Ahluwalia Contracts

Buy

Annual Report Analysis FY19

Industry Overview

Though the global economic growth declined from 3.8% in 2017 to 3.6% in 2018, the Indian economy remained relatively steadfast. Growth in activity and capital inflows was witnessed in the Indian Construction Sector driven mainly by Government Capex. The EPC segment regained its growth momentum in 2018 due to positive developments in the economy, investments in transport infrastructure, energy and housing projects as stated in 'Construction in India' by Global Data. Private corporate Capex has been declining due to debt overhang and reduced funding from financial institution.

MD&A Overview

The Company has identified certain thrust areas and strategies for growth. These include leveraging ongoing digitalization efforts, operational efficiencies, reducing working capital levels, unlocking business values, forays into new geographies, innovating business, inorganic growth and continuing ROE enhancement. Headwinds such as complications arising from GST and RERA have begun to subside, and the Government's infrastructure push is expected to support the industry. Social infra projects such as metros, education and healthcare are expected to see an uptick in activity and these are areas where AHLU has strong competencies.

Financial Snapshot

Revenue grew by 6.4% to ₹17.5 billion in FY19 from ₹16.5 billion in FY18. EBITDA has decreased marginally by 1.3% to reach ₹2.1 billion in FY19. The Company achieved a PAT of ₹1.2 billion in FY19. Net working capital as a percentage of sales was 20.8% in FY19 as against 19.1% in FY18. The Company incurred a Capex of ₹284.9 million in FY19 compared to ₹172.5 million in FY18. The Company has an order book of ₹60.1 billion in FY19.FY19.

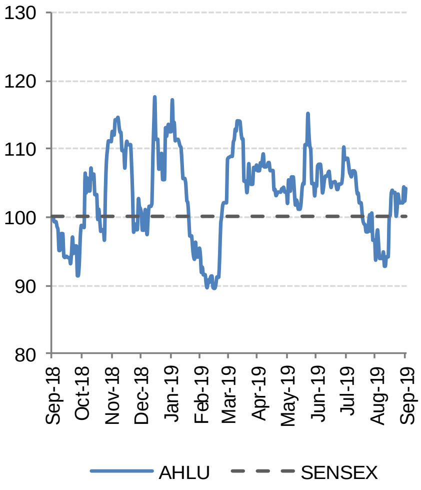
DART View

With Ahluwalia's earlier strategy of increasing its exposure towards government orders which increased from 32% (FY14) to 88% (FY19) to 86% (Jun'19), Ahluwalia will now focus on the private sector for order inflows as certain payment issues maybe emerging from government side.

We expect 14.7%/ 21.0% revenue/ PAT CAGR over FY19-21E. ACIL should remain a net cash company, with a healthy average RoCE/ RoE of 20.1%/ 17.7% over FY19-21E. We remain positively biased on the business model, backed by quality management and healthy return ratios. The stock price has increased by 9% post our 1QFY20 result update note (14th Aug'19), leaving limited upside from current level. Accordingly, we downgrade ACIL to Accumulate with a same TP of ₹333 (13x FY21E EPS). We maintain our FY20E/ FY21E estimates.

CMP	₹ 306
Target / Upside	₹ 333 / 9%
BSE Sensex	36,622
NSE Nifty	10,848
Scrip Details	
Equity / FV	₹ 134mn / ₹ 2
Market Cap	₹ 20bn
	US$ 285mn
52-week High/Low	₹ 380/₹ 251
Avg. Volume (no)	17,827
NSE Symbol	AHLUCONT
Bloomberg Code	AHLU IN
Shareholding Pattern Jun'19(%)	
Promoters	58.0
MF/Banks/FIs	21.1
FIIs	16.9
Public / Others	4.1

Ahluwalia Contracts relative to Sensex



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Annual Report Macro View

Key Management Changes	No changes in management.		
Board of Directors	The following people were added to the Board: **Mr. Rajendra Prashad Gupta** was appointed as an Independent Director w.e.f 24.07.2019. He has done his B.Sc. in Civil Engineering from Delhi College of Engineering and has been involved with Indian Railway Service of Engineers. Mr. Sanjiv Sharma was appointed as Whole Time Director w.e.f 01.08.2019.		
Auditors	There has been no change in the Auditors. M/s. Amod Agarwal & Associates continues to be the auditors of the company.		
Pledged Shares		**FY2019**	**FY2018**
	Pledged Shares	23.7%	23.7%
Credit Ratings	Ratings	FY2019	FY2018
	Long Term Bank Facilities	CARE A+; Stable (Single A Plus; Outlook; Stable)	CARE A Stable (Single A; Outlook; Stable)
	Long Term / Short term Bank Facilities	CARE A+; Stable/ CARE A1 (Single A Plus; Outlook; Stable/A One)	CARE A; Stable /CARE A1+ (Single A; Outlook; Stable; A one)
Insider Holdings	Number of securities acquired/disposed/pledged during the year:		
		FY2019	**FY2018**
	Acquired	-	-
	Disposed	-	1,074,000
	Pledged	-	-
	Pledge revoked	-	-
Macroeconomic Factors	The global economic growth declined from 3.8% in 2017 to 3.6% in 2018 led by a slowdown in global trade because of US-China trade war, financial and credit policy tightening and weak financial market sentiments. However, the Indian construction industry is likely to benefit from an increase in demand for commercial spaces and the emergence of new industrial corridors and infrastructure.		
Key Holders	**Category of Shareholder (%)**	**FY2019**	**FY2018**
	Promoter Holding	57.96	57.96
	Public		
	i) Mutual Funds/UTI	20.33	15.29
	ii) Alternate Investment Funds	0.57	0.49
	iii) Foreign Portfolio Investors	16.85	20.24
	iv) Banks/Financial Institutions	0.01	0.003
	v) Central Government/ State Government	0.00	0.06
	vi) Non-Institution	4.28	5.92
	Total	100.00	100.00

Source: Company, DART

Industry Dynamics

Global Economy

- A cyclical downturn is expected for the industry after peaking out in the last 10 years (2008-2018).
- This deceleration will be driven by global economic slowdown accompanied by restrictive financial and monetary conditions.

