

Institutional Research

CMP (Rs)	263
Target (Rs)	343
Recommendation	Buy

Key Stock Data

BSE Code	532811
NSE Code	AHLUCONT
Bloomberg	AHLU IN
Shares O/smn (FV Rs2)	67.0
Market cap (Rs bn)	17.6
52-week High/Low	303/189
3-m daily avg vol.	105221

Shareholding Pattern (%)

	Sep15	Jun15	Mar15
Promoter	66.9	66.9	66.9
FII	12.5	15.1	15.1
DII	8.2	5.9	5.1
Others	12.4	12.1	13.0

Amber Singhania

amber.singhania@amsec.in
+91 22 4343 5296

Exhibit 1: Key Financials

Y/E Mar/Rs mn	FY13	FY14	FY15	FY16E	FY17E	FY18E
Sales	14,309	9,606	10,599	12,608	15,877	19,836
yoy (%)	(1.0)	(32.9)	10.3	19.0	25.9	24.9
EBITDA	(317)	355	1,147	1,538	1,985	2,480
yoy (%)	(252.1)	(211.7)	223.6	34.1	29.0	24.9
Adjusted PAT	(924)	(29)	640	936	1,130	1,534
yoy (%)	113.8	(96.9)	NA	46.3	20.7	35.7
Equity	126	126	134	134	134	134
EPS	(14.7)	(0.5)	9.6	14.0	16.9	22.9

Source: Company, AMSEC Research

Exhibit 2: Key Ratios

Y/E Mar	FY13	FY14	FY15	FY16E	FY17E	FY18E
EBITDAM (%)	(2.2)	3.7	10.8	12.2	12.5	12.5
NPM (%)	(6.4)	(0.3)	6.0	7.3	7.0	7.6
PER (x)	(17.9)	NA	27.5	18.8	15.6	11.5
P/BV (x)	8.1	7.3	5.2	4.2	3.4	2.7
EV/Sales (x)	1.3	1.9	1.8	1.4	1.1	0.8
EV/ EBITDA (x)	(58.0)	51.8	16.2	11.7	8.7	6.6
RoACE (%)	(11.0)	7.6	21.6	27.9	33.7	38.0
RoANW (%)	(38.5)	(1.3)	22.7	24.6	23.9	25.9

Source: Company, AMSEC Research

Ahluwalia Contracts Limited

Going from strength to strength...

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 Rs41.2 bn (3.9x FY15 revenue) and huge order pipeline providing strong growth visibility. We believe the stock is at the inflexion point to enter into high revenue growth, margin and better return ratios trajectory on a sustainable basis. Given the favorable macroeconomic scenario, strong order book, improving margins, reducing debt and interest cost and we expect the company to be net debt free by FY17E; we continue to be positive on the business and stock. We recommend BUY with a target price of Rs343 based on 15x FY18E earnings.

- Robust order book of Rs41.2 bn (excluding L1 of Rs2 bn) works out to a book-to-bill of 3.9x of FY15 revenue.
- EBITDA margins improved significantly to 12.4% in 1H FY16, Management expects further improvement to 13-13.5%. However we have conservatively estimated 12.5% EBITDAM till FY18E.
- The current D/E stands at 0.3x and we expects ACIL to be net debt free by FY17E; given there is no major capex required.
- Net working capital days lowest among peers at 75 days (inclusive of dormant claims) in FY15.
- Return ratio (including the capex of Rs784 mn in BOT asset) to improve significantly with ROCE of 38% and ROE of 26% in FY18E. Whereas ROIC to be high at 44.8% in FY18E.
- Positive Cash Flow from Operations (CFO) in 8 out of 10 years during FY06-FY15.
- Kota BOT monetization to add cherry on the cake.

Outlook and Valuation: We expect ACIL to show continuous improvement in its financials. We expect revenue CAGR of 23% and PAT CAGR of 34% during FY15-18E, respectively. We expect RONW and ROCE to improve to 26% and 38%, respectively, in FY18E. The stock is trading at 15.6x FY17E earnings and 11.5x FY18E earnings. Given the strong brand name in the industry, outstanding performance Vs peers, robust order inflow, significant improvement in EBITDA margins, reducing debt level, excellent return ratios and high growth in profitability; We believe ACIL should command premium over its peers. We recommend BUY rating with a PT of Rs343 based at 15x FY18E earnings.

Robust book-to-bill of 3.9x of FY15 revenue: ACIL has total order book of Rs41.2 bn as on 1HFY16. The book-to-bill of 3.9x provides strong revenue growth visibility in coming years. The order book constitutes 58% of orders from the public sector, providing better visibility and lower risk profile. Apart from the firm orders, ACIL is also having Rs2 bn of L1 orders and more than ~Rs10 bn of bids in pipeline. We estimate order inflow worth Rs20.9 bn during FY16E. ACIL has already seen an order inflow of Rs13.2 bn in 1HFY16. We have taken a conservative order inflow growth of 5% CAGR during FY16-FY18E. The Government's plan towards setting up of new institutes (IITs, IIMs, AIIMs, etc), smart cities, metro infrastructure, redevelopment of Govt colonies and expected improvement of private sector pose huge opportunity in front of ACIL.

EBITDA margin to remain strong between 12-13% during FY16-18E: After turning around operations at 3.7% EBITDA margin in FY14, ACIL has reported a fast improvement in EBITDA margin 12.4% during 1H FY16. 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 improving the margins to 13.5% as the new orders coming at better margins. However we have factored in a conservative 12.5% EBITDAM for FY17-FY18E.

Improving balance sheet strength with reducing debt and enhancing working capital quality: ACIL has repaid over Rs1.2 bn of debt in last six quarters and is aiming to reduce it further. The current net debt-to-equity stands healthy at 0.3x and we conservatively estimate it to be a net debt free company by FY17E. Further ACIL is having one of the best working capital profile in the industry with core NWC of just 54 days (ex dormant debtors from DDA & Emar). Management indicates further scope of improvement in the working capital, leading to improvement ROCE.

Positive cash flow and improving return profile: On one hand high revenue growth with better margin would lead to improved profitability. At the same time on the other hand low capex requirement, reducing debt and improving working capital would result in higher return profile. We expect ROE and ROCE on consolidated numbers to improve to 25.9% and 38.0% by FY18E. Where adjusting for Rs784 mn investment in Kota BOT and excess cash, the ROIC would improve to 44.8% by FY18E. ACIL also is known as one of the most efficient contractor, is generating positive free cash flow consistently owing to its working capital efficiency.

KOTA BOT projects to be operational and revenue generation to start from CY16: ACIL has developed KOTA bus terminal on BOT basis, investing a total sum of Rs784 mn and will earn the lease rentals on ~300,000 sqft of commercial area built above it. The project is already leased partly to INOX theatre and fit outs are going on. Once fully operation, ACIL expected to realize lease rentals of ~Rs100 mn /p.a from this project for next 40 years. The project is debt free. We have not factored in any value of this asset in our valuation.

Robust book-to-bill of 3.9x in 1HFY16

- Strong order book of Rs41.2bn as on 1HFY16, does not include, Rs2 bn of L1 orders. Further the company has submitted bids for projects worth over Rs10 bn.
- Order inflow of Rs13.2 bn in 1H FY16, Management guidance of further inflow of Rs6-7 bn in 2HFY16.
- Beautifully shifted order book composition towards public sector from 20% in FY09 /18% in FY12 to 58% in 1HFY16.
- Geographical concentration continues towards north India with 69% of orders, where as Institutional and hospital segments commands 40% of total order book.

Exhibit 3: Current order book of 41.2bn as on 1HFY16 (excl L1 of Rs2bn)

Exhibit 4: Improving product mix with marked shift to public sector orders

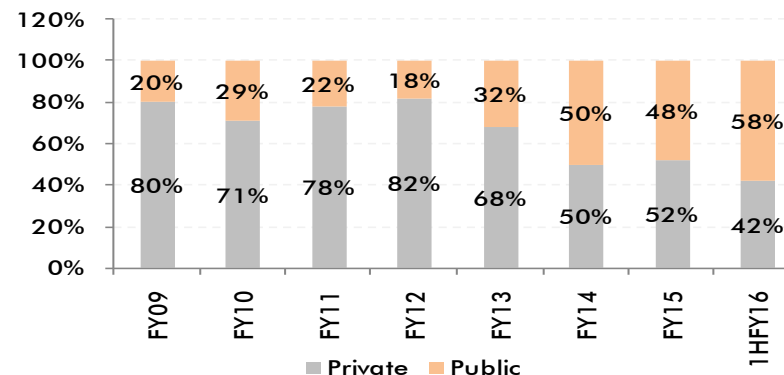
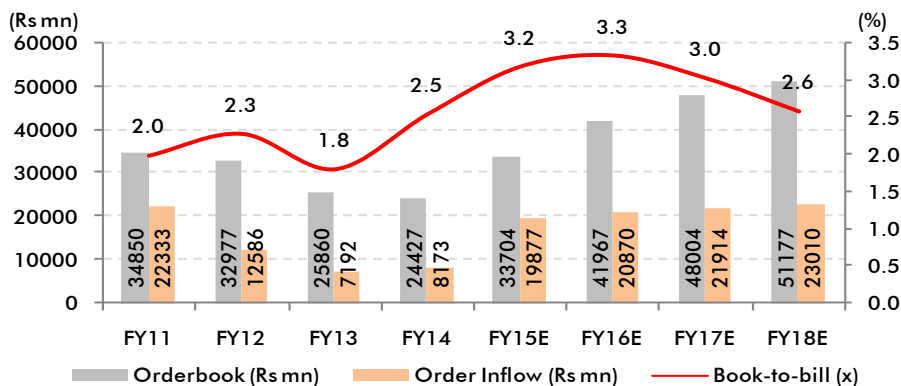
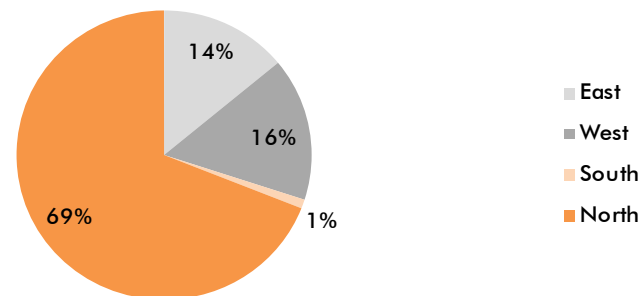
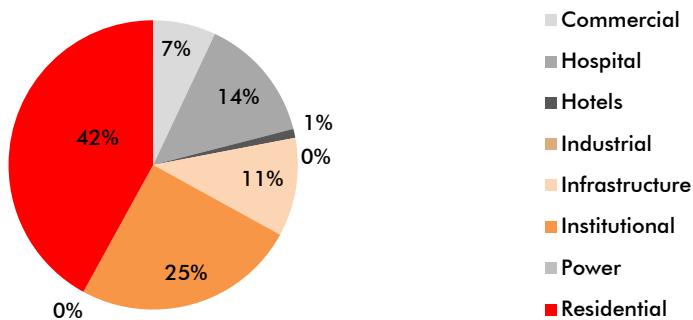


