

Ahluwalia Contracts

Margin improvement to continue

CMP Rs154.65	Target Price Rs206 (▲)
Rating BUY (▲)	Upside 33.2 %

Result highlights

- Revenue came in at Rs2.38 bn -4% YoY in line with expectation of Rs2.4 bn as –achieves 42% of our FY15E Revenue estimate of Rs11.5 bn, The company maintains guidance of 20% revenue growth for FY15E/16E
- EBITDA Came in at Rs278 mn versus EBITDA loss of Rs40 mn marginally higher than our expectation of Rs264 mn as EBITDA Margin came in higher than our expectation. EBITDA Margin came at 11.6%. versus expectation of 11.1%
- Net profit came in at Rs163 mn versus Rs1mn in Q2FY14 (includes exceptional gain of Rs141.1 mn) higher than expectation of Rs124 mn driven by higher operational profitability & lower than expected tax outgo
- Increase FY15E/16E EPS by 4.6%/3.6% on higher Margins & lower tax outgo , given the revenue & Margin visibility, reduction in leverage and improvement in working capital which will drive the earnings CAGR of 62% over FY14-17E Upgrade to Buy , increase target price to Rs206/share as roll forward valuation on FY16E-17E average

Earnings better than expected on better margins

Q2FY15 revenue came in at Rs2.38 bn edged lower by 4% YoY –stable execution run rate maintained. EBITDA came in at Rs278 mn versus EBITDA loss of Rs40 mn in Q2FY14 driven by better margins, EBITDA Margin came in at 11.6% versus expectation of 11.2%. We believe that given the 90% of the order wins has come from the government entities which are value accretive, loss making projects gets completed EBITDA Margins to remain steadfast at 11.1%/10.8% in FY15E/16E. Net profit came in at Rs163 mn versus Rs1mn in Q2FY14 (includes exceptional gain of Rs141.1 mn) higher than expectation of Rs124 mn driven by higher operational profitability & lower than expected tax outgo. The tax outgo came in lower as company is off setting previous year losses (Till date offset losses worth Rs500 mn) and around Rs400 mn to get offset in the coming quarters.

Order inflow for IHFY15 stands at Rs8 bn

The company announced orders worth Rs8 bn in IHFY15E down 12% YoY and order backlog stands at Rs35 bn(as on date) provides 3 years visibility for revenues. The company has been successfully able to garner orders from government entities (85% YTD FY15E order inflow came from government organizations). The private sector accounts for 55% of the order book which management intends to take lower by 10 % over the next two years.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	13,882	9,603	11,520	13,855	16,200
EBITDA	(237)	417	1,279	1,510	1,717
EBITDA Margin (%)	(1.7)	4.3	11.1	10.9	10.6
APAT	(769)	76	654	763	921
EPS (Rs)	(12.3)	3.5	10.4	12.2	14.7
EPS (% chg)	0.0	0.0	200.9	16.5	20.7
ROE (%)	(31.7)	3.5	25.3	23.1	22.2
P/E (x)	(13.3)	47.1	15.6	0.0	11.1
EV/EBITDA (x)	(49.4)	28.7	8.5	7.0	5.8
P/BV (x)	5.0	4.5	3.5	2.8	2.2

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY15E/FY16E (%)	-4.6/3.6
Target Price change (%)	14
Previous Reco	Accumulate

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	10.4	12.2
Consensus	8.8	11.9
Mean Consensus TP	Rs 196	

Stock Details

Bloomberg Code	AHLU IN
Face Value (Rs)	2
Shares outstanding (mn)	63
52 Week H/L	198 / 21
M Cap (Rs bn/USD bn)	10 / 0.16
Daily Avg Volume (nos.)	93,753
Daily Avg Turnover (US\$ mn)	0.2

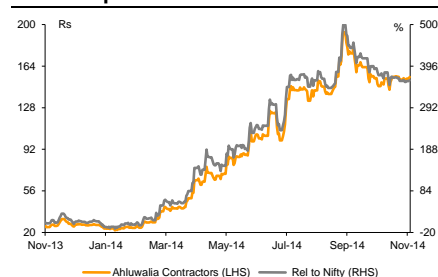
Shareholding Pattern Sep '14

Promoters	72.6%
FII's	13.2%
DII's	2.4%
Public	5.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	5	8	118	506
Rel. to Nifty	1	-	87	339

Relative price chart



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Exhibit 1: Quarterly income statement

