Ahluwalia Contracts

Accumulate

DART
DOLAT ANALYSIS & RESEARCH THEMES
IN-DEPTH• PRECISE• ACTIONABLE

Result Update

View: Robust quarter, fair valuation; Maintain Accumulate

- ACIL reported results above estimates on all fronts.
- ACIL posted 132.2%/ 226.0%/ 365.2% YoY growth in revenue/ EBITDA/ APAT to Rs5.8 bn/ Rs604 mn/ Rs348 mn in Q1FY22.
- We increase our revenue estimates by 4.3%/ 4.4% and maintain EBITDA margin estimates for FY22E/ FY23E factoring Q1FY22 results. Accordingly, we increase APAT estimates by 5.6%/ 5.6% for FY22E/ FY23E. We estimate 17.5%/ 63.1% revenue/ APAT CAGR over FY21-23E.
- ACIL should remain a net cash company, with an average RoCE/ RoE of 21.6%/ 17.3% over FY21-23E. As the stock has run up by 20% since our result update note dated 15 Feb'21, we maintain Accumulate with a revised TP of Rs429 (14x FY23E EPS).

Order book at 3.6x (TTM revenue)

ACIL received fresh orders worth Rs22.1 bn/ nil during FY21/ YTDFY22. Management has bided for projects worth Rs65 bn (60% hospitals, 20% commercial and 20% institution) worth of projects. The current order book stands at Rs71.2 bn and considering L1 in two projects worth Rs11.6 bn, orderbook stands at Rs82.8 bn, providing revenue visibility for 3.6x TTM revenue. Government orders contribute 81% (Q1FY22) vs. 80% (FY21) v/s 32% (FY14). We maintain our order inflow estimates of Rs25 bn/ Rs30 bn for FY22E/ FY23E.

Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Revenue	5,801	2,498	132.2	7,617	(23.8)
Total Expense	5,197	2,313	124.7	6,919	(24.9)
EBITDA	604	185	226.0	698	(13.5)
Depreciation	83	72	15.1	83	0.3
EBIT	521	113	361.0	615	(15.4)
Other Income	59	71	(16.8)	35	68.8
Interest	115	83	38.7	156	(26.2)
EBT	465	101	361.0	495	(6.0)
Tax	117	26	348.8	124	(5.7)
RPAT	348	75	365.2	371	(6.1)
APAT	348	75	365.2	371	(6.1)
			(bps)		(bps)
Gross Margin (%)	20.7	22.6	(195)	21.5	(82)
EBITDA Margin (%)	10.4	7.4	300	9.2	124
NPM (%)	6.0	3.0	300	4.9	113
Tax Rate (%)	25.2	25.8	(68)	25.1	9
EBIT Margin (%)	9.0	4.5	446	8.1	90

CMP	Rs 370
Target / Upside	Rs 429 / 16%
NIFTY	16,364

Scrip Details

Equity / FV	Rs 134mn / Rs 2
Market Cap	Rs 25bn
	USD 334mn
52-week High/Low	Rs 430/ 204
Avg. Volume (no)	47,162
Bloom Code	AHLU IN

Price Performance	1M	3M	12M
Absolute (%)	0	28	61
Rel to NIFTY (%)	(5)	15	18

Shareholding Pattern

	Dec'20	Mar'21	Jun'21
Promoters	58.0	58.0	58.0
MF/Banks/FIs	25.9	26.2	26.8
FIIs	11.6	12.0	11.9
Public / Others	4.5	3.9	3.3

Valuation (x)

	FY21A	FY22E	FY23E
P/E	32.1	15.6	12.1
EV/EBITDA	13.5	7.9	6.1
ROE (%)	9.2	16.6	18.0
RoACE (%)	14.1	21.1	22.1

Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	19,822	23,777	27,355
EBITDA	1,542	2,734	3,419
PAT	772	1,587	2,055
EPS (Rs.)	11.5	23.7	30.7

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Exhibit 1: Actual V/s DART estimates (Rs mn)

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	5,801	5,241	10.7	Better execution vs. estimated
EBITDA (Rs mn)	604	524	15.3	-
EBITDA%	10.4	10.0	42 bps	Lower employee and other exp
PAT (Rs mn)	348	245	42.2	Better operational performance vs. estimate