Exhibit 5: Hospital, Infra and institutional orders constitute 50% of Order book

Exhibit 6: Northern India continues to dominate with 69% of total order book



Source: Company, AMSEC Research

Top orders : Majority are in early phase, yet to enter into high growth trajectory

Exhibit 7: Current order book of 41.2bn as on 1HFY16 (excl L1 of Rs2bn)

Project name		Value of the contract (Rs mn)		Unexecuted as % of total
		Total	Unexecuted	
Housing Development and Infrastructure Ltd: Construction of Residential Building at Mulund, Mumbai	Private	4,237	2,991	71
BCD Patna: Construction of International Convention Centre at Patna	Public	4171	1,336	32
BCD Patna: Construction of Police Head Quarters at Patna	Public	3,350	2,740	82
DDA: Construction of Residential Building on design & built basis at Narela, Delhi	Public	3,389	3,389	100
IIM Rohtak : Construction of Phase 1A of Permanent Campus for Indian Institute of Management Rohtak at Sunaria Village Rohtak	Public	3,097	2,845	92
HSCC Ltd: Construction of Mother & Child, OPD Block & Other Associates Services in AIIMS Campus Ansari Nagar New Delhi	Public	4,981	4,940	99
IIITD Delhi : Construction of IIITD Campus at Okhla Phase II Delhi	Public	2,195	2,150	98
CPWD: Construction of PNB Head Office Building at Dwarka, Delhi	Public	2,029	1,285	63
HSCC Ltd: Construction of Emergency Block of Safdarjung Hospital	Public	1,967	705	36
Parteek Group: Civil & Structural work of the proposed multistory group housing Project Parteek Grand City Ghaziabad	Private	1,780	1,599	90
Umang Realtech P Ltd: Group Housing Project " Winter Hills" at Sector -77 Gurgaon	Private	1,695	426	25
CPWD: Construction of Office Building of Income Tax Dept. at BKC Mumbai	Public	1,631	1,631	100
Brookfield : Construction of Civi Package for T-6, T-7 and T-9 at unitech Reality project	Private	1,540	1,540	100
NBCC Ltd : Construction of infrastructure Building for National Intelligence Grid at Delhi	Public	1,542	1,542	100
Jasmine Buildmart: Construction of Monde De Housing at Gurgaon	Private	1,510	1,251	83
Total		39,114	30,370	78
Project value where unexecuted portion is >=80%		25,015	23,627	94

Exhibit 8: Other misc orders

Other orders		Unexecuted Value (Rs mn) (Approx)
Danish Ambessy, New Delhi	Public	590
Bennet university (Times of India)	Private	550
Indiabulls (multiple work)	Private	650
Amity university	Private	175
JP Group (multiple projects)	Private	750
PSK Developers, Mumbai	Private	600
Bata Nagar, Kolkata (Highland Group)	Private	500

Source: Company, AMSEC Research

Revenue growth to pick up; EBITDAM to remain strong

- We expect revenue growth to move to higher trajectory of 20-25% CAGR owing to majority of orders entering into fast execution phase.
- EBITDAM is expected to improve further due to completion of slow moving orders, Management guidance stands at 13%-13.5% for FY16-FY17. However, we continue to be conservative in our estimates and factored 12.5% in our estimates till FY18E.
- PAT is expected to report 33.8% CAGR during FY15-18E, despite higher tax rate of 32% Vs 20% in FY16 and 4% in FY15. PAT margin would improve further on the back of reducing interest cost and lower incremental depreciation.

Exhibit 9: Revenue growth to enter into fast pace; CAGR of 23% during FY15-18E

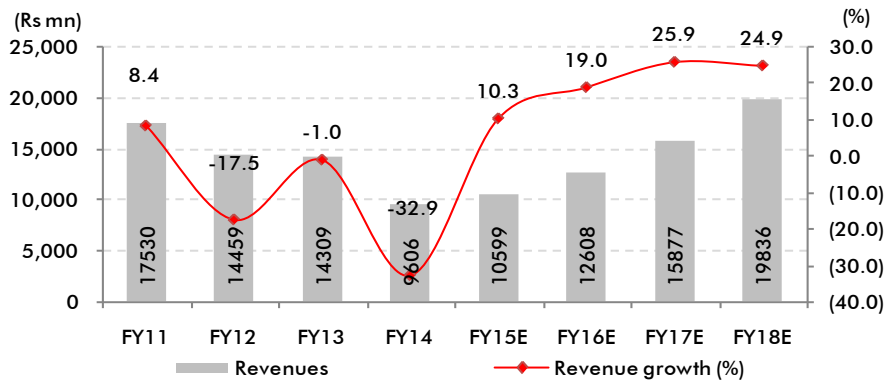


Exhibit 10: EBITDA margin to remain strong at 12.5%; EBITDA CAGR of 29%

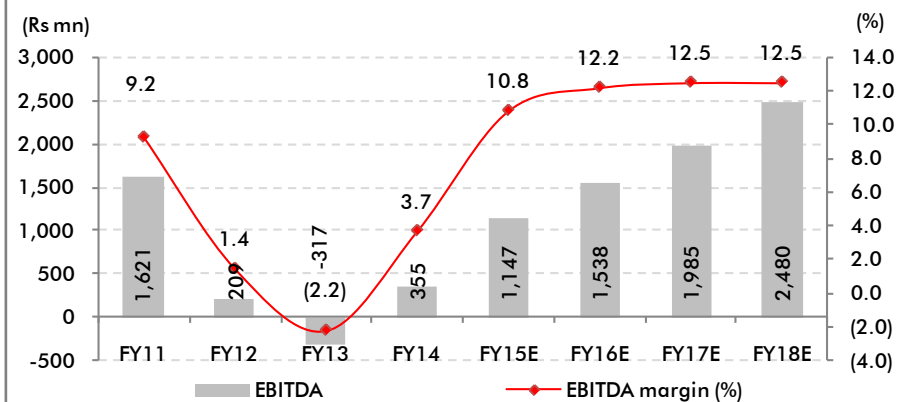


Exhibit 11: PAT CAGR of 34% during FY15-18E despite higher tax outgo

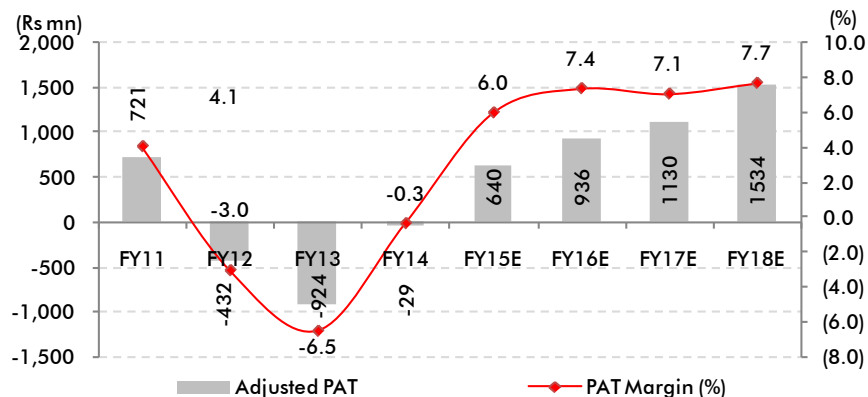
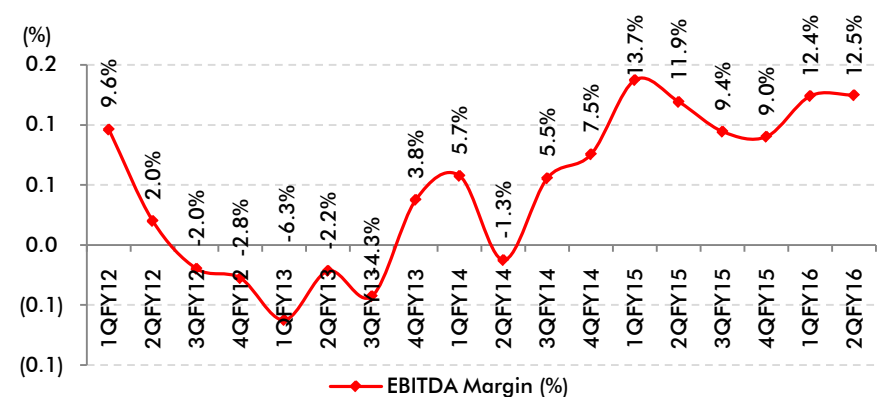


Exhibit 12: Quarterly improvement in EBITDAM



Capital Efficiency - low D/E @ 0.3x; high asset turn & return profile

- ACIL is having extremely strong balance sheet with net D/E of only 0.3x and improving further. It has repaid Rs1.2bn (50% of debt) in last 6 quarters. Management inclined to bring the debt further down as there is no major capex required for growth.
- ACIL's Gross asset turn to improve to 4.3x in FY18E.
- ACIL's return ratios are in 20s and are expected to improve significantly in coming future. ROIC to be at 44.8% in FY18E.