Indian Economy

"Hopefully this year with the new government coming in the progress, the speed with the projects are executed especially in the geographies that we are present in be it in Bihar, be it in Delhi the speed would be faster."

-Shobhit Uppal, Executive Director & Deputy MD

- FY19 saw the Indian economy reaping the benefits of the structural reforms such as Goods & Services Tax (GST), Demonetisation and Insolvency & Bankruptcy Code (IBC) undertaken in the preceding years.
- Further, the year saw a revival in project awards, clearances and fund allocation, resulting in a pick-up in execution momentum in the domestic market.
- The economy, continued to be driven by public sector investments, such as water supply, irrigation, urban transportation, crude exploration and refining, roads allied infrastructure and rural electrification.
- Domestic investment momentum was healthy despite multiple macro headwinds such as volatile crude oil prices, currency swings, pressure on fiscal and current account deficits, sharp temporary contraction in liquidity and the general elections held in Q1 of FY20.
- There was some traction in private sector investment with a pick-up in award of large value contracts in airport expansion and the health sector. However, the burden of bad debt, increasing policy uncertainties and low capacity utilization continue to impact the Indian industry capex. Power and manufacturing sectors remained the worst affected. In the residential sector, lower investments were made due to surplus inventory and limited pick-up in new construction.
- Progress in the Government's 'Make in India' initiative for the Defense was slower than expected due to bureaucratic inertia and complex procurement procedures.
- The outlook for the Indian economy continues to be positive. The RBI has already taken corrective measures to enhance liquidity in the market. It has undertaken four successive rate cuts, reducing repo rates by 110 basis points to 5.75%, while changing monetary stance to accommodative.
- Also, the re-election of the existing Government at the Centre with a mandate is a positive sign. It has already made its intentions clear by targeting to expand the country's economy to $5 trillion by FY25.

"The Government coming into power with such a decisive mandate, we feel that infrastructure growth is only going to increase and

from whatever we hear when we talk to the people who are likely to in power there is going to be more activity as far as social infrastructure is concerned, as far as affordable housing is concerned and there is going to be growth in areas where not only are we present geographically, it is going to spread to other areas also, so I see lots of opportunity in the long-term."

-Shobhit Uppal, Executive Director & Deputy MD

Indian Construction Industry

- The government's push to complete the infrastructure projects ahead of general elections, boosted the sector's growth for the year. This also contributed towards boosting the investments and implementation rate of the projects.
- Apart from Maharashtra, significant investments were made by West Bengal, Haryana, Bihar, Jharkhand and Delhi, in irrigation infrastructure.
- Health, Institutions and Urban infrastructure, being a key focus area of the Government, continue to drive growth for the sector, as the Government plans implementation of Health, Education, Smart Cities and Housing for all projects.

- Railways have also been a major driver for the EPC segment, with increased budgetary capital allocation of ₹ 658.4 bn.
- In the Roads sector, the EPC mode, which contributed 65-70% of the total cost of projects awarded by NHAI during the FY14-FY16 period, has taken a backseat with private sector players facing funding issues. This has given way to hybrid annuity model of awarding road project which is a combination of EPC and BOT models with the advantage of government funding. A comeback to EPC mode in FY2019-20 will be a game-changer for the sector.

"Going forward, once we see lot of activity happening as far as metros are concerned, I think the social infrastructure will continue, getting built so that is an area in which we are already there, be it education, be it healthcare, on the private side, the commercial space there is a bit of an uptick."

-Shobhit Uppal, Executive Director & Deputy MD

Growth Drivers:

Infrastructure Push: The Union Budget FY20 has provided a massive push to the infrastructure sector by allocating ₹4.6 trillion towards communication, road transport and highways, and railways. Budgetary allocation of ₹8.9 billion has been made towards upgrading State Government Medical Colleges at district hospitals and ₹13.6 billion for Government Medical Colleges and Health Institutions. A national mission on providing water supply to all households, with a dedicated 'Jal Shakti Ministry'.

PPP Push: With liquidity crunch prevailing in the economy, the public-private partnership model might see be revived and monetisation of assets is being considered by the Government to improve liquidity.

Housing for All: The Government's target to provide housing for all by 2022 has provided a major boost to the sector. The Housing segment has been given infrastructure status and attracts tax subsidies. GST and interest rates have also been lowered for the same.

Ongoing Projects

Project	Value (₹ Mn)	Value of Net o/s as on 30.06.19 (₹ Mn)
HSCC Ltd: Construction of Hospital & academic campus at AIIMS Kalyani West Bangal	6,520	5,432
HSCC Ltd: Construction of Hospital & academic campus at AIIMS Nagpur	5,830	4,882
NBCC: Construction of Development & Redevelopment of Charbagh Railway Station Lucknow U.P.	5,388	5,388
HSCC Ltd: Construction of Mother & Child, OPD Block & Other Associates Services in AIIMS Campus Ansari Nagar New Delhi	4,981	460
BCD: Construction of Govt . College & Hospital Chapra Bihar	4,254	4,195
South Asian University : Construction of university at Delhi	4,016	1,196
Amity University : Construction of university Campus at Kolkata	4,000	1,120
BCD: Construction of Govt . Dental College & Hospital Rahui Nalanda Bihar	3,834	3,742
AAI: Construction of Domestic Passenger Terminal Building at Dehradun Airport	3,532	3,133
NBCC: Construction of Superstructure & Infrastructure works for 2400 seater indoor auditorium works at Alipore Kolkata	3,147	2,692
IIM: Construction of IIM Nagpur New Campus Phase1 Nagpur	2,912	2,912
WBTPO : Construction of renovation modernization of Milan Mela Complex Kolkata	2,613	2,119
CPWD: Construction of redevelopment of general pool Residential colony at New Delhi	2,550	2,515
HSCC Ltd: Construction of Hospital Building for Chittaranjan National Cancer Institute at Kolkata	2,441	144

Source: Company, DART

Details of Board Meetings and Directors

Exhibit 1: Board Meeting Trend

Particulars	FY17	FY18	FY19
No. of meetings held	7	5	5
No. of Director's strength	7	7	8
Avg No. of Directors Present	6	6	7
Average % attendance of directors	87.8	88.6	87.5

