

Ahluwalia Contracts (India) Ltd

Accumulate



Asian Markets Securities Pvt. Ltd.

Regaining the past glory

Institutional Research

CMP (₹)	250
Target (₹)	274

Nifty: 8,459; Sensex: 27,957

Key Stock Data

BSE Code	532811
NSE Code	AHLUCONT
Bloomberg	AHLU IN
Shares O/s mn (FV ₹2)	67.0
Market cap (₹ bn)	16.8
52-week High/Low	294/73
3-m daily avg vol.	1,20,195

Price Performance

(%)	1m	3m	12m
AHLUCONT	0.1	5.3	237.5
NIFTY Index	0.2	(4.3)	17.3
Sensex Index	0.1	(4.4)	15.8

Shareholding Pattern

(%)	Jan15	Dec14	Sep14
Promoter	66.9	68.9	72.6
FII	15.1	13.6	12.6
DII	5.1	3.3	2.4
Others	13.0	14.2	12.5

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Ahluwalia Contracts (India) Limited (ACIL) reported robust 4Q FY15 results with an Adjusted PAT of ₹174.3 mn flat yoy. Revenue grew healthy at 25.7% yoy to ₹3.1 bn. The order book remained healthy at ₹33.7bn in Mar'15 up 38% (₹41.4bn as on today) and has a strong L1 pipeline of ₹3.5bn. Management has intended to reduce the debt further to ~700mn approximate in FY17. Management indicated that the company is confident of growth path and is guiding a strong order inflow of Rs16-17 bn and an EBITDA margin of 12.5% for FY16E. We expect ACIL to have a high cost saving on account of interest cost, and with the current order book of ₹41.4 bn (3.9x FY15 revenue) and L1 order pipeline providing robust growth visibility. We expect ACIL to see high revenue growth in FY17E as many new projects bagged in 1QFY16 would come in peak of its execution during FY17E. 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, improving working capital and favorable macroeconomic scenario; we continue to be positive on the business and stock. We maintain our ACCUMULATE rating with a revised target price of ₹274 based on 14x FY17E EPS of ₹20.2.

Muted 4Q FY15 results but impressive growth outlook: ACIL reported PAT at ₹174mn flat yoy and up 28.4% qoq owing to a lower than expected EBITDAM due to closure of few legacy projects and mobilization cost on few new projects where revenue is yet to start. EBITDA margin though below estimates but grew 146bp yoy at 9%. Revenue grew healthy at 25.7% yoy to ₹3.1bn due to strong order backlog and execution. We believe the increasing proportion of Government orders (65%) and operating efficiencies with better utilizations of capital equipment has further scope of margin improvement. The management is very positive about maintaining the margins at 12.5% level in FY16E as the new orders coming at better margins.

Robust order book at ₹41.4 bn as on May 2015 (3.9x FY15 revenue): Ahluwalia Contracts has a strong order book as on date of ₹41.4 bn (3.7x FY15 revenue) which showcases the strong growth ahead for the company. The order book constitutes 65% of orders from the public sector providing a better visibility and lower risk profile. Apart from the firm orders ACIL is also having ₹3.5bn of L1 orders and more than ~₹18 bn of bids submitted. We estimate new order inflow worth Rs15.9 bn during FY16E.

KOTA BOT projects to be operational and revenue generation to start in 2HFY16: ACIL has leased ~45-50% of space and would start earning rentals from 2H FY16 onwards. The company is expected to earn lease rentals of ~₹100 mn /p.a from this project for next 40 years. ACIL has repaid entire debt on the projects and the asset is now a Debt free with ~₹700 of equity investment in it. We have not factored in any revenue or value in our estimates and target price.

Outlook and Valuation: We expect ACIL to show significant improvement in its financials. Based on strong order book and improving margins, we expect revenue CAGR of 27.2% and PAT CAGR of 43.2% during FY15-17E. We expect RONW and ROCE to improve to 27% and 35%, respectively, in FY17E. The stock is trading at 16.2x FY16E earnings and 12.7x 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 maintain our ACCUMULATE rating with a revised PT of ₹274 based at 14x FY17 EPS of ₹20.2.

