AMSEC
Raising the bar

Asian Markets Securities Pvt. Ltd.

Institutional Research

Construction	Initiating Coverage

Ahluwalia Contracts (India) Ltd

Accumulate

Regaining the past glory

CMP (₹)	218
Target (₹)	239

Nifty: 8,293; Sensex: 27,602

Key Stock Data

BSE Code	532811
NSE Code	AHLUCONT
Bloomberg	AHLU IN
Shares O/s mn (FV ₹2)	67.0
Market cap (₹ bn)	14.6
52-week High/Low	237/21
3-m daily avg vol.	3,33,958

Price Performance

(%)	1m	3m	12m
AHLUCONT	42.4	17.2	572.1
NIFTY Index	(0.8)	2.5	32.4
Sensex Index	(1.1)	2.2	31.4

Shareholding Pattern

(%)	Sep14	Jun14	Mar14
Promoter	72.6	72.6	72.6
FII	12.6	12.7	13.5
DII	2.4	-	-
Others	12.5	14.7	13.9

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Ahluwalia Contracts (India) Limited (ACIL) is one of the most efficient and credible construction company and is all set to gain back its past glory post coming out clean from controversial common wealth games projects, rebalancing of order book with better margin and more stable Govt. projects, and reducing debt levels to bring lower interest costs. ACIL with the current order book of ₹35 bn (3.6x FY14 revenue) and huge order pipeline providing healthy growth visibility. We believe the stock is at the inflexion point to enter into high margin and better return ratios trajectory on a sustainable basis. Given the strong order book, improving margins, reducing debt and interest cost, to be net debt free company by FY17E and favorable macroeconomic scenario; we continue to be positive on the business and stock. However given the recent outperformance of the stock price, we initiate coverage with ACCUMULATE rating with a target price of ₹239 based on 12x FY17E EPS of ₹19.9.

Robust order book at ₹35 bn 2Q FY15 (3.6x FY14 revenue): Ahluwalia Contracts has a strong order book as on 2Q FY15 at ₹35 bn which showcases the strong growth ahead for the company. The order book is almost equally divided between the private sector and the public sector, which stand at 47% and 53% respectively. The residential segment holds 55% of the order book followed by the institutional and infrastructure segment with 16% each of the net order book. The current order book of ₹35 bn, is likely to be executed over 24-30 months. We expect the order book to have a CAGR of 11.0% during F14-17E.

EBITDA margin to remain strong between 11-12% during FY15-17E: After turning around operations at 3.7% EBITDA margin in FY14, ACIL has reported a steep rise in EBITDA margin 12.8% during 1H FY15. We believe the increasing proportion of Government orders and operating efficiencies with better utilizations of capital equipment has further scope of margin improvement. The management is very upbeat about maintaining the margins as the new orders coming at better margins. However we have factored in a conservative 12.0% EBITDAM for FY15 going up to 12.5% in FY17.

Reducing debt level to improve balance sheet strength: ACIL with a total debt of ₹2.3bn pays a huge interest and finance cost of ₹ 386 mn in FY14. The company is retiring close to ₹600 mn of debt in 3Q FY15 by the proceeds of preference allotments money as well as collection of old debtors from DDA. ACIL has further plans to reduce debt in the near future by improving working capital and recovery from DDA and Emmar. We expect the company to be net debt free by FY17E.

KOTA BOT projects to be operational and revenue generation has started: ACIL has developed KOTA bus terminal on BOT basis and will reap the lease rentals on ~300,000 sqft of commercial area built above it. The company is expected to real lease rentals of ~₹100 mn /p.a from this project for next 40 years. We have not factored in any revenue and value of this asset in our valuation.

Outlook and Valuation: We expect ACIL to show significant improvement in its financials from FY15 onwards. We expect revenue CAGR of 20% and EBITDA CAGR of 80% during FY14-17E, respectively. We expect RONW and ROCE to improve to 26% and 33%, respectively, in FY17E. The stock is trading at 13.1x FY16E earnings and 11.0x FY17E earnings. Given the strong brand name in the industry, clean chit from CBI on Commonwealth issues, robust order inflow, significant improvement in EBITDA margins, reducing debt level and high growth in profitability; We initiate coverage on the stock with a ACCUMULATE rating with a PT of ₹239 based at 12x FY17 EPS of ₹19.9.

Exhibit 1: Key Financials

mn	FY13	FY14	FY15E	FY16E	FY17E
Sales	14,309	9,606	11,409	13,645	16,586
yoy (%)	*(1.0)*	*(32.9)*	*18.8*	*19.6*	*21.6*
Profit	(317)	355	1,369	1,665	2,073
yoy (%)	*(252.1)*	*(211.7)*	*286.1*	*21.6*	*24.5*
Adjusted PAT	(924)	(29)	804	1,118	1,334
yoy (%)	*113.8*	*(96.9)*	*NA*	*39.1*	*19.3*
Equity	126	126	134	134	134
EPS	(14.7)	(0.5)	12.0	16.7	19.9

Exhibit 2: Key Ratios

Y/E Mar	FY13	FY14	FY15E	FY16E	FY17E
EBITDAM (%)	(2.2)	3.7	12.0	12.2	12.5
NPM (%)	(6.4)	(0.3)	7.0	8.1	8.0
PER (x)	(14.8)	NA	18.2	13.1	11.0
P/BV (x)	6.7	6.1	4.1	3.2	2.5
EV/Sales (x)	1.1	1.6	1.4	1.1	0.9
EV/ EBITDA (x)	(49.0)	43.8	11.3	8.9	6.9
RoACE (%)	(11.0)	7.6	26.1	28.9	33.1
RoANW (%)	(38.5)	(1.3)	27.6	27.5	25.9

Source: Company, AMSEC Research

Refer Disclosures & Disclaimer at the end of the report. ***Our reports are available on Bloomberg ASNM <GO>, ThomsonReuters, Factset and Capital IQ***

Investment Rationale

Robust order book at ₹35 bn 1Q FY15

Ahluwalia Contracts has a strong order book as on 1Q FY15 at ₹35 bn which showcases the strong growth ahead for the company. The order book is almost equally divided between the private sector and the public sector, which stand at 47% and 53% respectively. The residential segment holds 55% of the order book followed by the institutional and infrastructure segment which both hold 16% of the net order book.

The current order book of ₹35 bn is (3.6x FY14 revenue) likely to be executed over the next 24-30 months suggesting a strong growth in revenue for the company. The L1 projects of over ₹3bn and order book pipeline of more than ₹12 bn at present provided healthy visibility of future revenue and growth. We expect the order book to have a CAGR of 11.0% during F14-17E