Source: Company, DART

Exhibit 2: Board and Committee Composition

Name of Directors	Board	Audit	Nomination & Remuneration	Stakeholders Relationship	Corporate Social Responsibility
Mr. Bikramjit Ahluwalia	✓	-	-	-	-
Mr. Shobhit Uppal	•	•	-	•	•
Mr. Vikas Ahluwalia	•	•	-	-	-
Mr. Sanjiv Sharma	•	-	-	-	-
Mr. Arun Kumar Gupta	•	✓	•	-	•
Dr. Sushil Chandra	•	•	✓	•	✓
Dr. Mohinder Sahlot	•	•	•	✓	-
Mr. Rajendra Prashad Gupta	•	•	-	-	-

Source: Company, DART, ✓ Chairperson • Member

Exhibit 3: Trend of Remuneration (₹ mn)

Name	Position	FY17	FY18	FY19
Mr. Bikramjit Ahluwalia	CMD/CEO	8.7	12.6	12.6
Mr. Shobhit Uppal	Whole-Time Director	12	12	16.8
Mr. Vikas Ahluwalia	Whole-Time Director	-	-	6
Mr. Vinay Pal	Whole-Time Director	5.67	5.94	6.32
Mr. Arun Kumar Gupta	Independent Director	0.24	0.24	0.32
Dr. Sushil Chandra	Independent Director	0.24	0.18	0.32
Dr. Mohinder Sahlot	Independent Director	0.18	0.2	0.32
Mr. S K Chawla	Independent Director	0.22	0.2	0.3
Satbeer Singh	Chief Financial Officer	2.22	2.57	2.93
Vipin Kumar Tiwari	Company Secretary	1.73	1.94	1.94

Source: Company, DART

Exhibit 4: Details of Committee Chairmanship and Committee memberships held by the directors

Name of Director	Designation	No. of directorships in other listed companies	No. of Committee Position held as Member/ Chairperson		Directorship in other listed entities (category of directorship)	Relationship with other Directors
			Member	Chairperson		
Mr. Bikramjit Ahluwalia	Executive (Managing Director)	3	-	-	-	Related to Mr. Vikas Ahluwalia & Mr. Shobhit Uppal
Mr. Shobhit Uppal		-	3	-	-	Related to Mr. Bikramjit Ahluwalia
Mr. Vikas Ahluwalia	Executive (Whole Time)	9	1	-	-	Related to Mr. Bikramjit Ahluwalia
Mr. Sanjiv Sharma		-	-	-	-	-
Mr. Arun Kumar Gupta	Non-Executive Independent	4	3	1	Satia Industries Limited	-
Dr. Sushil Chandra		-	3	2	-	-
Dr. Mohinder Sahlot		7	3	1	-	-
Mr. Rajendra Prashad Gupta		4	1	-	-	-

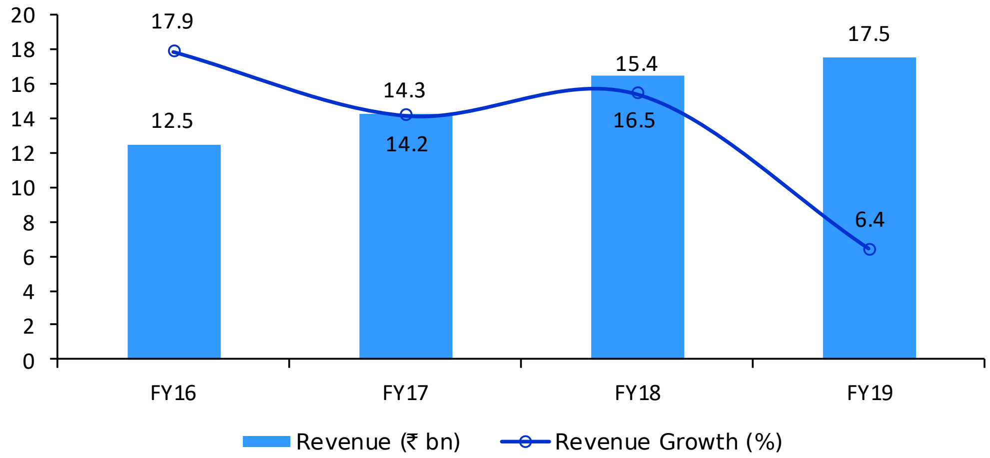
Source: Company, DART

Financial Analysis

Revenues

AHLU's revenues increased marginally by 6.4% YoY to ₹17.5 billion in FY19 from ₹16.5 billion in FY18. Cost of sales increased by 7.6% to ₹15.4 billion in FY19. 98.59% of the revenue was earned from Construction Contracts segment.

Exhibit 5: Revenues and Revenue Growth (%)

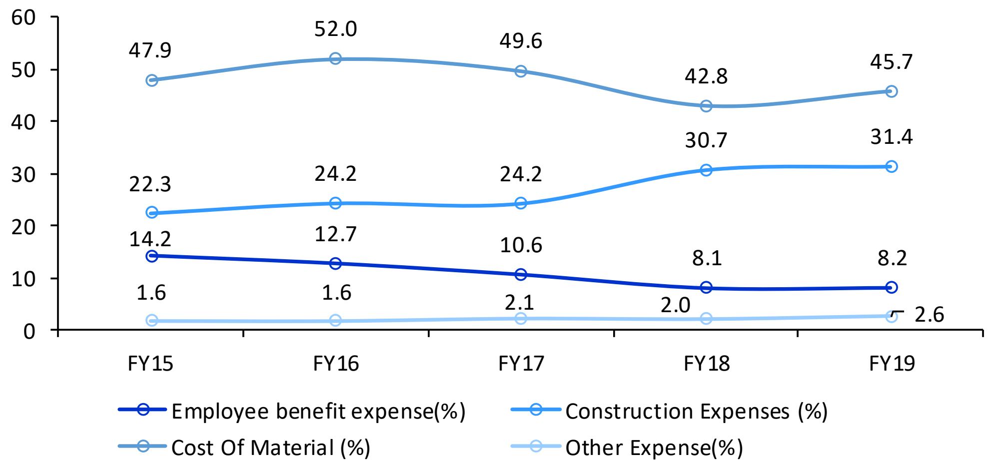


Source: Company, DART

Expenses

Construction expenses increased by 14.0% YoY to ₹792 million and sub-contracting expense increased by 8.0%. Also, cost of materials consumed increased by 13.5% to ₹8.0 billion. Employee cost rose by 7.1% to ₹1.4 billion in FY19. Other expenses increased by 37.6% YoY to ₹449.3 million in FY19 from ₹326.5 million in FY18.