Exhibit 1: Key Financials

Y/E Mar / Rs mn	FY13	FY14	FY15	FY16E	FY17E
Sales	14,309	9,606	10,599	13,217	17,150
yoy (%)	(1.0)	(32.9)	10.3	24.7	29.8
EBITDA	(317)	355	1,147	1,612	2,144
yoy (%)	(252.1)	(211.7)	223.6	40.5	33.0
Adjusted PAT	(924)	(29)	640	1,033	1,312
yoy (%)	113.8	(96.9)	NA	61.4	27.0
Equity	126	126	134	134	134
EPS	(14.7)	(0.5)	9.6	15.4	19.6

Source: Company, AMSEC Research

Exhibit 2: Key Ratios

Y/E Mar	FY13	FY14	FY15	FY16E	FY17E
EBITDAM (%)	(2.2)	3.7	10.8	12.2	12.5
NPM (%)	(6.4)	(0.3)	6.0	7.7	7.6
PER (x)	(17.0)	NA	26.1	16.2	12.7
P/BV (x)	7.7	6.9	5.0	3.9	3.1
EV/Sales (x)	1.2	1.8	1.7	1.3	1.0
EV/EBITDA (x)	(55.3)	49.3	15.3	10.9	7.9
RoACE (%)	(11.0)	7.6	22.0	29.0	34.9
RoANW (%)	(38.5)	(1.3)	22.7	27.0	27.0

Exhibit 3: Ahluwalia Contracts: 4Q FY15 quarterly results

Y/E March(₹ mn)	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	yoy(%)	qoq (%)	FY14	FY15	yoy (%)
Net Sales	2,496	2,387	2,389	2,665	3,137.1	25.7	17.7	9,569	10,578.8	10.6
Other Operational Income	2	2	8	6	4.1	110.8	(32.5)	35	20.4	(41.4)
Stock Adjustment	214	89	(73)	(90)	239.8	11.9	(366.4)	(168)	166.0	(199.0)
Consumption of Raw Materials	959	1,093	1,118	1,410	1,452.6	51.5	3.0	4,599	5,073.6	10.3
Purchase of Traded Goods	543	363	475	553	618.0	13.7	11.7	1,954	2,010.2	2.9
Employee Cost	392	348	402	367	384.7	(1.9)	4.9	1,939	1,500.9	(22.6)
Other Expenditure	201	167	190	180	163.1	(19.0)	(9.3)	863	700.0	(18.8)
Total Expenditure	2,310	2,061	2,112	2,420	2,858.2	23.7	18.1	9,186	9,450.7	2.9
EBITDA	189	328	285	252	283.1	50.1	12.3	417	1,148.5	175.4
Add: Other Income	96	9	25	41	41.2	(57.2)	0.5	144	116.9	(19.0)
Interest	92	102	93	93	98.3	6.5	5.6	363	386.0	6.3
Depreciation	31	57	53	52	50.5	64.4	(2.1)	122	211.8	74.2
Exceptional item Loss / (Gain)	-	-	-	-	-	-	-	(141.1)	-	-
Profit Before Tax	162	179	165	148	175	8.4	18.3	218	668	206.3
Provision for Taxation	(11)	10	3	12	1	(109.9)	(91.2)	0	26	52,444.0
PAT	173	169	162	136	174	0.8	28.4	218	641	194.3
Extra Ordinary Income	-	-	-	-	-	-	-	-	-	-
Share of Profit in Associate	-	-	-	-	1.0	-	-	-	-	-
Adjusted Net Profit for the period	173	169	162	136	174.3	0.8	28.4	77	641.4	734.9
Equity Capital (FV ₹2)	126	126	126	134	134			126	134	
Basic EPS (₹)	2.8	2.7	2.6	2.0	2.6			3.5	9.6	
Adjusted EPS (In ₹)	2.8	2.7	2.6	2.0	2.6			1.2	9.6	
EBITDA (%)	7.5	13.7	11.9	9.4	9.0	146bp	(42bp)	4.3	10.8	649bp
PAT (%)	6.7	7.0	6.7	5.0	5.5	(119bp)	47bp	0.8	6.0	520bp
Tax / PBT (%)	(6.9)	5.6	1.6	8.4	0.6			0.0	3.9	
Raw Material / Net Sales (%)	60.2	61.0	66.7	73.7	66.0			68.5	67.0	