Exhibit 13: Net D/E of only 0.3x in FY15, to be net debt free by FY18E

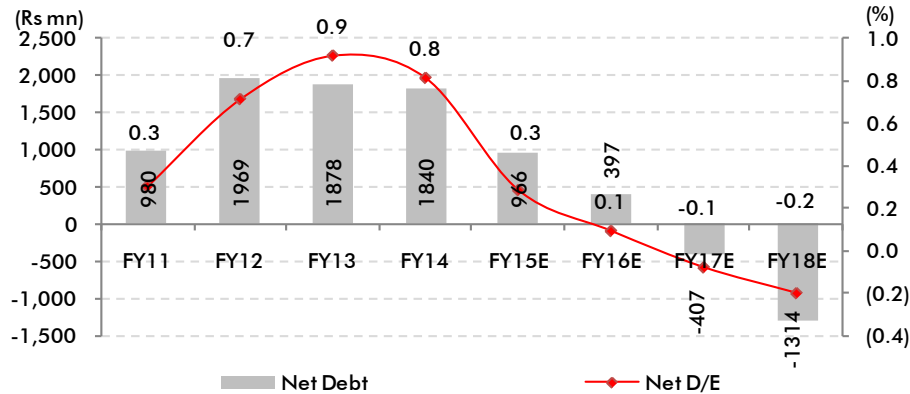


Exhibit 14: Gross asset turn to improve to 4.3x by FY18E

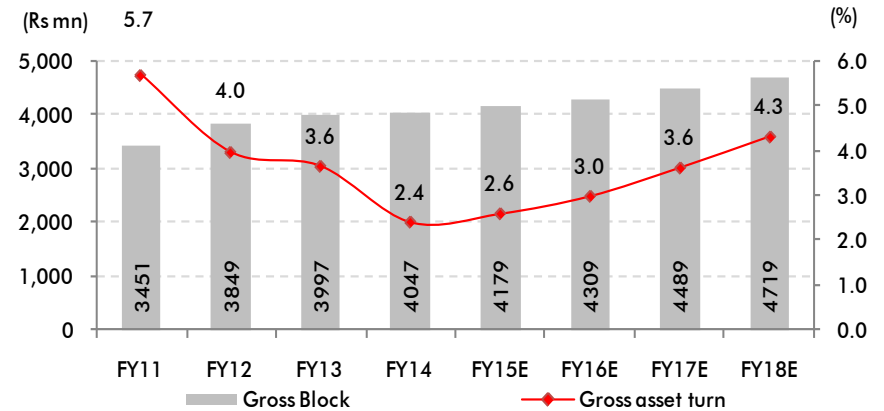


Exhibit 15: Return ratios to show sharp improvement

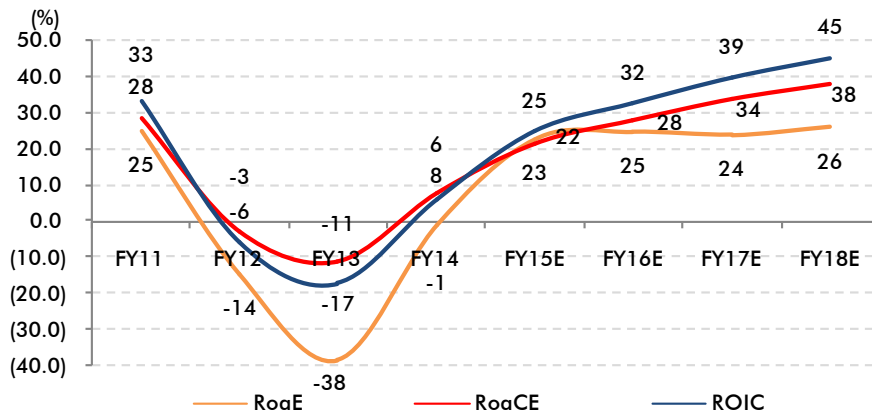
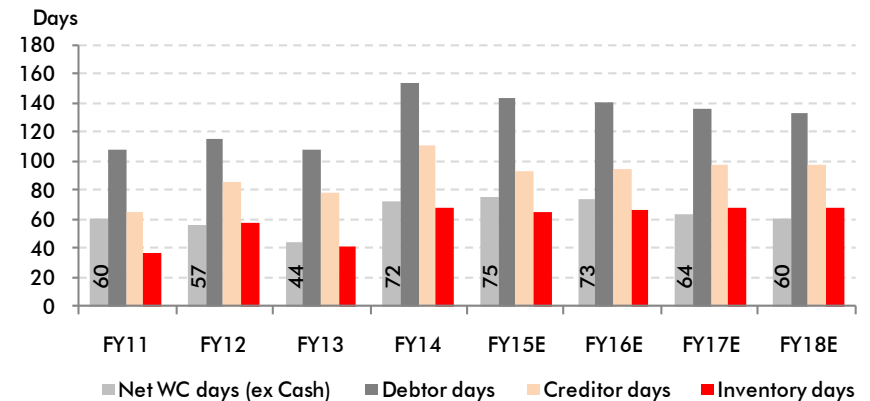


Exhibit 16: Net working capital to improve to 60 days in FY18E



Worst is behind, a lot has changed over the past few years.....

FY14-FY15 - years of consolidation.....FY16 – Getting back in growth trajectory...

1. To mitigate the slowdown in private sector the company has swiftly moved towards public sector orders.
2. Cherry picking of quality orders in Govt sector (Quasi), helped counter the deteriorating quality of execution in the country.
3. When most of the peers gave in to the slow down and deteriorating balance sheet leading to CDR; ACIL have efficiently managed to stay afloat.
4. Promoters pledged their personal assets worth Rs1 bn as security, to enable working capital requirement and better banking terms.
5. Despite the common wealth accusation, ACIL stay put till the end, fought the case and received a clean chit from CBI as well as the supreme court.
6. A focussed management choosing quality over quantity, cautious over temptation of high growth; lead to strong balance sheet. Conservatism enabling ACIL to continuously reduce its debt profile and maintain its working capital.

Unlocking of funds from BOT asset, claim settlement to generate additional cash flow and improvement in ratios

1. ACIL invested ~Rs784 mn in Kota Bus Terminus BOT asset. The asset is debt free. Lease rentals would start coming from CY16 onwards. To be conservative we have not excluded the same for calculation of ratios such as ROE, ROCE and Asset turn. Factoring that the company would look all the more attractive.
2. ACIL has ~Rs610 pending claims (Rs470mn from Emmar and Rs140mn from DDA) towards common wealth receivables. The same is part of debtors and thus impacting the debtor days calculations adversely. However the operational net working capital days at 54days in FY15, is far lower than what is visible in the balance sheet.
3. Future additional cash flow would be an added advantage: Over next two years ACIL is expected to monetise the Kota BOT assets. Being a 40 year concession, debt free and low maintenance asset it can be valued higher than its book value. Apart from this the pending receivables of ~Rs610 mn of common wealth projects are expected to realise along with interest. We have not factored in any value or cash flow from the above transactions. However in the event of these cash flow materialising, it would further improve the balance sheet strength.

10 years financials snapshot : High return profile, positive cash flow.....

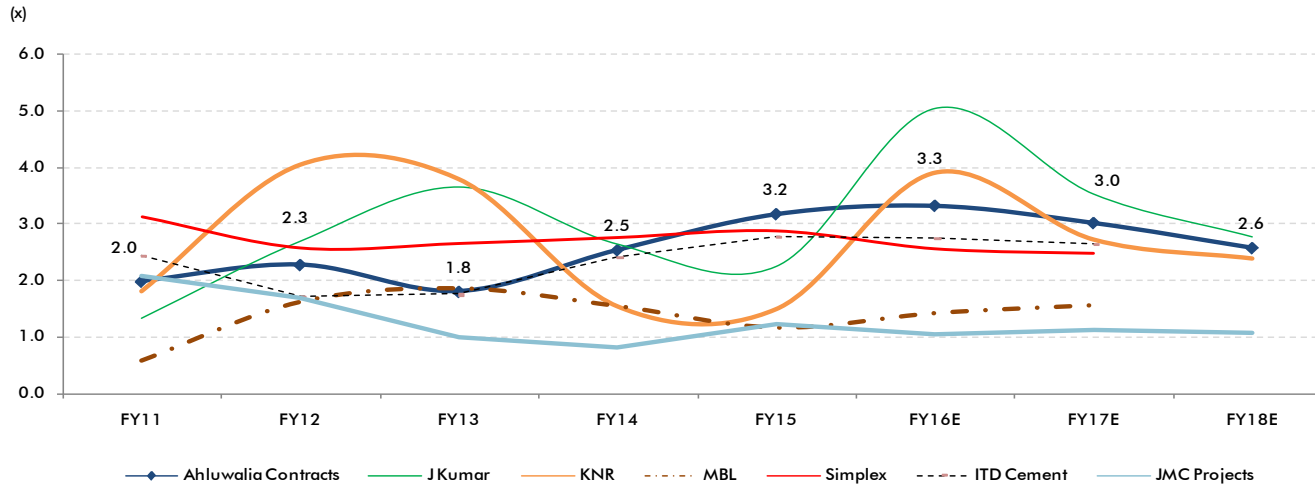
Exhibit 17: Financial trend over the decade

Rs Mn	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	CAGR (%)	
											5 years	10 years
Order Book	14,520	12,220	19,575	26,454	30,047	34,850	32,977	25,860	24,427	33,704		
Order Inflow	NA	4,392	16,155	18,519	19,269	22,333	12,586	7,192	8,173	19,877		
Book-to-bill (x)	3.5	1.8	2.2	2.3	1.9	2.0	2.3	1.8	2.5	3.2		
Revenue	4,157	6,693	8,801	11,916	16,175	17,530	14,459	14,309	9,606	10,599	-10.0	11.0
EBIDTA	390	696	1,063	1,464	1,784	1,621	209	-317	355	1,147	-10.5	12.7
PAT	194	312	516	573	818	721	-432	-924	-29	640	-5.9	14.2
Gross Block	816	1,232	1,812	2,652	2,702	3,451	3,849	3,997	4,047	4,179	11.5	19.9
Gross Debt	394	593	565	915	1,509	2,042	2,483	2,740	2,386	1,731	3.5	17.9
Cash & equi.	456	780	1,165	901	1,748	1,063	494	862	546	765	-18.7	5.9
CFO	278	595	1,186	237	606	-194	-249	138	361	756		
Free Cash flow	-30	187	517	-500	481	-1,029	-804	292	296	643		
Debtors Days	66	70	94	97	78	107	114	107	154	144		
Inventory Days	24	24	30	36	36	37	57	42	68	64		
WC Days	31	31	22	32	50	60	57	44	72	75		
EBIDTAM (%)	9.4	10.4	12.1	12.3	11.0	9.2	1.4	-2.2	3.7	10.8		
PATM (%)	4.6	4.6	5.8	4.8	5.0	4.1	-3.0	-6.4	-0.3	6.0		
ROCE (%)	44.0	47.4	56.1	47.4	44.2	28.4	-2.7	-11.0	7.6	21.6		
ROE (%)	44.4	47.4	50.5	37.9	38.0	25.1	-14.5	-38.5	-1.3	22.7		
ROIC (%)	42.9	59.6	79.0	58.2	53.8	33.3	-6.0	-17.4	6.1	24.6		
Net D/E (x)	-0.1	-0.2	-0.5	0.0	-0.1	0.3	0.7	0.9	0.8	0.3		
Gross Asset Turn (x)	6.2	6.5	5.8	5.3	6.0	5.7	4.0	3.6	2.4	2.6		