Exhibit 2: Order book CAGR of 11% during FY14-17E

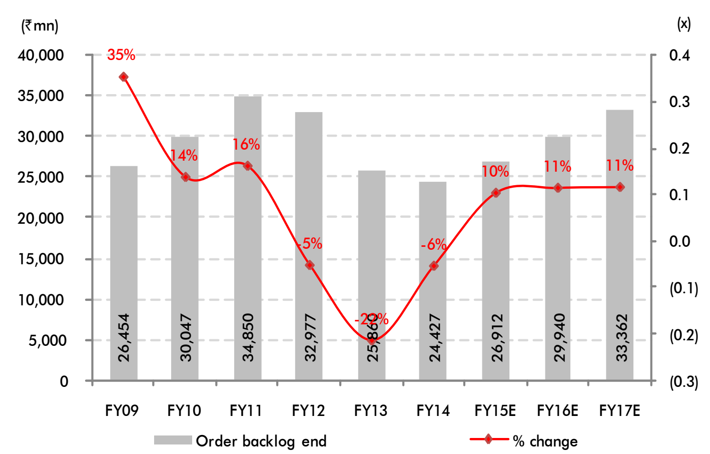
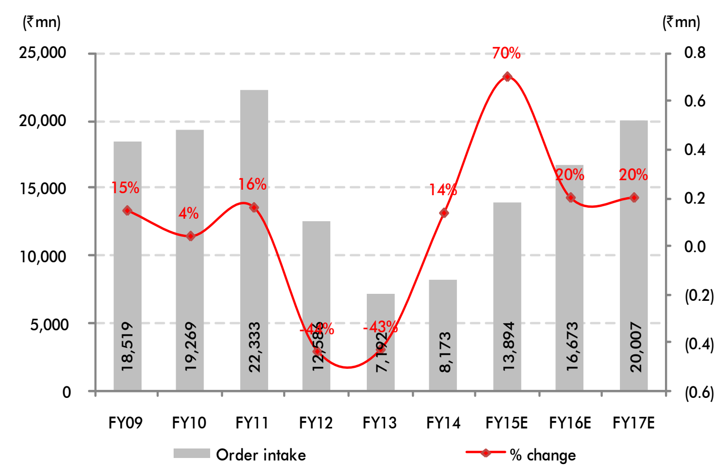
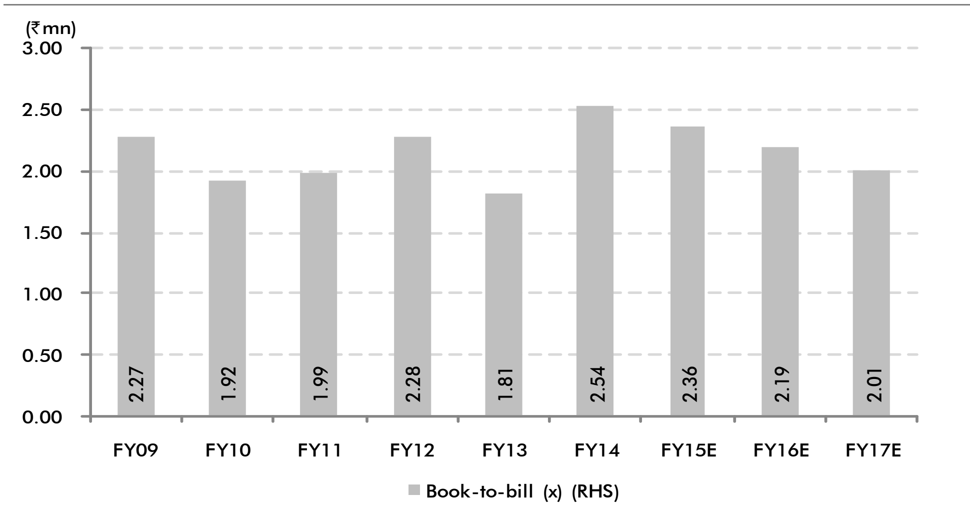


Exhibit 3: Order Inflow to remain robust



Source: Company, AMSEC Research

Exhibit 4: book-to-bill ratio remains strong providing revenue visibility



Source: Company, AMSEC Research

Composition of order book in favor of public sector projects

ACIL over period of time has realigned its order book in favor of Government orders (now 53%) on the back of lower capex by private sector, deteriorating payment cycle in private sector. Most of these government projects are well funded and bears a better margin. We believe given the thrust on civil infrastructure from GOI the order book would continue to tilt towards public sector orders instead of private in the recent future.

Exhibit 5: Top 10 Ongoing Projects (₹ mn)

Particulars	Amount
Housing Development and Infrastructrue Ltd	4,237
BCD Patna	4,171
BCD Patna	3,350
DDA	3,389
CPWD	2,029
Emaar MGF	1,974
HSCC Ltd	1,967
Prateek Group	1,780
JP Associates Ltd	1,773
Umang Realtech P Ltd	1,695

Source: Company, AMSEC Research

Geographically the company is mainly into Northern region with 56% of total orders coming from North. In future ACIL will continue to focus more on Delhi, NCR and Mumbai, MMR region along with the special projects from various state governments.

Exhibit 6: Public sector order 53% of total order book

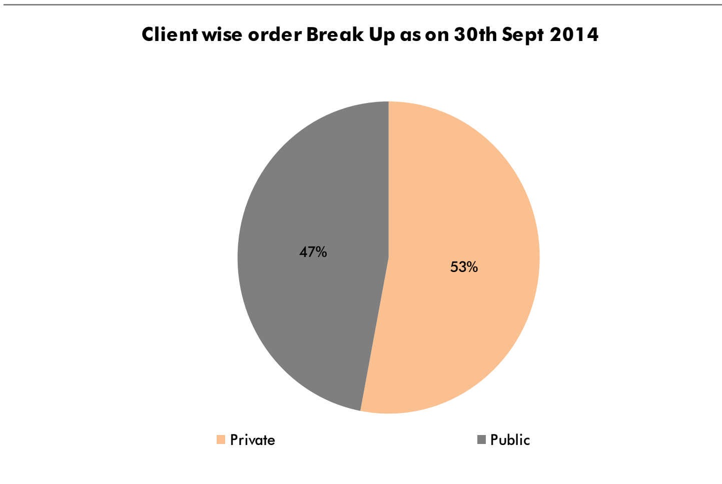
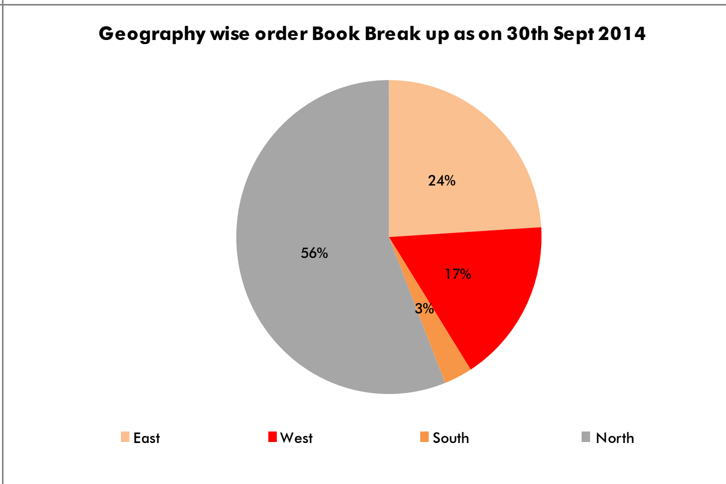


Exhibit 7: North constitutes 56% of total order book

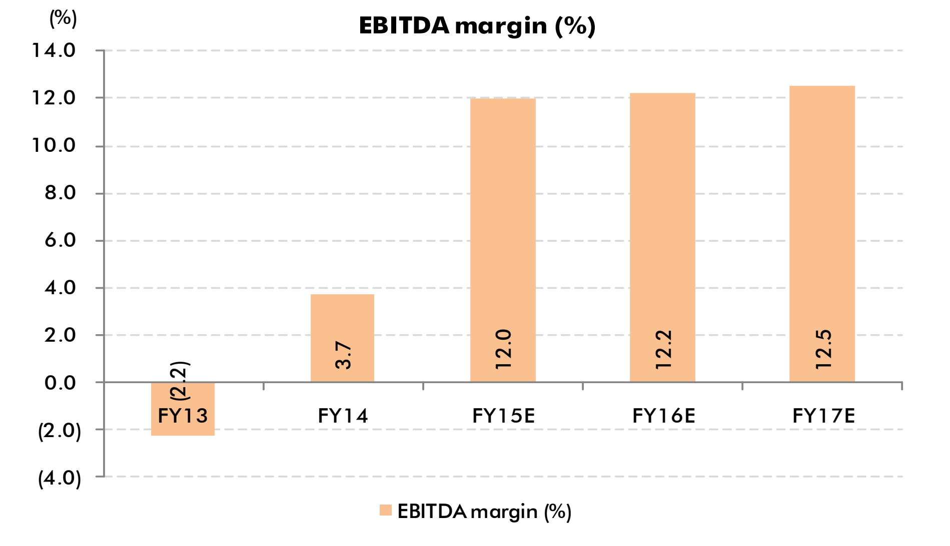


Source: Company, AMSEC Research

EBITDA margin to improve by 831bp yoy in FY15

On the back of a strong order book, faster execution and better efficiency via latest technology and operating leverage of old assets, we expect the EBITDA margin to grow by 831bp to 12.0% in FY 15E from 3.7% in FY 14 and will improve further to 12.5% in FY17E. ACIL has already reported 12.8% margin in 1H FY15 so far. With the economic conditions seeming more favorable to do business, the company is in a strong position to leverage its capabilities and deliver projects in time thus would enjoy better margins.