Source: AMSEC Research

Exhibit 4: Quarterly Revenue Trend

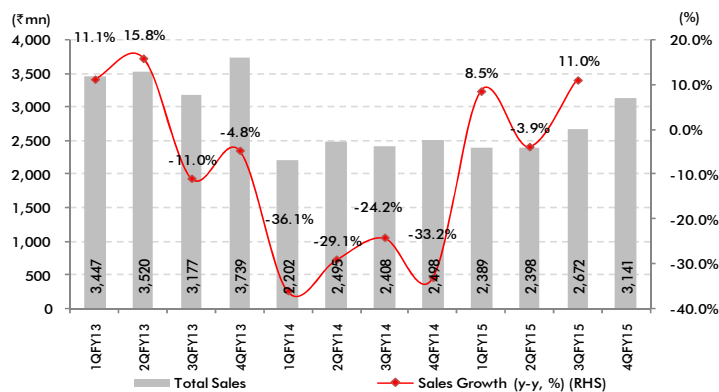


Exhibit 5: Quarterly EBITDA Margin trend

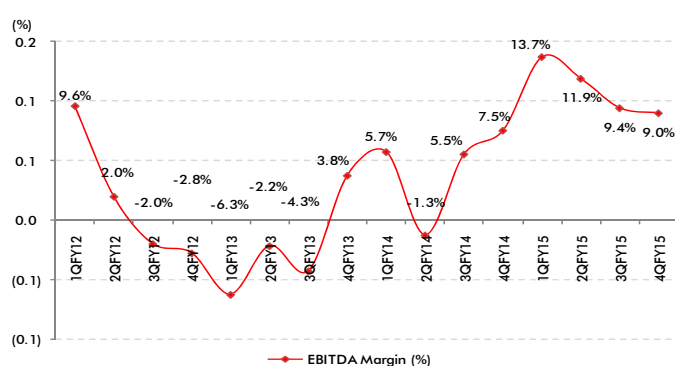


Exhibit 6: Quarterly EBITDA Trend

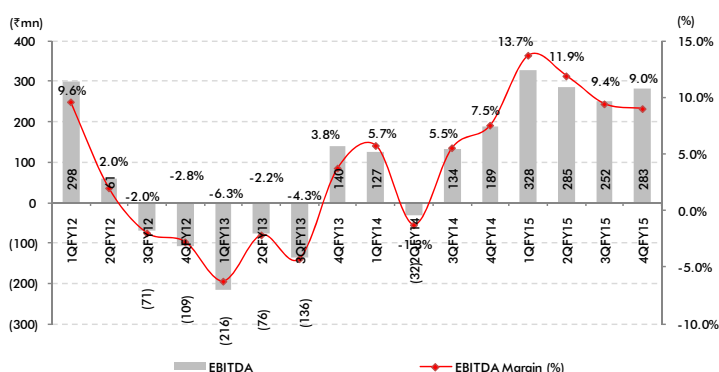


Exhibit 7: Quarterly PAT & PAT Margin Trend

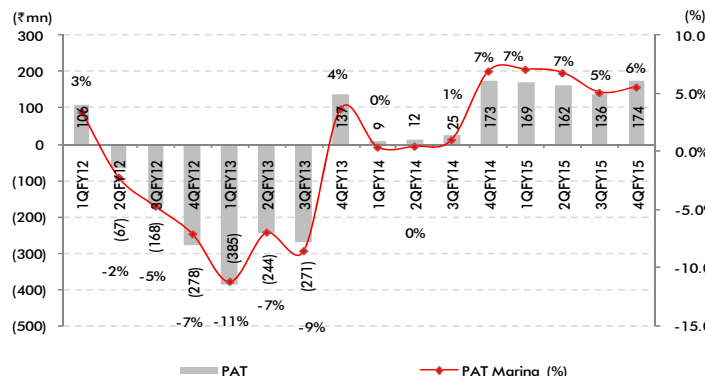


Exhibit 8: Quarterly Order book trend

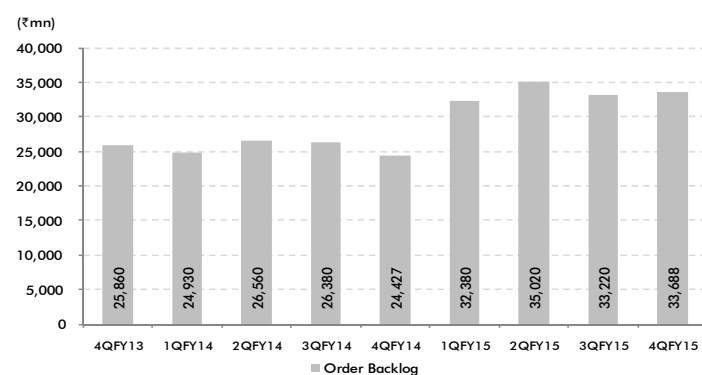


Exhibit 9: Order book breakdown (as on May'15)