Exhibit 6: Expenses as a % of Revenue

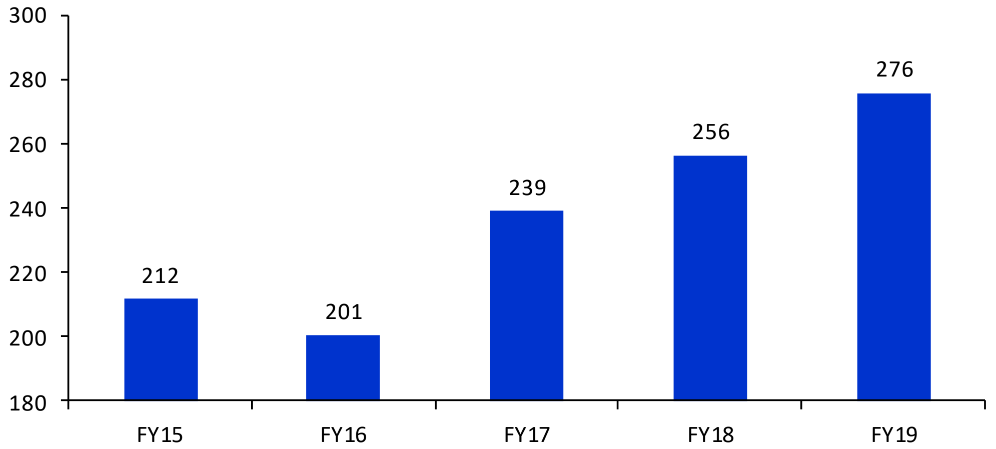


Source: Company, DART

Depreciation Expense

Depreciation for the year has increased to ₹275.6 million from ₹256.3 million in FY18 on account of a 12.2% increase in gross block of assets.

Exhibit 7: Depreciation Expense

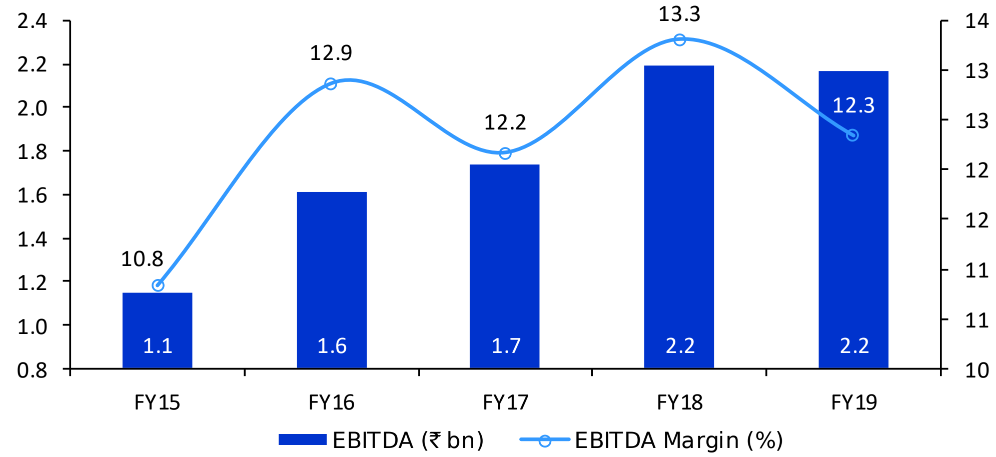


Source: Company, DART

EBITDA

EBIDTA marginally declined by 1.3% to ₹2.2 billion in FY19. EBITDA margin decreased by 98bps to 12.3% in FY19 due to license re-equalisation in Kota and impairment for property sales.

Exhibit 8: EBITDA and EBITDA Margin

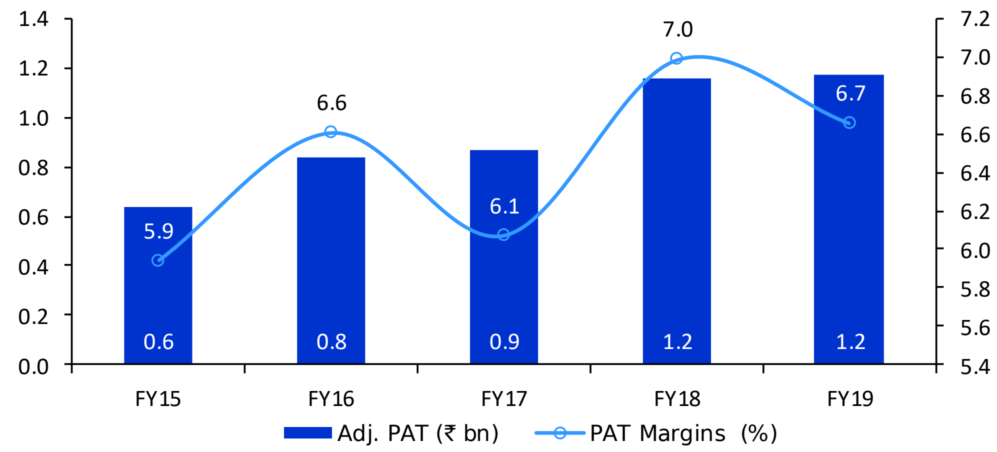


Source: Company, DART

Profit after Tax

PAT increased marginally by 1.6% YoY to ₹1.2 billion in FY19 driven by increase in revenues. PAT margin decreased by 33 bps to 6.7%.