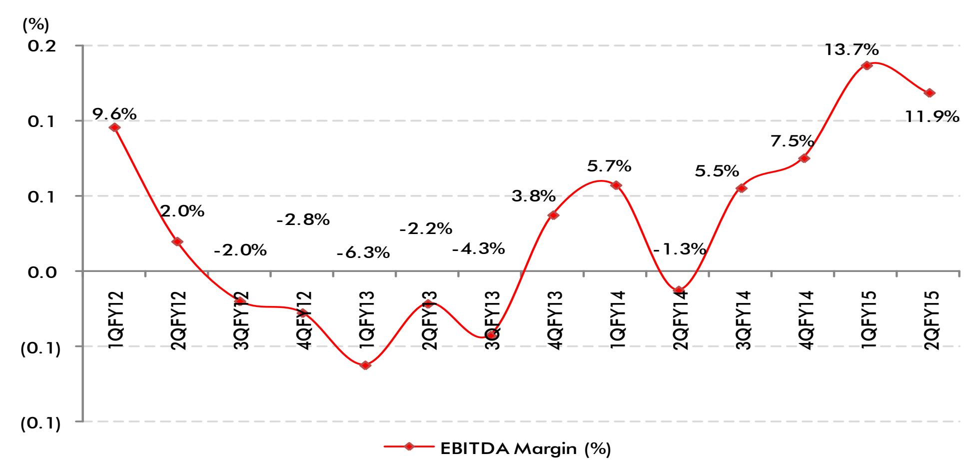
Exhibit 8: EBITDA margins are expected to grow to 12.5% in FY17E



Source: Company, AMSEC Research

The EBITDA margins have been performing better than previous quarters last year, which signifies better financial performances are in the pipeline for ACIL.

Exhibit 9: EBITDA margins trend - Quarterly



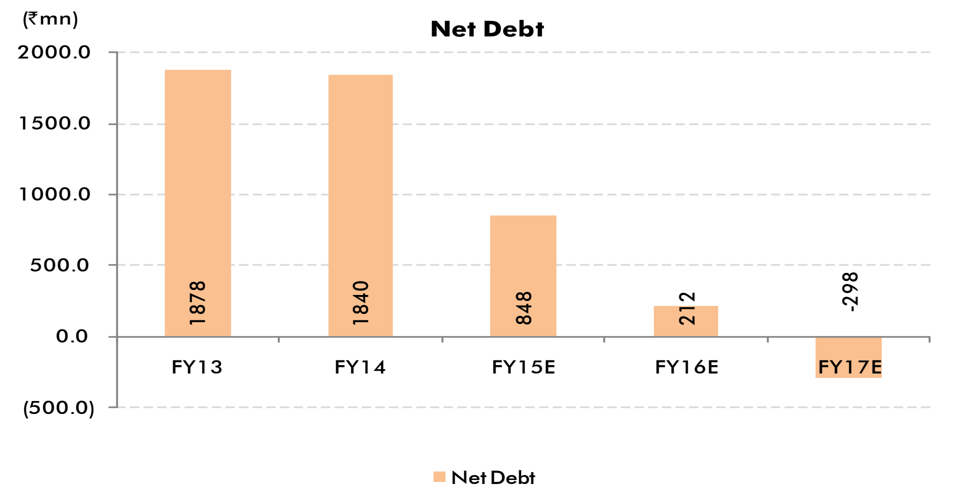
Source: Company, AMSEC Research

Improving balance sheet health

Debt free company by FY17E with improved return ratios

The balance sheet of the company seems to be improving after the industry faced a tough economic turndown. ACIL's along with the slower business cycle is also impacted negatively due to high interest and finance cost of ₹386 mn. Currently the gross debt stands at ₹2.3 bn as on 1HFY15. The company intends to reduce the debt level and thus reducing the interest cost. We expect ACIL to be net debt free company by FY17E.

Exhibit 10: To be a net debt free company by FY17E

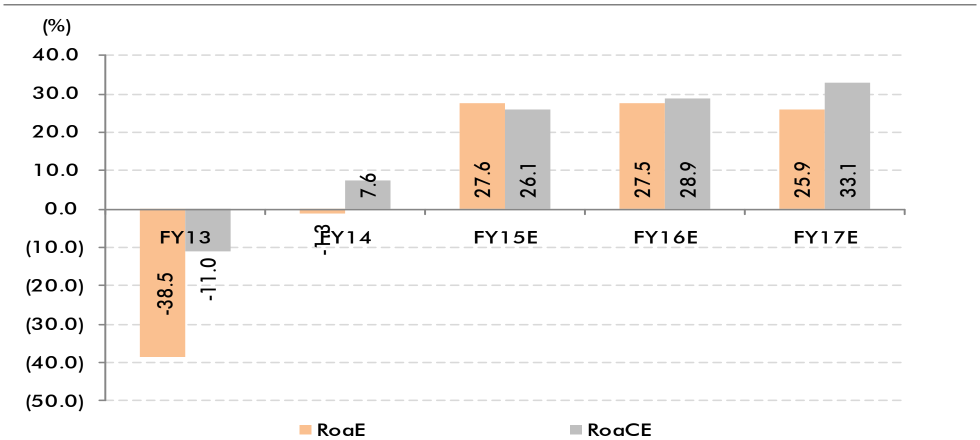


Source: Company, AMSEC Research

The first repayment is scheduled in 3Q FY15 from the inflows coming from preference shares issued to the promoters. Promoters have infused ~₹0.5 bn into the company in December 2014 by way of subscribing to 4.225mn preference shares at ₹118/share. These funds will be utilized to repay part of total debt outstanding. Apart from this company has already received 50% (₹140mn) of due from DDA and is expecting to receive the second tranch too very soon. We estimate ACIL would be repaying close to ₹1.8 bn during FY15-17E of debt from the internal accruals along with the current preference share issue.

Improving balance sheet position along with operational improvement of the business will lead to significant improvement in profits and thus in turn will lead to higher RONW and ROCE. We expect ROE to improve from 10% in FY14 to 25.9% in FY17 whereas ROCE is expected to grow from 7.6% in FY14 to 33.1% in FY17E.

Exhibit 11: Return ratios set to improve



Source: Company, AMSEC Research

Kota Projects – An unaccounted upside to our valuation

In FY08 ACIL entered into asset ownership space and has bagged its first BOT project i.e. KOTA Bus Terminal complex from Rajasthan State Road Transport Corp (RSRTC). Owing to delay in various approvals the project got delayed and is completed in FY15. Under this model ACIL would be leasing ~300,000 sqft of commercial space and collect the rentals for 40 years. As on 3Q FY15 ACIL has already leased 45% of the total leasable area and is expecting to lease the entire complex in next few months. We believe ACIL can rake in ~800-1000 mn of revenue per annum from this project.
However to adopt a conservative approach we have not included this revenue from BOT project into our estimate. Also we have not assigned any value in our target price.