Source: Company, DART

Exhibit 2: Change in estimates - Broadly maintain FY22E/ FY23E estimates

(Rs mn)	FY22E			FY23E		
	New	Old	% change	New	Old	%change
Net revenues	23,777	22,787	4.3	27,355	26,200	4.4
EBIDTA	2,734	2,621	4.3	3,419	3,272	4.5
EBIDTA margin (%)	11.5	11.5	(0)	12.5	12.5	1
Adj. Net Profit	1,587	1,503	5.6	2,055	1,945	5.6
EPS (Rs)	23.7	22.4	5.6	30.7	29.0	5.6

Source: DART, Company

Key earnings takeaways

- Impact of COVID-19 felt in the month of April'21 and May'21 but the company was able to withstand the impact and report good results as the projects were not completely stopped. 10% of the revenues lost in Q1FY22 due to the second wave.
- Bid pipeline is robust and company has bided for Rs65 bn (60% hospitals, 20% commercial and 20% institution) worth of projects. ACIL will continue to focus on healthcare sector. Rs25 bn worth order inflow expected in FY22. Current order book stands at Rs71.2 bn (Commercial 5%, Hospital 53%, Infrastructure 13%, Institution 14% and Residential & Other 15%) giving revenue visibility for next 2-3 years.
- Management gave a guidance of 15-20% (earlier 10-15%) revenue growth in FY22 and EBITDA margins of 11-12% in FY22. In Q4FY21, ACIL said it can achieve a quarterly revenue run rate of Rs7.5 bn under optimal conditions.
- ACIL has been declared L1 for orders worth Rs11.6 bn. Break up – Govt residential project in Calcutta for Hidco worth Rs2.5 bn, expect LOA by end of Aug'21 and a project in Bihar for BCD an animal husbandry university worth Rs8.9 bn, expect LOA by end of Aug'21.
- Private residential sector saw some uptick activity in some geographies but the company stays averse to the sector. Hospital is the focus of the government, Delhi govt came out with 3 packages which are spread over 7 location to build hospitals for 3rd wave of COVID-19 with a time line of 6-7 months. ACIL submitted 3 bids worth Rs20 bn.
- Project tendering is on but the projects might get impacted during the cycle of the project due to financial issues. States like West Bengal and Bihar facing some financial issues. WC is a bit stretched which are being met by internal accruals.
- Jammu projects – Order value is worth Rs12.5 bn which is now moving fast and has a monthly run-rate of Rs200 mn which will ramp up to Rs250-Rs300, done billing of Rs1.50 bn.

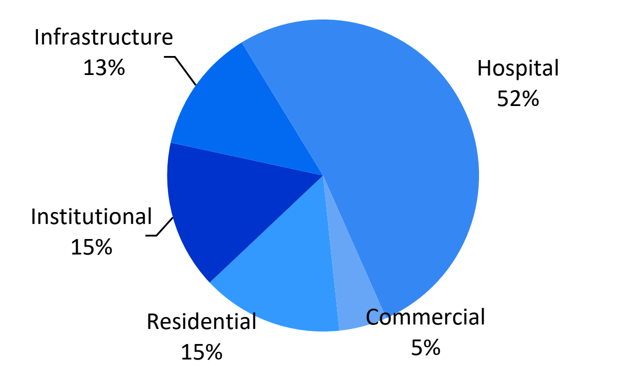
- Bihar projects – They are not moving in the speed what management expected due to rain. WC at Bihar projects is a bit stretched since the state is facing financial issue, expect it to improve in H2FY22.
- Project update : Hospital projects in Hamirpur and Chamba are moving in full swing. AIIMS Kayaninagar and Nagpur are in the final stages of handover, academic part and 2 floors each has already been handed over and auditorium projects are moving and booking Rs80-Rs90 mn per month, expect completion by March'22. Mumbai 2 MMRDA projects started, but at slow speed due to the lockdown and monsoon, picked up last month. Sion project is expected to be slow as it has a lengthy timeline as it is to be done in parts but the depot is on track.
- Provision for doubtful debts now on normal path and will come as and when they age.
- Capex incurred in Q1FY22 was Rs70 mn and expect Rs300 mn to be incurred in FY22.
- Mobilization advance/ Retention money/ Unbilled revenue stood at Rs3.3 bn/ Rs2.0 bn/ Rs3.6 bn and Gross Debt/ Cash stood at Rs220 mn/ Rs4 bn as on June'21.
- Debtor/ Payables/ Inventory stood at Rs4.2 bn/ Rs5.9bn/ Rs2.8 bn as on 30th June'21.
- Finance cost comprises Rs63.4 mn for interest on mobilization advances and Rs10.9 for lease.

