

# Ahluwalia Contracts

## Revenue visibility intact

<b>CMP</b> Rs248	<b>Target Price</b> Rs280 (▼)
<b>Rating</b> BUY (■)	<b>Upside</b> 13.0 %

### Result highlights

- Revenue came in at Rs3.14 bn +25.7% YoY below our expectation of Rs3.58 bn due to delays in environmental clearances for 2 projects and unseasonal rains
- EBITDA came in at Rs279 mn +49.5% YoY versus our expectation of Rs377 mn as EBITDA Margin came in lower than our expectation at 8.9% +142 bps versus expectation of 10.5%. Margins edged lower than expectation as company executed delayed/low margin orders during the quarter
- Interest cost came in at Rs98.3 mn +6.5% YoY against expectations of Rs76 mn
- Net profit came in at Rs174 mn +0.8% YoY lower than expectation of Rs257 mn due to lower operational profitability
- Reduce FY16E PAT by 6.8% on marginal reduction in margins & higher interest outgo, given the revenue & margin visibility, reduction in leverage and improvement in working capital which will drive the earnings CAGR of 29% over FY15-17E. Maintain Buy, reduce target price to Rs280/share as number of shares increases on equity dilution through preferential issue

### Earnings subdued on delays in execution

Q4FY15 revenue came in at Rs3.14 bn +25.7% YoY, below our expectation of Rs3.58 bn, due to delays in execution as 2 projects (of NBCC & DDA) did not get timely environmental clearances and unseasonal rains also delayed execution to the tune of Rs250-300 mn together. EBITDA came in at Rs279 mn +49.5% YoY lower than expectation of Rs377 mn, EBITDA Margin came in at 8.9% +142 bps YoY, but down 34 bps sequentially, lower than expectation of 10.5% as certain delayed/low margin orders were executed during the quarter.

### Interest cost steady on a YoY basis despite reduction in debt

Interest cost came at Rs98.3 mn +6.5% YoY against expectations of Rs76 mn as out of the Rs1 bn repayment made in Dec2014, Rs420 mn was debt relating to Kota BOT project where the interest cost used to get capitalized and the company has since taken a term loan of Rs150 mn and mobilization advance from clients of Rs900 mn which is interest bearing as well as other banking charges have increased for the company as it moves from multiple banking to consortium banking (payment of consortium fees). Net profit came in at Rs174 mn +0.8% YoY lower than expectation of Rs257 mn due to lower operational profitability.

Debt stands at Rs1.55 bn as on 31<sup>st</sup> March, 2015 versus Rs1.42 bn as on 31<sup>st</sup> December, 2014 from Rs2.17 bn in 1HFY15. The company aims to reduce debt to sub Rs1 bn by FY17E.

### Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	13,882	9,603	10,599	12,955	16,066
EBITDA	(237)	417	1,149	1,464	1,896
EBITDA Margin (%)	(1.7)	4.3	10.8	11.3	11.8
APAT	(769)	76	641	819	1,065
EPS (Rs)	(12.3)	3.5	9.6	12.2	15.9
EPS (% chg)	0.0	0.0	176.3	27.7	30.1
ROE (%)	(31.7)	3.5	22.7	21.6	22.5
P/E (x)	(20.2)	71.5	25.9	20.3	15.6
EV/EBITDA (x)	(71.9)	41.4	15.1	11.6	8.8
P/BV (x)	7.6	6.9	4.9	4.0	3.2

Source: Company, Emkay Research

### Change in Estimates

EPS Chg FY16E/FY17E (%)	NA
Target Price change (%)	(1.4)
Previous Reco	BUY

### Emkay vs Consensus

EPS Estimates		
	FY16E	FY17E
Emkay	12.2	15.9
Consensus	14.7	19.1
Mean Consensus TP	Rs 291	

### Stock Details

Bloomberg Code	AHLU IN
Face Value (Rs)	2
Shares outstanding (mn)	67
52 Week H/L	294 / 73
M Cap (Rs bn/USD bn)	17 / 0.26
Daily Avg Volume (nos.)	55,255
Daily Avg Turnover (US\$ mn)	0.2

