

Strong order inflow to drive growth

ACIL posted 31.3% YoY growth in Q2FY19 revenue (after 2 consecutive quarter of de-growth) to ₹4.4 bn (9.0% above estimates) led by better execution. EBITDA margin down by 181 bps YoY to 13.1% (24 bps below estimates), primarily due to higher construction cost which is up by 258 bps YoY to 75.9% of revenue and other expenses which was partially offset by fall in employee cost. PAT up 20.9% YoY to ₹312 mn (2.3% above estimates) led by better operating performance coupled with lower tax rate of 33.4% vs. 35.3% (Q2FY18).

Order book at 3.2x, enhances revenue visibility

ACIL received fresh orders worth ₹12.6 bn/ ₹35.3 bn during FY18/ YTFY19 (includes L1 of ₹4.25 bn). The company has met its revised order inflow target of ₹24 bn and expects another ₹4-5 bn of inflows in H2FY19. It has a robust bid pipeline of ₹30 bn. The current order book (₹53 bn) provides revenue visibility for 3.2x TTM revenue. ACIL is on the right track by increasing its exposure towards Government orders which stands at 78% v/s 32% (FY14). We have considered ₹40.1 bn (including ₹35.3 bn already won) / ₹30.3 bn fresh inflow for FY19E/ FY20E.

Outlook and Valuation

We maintain/ slightly upgrade our revenue estimates for FY19E/ FY20E despite only 0.5% growth in H1FY19 as we believe ₹53 bn orderbook (3.2x TTM revenue) will support ACIL to achieve FY19E revenue of ₹20.1 bn (22.3% YoY growth). We broadly maintain our EBITDA margins and PAT estimates for FY19E/ FY20E. We estimate 22.5%/ 32.4% revenue/ PAT CAGR over FY18-20E.

ACIL to remain net cash company and have one of the highest average RoCE/ RoE of 22.9%/ 22.7%, respectively, over FY18-20E among peers. We remain positively biased on business model backed by quality management and healthy return ratios. It looks attractive at 13.7x/ 10.5x FY19E/ FY20E EPS and hence we maintain 'BUY' with a TP of ₹453 (15x FY20E EPS).

Q2FY19 Result (₹ Mn)

Particulars	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	4,392	3,345	31.3	4,039	8.7
Total Expense	3,817	2,847	34.1	3,513	8.7
EBITDA	574	498	15.3	526	9.3
Depreciation	69	64	8.9	66	5.1
EBIT	505	435	16.2	460	9.9
Other Income	13	10	36.6	13	3.9
Interest	51	46	9.8	39	30.7
EBT	468	398	16.2	434	7.9
Tax	156	141	11.2	152	2.9
RPAT	312	258	20.9	282	10.6
APAT	312	258	20.9	282	10.6
			(bps)		(bps)
Gross Margin (%)	24.1	26.6	(258)	25.2	(113)
EBITDA Margin (%)	13.1	14.9	(181)	13.0	7
NPM (%)	7.1	7.7	(61)	7.0	12
Tax Rate (%)	33.4	35.3	(190)	35.0	(163)
EBIT Margin (%)	11.5	13.0	(149)	11.4	12

CMP	₹ 317
Target / Upside	₹ 453 / 43%
BSE Sensex	35,142
NSE Nifty	10,576

Scrip Details

Equity / FV	₹ 134mn / ₹ 2
Market Cap	₹ 21bn
	US\$ 293mn
52-week High/Low	₹ 443/₹ 257
Avg. Volume (no)	17,810

NSE Symbol	AHLUCONT
Bloomberg Code	AHLU IN

Shareholding Pattern Sep'18(%)

Promoters	58.0
MF/Banks/FIs	18.3
FII's	18.3
Public / Others	5.5

Valuation (x)

	FY18A	FY19E	FY20E
P/E	18.4	13.7	10.5
EV/EBITDA	9.2	7.4	5.7
ROE (%)	20.5	22.2	23.1
RoACE (%)	21.1	22.7	23.1

Estimates (₹ mn)

	FY18A	FY19E	FY20E
Revenue	16,466	20,140	24,697
EBITDA	2,193	2,719	3,350
PAT	1,154	1,551	2,025
EPS (₹)	17.2	23.1	30.2

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Risk to our valuation

Payment delay/ advancement from clients

We expect debtor days to remain in the same range of 151 days in FY19E/ FY20E vs. 149 days in FY18. However, any delay/ advancement in payments from clients vs. our estimates, would increase/ decrease working capital, delay/ speed-up execution and impact profitability.

Execution delays

Project delay due to delay at the client's end or other regulatory bottlenecks could adversely affect ACIL's revenue and profitability.