Exhibit 3: Income statement (Standalone)

Particulars (Rs mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY20	YoY (%)
Revenue	**5,801**	**2,498**	**132.2**	**7,617**	**(23.8)**	**19,822**	**18,849**	**5.2**
Material consumed	2,525	1,208	109.0	3,373	(25.1)	9,192	9,047	1.6
Operating exp	288	165	75.0	326	(11.6)	1,112	955	16.5
Employees cost	439	264	65.8	475	(7.6)	1,534	1,543	(0.6)
Sub contract exp	1,788	560	219.0	2,280	(21.6)	5,565	5,036	10.5
Other expenditure	157	116	35.9	465	(66.2)	876	738	18.7
Total expenditure	**5,197**	**2,313**	**124.7**	**6,919**	**(24.9)**	**18,279**	**17,319**	**5.5**
EBITDA	**604**	**185**	**226.0**	**698**	**(13.5)**	**1,542**	**1,530**	**0.8**
Depreciation	83	72	15.1	83	0.3	304	319	(4.5)
Operating profit	**521**	**113**	**361.0**	**615**	**(15.4)**	**1,238**	**1,211**	**2.2**
Other income	59	71	(16.8)	35	68.8	223	104	113.7
EBIT	**580**	**184**	**215.7**	**650**	**(10.9)**	**1,461**	**1,316**	**11.0**
Interest	115	83	38.7	156	(26.2)	426	350	21.7
EBT	**465**	**101**	**361.0**	**495**	**(6.0)**	**1,035**	**966**	**7.2**
Tax	117	26	348.8	124	(5.7)	263	322	(18.3)
Net income	**348**	**75**	**365.2**	**371**	**(6.1)**	**772**	**644**	**19.9**
EPS (Rs)	**5.2**	**1.1**	**365.2**	**5.5**	**(6.1)**	**11.5**	**9.6**	**19.9**
			bps		**bps**			**bps**
EBIDTA Margin (Excl. O.I.)	10.4	7.4	300	9.2	124	7.8	8.1	(34)
EBIDTA Margin (Incl. O.I.)	11.4	10.2	118	9.6	180	8.9	8.7	24
NPM (%)	5.9	2.9	303	4.8	109	3.9	3.4	45
Tax/PBT (%)	25.2	25.8	(68)	25.1	9	25.4	33.3	(790)
Material cons/Revenue (%)	79.3	77.4	195	78.5	82	80.1	79.8	28

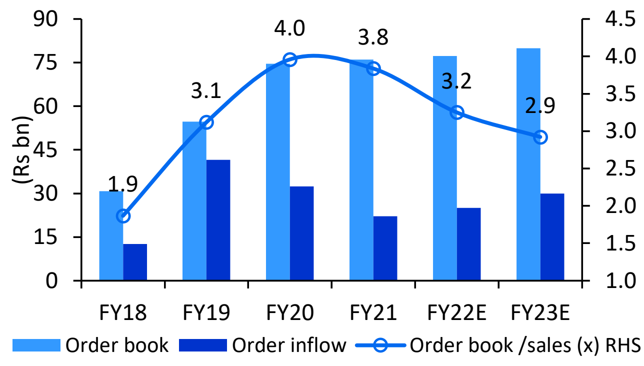
Source: DART, Company

Exhibit 4: Rs71.2 bn order book break up



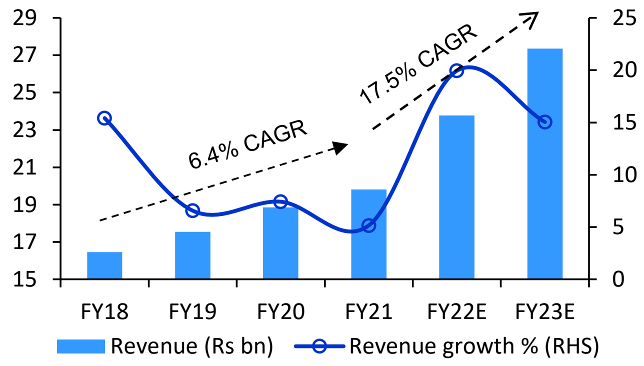
Source: Company, DART

Exhibit 5: Order book trend (Standalone)