Source: Company, AMSEC Research

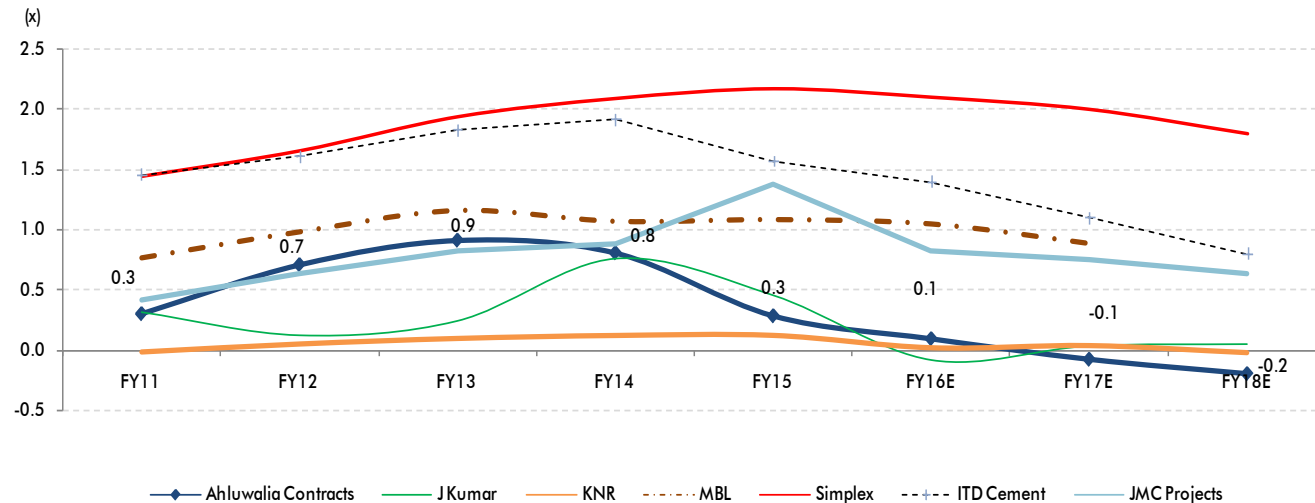
Peer comparison – ACIL stands ahead

Exhibit 17 : Book to Bill



ACIL's book to bill at 3.2x is higher than all the comparable peers. The strong order inflow of Rs20bn during FY15 has substantially improved visibility for ACIL

Exhibit 18 : D/E (x)



ACIL's D/E improved from 0.9x in FY13 to 0.3 as on FY15, one of the best in the industry. Strong generation and equity infusion by promoters has helped ACIL strengthen the Balance Sheet so that funding high growth will not be a constraint

Source: Company, AMSEC Research, Bloomberg

Peer Comparison

Exhibit 19 : ROE%

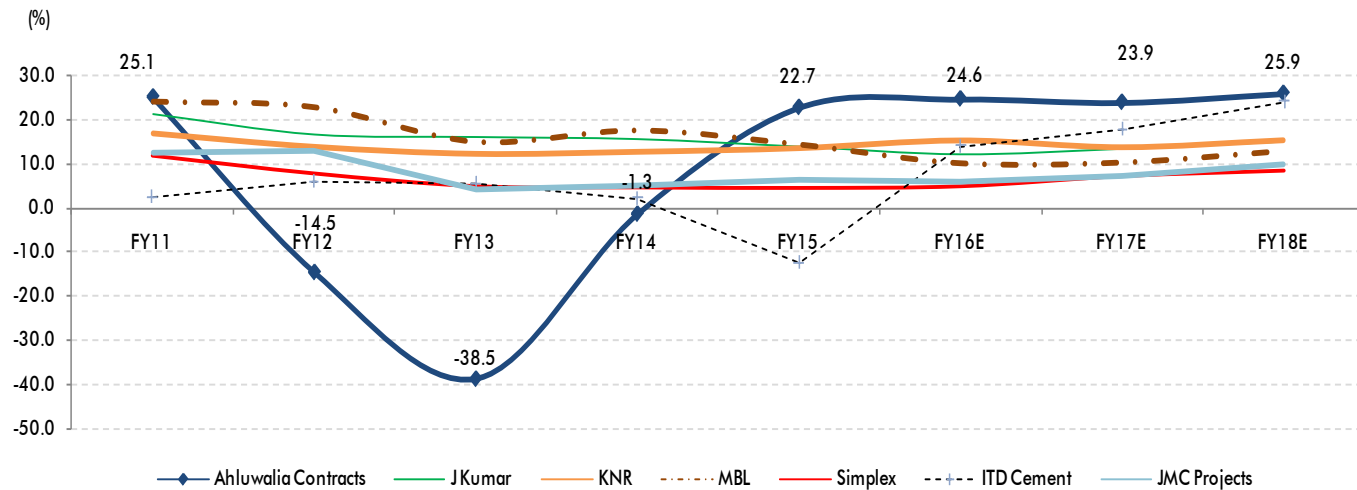
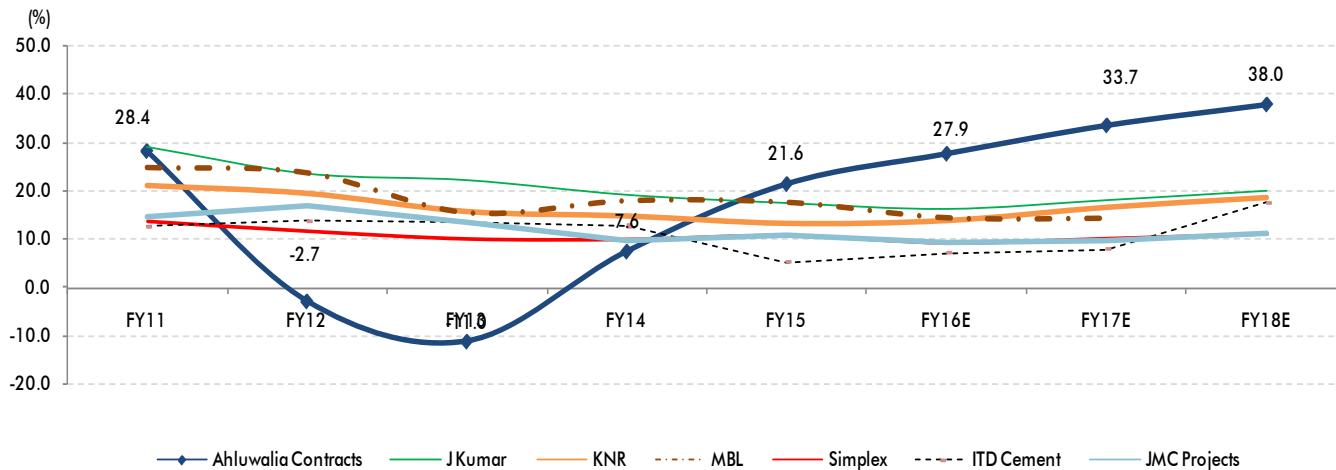


Exhibit 20 : ROCE (%)



Being a pure play construction company, ACIL has managed the capital allocation and capital efficiency well yielding superior return ratios. Except for three years of turbulence, ACIL has consistently achieved >25% ROCE since 2006 and will maintain the 25-35% trajectory over FY16-18.

Source: Company, AMSEC Research, Bloomberg

Peer Comparison

Exhibit 21: Revenue Growth (%)

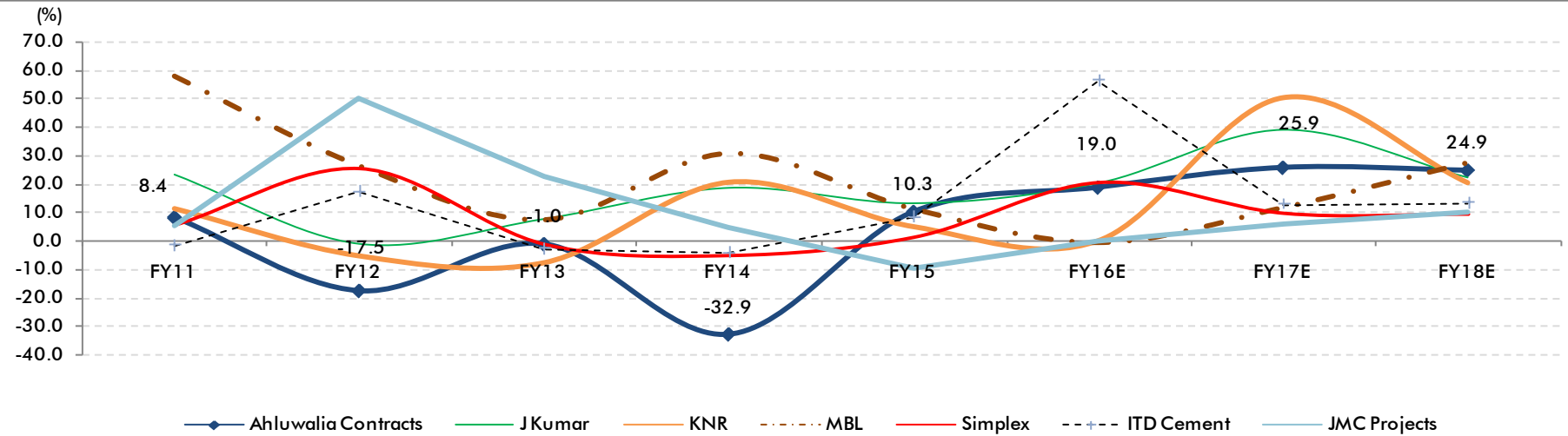
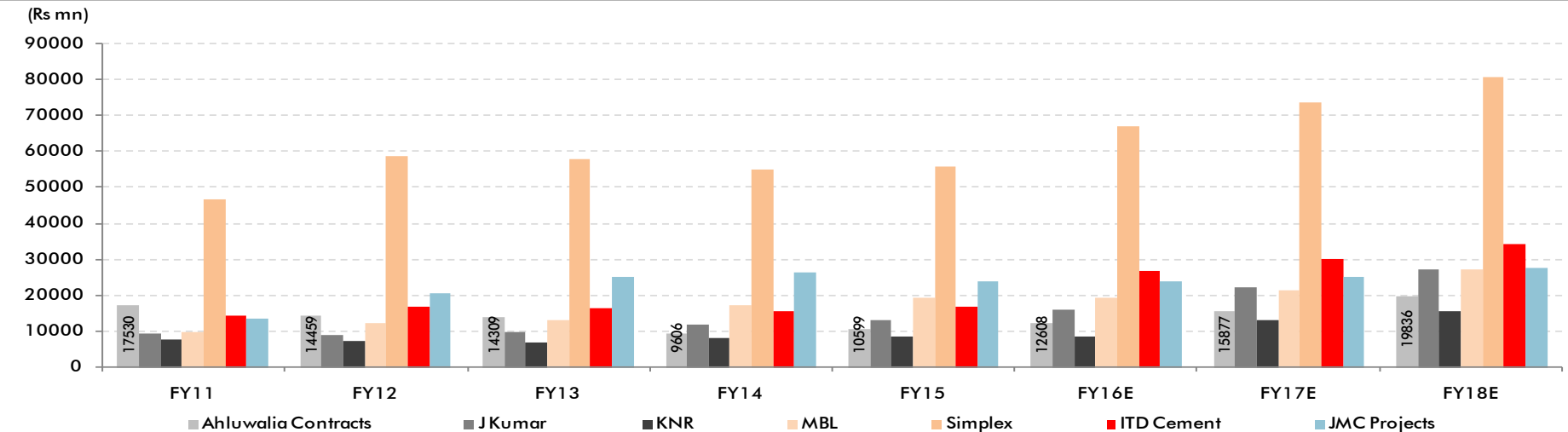