Delay/ advancement in order intake

Any capex delay/ advancement by private and government sectors will lead to a delay/ advancement in awarding orders to ACIL, negatively/ positively impacting its revenue and profitability.

Contraction/ improvement in EBITDA margin

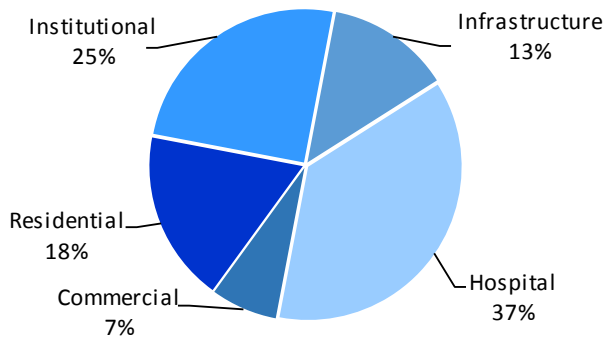
Any contraction/ improvement in EBITDA margin vs. our estimates would negatively/ positively impact its profitability.

Exhibit 1: Q2FY19 Performance (Standalone)

Particulars (₹ mn)	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	1HFY19	1HFY18	YoY (%)
Revenue	4,392	3,345	31.3	4,039	8.7	8,431	8,387	0.5
Raw materials	1,810	1,175	54.0	1,757	3.0	3,567	3,923	(9.1)
Operating expenses	210	173	21.4	183	14.7	394	346	13.9
Employees cost	358	342	4.8	360	(0.5)	718	661	8.7
Sub - contract	1,315	1,106	18.9	1,081	21.7	2,395	2,270	5.5
Other expenditure	124	51	142.0	132	(6.0)	256	153	67.7
Total expenditure	3,817	2,847	34.1	3,513	8.7	7,331	7,353	(0.3)
EBITDA	574	498	15.3	526	9.3	1,100	1,034	6.4
Depreciation	69	64	8.9	66	5.1	135	127	6.4
Operating profit	505	435	16.2	460	9.9	965	907	6.4
Other income	13	10	36.6	13	3.9	26	25	5.4
EBIT	519	445	16.7	473	9.8	991	932	6.3
Interest	51	46	9.8	39	30.7	90	84	6.1
EBT	468	398	17.5	434	7.9	902	848	6.3
Provision for taxation	156	141	11.2	152	2.9	308	295	4.5
Net income	312	258	20.9	282	10.6	593	553	7.3
EPS (₹)	4.7	3.8	20.9	4.2	10.6	8.9	8.3	7.3
			(bps)		(bps)			
EBIDTA Margin (Excl. O.I.)	13.1	14.9	(181)	13.0	7	13.0	12.3	72
EBIDTA Margin (Incl. O.I.)	13.4	15.2	(180)	13.3	5	13.4	12.6	73
NPM (%)	7.1	7.7	(61)	7.0	12	7.0	6.6	45
Tax/PBT (%)	33.4	35.3	(190)	35.0	(163)	34.2	34.8	(61)
Construction/Revenue (%)	75.9	73.4	258	74.8	113	75.4	78.0	(258)

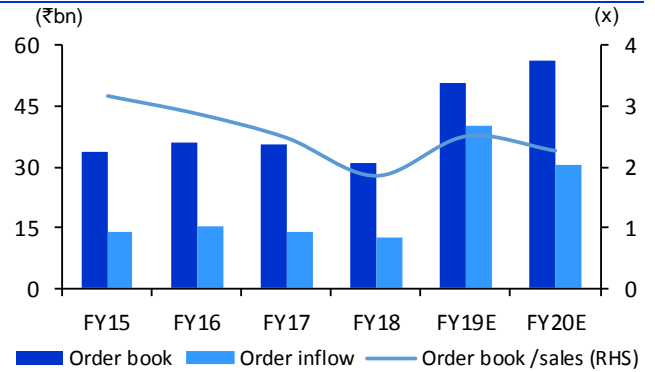
Source: Company, DART

Exhibit 2: ₹43 bn order book break up



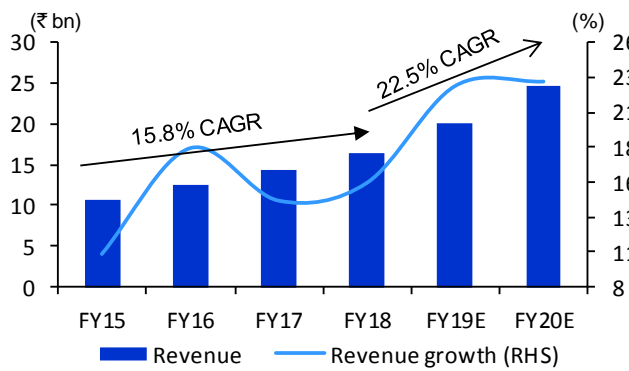
Source: Company, DART

Exhibit 3: Order book trend (Standalone)