Exhibit 9: Adj. PAT and PAT Margin

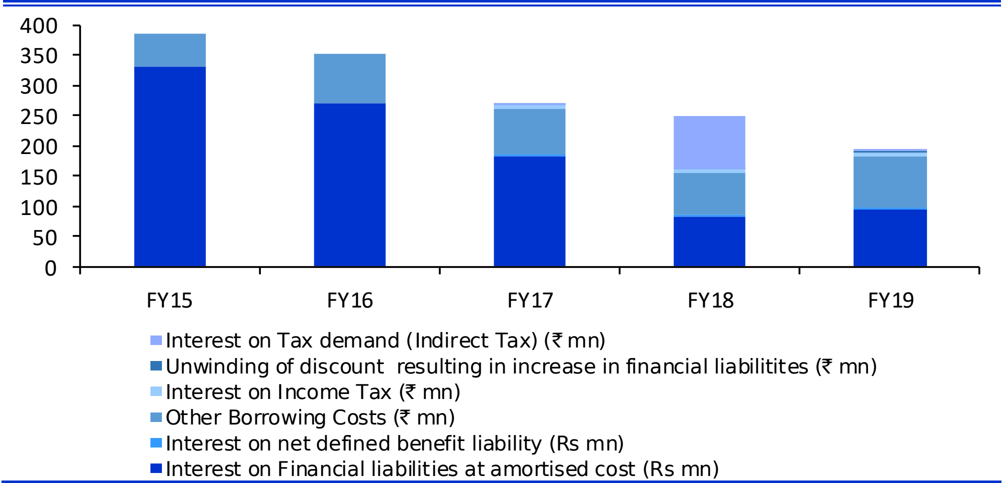


Source: Company, DART

Finance Cost

Increase in term loans, mobilization advances were offset by huge declines in interest on working capital loans and interest on tax demand (Indirect tax), thereby resulting in net decline of 23.3% to ₹192.2 million in finance cost during the year.

Exhibit 10: Trend of finance cost breakup

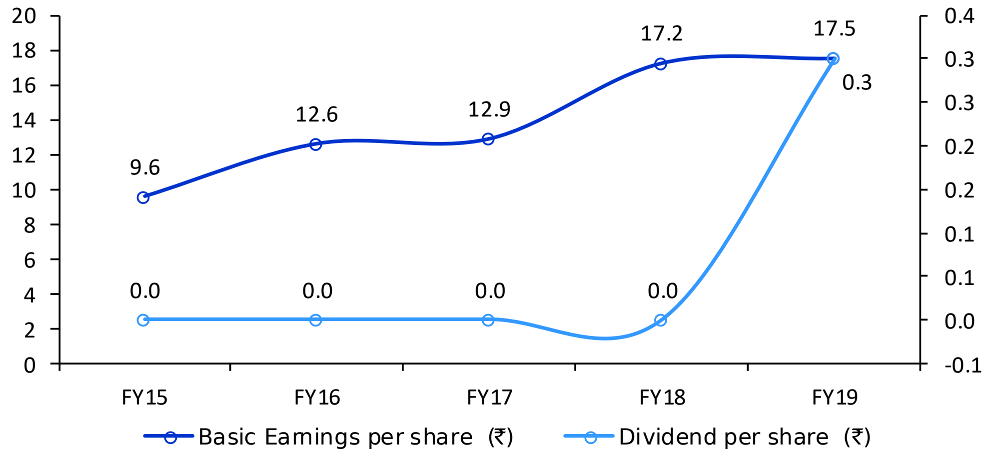


Source: Company, DART

Dividend and Earnings Per Share

The Board of Directors of the Company recommended a payment of Equity Dividend of ₹0.3 per share. Earnings per share for FY19 increased by 2.7% YoY to ₹21.6 from ₹21.1 in FY18.

Exhibit 11: Dividend and Earnings Per Share

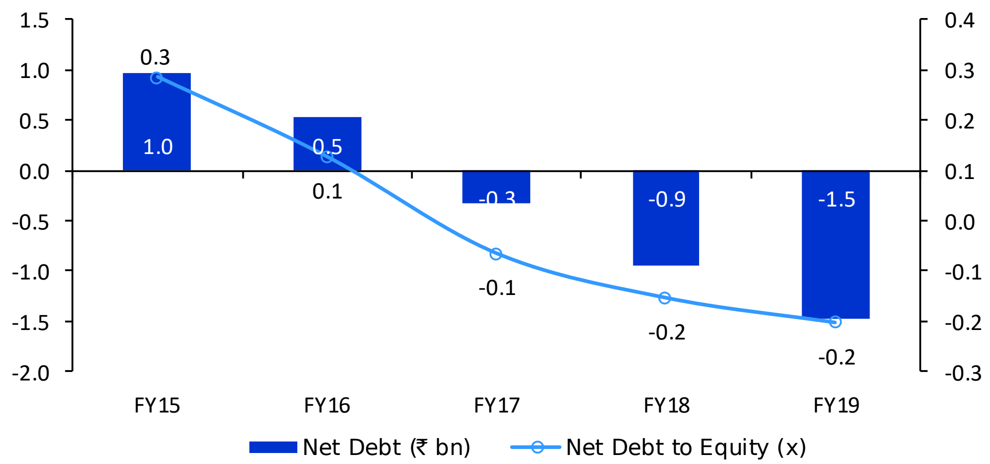


Source: Company, DART

Borrowings

Long term borrowings decreased by 13.8% to ₹6.3 million in FY19 from ₹7.3 million in FY18 due to repayment of term loans and vehicle loans from banks. Short-term borrowings increased significantly by 108.5% to ₹602.4 million in FY19 from ₹288.9 million in FY18 driven by an increase in working capital loan from banks and unsecured borrowings from related party repayable on demand. Net Debt decreased to negative ₹1.5 billion in FY19. Net Debt to Equity ratio has increased to negative 0.20x in FY19 from negative 0.15x in FY18.

Exhibit 12: Trend of Net Debt and Net D:E



Source: Company, DART

Contingent Liabilities

Contingent Liabilities grew by 20.8% from ₹8.8 billion in FY18 to ₹10.6 billion in FY19 due to increase in guarantees given by the bankers on behalf of the company by 45.2%. Capital commitments declined by 74.1% from ₹1.6 billion in FY18 to ₹0.4 billion in FY19.