Rs mn	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	YoY (%)	QoQ (%)	YTDFY15	YTDFY14	YoY (%)
Revenue	2,487	2,395	2,496	2,387	2,389	(4)	0	4,776	4,677	2
Expenditure	2,527	2,274	2,310	2,061	2,112	(16)	2	4,173	4,603	(9)
as % of sales	101.6	94.9	92.5	86.3	88.4			86	95	
Construction expenses	1,424	1,342	1,399	1,359	1,244	(13)	(8)	2,604	2,434	7
as % of sales	57.24	56.01	56.05	56.95	52.08			57	46	
Employee cost	1,053	884	836	660	821	(22)	24	1,481	2,060	(28)
as % of sales	42.35	36.89	33.49	27.64	34.36			28	46	
other expenses	50	49	74	42	47	(7)	11	88	109	(19)
as % of sales	2.02	2.04	3.0	1.8	1.9			2	3	
EBITDA	(40)	121	187	326	278	(793)	(15)	604	74	711
Depreciation	17	30	31	57	53	214	(7)	110	61	81
EBIT	(57)	91	156	269	225	(496)	(17)	494	14	3,469
Other Income	24	24	98	11	33	39	193	45	57	(22)
Interest	94	84	92	102	93	(1)	(9)	195	187	4
PBT	(127)	31	162	179	165	(231)	(8)	344	(116)	(398)
Total Tax	3	6	-11	10	3	(13)	(74)	13	5	
PAT	-130	24	173	169	163	(225)	(4)	332	(121)	-374
(Profit)/loss from JV's/Ass/MI								-	-	
APAT after MI	(130)	24	173	169	163	(225)	(4)	332	(121)	(374)
Extra ordinary items	141.11	0	0	0	0	(100)		-	141	
Reported PAT	11	24	173	169	163	1,314	(4)	332	20	1,552
Reported EPS	0.18	0.39	2.75	2.69	2.59	1,314	(4)	5	0.3	1,552

Margins (%)						(bps)	(bps)				(bps)
EBITDA	(2)	5	7.5	13.7	11.6	1,322	(205)	12.6	1.6	1,105	
EBIT	(2)	4	6	11	9	1,169	(187)	10	0	1,005	
EBT	(5)	1	6	7	7	1,201	(58)	7	(2)	968	
PAT	0	1	7	7	7	634	(27)	7	0	651	
Effective Tax rate	(2)	21	(7)	6	2	396	(405)	4	(5)	830	

Source: Company, Emkay Research

Exhibit 2: Order Book Matrix

Order inflow & Order backlog Rsmn	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	YoY (%)	QoQ (%)
Net order inflow	6,000	3,400	1,600	4,387	3,533	(41)	(19)
Order Backlog	30,000	31,000	30,000	32,000	33,144	10	4

Source: Company, Emkay Research

Balance sheet

Debt stood at Rs2.31 bn as on 30th Sep 2014 versus Rs2.26 bn as on March 2014. The debt expected come down to Rs2 bn by March 2015). Debtor days came down to 158 days from 178 days as on March 2014.

Exhibit 3: Balance sheet

Rsmn	Mar-14	Sep-14
Share capital	99	99
Reserve and surplus	13879	14020
Networth	13978	14119
Total loan funds	29074	31197
Deffered tax liability	2073	1943
Total	45125	47259
Fixed assets		
Net block	11638	11598
Investments	1341	1366
Current assets, loans and advances		
Inventories	8618	9518
Sundry debtors	20951	20221
Cash and bank balances	807	792
Other current assets	21391	23693
Loans and advances	7589	7717
Less current liabilities and provisions		
Trade payable	27548	32224
Provisions	193	148
Net current assets	31615	29570

Source: Company, Emkay Research

Exhibit 4: Increase EPS by 4.6%/3.6% for FY15E/16E

	FY15E			FY16E		
	Earlier	Revised	Change %	Earlier	Revised	Change %
Sales	11520	11,520	0.00%	13,584	13,855	2.00%
EBIDTA	1221	1,279	4.73%	1,482	1,510	1.91%
EBIDTA (%)	10.60%	11.10%		10.91%	10.90%	
Net Profit	625.9	654	4.57%	736	763	3.62%
EPS	10.0	10.4	4.57%	11.72881	12.2	3.62%