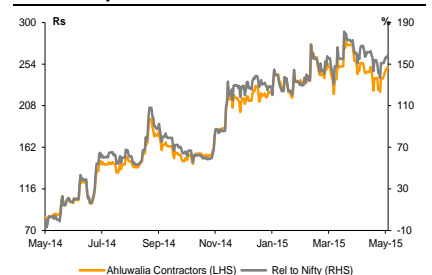
### Shareholding Pattern Mar '15

Promoters	66.9%
FIIs	15.1%
DIIIs	5.1%
Public and Others	13.0%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	-	7	36	189
<b>Rel. to Nifty</b>	-	12	39	152

### Relative price chart



Source: Bloomberg

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### Order inflow for FY15 stands at Rs13.8 bn +5.7% YoY

The company has announced orders worth Rs13.8 bn +5.7% YoY in FY15 and order backlog stands at Rs33.7 bn provides 3.2 years visibility for revenues.

The company has announced orders worth Rs6.76 bn on 21<sup>st</sup> May, 2015 –

- Construction work for OPD block & other assoc. services, AIIMS Delhi of Rs2.94 bn
- Construction work for Mother & Child Block, AIIMS Delhi of Rs2.04 bn
- Construction of Office Bldg, Income Tax Dept. Mumbai of Rs1.63 bn
- Construction of Commercial Bldg, Kumar Builder of Rs150 mn

Above orders are considered in Q1FY16 and including these orders the Order Book as of 21<sup>st</sup> May, 2015 stands at Rs41.46 bn. The order book comprises of 65% orders from Government sector against 32% as on 31<sup>st</sup> March, 2014.

The company is also currently L1 in projects worth Rs3.5 bn which includes projects like -

- Indraprastha Institute of Information Technology (IIIT), Delhi of Rs2.6 bn
- Hospital building (HSCC) at Kolkata of Rs800 mn

### Working Capital at 69 days as on 31<sup>st</sup> March, 2015

Working capital has come at 69 days as on 31<sup>st</sup> Mar 2015 against 62 days as of 31<sup>st</sup> Dec 2014 versus 70 days as of 30<sup>th</sup> Sep 2014. Inventories decreased 19.3% from Rs2.1 bn (76 days) as on 31<sup>st</sup> Dec 2014 to Rs1.67 bn (57 days) as on 31<sup>st</sup> Mar 2015.

#### Exhibit 1: Balance Sheet details

Balance sheet	Mar-14	Sep-14	Dec-14	Mar-15
Share capital	125.53	125.5	134.0	134.0
Reserve & surplus	2136.14	2442.9	3068.7	3243.1
<b>Net Worth</b>	<b>2261.67</b>	<b>2568.4</b>	<b>3202.7</b>	<b>3377.1</b>
Minority Interest	0	0.0	0.0	0.0
Long Term Borrowings/Secured Loans	329.28	301.5	126.6	90.2
Short Term Borrowings/ Unsecured Loans	1935.32	1869.2	1299.6	1460.4
Deffered tax liability	0	0.0	0.0	0.0
<b>Total</b>	<b>4526.27</b>	<b>4739.1</b>	<b>4628.8</b>	<b>4927.8</b>
<b>Fixed assets</b>				
Net fixed assets (incl. C-WIP)	1984.5	1981.4	1973.2	1948.0
Investments	14.9	14.9	14.9	63.4
Defered Tax Assets (net)	162.05	162.0	149.5	153.7
Cash and cash equivalents	545.07	737.5	805.6	764.7
Inventory	1719.53	2035.9	2063.1	1665.3
Sundry debtors	4707.31	4196.1	4342.2	4819.7
Other current assets	136.4	138.7	146.2	209.4
Loans and advances	1235.47	1057.1	806.3	799.9
<b>Current assets (excl. cash)</b>	<b>7798.71</b>	<b>7427.7</b>	<b>7357.9</b>	<b>7494.3</b>
Current liability and provisions	5978.96	5584.4	5672.3	5496.3
<b>Net current assets</b>	<b>1819.75</b>	<b>1843.3</b>	<b>1685.6</b>	<b>1998.0</b>
Miscellaneous expenditure	0.0	0.0	0.0	0.0
<b>Total uses of funds</b>	<b>4526.27</b>	<b>4739.0</b>	<b>4628.8</b>	<b>4927.8</b>