Exhibit 12: Kota BOT projects details

Particulars	Details
Project Cost	₹720 mn
Debt	₹310mn
Revenue streams	Lease rentals & Advertisement revenues
Revenue Share	50% of external advertisement revenues to be shared with RSRTC
Leasable area	300,000 sqft
Maintenance	Commercial complex to be maintained by ACIL
	Bus terminal to be maintained by RSRTC
Status	45% leased till Nov'14

Source: Company, AMSEC Research

Out of the common wealth games fiasco

ACIL being the significant construction company in Delhi NCR region has bagged few orders for infrastructure related to common wealth games via DDA/CPWD and Emmar. However due to the CBI inquiry related to alleged mismanagement of funds led to delay in payment from these entities to ACIL. ACIL has been given the clean chit from CBI and is in the process of collecting the dues from DDA and Emmar. Where DDA has repaid 50% of ₹270 mn dues in 3QFY15 and the balance is expected to be paid by DDA in next few months, the Emmar dues (₹470mn) claims are still in arbitration and may take time to recover. Management is confident of receiving these dues from Emmar, however timeline is still uncertain.

Promoters infusing money – signifying confidence on the business

In Dec 2014 the promoters have infused ₹500 mn in the company by way of preference shares issuance. The company issued 4.225mn shares at ₹118/share to the promoters. The proceeds of this issue will be used to part repay the debt and thus reducing interest cost.

Financials

Net Sales will grow by 22% CAGR

With a positive picture ahead for ACIL, we expect sales for ACIL to have a CAGR of 20.0% FY 17E. The company has also increased focus of executing high margin orders in the current order book, departing from the low margin orders in the past. The improved margin along with lower interest outgo will lead to significant improvement in profits during FY14-17E.

Exhibit 13: Revenue CAGR of 20% During FY14-17E

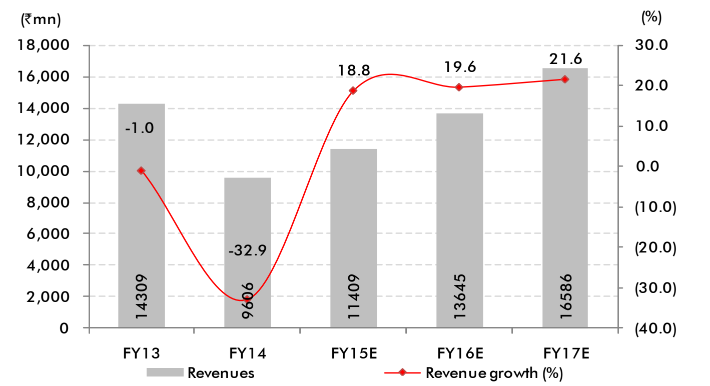


Exhibit14: 831bp yoy improvement in EBITDAM in FY15E

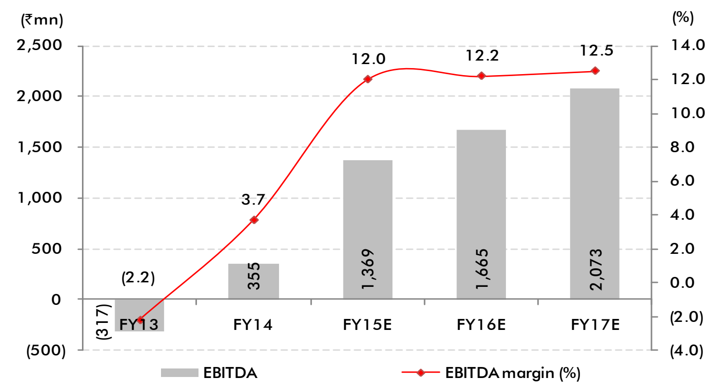


Exhibit 15: Profits to improve significantly

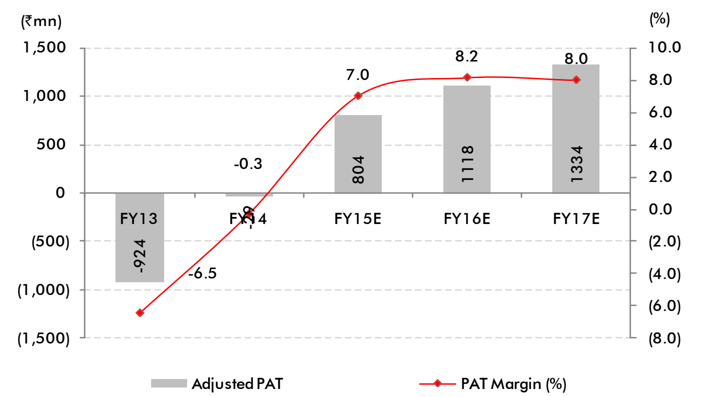


Exhibit16: EPS of ₹19.9 in FY17E

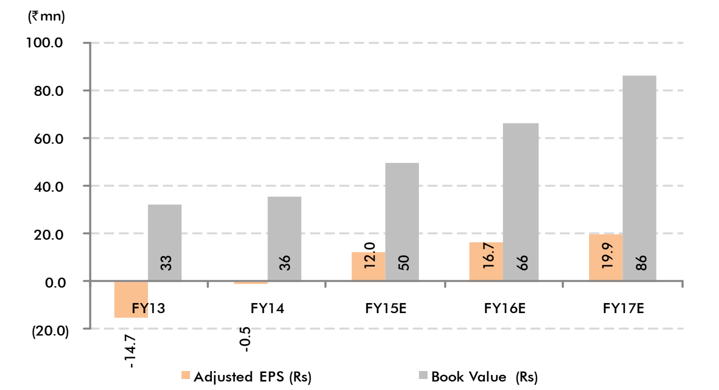


Exhibit 17: 25% ROE and 32% ROCE in FY17E

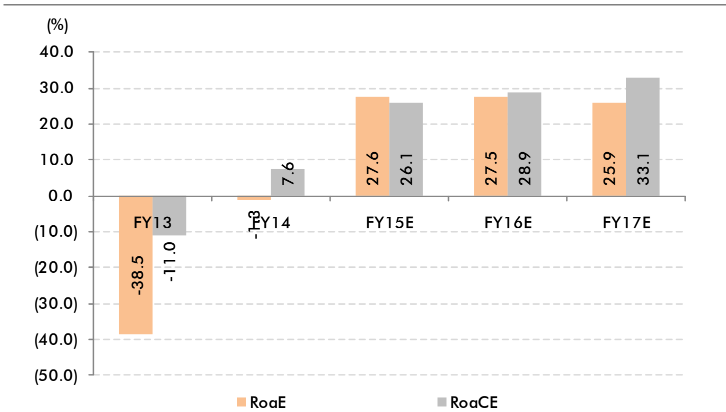
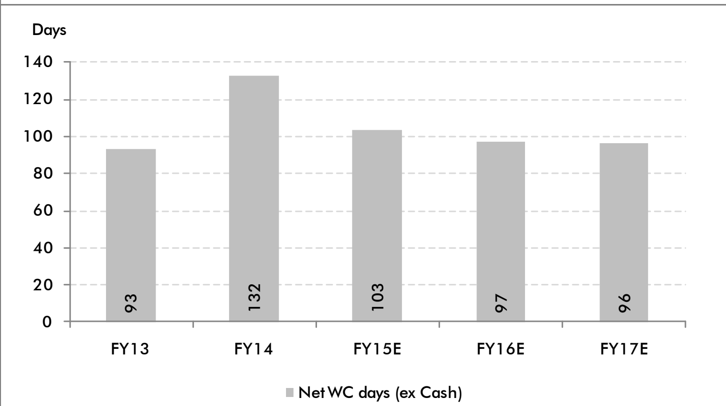