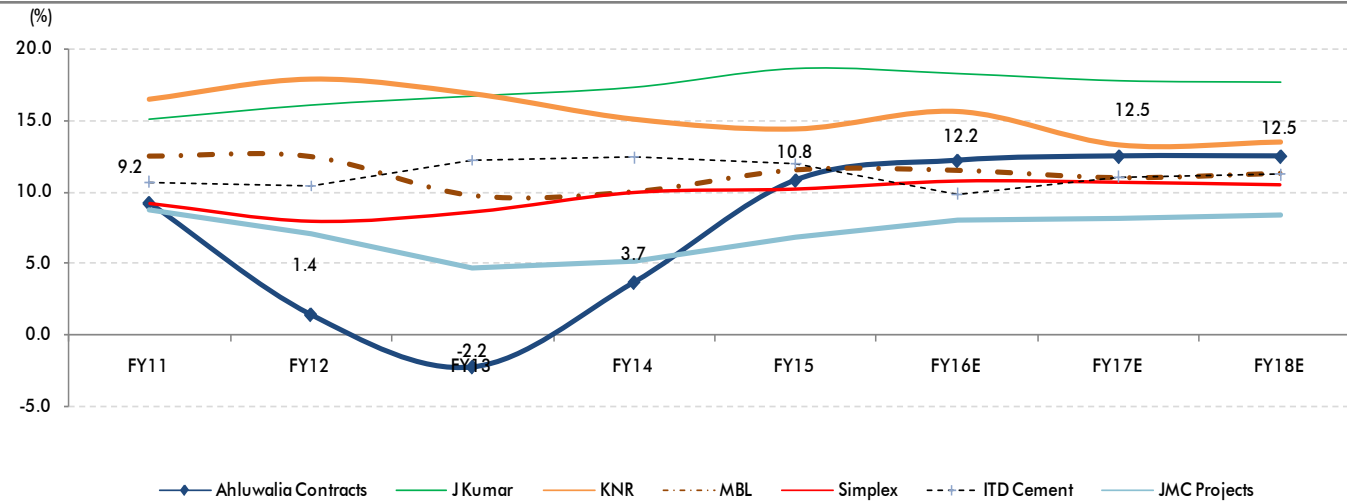
Exhibit 22 : Revenue



Source: Company, AMSEC Research, Bloomberg

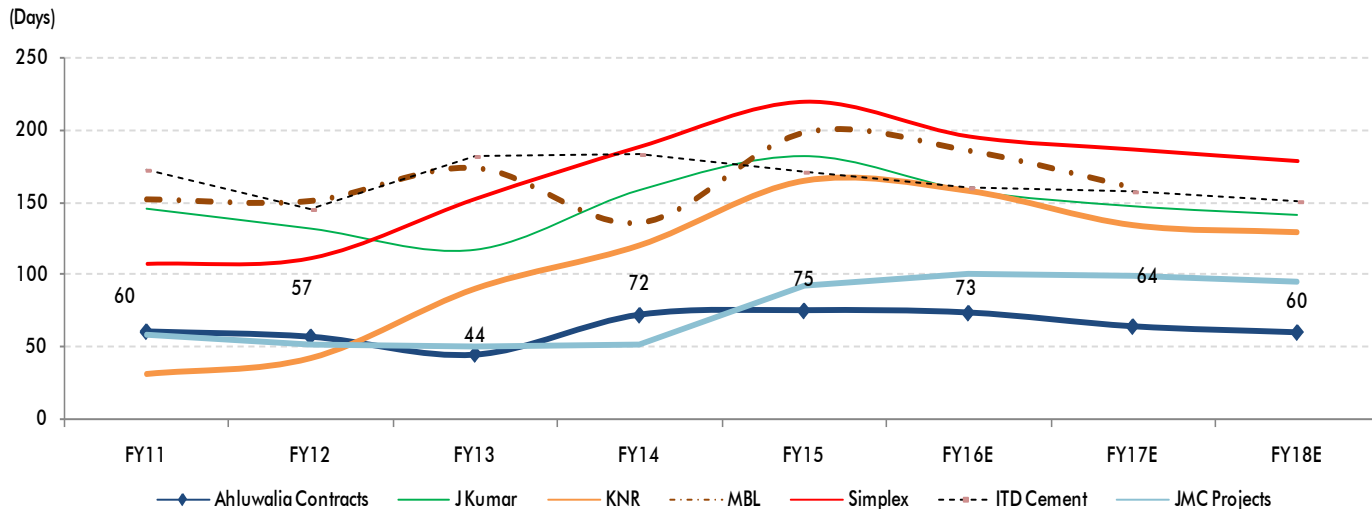
Peer Comparison

Exhibit 23: EBITDA Margin (%)



ACIL's WC management has been exemplary compared to the peers. ACIL's net working capital days over the period has gone up from 30 days in FY06 to 75 days in FY15. Nevertheless, operating WC days (excluding disputed claims) stands at 54 days.

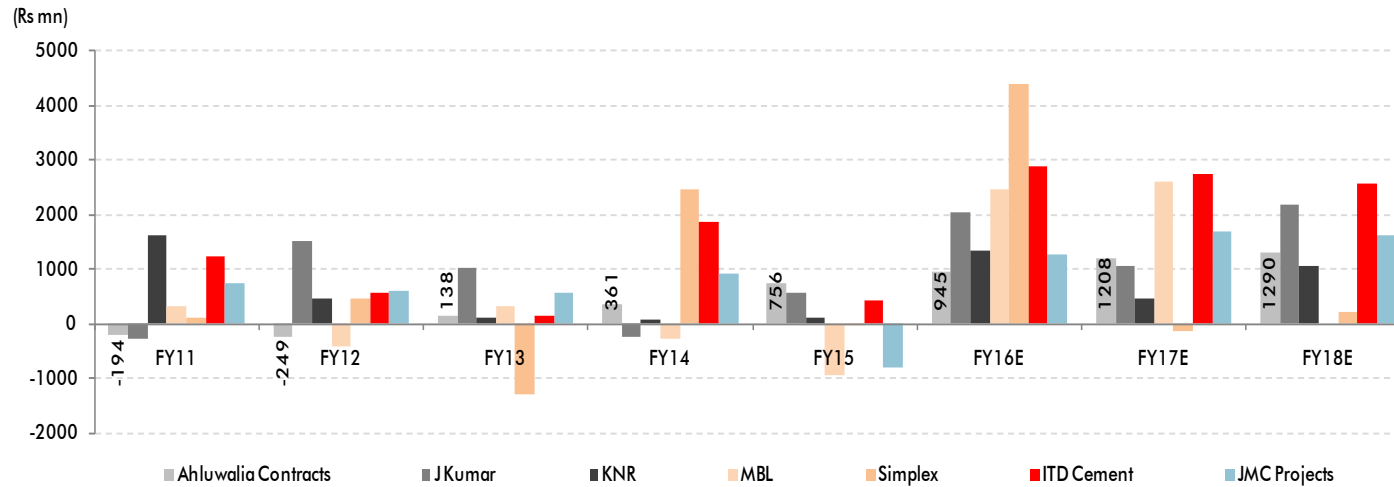
Exhibit 24 : NWC (Days)



Source: Company, AMSEC Research, Bloomberg

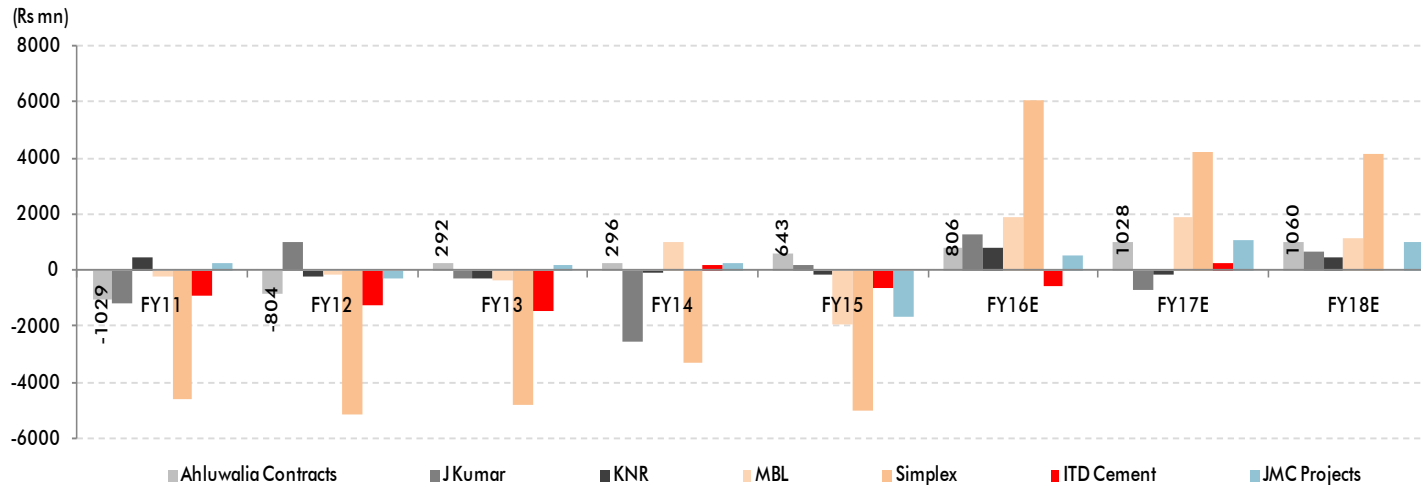
Peer Comparison

Exhibit 25: Cash Flow from Operations



Except for FY11 and FY12, ACIL generated positive cash through FY06-15 period.