Exhibit 13: Contingent Liability trend

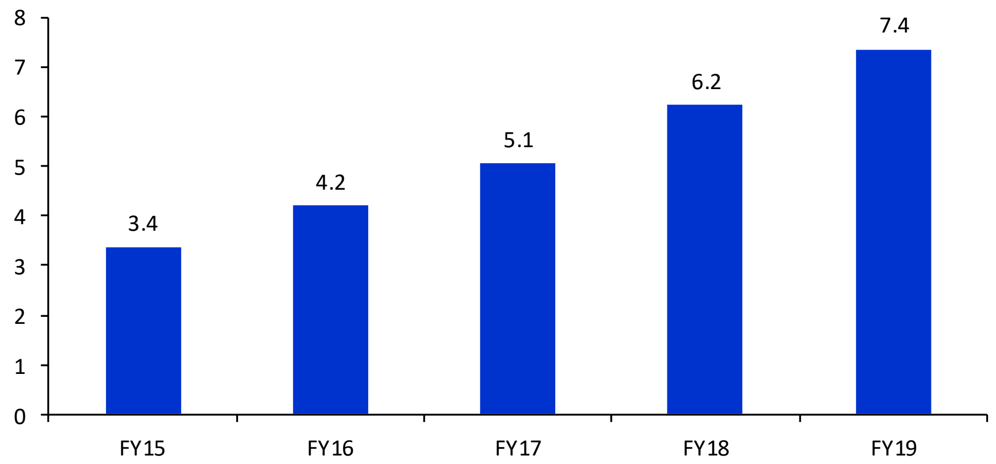
Particulars (₹ Mn)	FY16	FY17	FY18	FY19
Contingent liabilities	10,464	9,035	8,813	10,644
Capital Commitments	84	211	164	43

Source: Company, DART

Net Worth

AHLU's net worth increased from ₹6.2 billion in FY18 to ₹7.4 billion in FY19. Reserves and surplus increased by 18.6% YoY to ₹7.2 billion in FY19 driven by profit earned.

Exhibit 14: Networth trend (₹ mn)

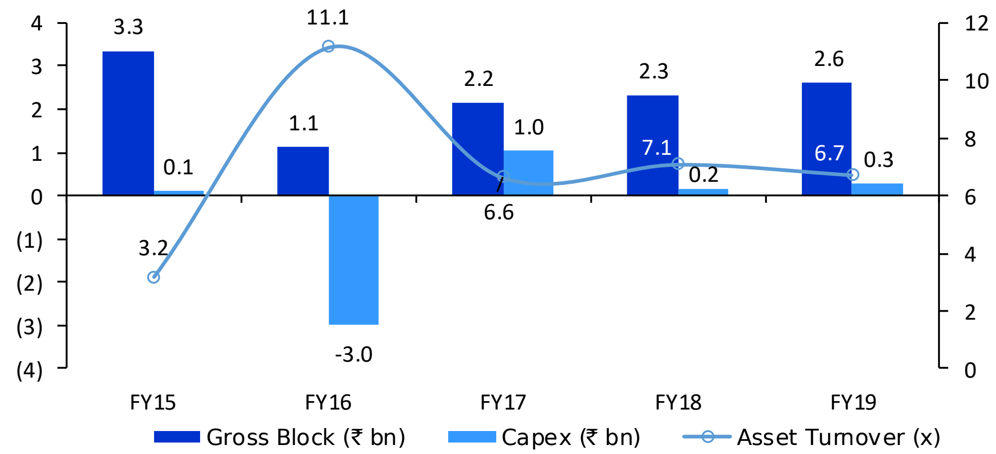


Source: Company, DART

Gross Block

Gross block increased by 12.2% to ₹2.6 billion in FY19 from ₹2.3 billion in FY18 driven by significant increase in Capex by 65.1% and revenue grew by 6.4% resulting in decline in fixed asset turnover from 7.1x in FY18 to 6.7x in FY19. Capex incurred for the year was ₹285 million.

Exhibit 15: Gross Block trend



Source: Company, DART

Inventories

Inventories increased to ₹2.2 billion in FY19 from ₹1.9 billion in FY18, registering a growth of 17.5%. Raw materials stood at ₹973.9 million in FY19 as against ₹620.3 million in FY18 while Construction work-in-progress stood at ₹741.9 million in FY19 as against ₹718.3 million. Net Inventory Properties stood at ₹505.0 million in FY19 as against ₹550.0 million in FY18.

Other Current assets

Other current assets increased significantly to ₹282.7 million in FY19 from ₹203.7 million in FY18. The increase represents balance with government authorities and prepaid expenses.

Loans and Advances

Long term loans and advances increased to ₹67.5 million in FY19 from ₹53.0 million in FY18, clocking a growth of 27.4% on account of increase in security deposits and employee loans and advances. Short term loans and advances declined by 13.6% from ₹6.1 million in FY18 to ₹5.3 million in FY19 due to decrease in employee loans and advances.

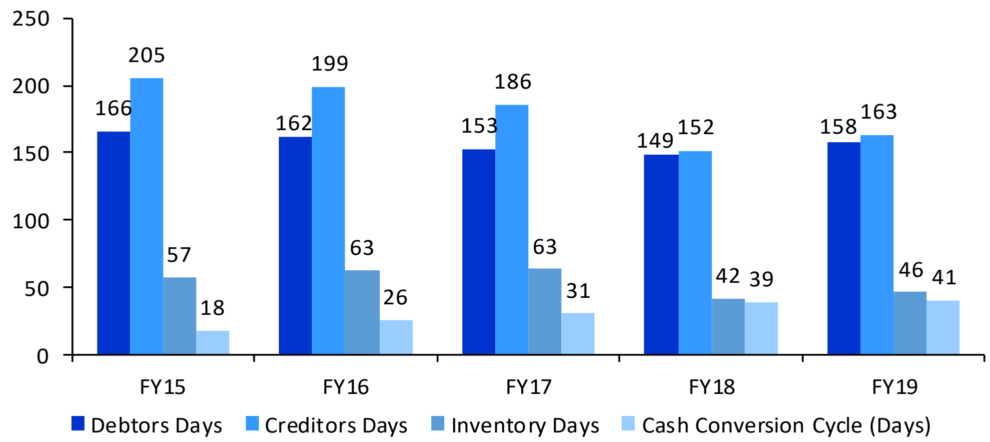
Loans and investments in subsidiaries & JVs

Total non-current investments in subsidiaries and JVs remain unchanged at ₹62.8 million in FY19.