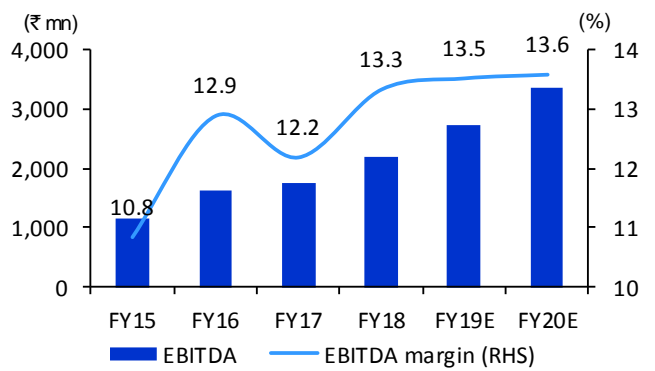
Source: Company, DART

Exhibit 4: 22.5% revenue CAGR over FY18-20E



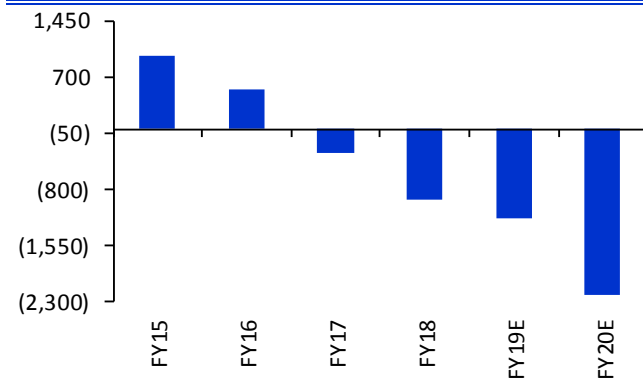
Source: Company, DART

Exhibit 5: EBITDA Margin trend



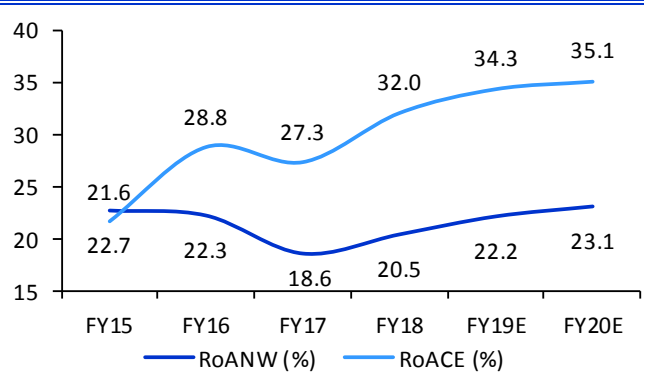
Source: Company, DART

Exhibit 6: Net debt free company (₹ mn)



Source: Company, DART

Exhibit 7: Highest return ratios in the industry



Source: Company, DART

Profit and Loss Account

(₹ Mn)	FY17A	FY18A	FY19E	FY20E
Revenue	14,266	16,466	20,140	24,697
Total Expense	12,529	14,273	17,420	21,347
COGS	10,716	12,608	15,439	18,958
Employees Cost	1,518	1,338	1,459	1,605
Other expenses	295	326	522	784
EBIDTA	1,737	2,193	2,719	3,350
Depreciation	239	256	269	288
EBIT	1,498	1,936	2,450	3,062
Interest	271	251	170	70
Other Income	84	63	69	76
Exc. / E.O. items	0	0	0	0
EBT	1,311	1,749	2,349	3,068
Tax	448	594	799	1,043
RPAT	863	1,154	1,551	2,025
APAT	871	1,154	1,551	2,025

Balance Sheet

(₹ Mn)	FY17A	FY18A	FY19E	FY20E
Sources of Funds				
Equity Capital	134	134	134	134
Reserves & Surplus	4,924	6,090	7,617	9,618
Net Worth	5,058	6,224	7,751	9,752
Total Debt	901	298	400	0
Net Deferred Tax Liability	(147)	(217)	(208)	(199)
Total Capital Employed	5,813	6,305	7,943	9,553

