

Ahluwalia Contracts

BUY

Impacted from one-off

Summary

Ahluwalia contract (AHLU) Q4FY24 EBITDA came lower than our & consensus estimates by 13%. This was due to lower EBITDA margin at 9% vs. 12.8% YoY, impacted from election related impact and shortage of labour. Revenue increase was healthy at 35% YoY. Margin is guided by AHLU to be more than 10% in FY25E. AHLU's consistency in order win has continued. After winning orders of Rs55bn in FY24, AHLU is L1 in orders of Rs40bn and guides to close FY25 with order inflow of Rs70bn+. We retain BUY rating on the stock with TP of Rs1,412, valued at 25x FY26E EPS. Company order book of Rs112bn (2.9x TTM revenue), with Govt: Private orders at 65:35, company plans to further improve private orders & maintain Public : Private ratio at 50:50.

Key Highlights and Investment Rationale

- **Q4FY24 Snapshot:** AHLU has delivered 35% YoY revenue increase in Q4FY24. EBITDA margin stood at 9% vs 12.8% YoY mainly due to increase in sub contract expenses due to shortage of Labour. PAT stood at Rs1.9bn +177% YoY, PAT was higher due to one offs received as arbitration settlement added in Exceptional Items.
- **FY25E Guidance:** AHLU is expecting revenue growth of 15-20% in FY25 & similar number in FY26E, EBITDA margins are expected to be above 10% for FY25.
- **Order book & Order Inflow:** AHLU current order book stood at Rs112bn, (2.5x TTM Revenue). AHLU is already declared L1 for projects worth Rs40bn, expecting LOA in 1-2months, apart from this AHLU is expecting more additional orders worth Rs25-30bn in FY25.

TP **Rs1,412**

CMP **Rs1,211**

Potential upside/downside 17%

Previous Rating BUY

Price Performance (%)

	-1m	-3m	-12m
Absolute	8.9	3.8	102.1
Rel to Sensex	9.7	3.6	84.8

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	43	56
Consensus	46	55
% difference	(7.3)	2.2

Key Stock Data

Bloomberg/Reuters	AHLU IN/AHLU.BO
Sector	Infrastructure
Shares o/s (mn)	67
Market cap. (Rs mn)	81,132
3-m daily avg Trd value(Rs mn)	8.4
52-week high / low	Rs1,384 / 563
Sensex / Nifty	73,886 / 22,489

Shareholding Pattern (%)

Promoters	55.3
FII	13.3
DII	25.7
Public	5.7

Financial snapshot

(Rs mn)

Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	26,925	28,384	38,553	45,450	54,487
Change (yoy, %)	36	5	36	18	20
EBITDA	2,566	3,042	3,885	4,829	6,123
Change (yoy, %)	66	19	28	24	27
EBITDA Margin(%)	9.5	10.7	10.1	10.6	11.2
Adj.PAT	1,515	1,942	1,806	2,912	3,783
EPS (Rs)	23	29	27	43	56
Change (yoy, %)	94	28	(7)	61	30
PE(x)	53	42	45	28	21
Dividend Yield (%)	0	0	0	0	0
PBV (x)	30	25	19	15	11
RoE (%)	16	17	13	17	18
RoCE (%)	20	21	19	19	20