Working Capital

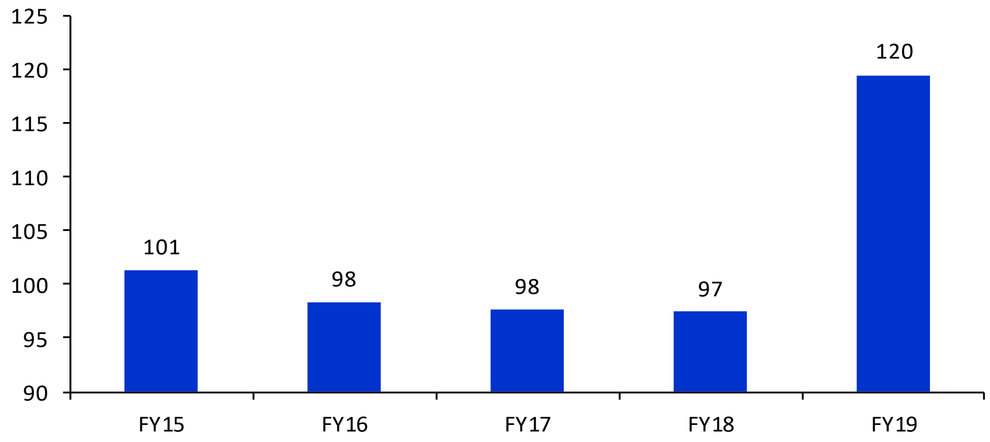
Trade receivables increased by 14.7% to ₹6.5 billion in FY19 while the debtor days increased from 149 days to 158 days. Inventories increased to ₹2.2 billion in FY19, a growth of 17.5% resulting in increased inventory days of 46 vs. 42 days. Trade payables increased to ₹4.2 billion in FY19 marking a growth of 13.4%. Net Working Capital as a percentage of sales increased to 20.8% from 19.1%. Total working capital days increased to 120 days.

Exhibit 16: Cash conversion cycle trend



Source: Company, DART

Exhibit 17: Total Working Capital Days

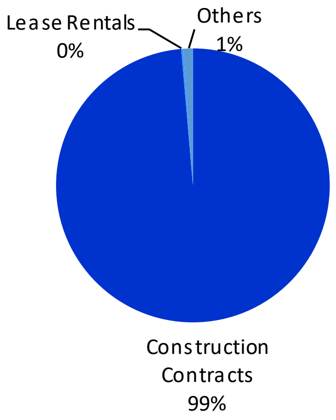


Source: Company, DART

Revenue Segmentation

Revenue from Construction Contract increased by ~5.0 to ₹17.3 billion in FY19, constituting 98.59% of the total revenue. Revenue from lease rental increased significantly to reach ₹44.9 million in FY19, constituting 0.25% of total revenue. Revenue from Inventory Property was ₹202.7 million in FY19, constituting 1.16% of total revenue.

Exhibit 18: Revenue Segmentation

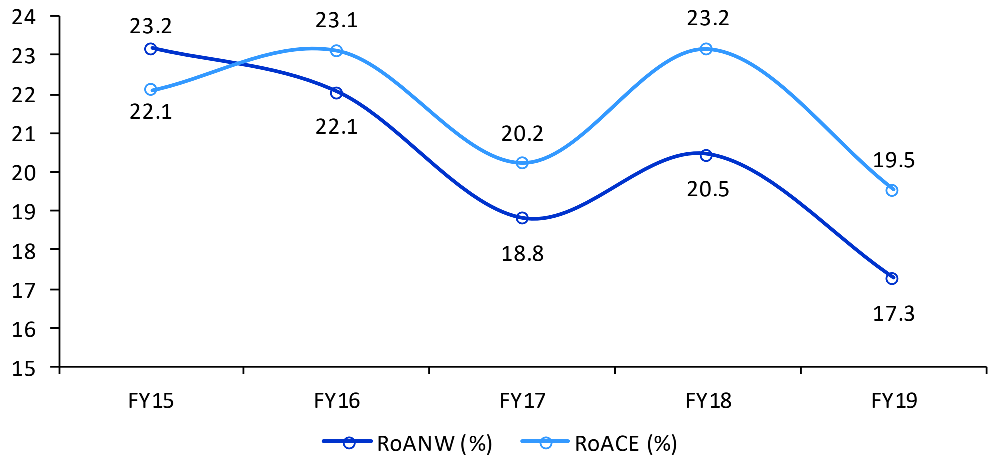


Source: Company, DART

Return Ratios

ROACE declined to 19.5% in FY19 from 23.2% in FY18. ROANW decreased to 17.3% in FY19 from 20.5% in FY18.