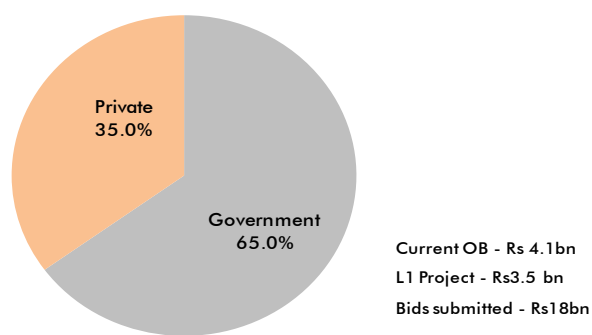


Exhibit 10: Change in Estimates

Consolidated (Rs mn)	Old Estimates		Revised Estimates		% Change	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Revenue	13,645	17,119	13,217	17,150	(3.1)	0.2
EBITDA	1,665	2,140	1,612	2,144	(3.2)	0.2
Adj. PAT	1,114	1,338	1,033	1,312	(7.3)	(1.9)
EPS (Rs)	16.6	20.0	15.4	19.6	(7.1)	(2.1)
PT (Rs)		240		274		
Rating	Accumulate		Accumulate			

Source: Company, AMSEC Research

Financials (Consolidated)

Profit & Loss Account						Cash Flow Statement					
Particulars	FY13	FY14	FY15	FY16E	FY17E	Particulars	FY13	FY14	FY15	FY16E	FY17E
Net sales	14,309	9,606	10,599	13,217	17,150	PBT	(713)	218	666	1,230	1,874
Other operating income	-	-	-	-	-	Non-cash adjustments	235	(4)	95	95	97
Consumption of materials	8,294	4,545	7,250	6,344	8,403	Changes in working capital	636	(162)	19	(959)	(555)
Staff Expenses	2,655	1,946	1,501	2,405	3,001	Interest Paid	371	386	386	288	173
Other operating expenses	3,677	2,761	701	2,855	3,601	Tax Paid & Other Adj	(587)	(78)	(238)	(197)	(562)
Total Expenditure	14,626	9,251	9,452	11,604	15,006	Cashflow from operations	(58)	361	928	456	1,026
EBITDA	(317)	355	1,147	1,612	2,144	Capital exp. & Advances	154	(34)	(206)	(150)	(130)
Depreciation	405	124	212	215	217	Change in investments	20	-	(0)	-	-
Operating profit	(722)	231	936	1,398	1,927	Other investing cashflow	365	128	188	20	20
Other income	170	128	117	120	120	Cashflow from investing	540	94	(18)	(130)	(110)
EBIT	(552)	358	1,053	1,518	2,047	Issue of equity	-	-	500	-	-
Interest	371	386	386	288	173	Issue/repay debt	257	(354)	(835)	(300)	(500)
Exceptional items	(211)	(246)	-	-	-	Interest Paid	(371)	(386)	(386)	(288)	(173)
Profit before tax	(713)	218	666	1,230	1,874	Dividends paid	-	-	-	(125)	(157)
Tax	1	1	26	197	562	Other financing cashflow	-	-	-	-	-
Minority interest	-	-	-	-	-	Cashflow from financing	(114)	(740)	(721)	(713)	(829)
Reported net profit	(713)	217	640	1,033	1,312	Change in cash & cash eq	368	(286)	189	(387)	87
EO Items	-	-	-	-	-	Opening cash & cash eq	494	862	576	765	378
Adjusted net profit	(924)	(29)	640	1,033	1,312	Closing cash & cash eq	862	576	765	379	465
Share O/s mn	63	63	67	67	67.0	Free cash flow to firm	96	327	722	306	896
EPS Rs (adjusted)	(14.7)	(0.5)	9.6	15.4	19.6						