Source: IDBI Capital Research, Company

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Conference call takeaways

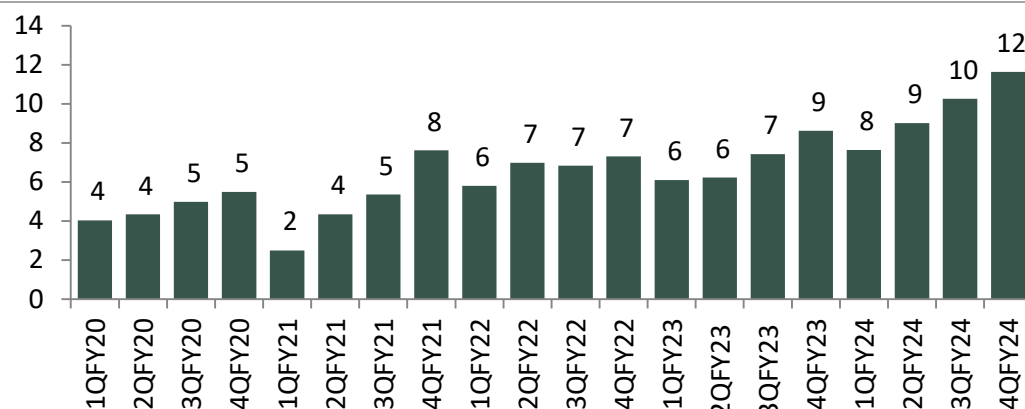
- Revenue for Q4FY24 stood at Rs11.6bn +35% YoY, EBITDA margins stood at 9% v/s 12.8% YoY, impact on margins in Q4FY24 was mainly due to slow down in projects due to ongoing elections & shortage of labour during the month of March, April & May, AHLU is expecting Q1FY25 margins to be impacted due to the same, expecting margins around 9-10% in Q1FY25.
- Order book stood at Rs111bn (2.5x TTM revenue) with Infrastructure/ Institutional/ Hospital/ Residential/ Commercial contributing 34%/ 18%/ 29%/ 14%/ 9%. Region wise East/ North/ West/ South/ Overseas contribute to 25%/ 35%/ 36%/ 2%/ 4%. Apart from this AHLU is L1 in 4 projects worth Rs40bn.
- Order inflow for FY24 stood at Rs55bn, Company was declared L1 in 4 projects worth Rs40bn including Gems & jewellery park in Navi Mumbai worth Rs23bn, 2 airport projects i.e Varanasi & Darbhanga costing Rs9bn & Rs5.7bn resp. Currently due to ongoing central elections the LOA is delayed expecting LOA in next 1-2 months. Apart from this AHLU is expecting more additional orders worth Rs25-30bn for FY25.
- In terms of guidance, AHLU is expecting Revenue to grow around 15-20% in FY25 & same levels expected in FY26E, EBITDA margin is expected to be more than 10% for FY25.
- CSMT project has taken off in Q4FY24, there were initial changes in tender drawing & issues from local authority, which all have been cleared now, AHLU is expecting around Rs8bn turnover in FY25 & Rs12bn in FY26 from this project.
- Q4FY24 mobilization advance/ Retention Money/ unbilled Revenue stood at Rs5.2bn/Rs3.2bn & Rs3.9bn respectively.
- AHLU is trying to shift its focus from Government projects to private projects & try to maintain healthy balance between the Public: Private orders, currently the order book consists 65:35 ratio company plans to further improve private orders & maintain Public : Private ratio at 50:50.
- In Q4FY24, AHLU received Arbitration Settlement claim from Emar MGM worth Rs2.1bn including GST, of which AHLU had received Rs900mn & remaining amount will be received in 2 tranches one in August'24 & other in January'25.

Exhibit 1: Quarterly Snapshot

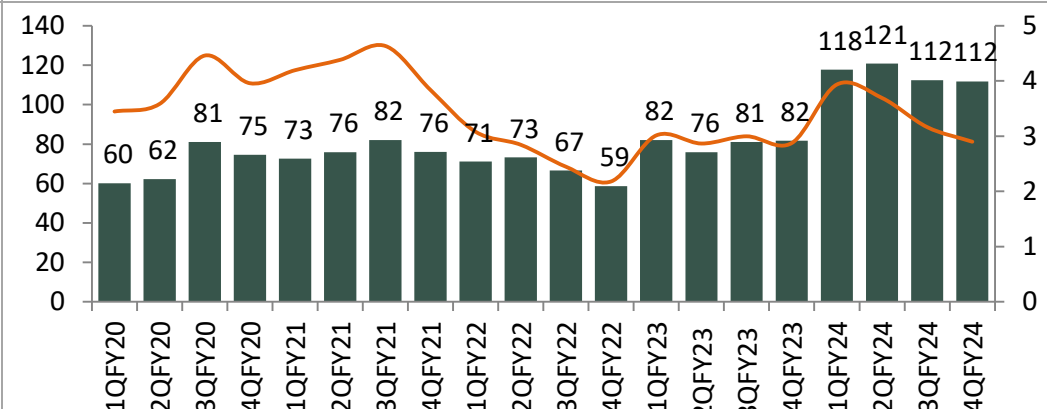
(Rs mn)