Exhibit18: Working capital to remain stable at ~100days



Source: Company, AMSEC Research

Exhibit 19: 2Q FY15 Quarterly results

Y/E March(₹mn)	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15E	yoy(%)	qoq (%)	1HFY14	1HFY15	yoy (%)
Net Sales	**2,487**	**2,395**	**2,496**	**2,387**	**2,389**	***(3.9)***	***0.1***	**4,677**	**4,776**	***2.1***
Other Operational Income	8	12	2	2	8	*(2.2)*	*332.7*	21	10	*(50.8)*
Stock Adjustment	(30)	131	214	89	(73)	*142.9*	*(181.8)*	(513)	290	*(156.6)*
Consumption of Raw Materials	1,272	1,068	959	1,093	1,118	*(12.0)*	*2.3*	2,572	2,211	*(14.0)*
Purchase of Traded Goods	495	439	543	363	475	*(3.9)*	*30.8*	971	565	*(41.8)*
Employee Cost	558	444	392	348	402	*(28.1)*	*15.3*	1,103	750	*(32.0)*
Other Expenditure	232	192	201	167	190	*(18.3)*	*13.6*	470	357	*(23.9)*
Total Expenditure	2,527	2,274	2,310	2,061	2,112	*(16.4)*	*2.5*	4,603	4,173	*(9.3)*
EBITDA	**(32)**	**134**	**189**	**328**	**285**	***(1,003.0)***	***(13.0)***	**95**	**613**	***546.0***
Add: Other Income	16	11	96	9	25	*61.3*	*165.4*	37	35	*(5.4)*
Interest	94	84	92	102	93	*(0.9)*	*(8.6)*	187	195	*4.2*
Depreciation	17	30	31	57	53	*214.3*	*(7.2)*	61	110	*81.0*
Exceptional item Loss / (Gain)	(141)	-	-	-	-	*(100.0)*	-	(141)	-	*(100.0)*
Profit Before Tax	**(268)**	**31**	**162**	**179**	**165**	***(161.6)***	***(7.8)***	**(257)**	**344**	***(234.0)***
Provision for Taxation	3	6	(11)	10	3	*(13.1)*	*(74.1)*	5	13	*137.5*
PAT	**(271)**	**25**	**173**	**169**	**162**	***(160.0)***	***(3.9)***	**(262)**	**331**	***(226.4)***
Extra Ordinary Income	-	-	-	-	-	-	-	-	-	-
Share of Profit in Associate	-	-	-	-	-	-	-	-	-	-
Adjusted Net Profit for the period	**(412)**	**25**	**173**	**169**	**162**	***(139.4)***	***(3.9)***	**(403)**	**331**	***(182.2)***
Equity Capital (FV ₹1)	126	126	126	126	126			126	126	
Basic EPS (₹)	**(4.3)**	**0.4**	**2.8**	**2.7**	**2.6**			**(4.2)**	**5.3**	
Adjusted EPS (In ₹)	**(6.6)**	**0.4**	**2.8**	**2.7**	**2.6**			**(6.4)**	**5.3**	
EBITDA (%)	(1.3)	5.5	7.5	13.7	11.9	*1317bp*	*(182bp)*	2.0	12.8	*1080bp*
PAT (%)	(16.4)	1.0	6.7	7.0	6.7	*2310bp*	*(34bp)*	(8.5)	6.9	*1539bp*
Tax / PBT (%)	(1.1)	20.4	(6.9)	5.6	1.6			(2.1)	3.7	
Raw Material / Net Sales (%)	71.0	62.9	60.2	61.0	66.7			75.8	58.1	
Face Value	2	2	2	2	2			2	2	

Exhibit 20: Quarterly Revenue trend

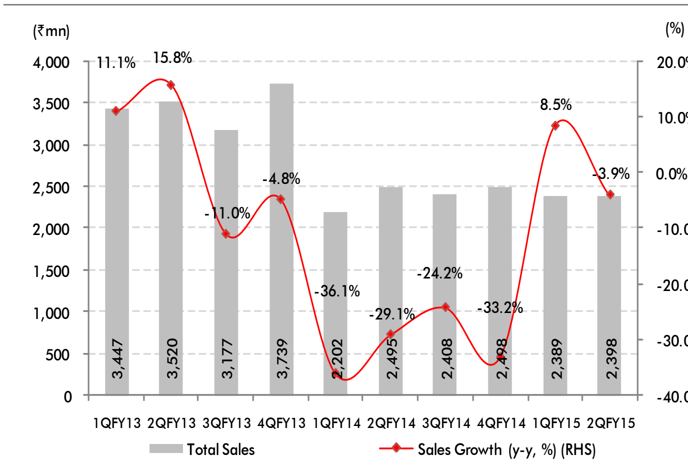
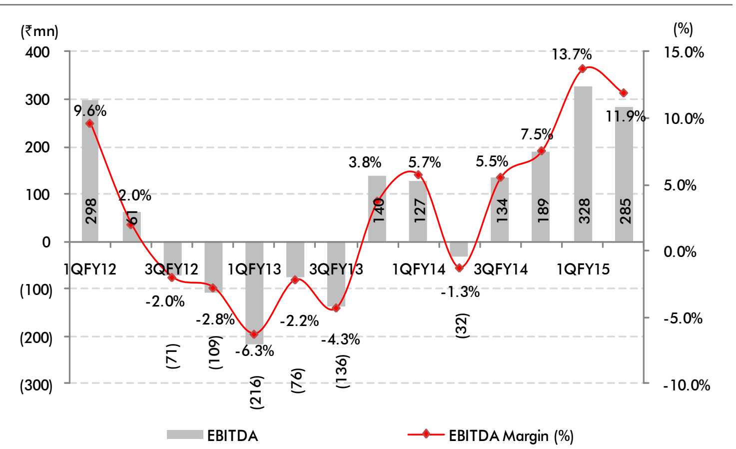


Exhibit 21: Quarterly EBITDAM trend



Source: Company, AMSEC Research

Valuations & Outlook

Valuations – A candidate for re-rating

At the current market price of ₹218, ACIL is trading at 13.1x FY16E EPS of ₹16.7 and 11.0x FY17E EPS of ₹19.9, respectively; below its four year average fwd multiple of 14.1x during the normal period of FY07-FY10. We believe FY07-FY10 is the better period to compare as post that the company went into losses due to external factors and thus the picture looks distorted, whereas we believe, we are currently entering in a similar phase of FY07-10 with the business cycle reviving.

We believe the stock is poised for a positive rerating given the improvement in business, robust order inflow, significant improvement in EBITDA margin, better order mix, strong order backlog providing sustainable strong revenue growth, net debt free company by FY17E, improving return ratios, strong execution capabilities, past track records and credible management.

We believe given the above mentioned triggers the stock should be valued similar to its historical average of 14.1x in the near future once the capex cycle revives from both public as well as private sector. Currently private sector is yet to show improvement and thus we value ACIL at 12x FY17E EPS of ₹19.9, below its four-year average forward P/E of 14.1x during FY07-10. We remain positive about the business growth and like the stock as a positive investment idea. However given the recent outperformance of the stock price, we initiate coverage of ACIL with a ACCUMULATE rating and at a 12-month price target of ₹239, implying potential upside of 10% from the current levels.

Exhibit 22: Valuations

FY17E PAT (₹ mn)	1,334
EPS FY17E (₹)	19.9
Multiple (x)	12.0
Equity value (₹ mn)	16,003
Diluted no of shares (mn)	67.0
Value per share (₹)	**239**
CMP (₹)	218
Upside (%)	10%

