**

(%)

| Y/E March                    | FY21 | FY22 | FY23E | FY24E |
|------------------------------|------|------|-------|-------|
| <b>Growth Indicator</b>      |      |      |       |       |
| Sales Growth                 | 5%   | 36%  | 15%   | 15%   |
| Ebitda Growth                | 1%   | 66%  | 26%   | 24%   |
| PAT Growth                   | 20%  | 101% | 33%   | 27%   |
| <b>Profitability Ratio</b>   |      |      |       |       |
| EBITDA Margin                | 7.8% | 9.5% | 10.4% | 11.3% |
| Adjusted net margin          | 3.9% | 5.8% | 6.7%  | 7.4%  |
| <b>Effeciency Ratio</b>      |      |      |       |       |
| Capital Turnover             | 2.3  | 2.6  | 2.5   | 2.4   |
| Total Asset Turnover         | 1.8  | 2.3  | 2.3   | 2.2   |
| Fixed Asset Turnover         | 17.2 | 24.5 | 28.7  | 28.9  |
| Debtor days                  | 69   | 60   | 60    | 60    |
| Inventory days               | 59   | 36   | 36    | 36    |
| Payable days                 | 128  | 93   | 93    | 93    |
| Cash Conversion Cycle (days) | 0    | 3    | 3     | 3     |
| <b>Leverage Ratios</b>       |      |      |       |       |
| Debt to equity               | 0.00 | 0.00 | 0.00  | 0.00  |
| Net debt to equity           | -0.5 | -0.4 | -0.5  | -0.5  |
| Interest coverage            | 4    | 6    | 8     | 9     |
| <b>Per Share Data</b>        |      |      |       |       |
| Diluted EPS (Rs)             | 12   | 23   | 31    | 39    |
| Book value per share (Rs)    | 131  | 155  | 186   | 225   |
| DPS (Rs)                     | 0.0  | 0.0  | 0.0   | 0.0   |
| <b>Return Ratios</b>         |      |      |       |       |
| Return on equity             | 9%   | 16%  | 18%   | 19%   |
| Return on capital employed   | 15%  | 22%  | 25%   | 26%   |
| <b>Valuation Ratio</b>       |      |      |       |       |
| P/E                          | 26   | 18   | 13    | 11    |
| P/BV                         | 2.3  | 2.7  | 2.2   | 1.9   |
| EV/EBITDA                    | 13.1 | 10.9 | 8.6   | 6.9   |
| <b>Cash Flow Ratio (%)</b>   |      |      |       |       |
| OCF/EBITDA                   | 168% | 26%  | 54%   | 55%   |
| OCF/Sales                    | 13%  | 2%   | 6%    | 6%    |
| FCF/Sales                    | 11%  | 1%   | 4%    | 5%    |
| OCF/ROIC                     | 91%  | 19%  | 40%   | 41%   |

Source: company, Axis Securities

### Ahluwalia Contracts India Price Chart and Recommendation History



| Date      | Reco | TP  | Research            |
|-----------|------|-----|---------------------|
| 28-Jun-22 | BUY  | 490 | Initiating Coverage |
|           |      |     |                     |

Source: Axis Securities



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