Particulars	Q4FY24	Q4FY23	YoY Chg (%)	Q3FY24	QoQ Chg (%)
Net Sales	11,637	8,631	35	10,265	13
Cost of sales ex Depri	10,594	7,528	41	9,146	16
EBITDA	1,043	1,103	-5	1,118	-7
<i>EBITDA margin (%)</i>	<i>8.96</i>	<i>12.8</i>	<i>-381bps</i>	<i>10.9</i>	<i>-194bps</i>
Other income	123	89	39	90	37
PBITD	1,166	1,192	-2	1,209	-4
Depreciation	289	102	182	136	113
Interest	135	112	21	123	11
Pre-tax profit	2,691	977	175	950	183
Tax	692	255	171	244	184
Profit after tax	1,998	722	177	706	183

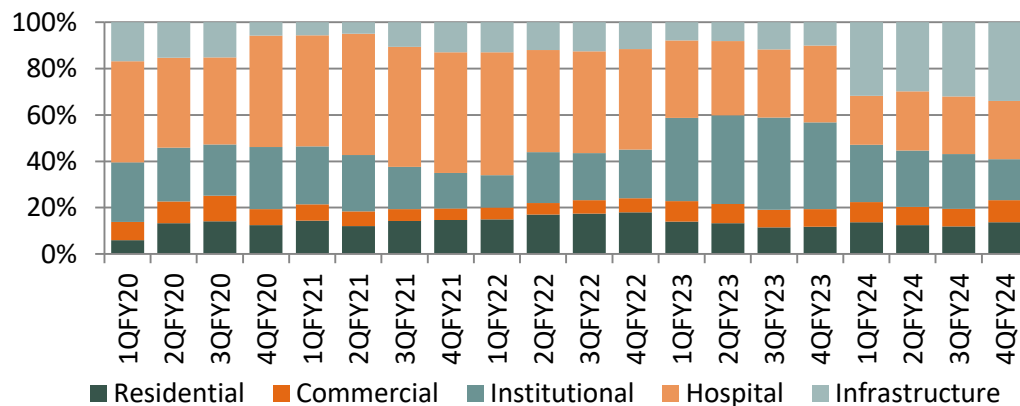
Source: Company

Exhibit 2: Q4FY24 Revenue at Rs12bn (+35% YoY)


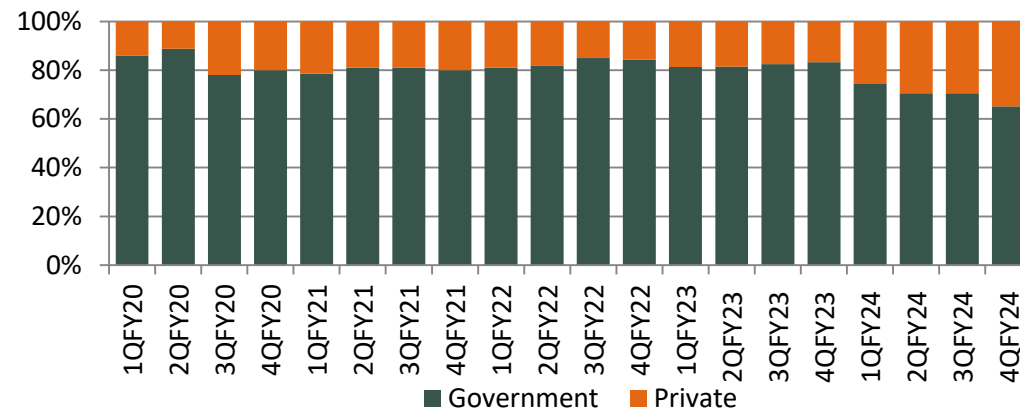
Source: Company

Exhibit 3: Order book at Rs112bn;