Source: Company, AMSEC Research

Exhibit 23: 1Yr fwd PE Band FY07-10

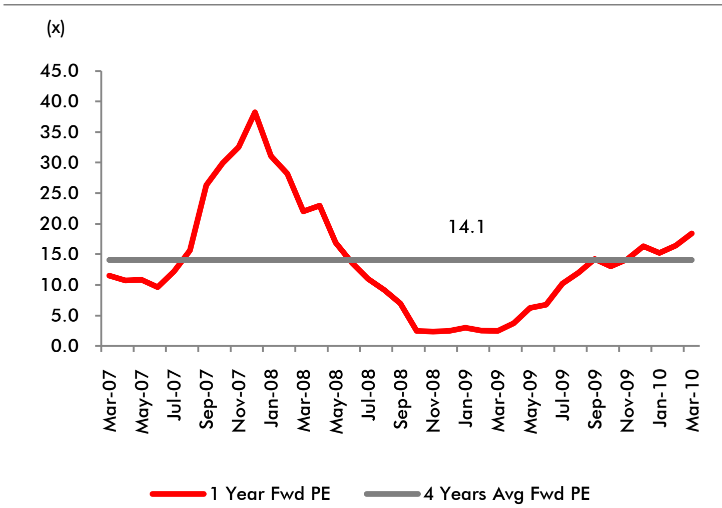
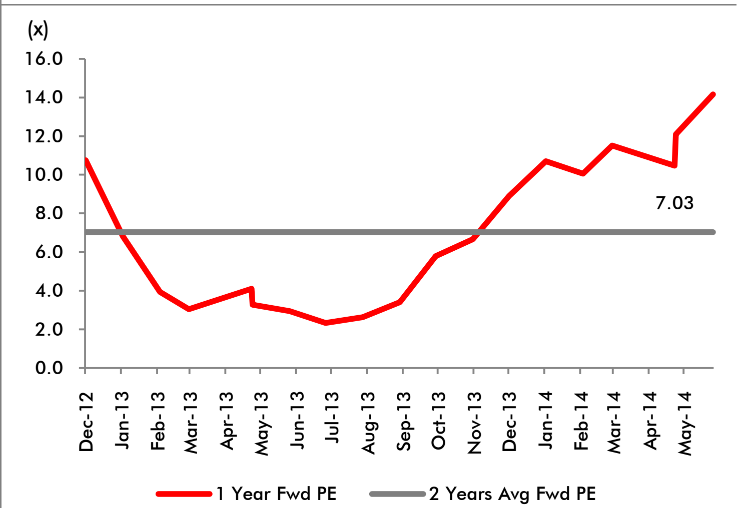


Exhibit 24: 1 Yr Fwd PE Band FY13-15E



Source: Company, AMSEC Research

Exhibit 25: 1Yr fwd EV EBITDA Band FY07-10

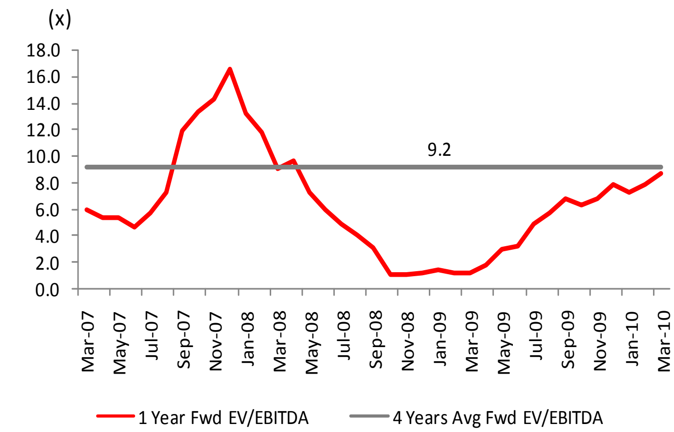
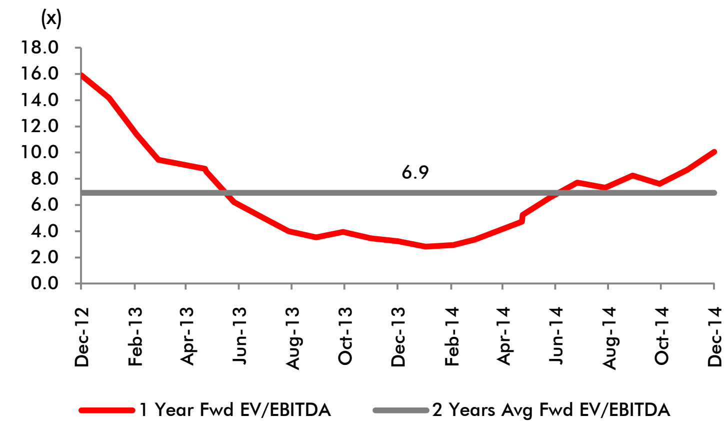
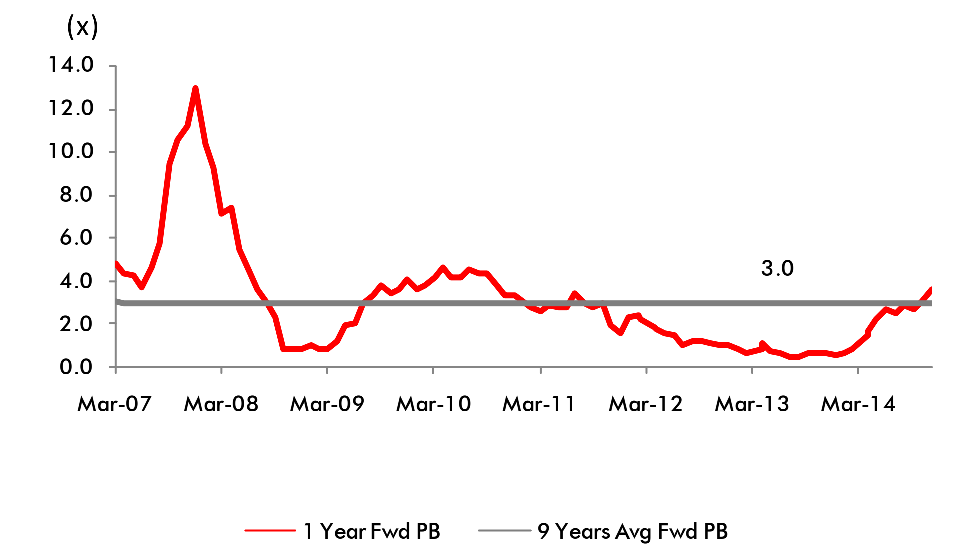


Exhibit 26: 1 Yr Fwd PB Band FY13-15E



Source: Company, AMSEC Research

Exhibit 27: Nine-year average forward P/B of 3.0x



Source: Company, AMSEC Research

Exhibit 28: Peer Comparison

Company name	Bbg ticker	Rating	Mcap (Rs mn)	CMP (Rs)	Target (Rs)	OPM (%)				ROE (%)				PER (x)			
						FY14	FY15	FY16E	FY17E	FY14	FY15	FY16E	FY17E	FY14	FY15	FY16E	FY17E
Ahluwalia Contracts	AHLU IN	BUY	13,704	218	239	3.7	9.5	10.3	11.1	10.1	21.5	22.6	23.9	63.0	23.9	17.5	12.7
NCC	NJCC in	NR	44,419	80	NA	10.2	8.0	8.4	8.9	NA	0.7	0.7	0.7	NA	57.9	27.1	14.7
HCC	HCC IN	NR	19,536	30	NA	8.8	15.3	14.9	14.8	(51.8)	2.4	4.7	10.4	NA	NA	46.4	12.1
Larsen & Toubro	LT IN	NR	1,428,663	1538	NA	13.0	11.6	11.6	11.6	13.7	14.5	15.6	17.0	29.1	28.1	23.3	19.4
MBL Infrastructures	MBL IN	NR	6,732	384	NA	10.7	11.0	11.5	11.6	17.8	16.5	18.1	18.9	8.7	7.7	5.7	4.6
KNR Constructions	KNRC IN	NR	8,647	307	NA	14.7	15.1	15.2	14.8	11.3	11.4	12.8	14.7	14.3	14.0	11.1	8.4
Sadbhav Engineering	SADE IN	NR	41,832	244	NA	16.5	10.7	11.0	11.0	3.6	10.4	11.8	14.7	94.3	36.9	27.5	19.7
Ahluwalia Contracts*	AHLU IN	BUY	13,704	218	239	3.7	12.0	12.2	12.5	(1.3)	27.6	27.5	25.9	NA	18.2	13.1	11.0
Average						**10.2**	**11.7**	**11.9**	**12.0**	**0.5**	**13.1**	**14.2**	**15.8**	**41.9**	**26.7**	**21.5**	**12.8**

*Source: Bloomberg consensus estimates, *AMSEC Research*

Key Risks

Delay in investment cycle: ACIL's business is directly related to the investment cycle going on in the country. We expect pick up in the projects by both public and private sectors in the future leading to higher order inflow and better projects. However any delay in tendering of these projects may impact company's business and thus our earnings estimate.