Source: Emkay Research, Company

**Exhibit 2: Quarterly income statement**

Rs mn	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	YoY (%)	QoQ (%)	FY15	FY14	YoY (%)
Revenue	2,496	2,387	2,389	2,665	3,137	25.7	17.7	10,579	9,569	10.6
Expenditure	2,310	2,061	2,112	2,419	2,858	23.7	18.1	9,450	9,187	2.9
as % of sales	92.5	86.3	88.4	90.8	91.1			89.3	96.0	
Construction expenses	1,399	1,359	1,244	1,503	1,835	31.1	22.1	5,942	5,175	14.8
as % of sales	56.05	56.95	52.08	56.39	58.49			56.16	54.08	
Employee cost	836	660	821	878	979	17.1	11.5	3,338	3,779	(11.7)
as % of sales	33.49	27.64	34.36	32.95	31.21			31.55	39.50	
other expenses	74	42	47	38	44	(40.4)	16.5	171	233	(26.6)
as % of sales	3.0	1.8	1.9	1.4	1.4			1.6	2.4	
EBITDA	187	326	278	246	279	49.5	13.4	1,128	382	195.3
Depreciation	31	57	53	52	51	64.5	(2.1)	212	122	74.2
EBIT	156	269	225	194	228	46.6	17.5	917	261	251.8
Other Income	98	11	33	47	45	(53.9)	(3.6)	137	179	(23.4)
Interest	92	102	93	93	98	6.5	5.6	386	363	6.3
PBT	162	179	165	148	175	8.4	18.3	668	77	771.3
Total Tax	-11	10	3	12	1	(109.9)	(91.2)	26	0	
PAT	173	169	163	136	174	0.8	28.4	642	76	742.5
(Profit)/loss from JV's/Ass/MI								-	-	
APAT after MI	173	169	163	136	174	0.8	28.4	642	76	742.5
Extra ordinary items	0	0	0	0	0			-	141	
Reported PAT	173	169	163	136	174	0.8	28.4	642	217	195.3
Reported EPS	2.75	2.69	2.59	2.12	2.72	(1.3)	28.3	10	3	192.4

Margins (%)						(bps)	(bps)				(bps)
EBITDA	7.5	13.7	11.6	9.2	8.9	142	(34)	10.67	3.99	667	
EBIT	6.2	11.3	9.4	7.3	7.3	104	(1)	8.67	2.72	594	
EBT	6.5	7.5	6.9	5.6	5.6	(89)	3	6.31	0.80	551	
PAT	6.9	7.1	6.8	5.1	5.6	(137)	46	6.07	2.27	379	
Effective Tax rate	(6.9)	5.6	1.6	8.4	0.6	751	(780)	3.93	0.65	328	

Source: Company, Emkay Research

**Exhibit 3: Order Book Matrix**

Order inflow & Order backlog Rsmn	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	YoY (%)	QoQ (%)
Net order inflow	2,980	7,720	1,780	-	4,300	44	-
Order Backlog	30,000	32,000	33,144	33,200	33,700	12	2

Source: Company, Emkay Research

## Outlook

We continue to remain positive on the company given a) increase in the order inflow which will help increase the execution run rate b) EBITDA margins to remain steadfast at 11.5%-12% as company booked loss making orders and bagged in value accretive orders c) reduction in the leverage from preferential share issue & easing of working capital will lead significant improvement in earnings over the next two - three years thereby improving the return ratios.