Exhibit 26 : Free Cash Flow



Source: Company, AMSEC Research, Bloomberg

Peer Comparison

Exhibit 27: Revenue/Gross Block (x)

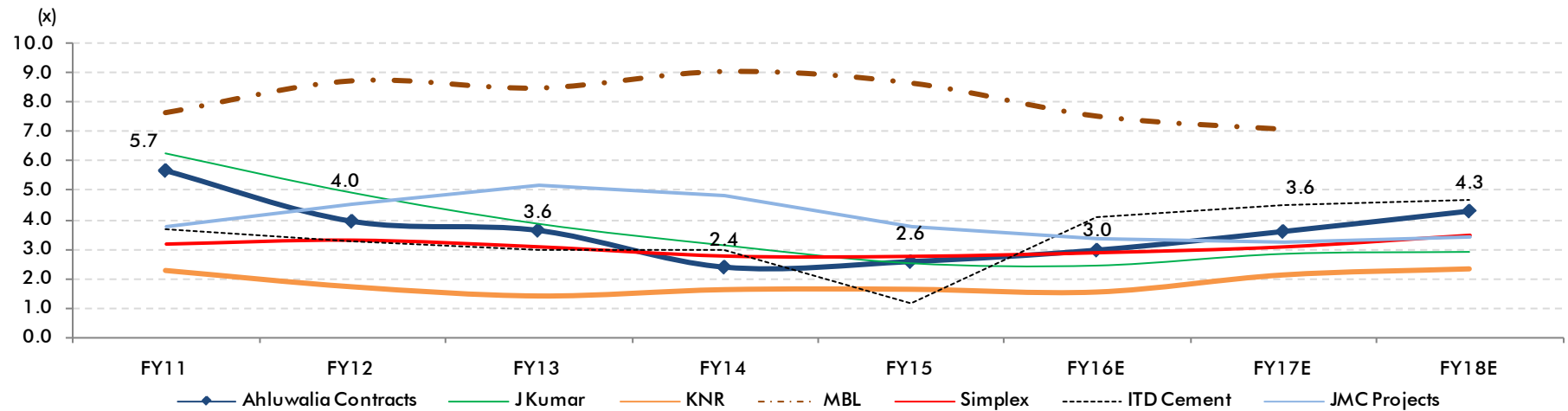
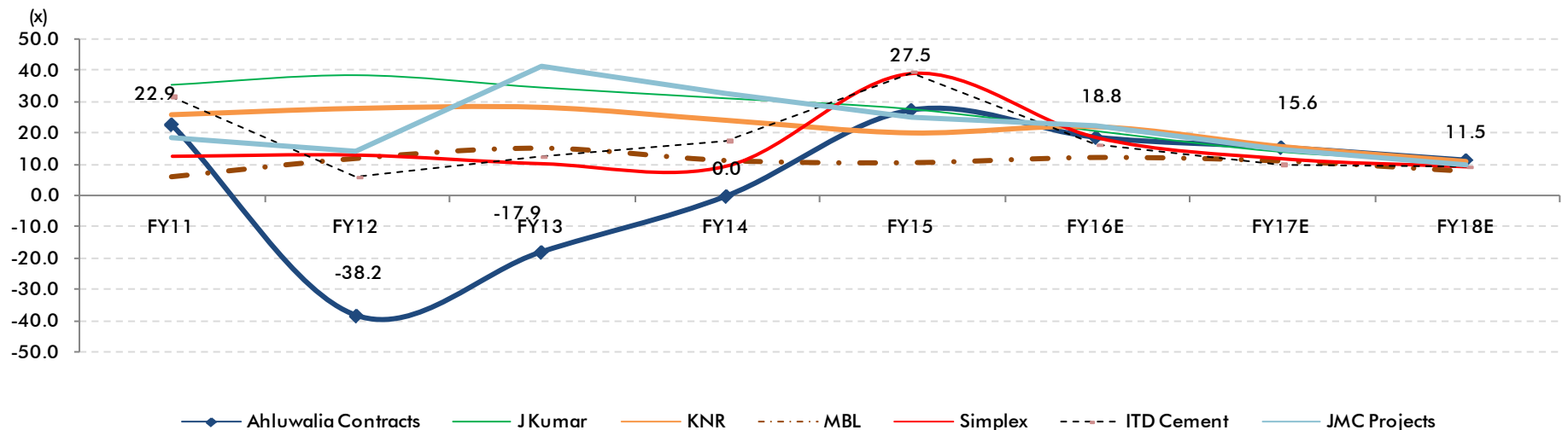


Exhibit 28 : PERx



Source: Company, AMSEC Research, Bloomberg

Valuations & Outlook

Valuations – A candidate for re-rating

At the current market price, ACIL is trading at PER of 15.6x FY17E and 11.5x FY18E estimates, respectively. Its four year average fwd multiple during the normal period of FY07-FY10 was 14.1x. 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 better phase than that of FY07-10 with the business cycle reviving and ACIL is best placed among peers.

We believe the stock is poised for a positive re-rating 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, credible management and ahead of its peers in various parameters.

We believe in current times it is all the more important to have a clean corporate governance, low leverage and sustainable business model rather than just growth. ACIL fits well into all the above mentioned parameters. Given the above mentioned triggers, the stock should be valued higher than the its peers as well as its own historical average valuations. ACIL would see a further improvement once the private sector would revive from the slow down. We value ACIL at 15x FY18E. At present we have not assigned any valuation to its debt free Kota BOT asset. We remain positive about the business growth and like the stock as a positive investment idea. We recommend BUY with a PT of Rs 343, implying potential upside of 30% from the current levels.

Note: Kota BOT investment Rs784 mn and Receivables from DDA & Emmar of ~Rs610 mn may add more value to the company; not considered in our valuations.

Exhibit 29 : Valuations

	FY18E
PAT (Rs mn)	1,534
EPS(Rs)	22.9
Multiple (x)	15
Equity value (Rs mn)	23,008
Diluted no of shares (mn)	67
Value per share (Rs)	343
CMP (Rs)	263
Upside	30%

Exhibit 30 : 1 Yr fwd PE Band FY07-10

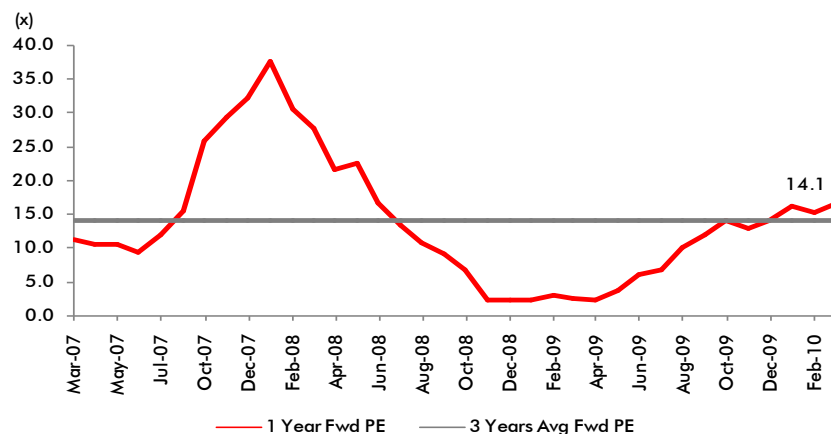
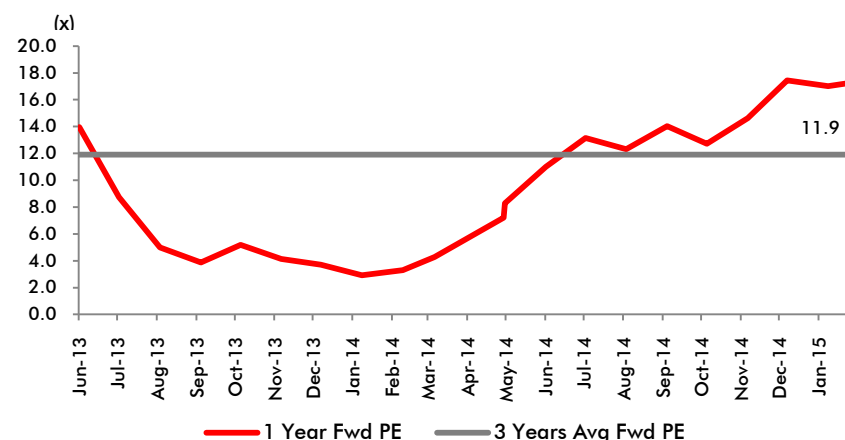


Exhibit 31 : 1 Yr Fwd PE Band FY13-15



Valuations & Outlook Cont....