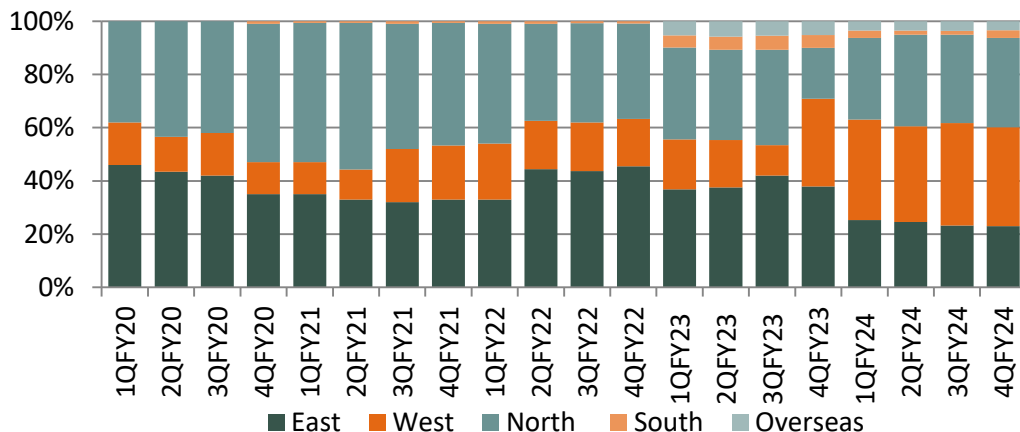
Source: Company

Exhibit 4: Highest contribution from Infrastructure & Hospital


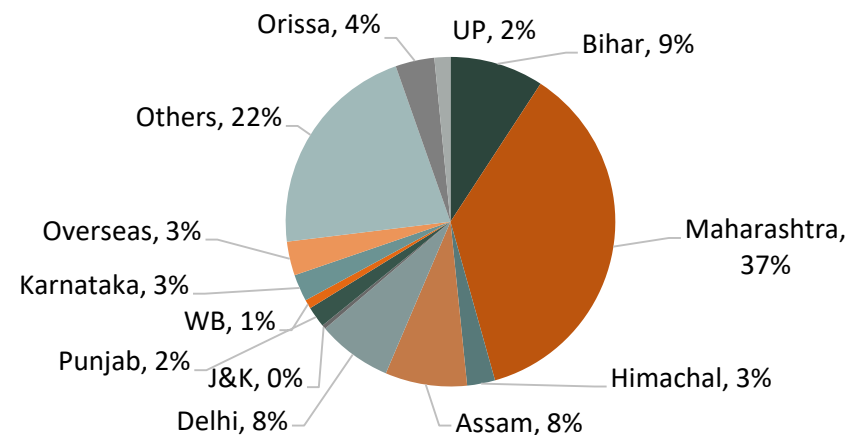
Source : Company

Exhibit 5: OB skewed towards government at 65%


Source : Company

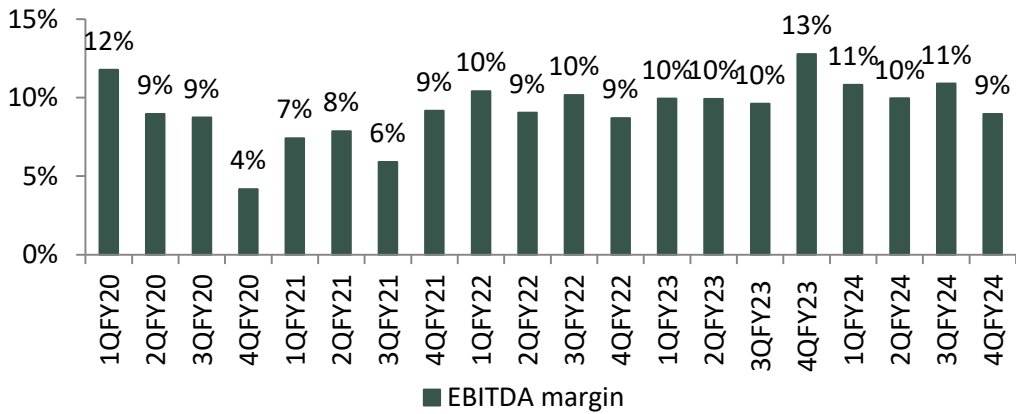
Exhibit 6: OB concentrated in West (37%) and North (34%)


Source : Company

Exhibit 7: Largest order book in Maharashtra (37%) as on Mar'24


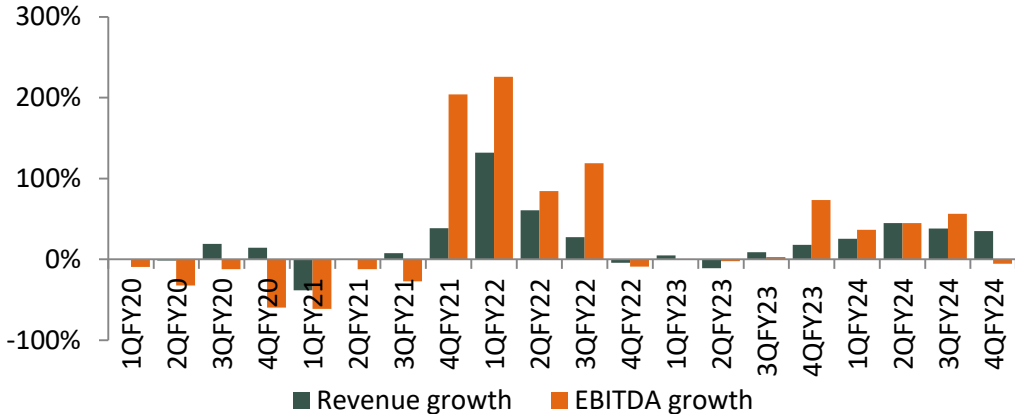
Source : Company

Exhibit 8: EBITDA margins decreased YoY



Source : Company

Exhibit 9: Revenue growth at 35% YoY, EBITDA down -5% YoY



Source : Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	19,822	26,925	28,384	38,553	45,450	54,487
<i>Change (yoy, %)</i>	5	36	5	36	18	20
Operating expenses	(18,279)	(24,359)	(25,342)	(34,667)	(40,621)	(48,364)