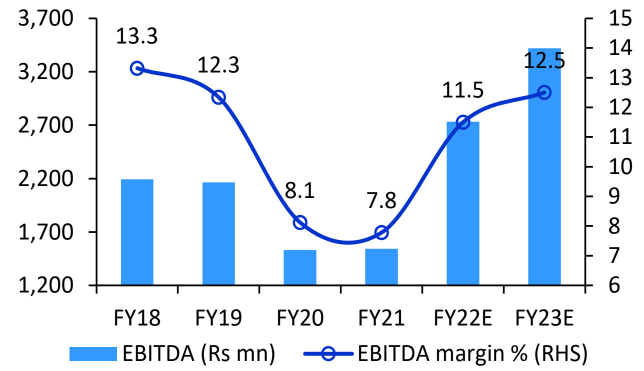
Source: Company, DART

Exhibit 6: Revenue CAGR of 17.5% over FY21-23E



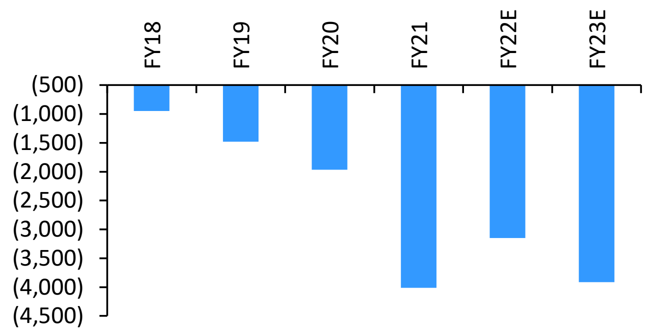
Source: Company, DART

Exhibit 7: EBITDA Margin trend



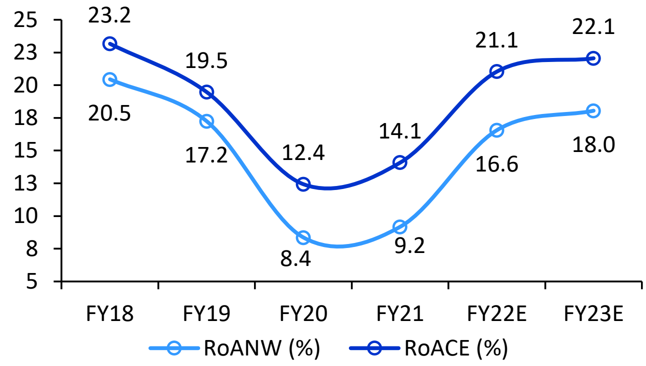
Source: Company, DART

Exhibit 8: Net Debt free company (Rs mn)



Source: Company, DART

Exhibit 9: Return Ratio Trend



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	**18,849**	**19,822**	**23,777**	**27,355**
Total Expense	**17,319**	**18,279**	**21,043**	**23,936**
COGS	15,038	15,869	18,758	21,421
Employees Cost	1,543	1,534	1,872	2,059
Other expenses	738	876	414	455
EBIDTA	**1,530**	**1,542**	**2,734**	**3,419**
Depreciation	319	304	353	407
EBIT	**1,211**	**1,238**	**2,381**	**3,012**
Interest	350	426	400	410
Other Income	104	223	153	160
Exc. / E.O. items	0	0	0	0
EBT	**966**	**1,035**	**2,134**	**2,763**
Tax	322	263	547	708
RPAT	644	772	1,587	2,055
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**644**	**772**	**1,587**	**2,055**

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	134	134	134	134
Minority Interest	0	0	0	0
Reserves & Surplus	7,906	8,666	10,233	12,267
Net Worth	**8,040**	**8,800**	**10,367**	**12,401**
Total Debt	474	164	0	0
Net Deferred Tax Liability	(236)	(231)	(222)	(213)
Total Capital Employed	**8,278**	**8,733**	**10,145**	**12,188**
Applications of Funds				
Net Block	**2,208**	**2,295**	**2,445**	**2,738**
CWIP	2	4	2	2
Investments	63	63	63	63
Current Assets, Loans & Advances	**15,092**	**18,024**	**18,789**	**21,738**
Inventories	2,208	2,972	3,262	3,710
Receivables	5,973	4,349	5,112	5,881
Cash and Bank Balances	2,439	4,175	3,148	3,911
Loans and Advances	0	0	0	0
Other Current Assets	4,472	6,528	7,267	8,235
Less: Current Liabilities & Provisions	**9,086**	**11,653**	**11,154**	**12,352**
Payables	5,231	6,402	6,103	6,941
Other Current Liabilities	3,855	5,251	5,051	5,411
sub total				
Net Current Assets	6,006	6,371	7,635	9,385
Total Assets	**8,278**	**8,733**	**10,145**	**12,188**