Exhibit 32 : 1Yr fwd EV/EBITDA Band FY07-10

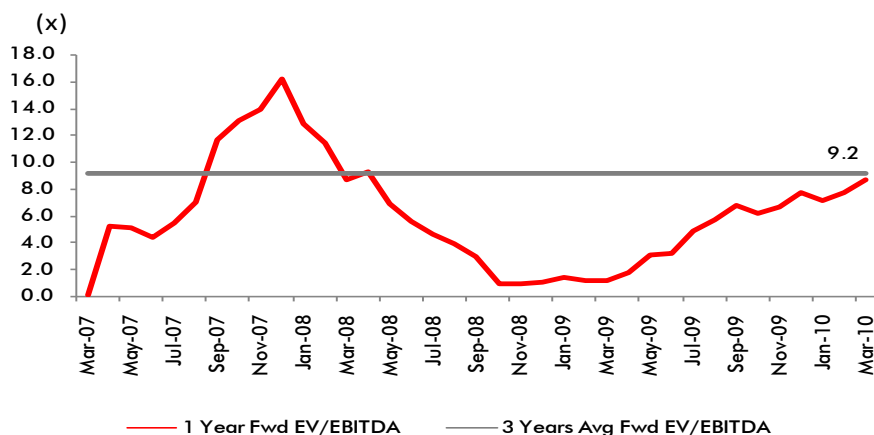


Exhibit 33 : 1 Yr Fwd EV/EBITDA Band FY13-15

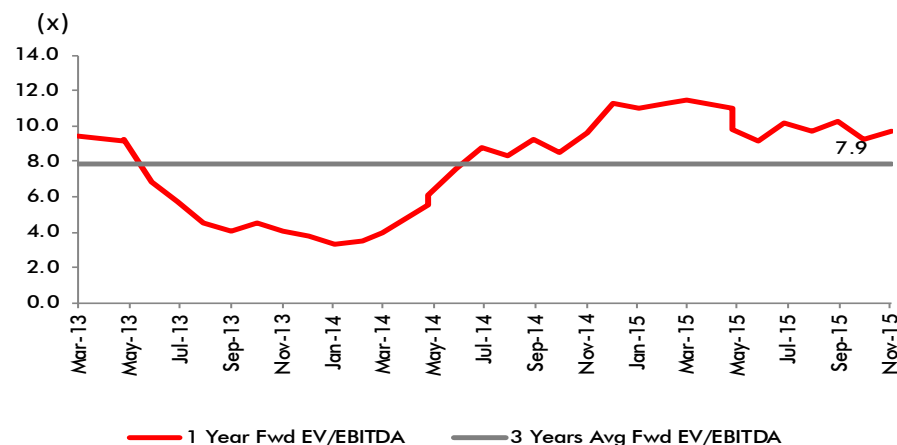


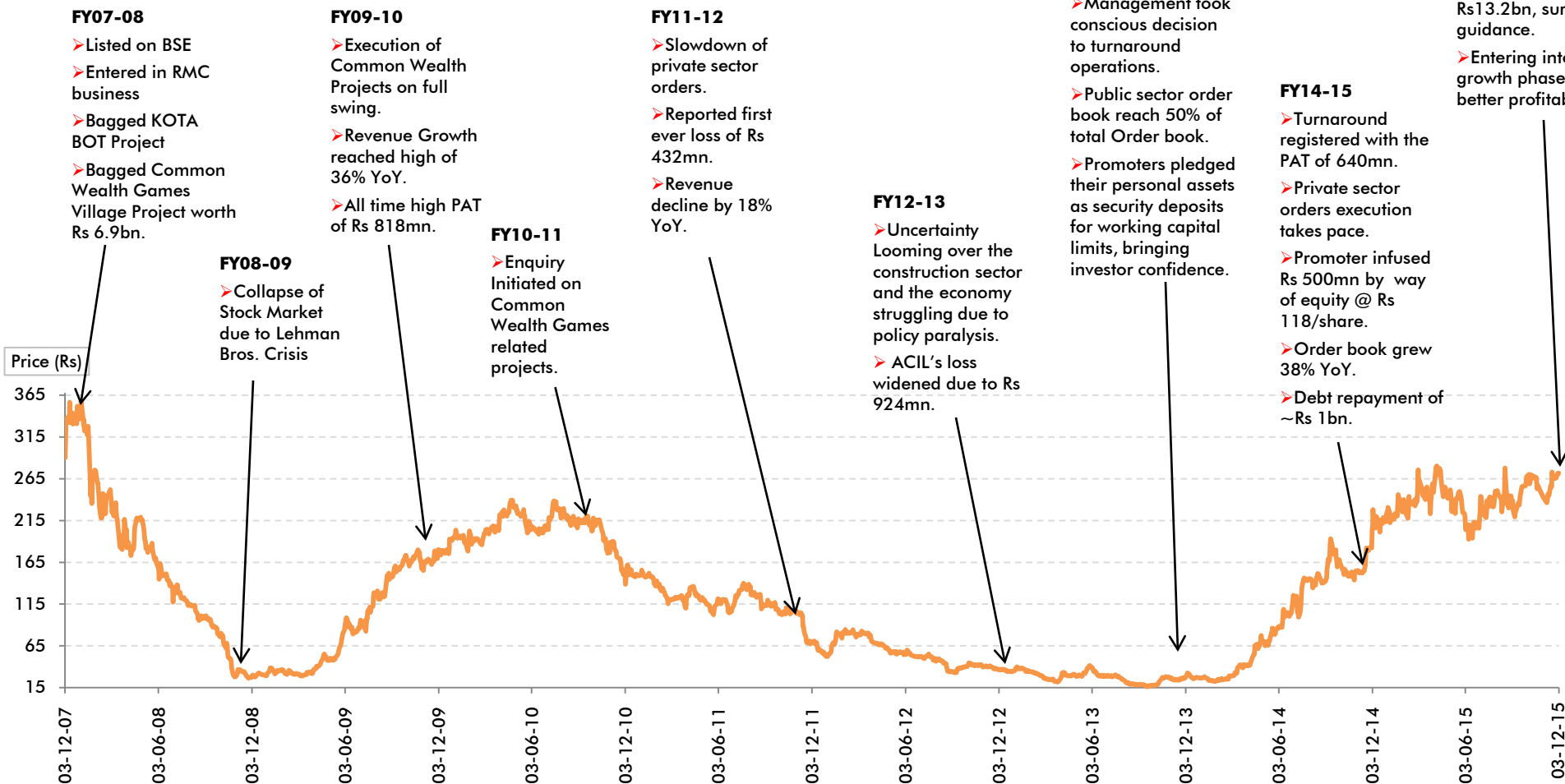
Exhibit 34 : Peer comparison Snapshot

Company name	Rating	Mcap (Rs bn)	CMP (Rs)	Target (Rs)	OPM (%)				ROE (%)				PER (x)				EV/EBITDA(x)			
					FY15	FY16E	FY17E	FY18E	FY15	FY16E	FY17E	FY18E	FY15	FY16E	FY17E	FY18E	FY15	FY16E	FY17E	FY18E
Ahluwalia Contracts India Ltd	Buy	17.6	263	343	10.8	12.2	12.5	12.5	22.7	24.6	23.9	25.9	27.5	18.8	15.6	11.5	16.2	11.7	8.7	6.6
J Kumar Infraproject Ltd	Buy	26.5	350	406	18.7	18.3	17.8	17.7	13.8	12.0	13.3	15.0	28.1	21.1	14.4	11.4	12.0	8.7	6.8	5.7
MBL Infrastructures Ltd	Reduce	8.5	205	219	11.5	11.5	11.0	11.3	14.5	10.2	10.4	13.0	10.7	12.4	11.2	7.8	5.0	7.1	6.4	6.6
KNR Constructions Ltd	Hold	15.0	532	610	14.4	15.6	13.3	13.5	13.5	15.4	13.7	15.4	20.3	22.2	16.0	11.2	12.4	11.0	8.7	6.2
Hindustan Construction Co Ltd*	NR	18.3	23	NA	17.3	16.4	15.7	15.4	2.7	4.4	5.0	8.3	23.9	36.1	20.1	11.5	8.1	8.6	8.2	7.7
ITD Cementation India Ltd*	NR	15.4	99	NA	7.4	8.7	9.8	11.2	5.6	14.9	18.8	24.1	44.4	16.3	10.1	9.2	11.5	7.6	5.9	-
Simplex Infrastructures Ltd*	NR	14.7	298	NA	10.2	10.8	10.7	10.5	4.4	4.8	7.2	8.5	39.4	18.9	12.2	9.6	7.4	6.6	6.1	5.6
JMC Projects	BUY	6.7	257	331	6.8	8.0	8.2	8.4	6.4	5.9	7.3	10.0	28.9	25.6	17.4	11.7	7.0	6.4	5.8	5.0

Source: AMSEC Research estimates & Bloom estimates*, Note: MBL ,KNR, Jkumar, HCC, JMC -(Standalone)

Historical Share price movement & key events

- 1979 – Incorporated as Pvt. Ltd. Company.
- 1990 – Converted into public limited company.
- 1990 – IPO with listing in Delhi, Kolkata and Jaipur stock exchanges.
- 2003 – Developed in-house plumbing division.



Receivables under arbitration: ACIL though has cleared through Common Wealth cases but it still has receivables of Rs610 mn (Rs470mn towards Emmar and Rs140mn towards DDA). These are weighing on company's return profile.

High contingent liabilities: Altogether ACIL has huge ~Rs13 bn of contingent liabilities not provided for as on FY15. Of this the major ones are counter guarantee of Rs4.4 bn, VAT Liability of Rs2.5 bn and Rs3.5 bn worth of service tax demand. In case of any eventuality of these liabilities becoming payable by the company may impact our earnings estimate negatively.

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.

Delay in payment by clients: We expect ACIL's net working capital to be around 60 days of net sales in FY18E. 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.

Quarterly financials snapshot

Y/E March(Rs mn)	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	yoy(%)	qoq (%)	1HFY15	1HFY16	yoy (%)
Net Sales	2,190	2,487	2,395	2,496	2,387	2,389	2,665	3,137	2,640	2,802	17.3	6.2	4,776	5,442	13.9
Other Operational Income	12	8	12	2	2	8	6	4	10	7	(18.6)	(36.3)	10	17	69.8
Total Sales	2,202	2,495	2,408	2,498	2,389	2,398	2,672	3,141	2,650	2,809	17.2	6.0	4,786	5,459	
Stock Adjustment	(482)	(30)	131	214	89	(73)	(90)	240	(204)	44	(160.3)	(121.6)	16	(160)	(1,084.4)
Consumption of Raw Materials	1,301	1,272	1,068	959	1,093	1,118	1,410	1,453	1,392	1,202	7.5	(13.7)	2,211	2,594	17.3
Purchase of Traded Goods	476	495	439	543	363	475	553	618	591	653	37.3	10.5	839	1,244	48.3
Employee Cost	544	558	444	392	348	402	367	385	374	392	(2.5)	4.6	750	766	2.2
Other Expenditure	237	232	192	201	167	190	180	163	168	168	(11.4)	0.3	357	336	(5.8)
Total Expenditure	2,076	2,527	2,274	2,310	2,061	2,112	2,420	2,858	2,322	2,459	16.4	5.9	4,173	4,780	14.6
EBITDA	127	(32)	134	189	328	285	252	283	329	350	22.7	6.5	613	679	10.7
Add: Other Income	21	16	11	96	9	25	41	41	43	32	27.8	(25.5)	35	75	117.5
Interest	93	94	84	92	102	93	93	98	91	75	(19.3)	(17.1)	195	166	(14.9)
Depreciation	44	17	30	31	57	53	52	51	49	50	(5.9)	1.2	110	99	(9.9)
Exceptional item Loss / (Gain)	-	(141)	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit Before Tax	11	(268)	31	162	179	165	148	175	232	258	56.2	11.0	344	490	42.5
Provision for Taxation	2	3	6	(11)	10	3	12	1	44	67	2,470.4	51.7	13	111	778.4
PAT	9	(271)	25	173	169	162	136	174	188	191	17.4	1.4	331	379	14.3
Extra Ordinary Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of Profit in Associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted PAT	9	(412)	25	173	169	162	136	174	188	191	17.4	1.4	331	379	14.3
Equity Capital (FV ₹2)	126	126	126	126	126	126	134	134	134	134			126	134	
Basic EPS (₹)	0.1	(4.3)	0.4	2.8	2.7	2.6	2.0	2.6	2.8	2.8			5.3	5.7	
Adjusted EPS (In ₹)	0.1	(6.6)	0.4	2.8	2.7	2.6	2.0	2.6	2.8	2.8			5.3	5.7	
EBITDA (%)	5.7	(1.3)	5.5	7.5	13.7	11.9	9.4	9.0	12.4	12.5	56bp	7bp	12.8	12.4	(38bp)
PAT (%)	0.4	(16.4)	1.0	6.7	7.0	6.7	5.0	5.5	7.0	6.7	1bp	(27bp)	6.9	6.8	(3bp)
Tax / PBT (%)	21.4	(1.1)	20.4	(6.9)	5.6	1.6	8.4	0.6	19.0	26.0			3.7	22.7	
Raw Material / Net Sales (%)	58.8	69.6	68.0	68.7	64.7	63.4	70.1	73.5	67.1	67.6	417bp	46bp	64.1	67.4	