**Exhibit 4: Reduce PAT by 6.8%/2.6% for FY16E/17E**

	FY16E			FY17E		
	Earlier	Revised	Change %	Earlier	Revised	Change %
Sales	13,269	12,955	-2.36%	15,927	16,066	0.87%
EBITDA	1,526	1,464	-4.06%	1,895	1,896	0.04%
EBITDA (%)	11.50%	11.30%	-20 bps	11.90%	11.80%	-10 bps
Net Profit	878	819	-6.78%	1,094	1,065	-2.64%

Source: Company, Emkay Research

**Key Financials (Standalone)****Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16E	FY17E
<b>Net Sales</b>	<b>13,882</b>	<b>9,603</b>	<b>10,599</b>	<b>12,955</b>	<b>16,066</b>
<b>Expenditure</b>	<b>14,119</b>	<b>9,186</b>	<b>9,451</b>	<b>11,491</b>	<b>14,170</b>
<b>EBITDA</b>	<b>(237)</b>	<b>417</b>	<b>1,149</b>	<b>1,464</b>	<b>1,896</b>
Depreciation	352	122	212	226	243
<b>EBIT</b>	<b>(589)</b>	<b>296</b>	<b>937</b>	<b>1,238</b>	<b>1,653</b>
Other Income	154	144	117	100	120
Interest expenses	334	363	386	302	252
<b>PBT</b>	<b>(769)</b>	<b>77</b>	<b>668</b>	<b>1,036</b>	<b>1,522</b>
Tax	1	1	26	218	456
Extraordinary Items	8	141	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>(761)</b>	<b>218</b>	<b>641</b>	<b>819</b>	<b>1,065</b>
<b>Adjusted PAT</b>	<b>(769)</b>	<b>76</b>	<b>641</b>	<b>819</b>	<b>1,065</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16E	FY17E
Equity share capital	126	126	134	134	134
Reserves & surplus	1,919	2,136	3,243	4,062	5,127
<b>Net worth</b>	<b>2,044</b>	<b>2,262</b>	<b>3,377</b>	<b>4,196</b>	<b>5,261</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>2,322</b>	<b>2,265</b>	<b>1,551</b>	<b>1,417</b>	<b>1,094</b>
Net deferred tax liability	(162)	(162)	(154)	(154)	(154)
<b>Total Liabilities</b>	<b>4,205</b>	<b>4,364</b>	<b>4,774</b>	<b>5,459</b>	<b>6,201</b>
<b>Net block</b>	<b>1,385</b>	<b>1,307</b>	<b>1,271</b>	<b>1,295</b>	<b>1,353</b>
<b>Investment</b>	<b>15</b>	<b>15</b>	<b>63</b>	<b>63</b>	<b>63</b>
<b>Current Assets</b>	<b>8,420</b>	<b>8,344</b>	<b>8,259</b>	<b>10,367</b>	<b>12,556</b>
Cash & bank balance	855	545	765	1,032	957
Other Current Assets	125	136	209	213	198
<b>Current liabilities &amp; Provision</b>	<b>6,023</b>	<b>5,979</b>	<b>5,496</b>	<b>6,266</b>	<b>7,771</b>
<b>Net current assets</b>	<b>2,397</b>	<b>2,365</b>	<b>2,763</b>	<b>4,100</b>	<b>4,785</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>4,205</b>	<b>4,364</b>	<b>4,774</b>	<b>5,459</b>	<b>6,201</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16E	FY17E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>(923)</b>	<b>(67)</b>	<b>551</b>	<b>936</b>	<b>1,402</b>
Other Non-Cash items	(60)	(238)	26	0	0
Chg in working cap	281	69	(178)	(1,071)	(759)
<b>Operating Cashflow</b>	<b>(16)</b>	<b>248</b>	<b>970</b>	<b>176</b>	<b>681</b>
Capital expenditure	(70)	(172)	(175)	427	(300)
<b>Free Cash Flow</b>	<b>(85)</b>	<b>75</b>	<b>794</b>	<b>603</b>	<b>381</b>
Investments	66	191	0	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>220</b>	<b>336</b>	<b>117</b>	<b>100</b>	<b>120</b>
Equity Capital Raised	0	0	499	0	0
Loans Taken / (Repaid)	393	(142)	(804)	(134)	(323)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	(178)	(216)	0	0	0
<b>Financing Cashflow</b>	<b>(118)</b>	<b>(721)</b>	<b>(692)</b>	<b>(436)</b>	<b>(575)</b>
<b>Net chg in cash</b>	<b>17</b>	<b>(310)</b>	<b>220</b>	<b>267</b>	<b>(74)</b>
Opening cash position	838	855	545	765	1,032
<b>Closing cash position</b>	<b>855</b>	<b>545</b>	<b>765</b>	<b>1,032</b>	<b>958</b>