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	13,882	9,603	11,520	13,855	16,200
Expenditure	14,119	9,186	10,241	12,345	14,483
EBITDA	(237)	417	1,279	1,510	1,717
Depreciation	352	122	221	226	224
EBIT	(589)	296	1,058	1,285	1,494
Other Income	154	144	70	100	100
Interest expenses	334	363	393	325	278
PBT	(769)	77	735	1,059	1,315
Tax	1	1	81	297	395
Extraordinary Items	8	141	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	(761)	218	654	763	921
Adjusted PAT	(769)	76	654	763	921

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	126	126	126	126	126
Reserves & surplus	1,919	2,136	2,791	3,553	4,474
Net worth	2,044	2,262	2,916	3,679	4,600
Minority Interest	0	0	0	0	0
Loan Funds	2,322	2,265	2,042	1,799	1,555
Net deferred tax liability	(162)	(162)	(162)	(162)	(162)
Total Liabilities	4,205	4,364	4,796	5,315	5,993
Net block	1,385	1,307	1,337	1,411	1,538
Investment	15	15	15	15	15
Current Assets	8,420	8,344	10,281	11,542	13,388
Cash & bank balance	855	545	1,396	1,502	1,870
Other Current Assets	125	136	142	171	200
Current liabilities & Provision	6,023	5,979	6,836	7,653	8,948
Net current assets	2,397	2,365	3,445	3,889	4,440
Misc. exp	0	0	0	0	0
Total Assets	4,205	4,364	4,796	5,315	5,993

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT (Ex-Other income) (NI+Dep)	(923)	(67)	665	959	1,215
Other Non-Cash items	(60)	(238)	0	0	0
Chg in working cap	281	69	(229)	(339)	(182)
Operating Cashflow	(16)	248	969	874	1,535
Capital expenditure	(70)	(172)	427	(300)	(350)
Free Cash Flow	(85)	75	1,396	574	1,185
Investments	66	191	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	220	336	70	100	100
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	393	(142)	(222)	(244)	(243)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	(178)	(216)	0	0	0
Financing Cashflow	(118)	(721)	(615)	(569)	(522)
Net chg in cash	17	(310)	851	105	763
Opening cash position	838	855	545	1,396	1,502
Closing cash position	855	545	1,396	1,502	2,265

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	(1.7)	4.3	11.1	10.9	10.6
EBIT Margin	(4.2)	3.1	9.2	9.3	9.2
Effective Tax Rate	(0.1)	0.7	11.0	28.0	30.0
Net Margin	(5.5)	0.8	5.7	5.5	5.7
ROCE	(9.8)	10.3	24.6	27.4	28.2
ROE	(31.7)	3.5	25.3	23.1	22.2
RoIC	(18.7)	9.8	32.5	35.8	37.8

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	(12.3)	3.5	10.4	12.2	14.7
CEPS	(6.7)	3.2	13.9	15.7	18.2
BVPS	32.6	36.0	46.5	58.6	73.3
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	(13.3)	47.1	15.6	0.0	11.1
P/CEPS	(24.5)	51.7	11.7	10.4	8.9
P/BV	5.0	4.5	3.5	2.8	2.2
EV / Sales	0.8	1.2	0.9	0.8	0.6
EV / EBITDA	(49.4)	28.7	8.5	7.0	5.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	0.7	0.8	0.2	0.1	(0.1)
Net Debt/EBIDTA	(6.2)	4.1	0.5	0.2	(0.2)
Working Cap Cycle (days)	40.6	69.2	64.9	62.9	57.9

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	1.8	(30.8)	20.0	20.3	16.9
EBITDA	(232.9)	0.0	206.5	18.1	13.7
EBIT	0.0	0.0	258.0	21.4	16.3
PAT	0.0	0.0	200.9	16.5	20.7

Quarterly (Rs mn)	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15
Revenue	2,190	2,487	2,395	2,496	2,387
EBITDA	114	(40)	121	187	326
EBITDA Margin (%)	5.2	(1.6)	5.1	7.5	13.7
PAT	9	12	24	173	169
EPS (Rs)	0.1	0.2	0.4	2.8	2.7

Shareholding Pattern (%)	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Promoters	72.6	72.6	72.6	72.6	72.6
FIIIs	14.0	14.0	13.8	13.4	13.2
DIIIs	4.7	4.0	-	-	2.4
Private Corp	4.3	4.3	7.6	7.4	6.7
Public	4.4	5.1	6.0	6.6	5.2

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

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