Source: Company, AMSEC Research

Consolidated Financials



Profit & Loss Account

Particulars	FY13	FY14	FY15	FY16E	FY17E	FY18E
Net sales	14,309	9,606	10,599	12,608	15,877	19,836
Other operating income	-	-	-	-	-	-
Consumption of materials	10,684	6,385	7,250	6,052	7,780	9,720
Staff Expenses	2,655	1,946	1,501	2,295	2,778	3,471
Other operating expenses	1,287	920	701	2,723	3,334	4,166
Total Expenditure	14,626	9,251	9,452	11,070	13,892	17,357
EBITDA	(317)	355	1,147	1,538	1,985	2,480
Depreciation	405	124	212	211	220	231
Operating profit	(722)	231	936	1,327	1,765	2,248
Other income	170	128	117	160	200	250
EBIT	(552)	358	1,053	1,487	1,965	2,498
Interest	371	386	386	317	303	243
Exceptional items	(211)	(246)	-	-	-	-
Profit before tax	(713)	218	666	1,171	1,662	2,256
Tax	1	1	26	234	532	722
Minority interest	-	-	-	-	-	-
Reported net profit	(713)	217	640	936	1,130	1,534
EO Items (loss/ gain)	(211)	(246)	-	-	-	-
Adjusted net profit	(924)	(29)	640	936	1,130	1,534
Share O/s mn	63	63	67	67	67	67
EPS Rs (adjusted)	(14.7)	(0.5)	9.6	14.0	16.9	22.9

Source: Company, AMSEC Research

Balance Sheet

Particulars	FY13	FY14	FY15	FY16E	FY17E	FY18E
SOURCES OF FUNDS :						
Share Capital	126	126	134	134	134	134
Reserves	1,918	2,135	3,241	4,097	5,106	6,479
Minority Interest	-	-	-	-	-	-
Total Shareholders Func	2,044	2,261	3,375	4,231	5,240	6,613
Non-Current Liabilities						
Long term borrowings	414	329	90	0	0	0
Deferred tax liability	-	-	-	-	-	-
Other long term liabilities	331	660	461	461	461	461
Long-term provisions	21	14	20	20	20	20
Current Liabilities	7,926	7,240	6,477	6,978	8,075	9,479
Short term borrowings	2,088	1,935	1,460	1,160	660	260
Trade payables	3,069	2,906	2,693	3,282	4,263	5,326
Other current liabilities	2,764	2,372	2,298	2,495	3,095	3,822
Short term provisions	6	27	25	41	57	71
Total Equity & Liabilities	10,735	10,505	10,423	11,689	13,795	16,572
APPLICATION OF FUNDS :						
Non Current Assets						
Gross block (Total)	3,997	4,047	4,179	4,309	4,489	4,719
Less : accumulated depreci	1,995	2,032	2,181	2,392	2,612	2,844
Net block (Total)	2,002	2,015	1,998	1,917	1,877	1,876
Capital work in progress	16	30	11	20	20	20
Noncurrent investment	1	1	1	1	1	1
Deferred tax assets	162	162	154	154	154	154
Long term loans and advan	843	725	598	798	998	1,198
Other non-current assets	641	759	814	714	614	514
Current Assets	7,072	6,814	6,847	8,086	10,132	12,810
Current investment	-	-	-	-	-	-
Inventories	1,672	1,720	1,665	2,003	2,566	3,261
Sundry debtors	4,213	4,045	4,168	4,824	5,873	7,186
Cash and bank	862	546	765	944	1,248	1,755
Short loans and advances	289	463	202	276	391	543
Others current assets	35	40	47	38	52	65
Total Assets	10,735	10,505	10,423	11,689	13,795	16,572
Net Working Capital*						
	1,742	1,893	2,178	2,537	2,782	3,250
Total Gross Debt*						
	2,740	2,386	1,731	1,341	841	441
Total Net Debt						
	1,878	1,840	966	397	(407)	(1,314)
Capital Employed*						
	4,784	4,647	5,107	5,572	6,081	7,054

Source: Company, AMSEC Research

Consolidated Financials



Cash Flow Statement

Particulars	FY13	FY14	FY15	FY16E	FY17E	FY18E
PBT	(713)	218	666	1,171	1,662	2,256
Non-cash adjustments	235	(4)	95	51	20	(19)
Changes in working capital	550	(152)	(285)	(358)	(245)	(468)
Interest Paid	371	386	386	317	303	243
Tax Paid & Other Adj	(306)	(88)	(106)	(235)	(532)	(722)
Cashflow from operations	138	361	756	945	1,208	1,290
Capital exp. & Advances	154	(64)	(113)	(139)	(180)	(230)
Change in investments	20	-	(0)	-	-	-
Other investing cashflow	170	128	117	160	200	250
Cashflow from investing	344	64	4	21	20	20
Issue of equity	-	-	500	-	-	-
Issue/repay debt	257	(354)	(655)	(390)	(500)	(400)
Interest Paid	(371)	(386)	(386)	(317)	(303)	(243)
Dividends paid	-	-	-	(80)	(121)	(161)
Other financing cashflow	-	-	-	-	-	-
Cashflow from financing	(114)	(741)	(541)	(787)	(923)	(803)
Change in cash & cash eq	368	(316)	220	179	304	506
Opening cash & cash eq	494	862	546	765	944	1,248
Closing cash & cash eq	862	546	765	944	1,248	1,755
Free cash flow to firm	292	296	643	806	1,028	1,060

Source: Company, AMSEC Research

Ratios

Particulars	FY13	FY14	FY15	FY16E	FY17E	FY18E
PER SHARE						
EPS Rs (adjusted)	(14.7)	(0.5)	9.6	14.0	16.9	22.9
CEPS Rs	(8.3)	1.5	12.7	17.1	20.2	26.3
Book Value Rs	32.6	36.0	50.4	63.2	78.2	98.7
VALUATION						
EV / Net Sales	1.3	1.9	1.8	1.4	1.1	0.8
EV / EBITDA	(58.0)	51.8	16.2	11.7	8.7	6.6
P / E Ratio	(17.9)	NA	27.5	18.8	15.6	11.5
P / BV Ratio	8.1	7.3	5.2	4.2	3.4	2.7
GROWTH YOY%						
Sales Growth	(1.0)	(32.9)	10.3	19.0	25.9	24.9
EBITDA Growth	(252.1)	(211.7)	223.6	34.1	29.0	24.9
Net Profit Growth	113.8	(96.9)	NA	46.3	20.7	35.7
Gross Fixed Asset Growth	3.8	1.2	3.3	3.1	4.2	5.1
PROFITABILITY (%)						
Gross Profit/ Net sales	6.8	13.3	17.4	33.8	33.5	33.5
EBITDA / Net Sales	(2.2)	3.7	10.8	12.2	12.5	12.5
EBIT / Net sales	(3.9)	3.7	9.9	11.8	12.4	12.6
NPM / Total income	(6.4)	(0.3)	6.0	7.3	7.0	7.6
Raw Material/Net Sales	74.7	66.5	68.4	48.0	49.0	49.0
ROIC	(17.4)	6.1	24.6	32.3	39.4	44.8
RONW	(38.5)	(1.3)	22.7	24.6	23.9	25.9
ROCE	(11.0)	7.6	21.6	27.9	33.7	38.0
Tax / PBT	(0.1)	(1.8)	3.9	20.0	32.0	32.0
TURNOVER						
Net Working Cycle	44	72	75	73	64	60
Debtors Velocity (Days)	107	154	144	140	135	132
Inventory (Days)	42	68	64	66	67	69
Creditors Velocity (Days)	78	110	93	95	98	98
Current Ratio	1.4	1.4	1.6	1.6	1.5	1.5
Quick Ratio	1.2	1.1	1.2	1.2	1.2	1.2
LIQUIDITY						
Gross Asset Ratio	3.6	2.4	2.6	3.0	3.6	4.3
Total Asset Ratio	1.3	0.9	1.0	1.1	1.2	1.3
Net Debt-Equity Ratio	0.92	0.81	0.29	0.09	(0.08)	(0.20)
Interest Coverage (x)	(1.5)	0.9	2.7	4.7	6.5	10.3
PAYOUT						
Payout %	-	-	-	9	11	10
Dividend %	-	-	-	50	75	100
Yield %	-	-	-	0.4	0.6	0.8

Source: Company, AMSEC Research

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, 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 five subsidiaries, which include 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.

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.

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.

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.

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.

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

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 glazing, glass façade & aluminum cladding.

Electro mechanical

Provides supply, installation, testing & commissioning services for electrical works

Key Management personnel

Name	Position	Remarks
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	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.
Satbeer Singh	Chief Financial Officer	He is the Chief Financial Officer with 19 years experience in civil & construction industry.

Source: Company, AMSEC Research

Recommendation Rationale

Buy: Potential upside of	> +15% (absolute returns)
Accumulate:	> +5 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.

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| 1. Name of the analyst: | Amber Singhania |
| 2. Analysts' ownership of any stock related to the information contained: | Nil |
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