**Key Ratios**

<b>Profitability (%)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16E</b>	<b>FY17E</b>
EBITDA Margin	(1.7)	4.3	10.8	11.3	11.8
EBIT Margin	(4.2)	3.1	8.8	9.6	10.3
Effective Tax Rate	(0.1)	0.7	3.9	21.0	30.0
Net Margin	(5.5)	0.8	6.1	6.3	6.6
ROCE	(9.8)	10.3	23.1	26.2	30.4
ROE	(31.7)	3.5	22.7	21.6	22.5
RoIC	(18.7)	9.8	29.3	32.4	34.6

<b>Per Share Data (Rs)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16E</b>	<b>FY17E</b>
EPS	(12.3)	3.5	9.6	12.2	15.9
CEPS	(6.7)	3.2	12.7	15.6	19.5
BVPS	32.6	36.0	50.4	62.6	78.5
DPS	0.0	0.0	0.0	0.0	0.0

<b>Valuations (x)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16E</b>	<b>FY17E</b>
PER	(20.2)	71.5	25.9	20.3	15.6
P/CEPS	(37.3)	78.6	19.5	15.9	12.7
P/BV	7.6	6.9	4.9	4.0	3.2
EV / Sales	1.2	1.8	1.6	1.3	1.0
EV / EBITDA	(71.9)	41.4	15.1	11.6	8.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

<b>Gearing Ratio (x)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16E</b>	<b>FY17E</b>
Net Debt/ Equity	0.7	0.8	0.2	0.1	0.0
Net Debt/EBIDTA	(6.2)	4.1	0.7	0.3	0.1
Working Cap Cycle (days)	40.6	69.2	68.8	86.5	87.0

<b>Growth (%)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16E</b>	<b>FY17E</b>
Revenue	1.8	(30.8)	10.4	22.2	24.0
EBITDA	(232.9)	0.0	175.3	27.5	29.5
EBIT	0.0	0.0	216.9	32.2	33.5
PAT	0.0	0.0	194.9	27.7	30.1

<b>Quarterly (Rs mn)</b>	<b>Q4FY14</b>	<b>Q1FY15</b>	<b>Q2FY15</b>	<b>Q3FY15</b>	<b>Q4FY15</b>
Revenue	2,496	2,387	2,389	2,665	3,137
EBITDA	187	326	278	246	279
<b>EBITDA Margin (%)</b>	<b>7.5</b>	<b>13.7</b>	<b>11.6</b>	<b>9.2</b>	<b>8.9</b>
PAT	173	169	163	136	174
<b>EPS (Rs)</b>	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>	<b>2.0</b>	<b>2.6</b>

<b>Shareholding Pattern (%)</b>	<b>Mar-14</b>	<b>Jun-14</b>	<b>Sep-14</b>	<b>Dec-14</b>	<b>Mar-15</b>
Promoters	72.6	72.6	72.6	68.9	66.9
FIIIs	13.5	12.7	12.6	13.6	15.1
DIIIs	-	-	2.4	3.3	5.1
Public and Others	13.9	14.7	12.5	14.2	13.0

## 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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