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	20.2	19.9	21.1	21.7
EBIDTA Margin	8.1	7.8	11.5	12.5
EBIT Margin	6.4	6.2	10.0	11.0
Tax rate	33.3	25.4	25.6	25.6
Net Profit Margin	3.4	3.9	6.7	7.5
(B) As Percentage of Net Sales (%)				
COGS	79.8	80.1	78.9	78.3
Employee	8.2	7.7	7.9	7.5
Other	3.9	4.4	1.7	1.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.0	0.0	0.0
Interest Coverage	3.5	2.9	6.0	7.3
Inventory days	43	55	50	50
Debtors days	116	80	78	78
Average Cost of Debt	64.5	133.6	488.6	
Payable days	101	118	94	93
Working Capital days	116	117	117	125
FA T/O	8.5	8.6	9.7	10.0
(D) Measures of Investment				
AEPS (Rs)	9.6	11.5	23.7	30.7
CEPS (Rs)	14.4	16.1	29.0	36.7
DPS (Rs)	0.4	0.0	0.3	0.3
Dividend Payout (%)	3.8	0.0	1.3	1.0
BVPS (Rs)	120.0	131.4	154.8	185.1
RoANW (%)	8.4	9.2	16.6	18.0
RoACE (%)	12.4	14.1	21.1	22.1
RoAIC (%)	17.4	23.1	34.4	32.3
(E) Valuation Ratios				
CMP (Rs)	370	370	370	370
P/E	38.5	32.1	15.6	12.1
Mcap (Rs Mn)	24,812	24,812	24,812	24,812
MCap/ Sales	1.3	1.3	1.0	0.9
EV	22,847	20,800	21,665	20,901
EV/Sales	1.2	1.0	0.9	0.8
EV/EBITDA	14.9	13.5	7.9	6.1
P/BV	3.1	2.8	2.4	2.0
Dividend Yield (%)	0.1	0.0	0.1	0.1
(F) Growth Rate (%)				
Revenue	7.4	5.2	20.0	15.0
EBITDA	(29.3)	0.8	77.2	25.1
EBIT	(35.9)	2.2	92.3	26.5
PBT	(46.2)	7.2	106.1	29.5
APAT	(45.1)	19.9	105.5	29.5
EPS	(45.1)	19.9	105.5	29.5

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	1,097	2,591	(96)	1,734
CFI	(386)	(347)	(348)	(540)
CFF	(364)	(507)	(584)	(430)
FCFF	734	2,238	(597)	1,034
Opening Cash	2,092	2,439	4,175	3,148
Closing Cash	2,439	4,175	3,148	3,911

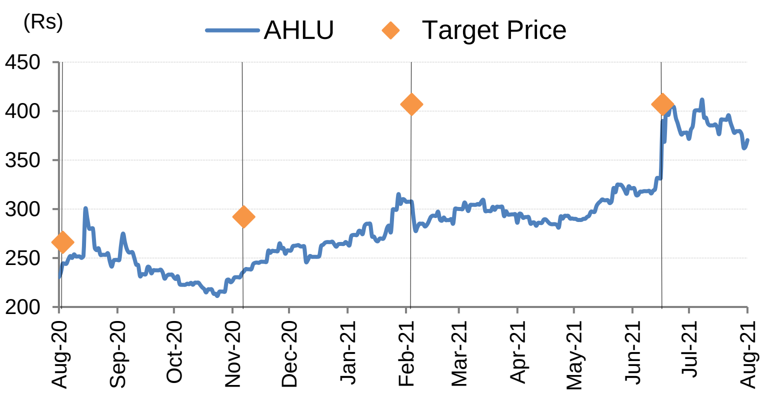
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-20	Accumulate	266	244
Nov-20	Buy	292	236
Feb-21	Accumulate	407	307
Jun-21	Accumulate	407	389

*Price as on recommendation date

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