EBITDA	1,542	2,566	3,042	3,885	4,829	6,123
<i>Change (yoy, %)</i>	1	66	19	28	24	27
<i>Margin (%)</i>	7.8	9.5	10.7	10.1	10.6	11.2
Depreciation	(304)	(336)	(388)	(669)	(800)	(921)
EBIT	1,238	2,230	2,654	3,217	4,029	5,203
Interest paid	(426)	(437)	(331)	(481)	(578)	(693)
Other income	223	291	295	366	466	579
Pre-tax profit	1,035	2,084	2,618	3,102	3,917	5,088
Tax	(254)	(569)	(677)	(1,296)	(1,005)	(1,306)
<i>Effective tax rate (%)</i>	24.5	27.3	25.8	41.8	25.7	25.7
Minority Interest	-	-	-	-	-	-
Net profit	782	1,515	1,942	1,806	2,912	3,783
Exceptional items	-	-	-	-	-	-
Adjusted net profit	782	1,553	1,942	2,306	2,912	3,783
<i>Change (yoy, %)</i>	15	99	25	19	26	30
EPS	11.7	23.2	29.0	34.4	43.5	56.5
Dividend per sh	-	0.3	0.5	0.5	0.6	0.8
<i>Dividend Payout %</i>	-	1.3	2	2	1	1