Delay in execution of projects: The timely execution of projects is the key to achieve targeted margins and profitability. Cost overruns due to delay in execution can have significant impact of profitability and margins. ACIL is known for its better and quality execution of projects however any delay in executing the current projects and any cost overruns on the same may impact the company and our earnings estimates negatively.

High finance cost: ACIL is paying significant amount as interest and finance cost (₹386 mn in FY14). ACIL has plans to reduce the Debt level and we expect it to be a net debt free company by FY17E. However any delay in repaying the debt or any increase in interest & finance cost may impact our earnings estimate negatively.

Delay in payment by clients: We expect ACIL's net working capital to be around 100days of net sales till FY17E. However any increase in debtors higher than our estimates or any delay in payment of any projects due to external factors similar to common wealth games might impact our estimates negatively.

About the company

Ahluwalia Contracts (India) Limited is primarily engaged in the business of construction of structural and buildings. The Company operates in construction activity segment, which focuses on residential, commercial, power, hotel, hospital and institutional and industrial construction projects, its projects include Mumbai Metro One, Bangalore Metro Rail Corporation, Airport Authority of India Limited, Housing Development & Infrastructure Limited (HDIL), Reliance Infrastructure Limited, ITC Classic Golf Resort Hotel and River Bank Developer's Pvt. Limited. Its services include civil, electrical, aluminum, plumbing and ready-mix concrete. The Company has six subsidiaries, which include Ahlcon Ready Mix Concrete Pvt. Ltd., Premsagar Merchants Pvt. Ltd., Splendor Distributors Pvt. Ltd., Jiwanjyoti Traders Pvt. Ltd., Dipesh Mining Pvt. Ltd. and Paramount Dealcomm Pvt. Ltd. The company has constructions in more than 50 cities and more than 16 states. They also have more than 5 decades of experience in providing turnkey solutions in engineering and designing for public and private sector.

Business overview
Business activities could be categorized into the following segments:

1. Commercial: This segment includes the construction of buildings for malls, shopping complexes and exhibition facilities; healthcare services, educational facilities and hospitality sector; and corporate offices and buildings. Some of the major constructions works carried out by the company in this segment are given below

- ***Malls and Shopping Complexes***: Ansal Plaza, New Delhi, India Exposition Mart, Greater Noida and DLF Mega Mall, Gurgaon

- ***Healthcare, Educational Facilities and Hospitality***: Trauma Centre for the AIIMS, New Delhi, ITC Grand Central, Mumbai, ITC Sonar Bangla, Kolkata, Grand Hyatt, New Delhi. Company is currently constructing a new hotel complex for the Four Seasons group in Mumbai.

- ***Corporate Offices and Buildings***: Signature Towers, Gurgaon, IFCI Tower, New Delhi, headquarters of the SEBI, Mumbai, local head office of SBI, Mumbai, regional headquarters of the Asian Development Bank, New Delhi and the Chancery building for the High Commission of India, Dubai.

2. Industrial Institutions: This segment includes construction of buildings for manufacturing facilities with structural steel work, sheeting, and specialized flooring, external and internal finishes. Some of the prominent constructions include factory premises for New Holland Tractors, Greater Noida, and Hindustan Computers Limited, Noida, Mahindra and Mahindra, Rudrapur, Uttaranchal, Tata Chemical Limited, Babrala, Uttar Pradesh and Moser Baer, Greater Noida.

3. Infrastructure: This segment includes construction of airports, roads, highways, canals, urban infrastructure, stations, etc. the finished projects include Seelampur, Rohini, Pritampura and Rithala stations for the Delhi Metro Rail Corporation, multi-level basement parking at IFCI building, New Delhi etc.

4. Housing (Residential): This segment includes construction of buildings for group housing projects. Some of the prominent group housing projects undertaken by the company include Richmond Park for DLF, Belvedere Towers for DLF, colonies for the housing boards of the Indian Air Force and Indian Navy in Noida, South City, and Kolkata. The company also has undertaken a number of projects for the DDA. ACIL executes turnkey projects including civil, electrical, plumbing, fire-fighting, lifts, external and internal finishes, external landscaping.

Services portfolio:

ACIL has specialized in house divisions for various allied services to minimize external dependency. These divisions are as given below;

- ***Construction*** – the company undertakes all kinds of construction work from piling to pre-cast- pre stressing work.
- ***Design*** – Exemplary In-house design cell comprising of design experts from architectural discipline
- ***Ready mix concrete*** –Ready Mix Concrete (RMC) is critical to the construction industry as it results in higher quality as well as better speed in construction. ACIL has 6 plants for RMC and has the largest transit mixer fleet in Northern India. It produces over 1800 cubic meters of concrete a day with self owned transit mixers, stationery and boom pumps.
- ***Plumbing*** – Provide procurement, execution, testing & commissioning services for Water Supply, Sanitary & Fire Fighting Works
- ***Building facades aluminium and glass facades*** – company undertakes design, supply and installation of aluminum doors, windows, structural gazing, glass façade & aluminum cladding.
- ***Electro mechanical*** – Provides supply, installation, testing & commissioning services for electrical works

Key Management personnel

1	Bikramjit Ahluwalia	Executive Chairman of the Board, Chief Executive Officer, Managing Director
2	Shobhit Uppal	Deputy Managing Director, Executive Director
3	Vikaas Ahluwalia	Promoter & Chairman-Project Monitoring committee
4	Vijay Pal	Whole Time Director

Bikramjit Ahluwalia: Executive Chairman of the Board, Chief Executive Officer, Managing Director: He serves as Executive Chairman of the Board, Managing Director and Chief Executive Officer of Ahluwalia Contracts India Ltd. He has been involved in the construction activities for last 47 years. Under him, the company's turnover rose manifold in the face of stiff competition from various players. He was actively involved in construction management for various prestigious projects such as Common Wealth Games Village Project, Dr.S.P.M. Swimming Pool, Karni Singh Shooting Range, District Court, Advocate Chambers, (IICA) Office, Moser Baer Plant, Starex School, SEBI Building and many others.

Shobhit Uppal: Deputy Managing Director, Executive Director: He serves as the Deputy Managing Director, Executive Director of Ahluwalia Contracts India Ltd. He has graduated in Electrical Engineering and has been to his credit more than 23 years of Experience in multifarious activities relating to infrastructure. He has been instrumental in award and execution of many mega projects by the company. At present, he is actively involved with Kolkata, Bangalore, Punjab and NCR projects.

Vikaas Ahluwalia: Promoter & Chairman-Project Monitoring committee: He is the promoter and chairman of project monitoring committee of Ahluwalia Contracts. He is a civil engineer and is involved in the construction business since 1996. He played a key role in the successful implementation of many big projects in the company.

Vijay Pal: Whole Time Director: He is the Whole Time Director of Ahluwalia Contracts India Ltd. He is a Graduate in specialized Technology Civil Engineering Training in use of project Management Software such as MICRO soft projects from IIT, presently he is working as Sr. Executive Director (Projects). He has a total experience of nearly 26 years in the construction industry and has got some prestigious projects executed. He is a Director of following Companies: Complete Design Solutions Pvt Ltd., Premsagar Merchants Pvt Ltd, Splendor Distributors Pvt Ltd., Paramount Dealcomm Pvt Ltd., Jiwanjyoti Traders Pvt Ltd., Dipesh Mining Pvt Ltd.