Applications of Funds

Net Block	1,925	1,844	1,875	1,886
CWIP	3	3	3	3
Investments	67	63	63	63
Current Assets, Loans & Advances	10,191	10,327	13,591	16,878
Inventories	2,478	1,891	2,613	3,202
Receivables	5,978	6,711	8,318	10,200
Cash and Bank Balances	1,225	1,247	1,606	2,222
Loans and Advances	0	0	0	0
Other Current Assets	509	478	1,054	1,254
Less: Current Liabilities & Provisions	6,373	5,932	7,589	9,278
Payables	3,522	3,778	4,355	5,337
Other Current Liabilities	2,851	2,154	3,233	3,941
Net Current Assets	3,818	4,395	6,002	7,600
Total Assets	5,813	6,305	7,943	9,553

E – Estimates

Important Ratios

Particulars	FY17A	FY18A	FY19E	FY20E
(A) Margins (%)				
Gross Profit Margin	24.9	23.4	23.3	23.2
EBIDTA Margin	12.2	13.3	13.5	13.6
EBIT Margin	10.5	11.8	12.2	12.4
Tax rate	34.1	34.0	34.0	34.0
Net Profit Margin	6.1	7.0	7.7	8.2
(B) As Percentage of Net Sales (%)				
COGS	75.1	76.6	76.7	76.8
Employee	10.6	8.1	7.2	6.5
Other	2.1	2.0	2.6	3.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.0	0.1	0.0
Interest Coverage	5.5	7.7	14.4	43.7
Inventory days	63	42	47	47
Debtors days	153	149	151	151
Average Cost of Debt	23.3	41.8	48.7	35.0
Payable days	90	84	79	79
Working Capital days	98	97	109	112
FA T/O	7.4	8.9	10.7	13.1
(D) Measures of Investment				
AEPS (₹)	13.0	17.2	23.1	30.2
CEPS (₹)	16.6	21.1	27.2	34.5
DPS (₹)	0.0	0.0	0.4	0.4
Dividend Payout (%)	0.0	0.0	1.6	1.2
BVPS (₹)	75.5	92.9	115.7	145.6
RoANW (%)	18.6	20.5	22.2	23.1
RoACE (%)	17.6	21.1	22.7	23.1
RoAIC (%)	32.9	40.1	43.0	44.8
(E) Valuation Ratios				
CMP (₹)	317	317	317	317
P/E	24.4	18.4	13.7	10.5
Mcap (₹ Mn)	21,205	21,205	21,205	21,205
MCap/ Sales	1.5	1.3	1.1	0.9
EV	20,881	20,256	19,999	18,983
EV/Sales	1.5	1.2	1.0	0.8
EV/EBITDA	12.0	9.2	7.4	5.7
P/BV	4.2	3.4	2.7	2.2
Dividend Yield (%)	0.0	0.0	0.1	0.1
(F) Growth Rate (%)				
Revenue	14.2	15.4	22.3	22.6
EBITDA	8.0	26.2	24.0	23.2
EBIT	6.4	29.3	26.5	25.0
PBT	10.0	33.4	34.4	30.6
APAT	4.4	32.6	34.3	30.6
EPS	4.4	32.6	34.3	30.6
Cash Flow				
(₹ Mn)	FY17A	FY18A	FY19E	FY20E
CFO	1,265	809	681	1,335
CFI	(221)	(91)	(231)	(224)
CFF	(701)	(696)	(92)	(494)
FCFF	1,063	634	381	1,035
Opening Cash	882	1,225	1,247	1,606
Closing Cash	1,225	1,247	1,606	2,222

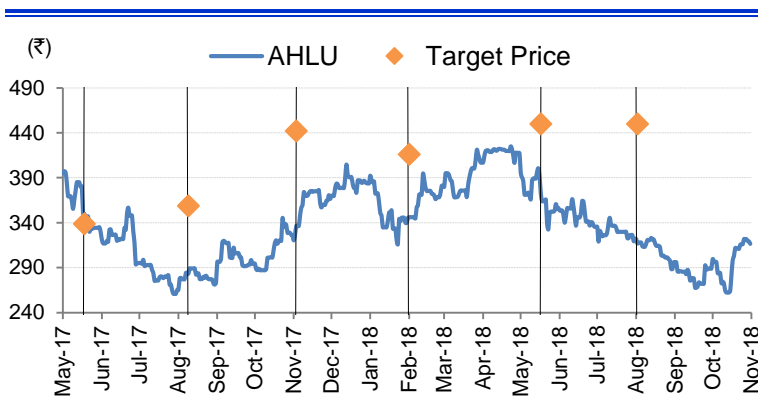
E – Estimates

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 (₹)	Price (₹)*
Jun-17	Reduce	339	350
Aug-17	Buy	359	283
Nov-17	Buy	442	337
Feb-18	Buy	416	346
May-18	Buy	450	372
Aug-18	Buy	450	317

*Price as on Recommendation Date

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