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Shareholders' funds	8,800	10,365	12,298	16,021	18,891	22,619
Share capital	134	134	134	134	134	134
Reserves & surplus	8,666	10,231	12,164	15,887	18,757	22,485
Total Debt	6	0	-	7	-	-
Other liabilities	2,089	1,293	1,489	3,798	4,364	5,105
Curr Liab & prov	9,722	8,814	11,157	12,137	14,129	16,721
Current liabilities	9,722	8,814	11,157	12,137	14,129	16,721
Provisions	-	-	-	-	-	-
Total liabilities	11,817	10,107	12,646	15,942	18,493	21,826
Total equity & liabilities	20,617	20,472	24,944	31,964	37,385	44,445
Net fixed assets	2,299	2,226	2,887	3,385	3,586	3,665
Investments	63	63	63	63	63	63
Other non-curr assets	2,664	2,601	1,952	2,202	2,459	2,797
Current assets	15,591	15,582	20,043	26,314	31,277	37,920
Inventories	2,972	2,420	2,440	3,158	3,701	4,406
Sundry Debtors	3,744	4,425	6,064	7,464	8,799	10,549
Cash and Bank	4,175	4,333	5,880	7,803	9,589	12,026
Loans and advances	4,699	4,403	5,658	7,888	9,188	10,939
Total assets	20,617	20,472	24,944	31,964	37,385	44,445

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	1,035	2,084	2,618	5,052	3,917	5,088
Depreciation	304	336	388	669	800	921
Tax paid	(317)	(591)	(488)	(1,370)	(1,005)	(1,306)
Chg in working capital	1,871	(1,405)	546	220	(877)	(1,211)
Other operating activities	633	234	(50)	(1,996)	112	114
Cash flow from operations (a)	2,491	658	3,013	2,575	2,947	3,607
Capital expenditure	(357)	(281)	(1,061)	(1,144)	(1,000)	(1,000)
Chg in investments	(226)	(830)	(770)	(2,195)	-	-
Other investing activities	100	92	147	227	466	579
Cash flow from investing (b)	(479)	(1,007)	(1,658)	(3,096)	(534)	(421)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	(317)	(185)	(6)	391	(7)	-
Dividend (incl. tax)	-	-	(20)	(27)	(42)	(55)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(190)	(257)	(134)	(157)	(578)	(693)
Cash flow from financing (c)	(507)	(442)	(161)	207	(627)	(748)
Net chg in cash (a+b+c)	1,505	(791)	1,195	(314)	1,785	2,437

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	131	155	184	239	282	338
Adj EPS (Rs)	11.7	23.2	29.0	34.4	43.5	56.5
Adj EPS growth (%)	15	99	25	19	26	30
EBITDA margin (%)	7.8	9.5	10.7	10.1	10.6	11.2
Pre-tax margin (%)	5.2	7.7	9.2	8.0	8.6	9.3
Net Debt/Equity (x)	-0.5	-0.4	-0.5	-0.5	-0.5	-0.5
ROCE (%)	12	20	21	19	19	20
ROE (%)	9	16	17	13	17	18

DuPont Analysis

Asset turnover (x)	1.0	1.3	1.2	1.4	1.3	1.3
Leverage factor (x)	2.3	2.1	2.0	2.0	2.0	2.0
Net margin (%)	3.9	5.6	6.8	4.7	6.4	6.9

Working Capital & Liquidity ratio

Inventory days	55	33	31	30	30	30
Receivable days	69	60	78	71	71	71
Payable days	128	93	97	74	74	74

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	103.6	53.5	41.7	44.8	27.8	21.4
Price/Book value (x)	9.2	7.8	6.6	5.1	4.3	3.6
EV/Net sales (x)	3.9	2.8	2.6	1.9	1.6	1.3
EV/EBITDA (x)	49.8	29.9	24.7	18.8	14.8	11.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.1	0.1

Source: Company; IDBI Capital Research



Notes

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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