Financials (Consolidated)

Profit & Loss Account

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Net sales	14,309	9,606	11,409	13,645	16,586
Other operating income	-	-	-	-	-
Consumption of materials	8,294	4,545	5,419	6,549	8,127
Staff Expenses	2,655	1,946	2,111	2,483	2,903
Other operating expenses	3,677	2,761	2,510	2,947	3,483
Total Expenditure	14,626	9,251	10,040	11,980	14,513
EBITDA	**(317)**	**355**	**1,369**	**1,665**	**2,073**
Depreciation	405	124	166	180	198
Operating profit	**(722)**	**231**	**1,203**	**1,485**	**1,875**
Other income	170	128	100	120	140
EBIT	**(552)**	**358**	**1,303**	**1,605**	**2,015**
Interest	371	386	286	190	110
Exceptional items	(211)	(246)	-	-	-
Profit before tax	**(713)**	**218**	**1,017**	**1,415**	**1,905**
Tax	1	1	214	297	572
Minority interest	-	-	-	-	-
Reported net profit	**(713)**	**217**	**804**	**1,118**	**1,334**
EO Items	-	-	-	-	-
Adjusted net profit	**(924)**	**(29)**	**804**	**1,118**	**1,334**
Share O/s mn	63	63	67	67	67
EPS Rs (adjusted)	(14.7)	(0.5)	12.0	16.7	19.9

Cash Flow Statement

Particulars	FY13	FY14	FY15E	FY16E	FY17E
PBT	(713)	218	1,017	1,415	1,905
Non-cash adjustments	235	(4)	66	60	58
Changes in working capital	636	(162)	(527)	(487)	(850)
Interest Paid	371	386	286	190	110
Tax Paid & Other Adj	(190)	234	(214)	(297)	(572)
Cashflow from operations	**338**	**673**	**628**	**880**	**651**
Capital exp. & Advances	(242)	(377)	149	51	86
Change in investments	20	-	-	-	-
Other investing cashflow	365	128	-	20	40
Cashflow from investing	**143**	**(249)**	**149**	**71**	**126**
Issue of equity	-	-	500	-	-
Issue/repay debt	257	(354)	(600)	(600)	(500)
Interest Paid	(371)	(386)	(286)	(190)	(110)
Dividends paid	-	-	-	(125)	(157)
Other financing cashflow	-	-	-	-	-
Cashflow from financing	**(114)**	**(740)**	**(386)**	**(915)**	**(767)**
Change in cash & cash eq	**368**	**(316)**	**392**	**36**	**11**
Opening cash & cash eq	**494**	**862**	**546**	**938**	**974**
Closing cash & cash eq	**862**	**546**	**938**	**974**	**984**
Free cash flow to firm	96	296	778	931	737
	(0)	**0**	**(0)**	**0**	**-**

Balance Sheet

Particulars	FY13	FY14	FY15E	FY16E	FY17E
SOURCES OF FUNDS :					
Share Capital	126	126	134	134	134
Reserves	1,918	2,135	3,431	4,424	5,600
Minority Interest	-	-	-	-	-
Total Shareholders Funds	**2,044**	**2,261**	**3,565**	**4,558**	**5,734**
Non-Current Liabilities	**765**	**1,003**	**1,003**	**1,003**	**1,003**
Long term borrowings	414	329	329	329	329
Deferred tax liability	-	-	-	-	-
Other long term liabilities	331	660	660	660	660
Long-term provisions	21	14	14	14	14
Current Liabilities	**7,926**	**7,240**	**7,430**	**7,630**	**8,141**
Short term borrowings	2,088	1,935	1,335	735	235
Trade payables	3,069	2,906	3,282	3,738	4,317
Other current liabilities	2,764	2,372	2,778	3,112	3,529
Short term provisions	6	27	34	45	59
Total Equity & Liabilities	**10,735**	**10,505**	**11,998**	**13,191**	**14,878**
APPLICATION OF FUNDS :					
Non Current Assets	**3,663**	**3,691**	**3,715**	**3,765**	**3,797**
Gross block (Total)	3,997	4,047	4,147	4,277	4,407
Less : accumulated depreciati	1,995	2,032	2,198	2,377	2,576
Net block (Total)	2,002	2,015	1,949	1,900	1,831
Capital work in progress	16	30	20	20	20
Noncurrent investment	1	1	1	1	1
Deferred tax assets	162	162	162	162	162
Long term loans and advance	843	725	925	1,125	1,325
Other non-current assets	641	759	659	559	459
Current Assets	**7,072**	**6,814**	**8,283**	**9,426**	**11,081**
Current investment	-	-	-	-	-
Inventories	1,672	1,720	1,938	2,243	2,636
Sundry debtors	4,213	4,045	4,845	5,607	6,816
Cash and bank	862	546	938	974	984
Short loans and advances	289	463	531	561	591
Others current assets	35	40	31	41	55
Total Assets	**10,735**	**10,505**	**11,998**	**13,191**	**14,878**
Net Working Capital*	3,647	3,486	3,232	3,619	4,369
Total Gross Debt*	2,740	2,386	1,786	1,186	686
Total Net Debt	1,878	1,840	848	212	(298)
Capital Employed*	4,784	4,647	5,351	5,743	6,420

Ratios

Particulars	FY13	FY14	FY15E	FY16E	FY17E
PER SHARE					
EPS Rs (adjusted)	(14.7)	(0.5)	12.0	16.7	19.9
CEPS Rs	(8.3)	1.5	14.5	19.4	22.9
Book Value Rs	32.6	36.0	53.2	68.0	85.6
VALUATION					
EV / Net Sales	1.1	1.6	1.4	1.1	0.9
EV / EBITDA	(49.0)	43.8	11.3	8.9	6.9
P / E Ratio	(14.8)	NA	18.2	13.1	11.0
P / BV Ratio	6.7	6.1	4.1	3.2	2.5
GROWTH YOY%					
Sales Growth	(1.0)	(32.9)	18.8	19.6	21.6
EBITDA Growth	(252.1)	(211.7)	286.1	21.6	24.5
Net Profit Growth	113.8	(96.9)	NA	39.1	19.3
Gross Fixed Asset Growth	3.8	1.2	2.5	3.1	3.0
PROFITABILITY (%)					
Gross Profit/ Net sales	23.5	32.4	34.0	33.8	33.5
EBITDA / Net Sales	(2.2)	3.7	12.0	12.2	12.5
EBIT / Net sales	(3.9)	3.7	11.4	11.8	12.1
NPM / Total income	(6.4)	(0.3)	7.0	8.1	8.0
Raw Material/Net Sales	58.0	47.3	47.5	48.0	49.0
Int/PBIT	(67.1)	107.8	21.9	11.8	5.4
RONW	(38.5)	(1.3)	27.6	27.5	25.9
ROCE	(11.0)	7.6	26.1	28.9	33.1
Tax / PBT	(0.1)	(1.8)	21.0	21.0	30.0
TURNOVER					
Net Woking Cycle	93	132	103	97	96
Debtors Velocity (Days)	107	154	155	150	150
Inventory (Days)	42	68	70	68	66
Creditors Velocity (Days)	135	233	221	208	194
Current Ratio	2.1	2.0	1.9	1.9	1.9
Quick Ratio	1.7	1.5	1.5	1.4	1.4
LIQUIDITY					
Gross Asset Ratio	3.6	2.4	2.8	3.2	3.8
Total Asset Ratio	1.3	0.9	1.0	1.1	1.2
Net Debt-Equity Ratio	0.92	0.81	0.24	0.05	(0.05)
Interest Coverage (x)	(1.5)	0.9	4.6	8.5	18.4
PAYOUT					
Payout %	-	-	-	11	12
Dividend %	-	-	-	80	100
Yield %	-	-	-	0.7	0.9

Recommendation rationale

Buy: Potential upside of	>+15% (absolute returns)
Accumulate:	+6 to +15%
Reduce:	+5 to -5%
Sell:	> -5%
Not Rated (NR):	No investment opinion on the stock

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

Disclosure of Interest

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