Balance Sheet						Ratios					
Particulars	FY13	FY14	FY15	FY16E	FY17E	Particulars	FY13	FY14	FY15	FY16E	FY17E
SOURCES OF FUNDS :						PER SHARE					
Share Capital	126	126	134	134	134	EPS Rs (adjusted)	(14.7)	(0.5)	9.6	15.4	19.6
Reserves	1,918	2,135	3,241	4,148	5,304	CEPS Rs	(8.3)	1.5	12.7	18.6	22.8
Minority Interest	-	-	-	-	-	Book Value Rs	32.6	36.0	50.4	63.9	81.2
Total Shareholders Funds	2,044	2,261	3,375	4,282	5,438	VALUATION					
Non-Current Liabilities	765	1,003	570	570	570	EV / Net Sales	1.2	1.8	1.7	1.3	1.0
Long term borrowings	414	329	90	90	90	EV / EBITDA	(55.3)	49.3	15.3	10.9	7.9
Deferred tax liability	-	-	-	-	-	P / E Ratio	(17.0)	NA	26.1	16.2	12.7
Other long term liabilities	331	660	461	461	461	P / BV Ratio	7.7	6.9	5.0	3.9	3.1
Long-term provisions	21	14	20	20	20	GROWTH YOY%					
Current Liabilities	7,926	7,240	6,477	7,070	8,474	Sales Growth	(1.0)	(32.9)	10.3	24.7	29.8
Short term borrowings	2,088	1,935	1,460	1,160	660	EBITDA Growth	(252.1)	(211.7)	223.6	40.5	33.0
Trade payables	3,069	2,906	2,693	3,440	4,605	Net Profit Growth	113.8	(96.9)	NA	61.4	27.0
Other current liabilities	2,764	2,372	2,298	2,426	3,148	Gross Fixed Asset Growth	3.8	1.2	5.1	3.1	3.0
Short term provisions	6	27	25	43	61	PROFITABILITY (%)					
Total Equity & Liabilities	10,735	10,505	10,423	11,923	14,482	Gross Profit/ Net sales	23.5	32.4	17.4	33.8	33.5
APPLICATION OF FUNDS :						EBITDA / Net Sales	(2.2)	3.7	10.8	12.2	12.5
Non Current Assets	3,663	3,661	3,575	3,611	3,624	EBIT / Net sales	(3.9)	3.7	9.9	11.5	11.9
Gross block (Total)	3,997	4,047	4,252	4,382	4,512	NPM / Total income	(6.4)	(0.3)	6.0	7.7	7.6
Less : accumulated depreciatio	1,995	2,032	2,244	2,458	2,675	Raw Material/Net Sales	58.0	47.3	68.4	48.0	49.0
Net block (Total)	2,002	2,015	2,009	1,924	1,838	Int/PBIT	(67.1)	107.8	36.7	19.0	8.4
Capital work in progress	16	-	-	20	20	RONW	(38.5)	(1.3)	22.7	27.0	27.0
Noncurrent investment	1	1	1	1	1	ROCE	(11.0)	7.6	22.0	29.0	34.9
Deferred tax assets	162	162	154	154	154	Tax / PBT	(0.1)	(1.8)	3.9	16.0	30.0
Long term loans and advances	843	725	598	798	998	TURNOVER					
Other non-current assets	641	759	814	714	614	Net Woking Cycle	43	70	69	62	58
Current Assets	7,072	6,844	6,847	8,312	10,858	Debtors Velocity (Days)	107	154	144	150	150
Current investment	-	-	-	-	-	Inventory (Days)	42	68	64	68	69
Inventories	1,672	1,720	1,665	2,173	2,819	Creditors Velocity (Days)	78	110	93	95	98
Sundry debtors	4,213	4,045	4,168	5,431	7,048	Current Ratio	1.4	1.4	1.5	1.4	1.4
Cash and bank	862	576	765	378	465	Quick Ratio	1.1	1.1	1.2	1.1	1.0
Short loans and advances	289	463	202	290	470	LIQUIDITY					
Others current assets	35	40	47	40	56	Gross Asset Ratio	3.6	2.4	2.6	3.1	3.9
Total Assets	10,735	10,505	10,423	11,923	14,482	Total Asset Ratio	1.3	0.9	1.0	1.2	1.3
						Net Debt-Equity Ratio	0.92	0.80	0.23	0.20	0.05
						Interest Coverage (x)	(1.5)	0.9	2.7	5.3	11.9
						PAYOUT					
Net Working Capital*	1,698	1,849	1,998	2,258	2,713	Payout %	-	-	-	12	12
Total Gross Debt*	2,740	2,386	1,551	1,251	751	Dividend %	-	-	-	80	100
Total Net Debt	1,878	1,810	786	872	286	Yield %	-	-	-	0.6	0.8
Capital Employed*	4,784	4,647	4,926	5,533	6,188						

Source: Company, AMSEC Research

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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6. Investment Banking relationship with company covered:	None

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