Exhibit 19: RoANW and RoACE

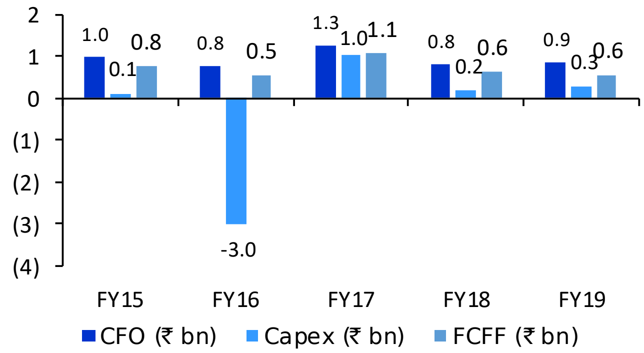


Source: Company, DART

Cash Flow Analysis

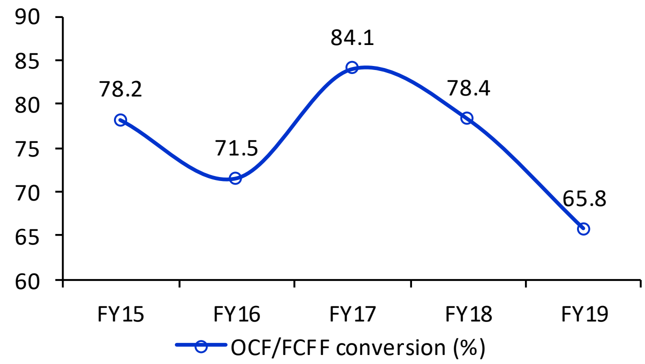
- The Company's cashflow from operating activity increased from ₹810 million to ₹857 million impacted by increase in depreciation and interest paid.
- The cash outflow from investing activity increased from ₹91.5 million to ₹203.3 million. The increase was due purchase of fixed assets.
- Cash Flow from financing activity improved in FY19. Cash Inflow for FY19 stood at ₹ 191.0 million vs. cash outflow of ₹ 696.4 million. This was on account of increase in proceeds from short term borrowings. Free cash flow for firm decreased from 634.5 million to ₹ 564.0 million.

Exhibit 20: Cash flow trend



Source: Company, DART

Exhibit 21: OCF/FCFF

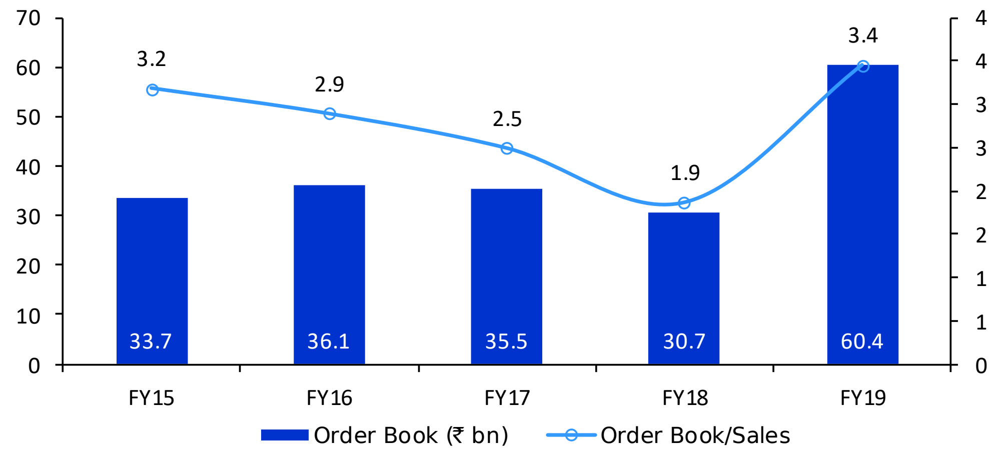


Source: Company, DART

Order Book

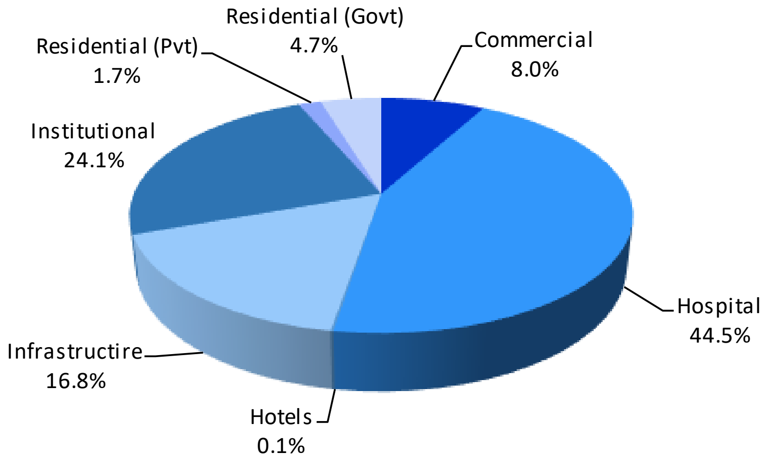
The Company's order book increased from ₹83.1 billion to ₹106.6 billion, registering a growth of 28.0% in the order book. While the net order book increased from ₹30.7 billion to ₹60.4 billion, a growth of 96.4%. The order book of the Company comprised of 88.0% of the public orders and 12.0% of the private orders. AHLUCONT has increased its focus on executing high margin orders in the current order books departing from lower margin orders.

Exhibit 22: Order Book/Sales



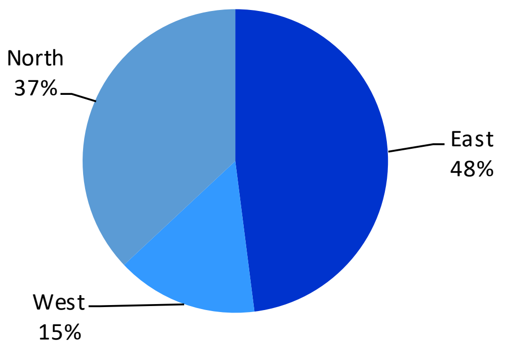
Source: Company, DART

Exhibit 23: Order Book Composition



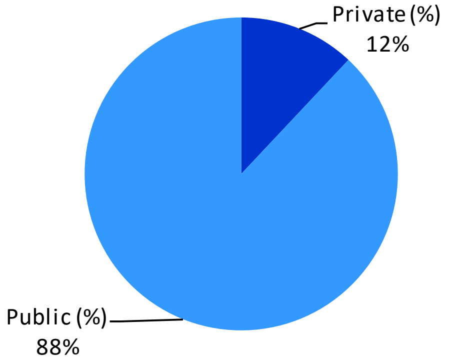
Source: Company, DART

Exhibit 24: Geographical order book break up



Source: Company, DART

Exhibit 25: Client Wise Order Book break up



Source: Company, DART

Impact of IND AS

As per the requirement of Ind AS 115, the Company reported revenues of ₹17.5 billion from contracts with customers in India. The same includes revenue from construction contract of ₹17.3 billion and the remaining is the inventory property. Out of the total revenue recognizes from contracts with customers revenue of ₹17.2 billion is recognized over a period of time and ₹0.3 billion will be recognized at a point in time. The Company has recognized contract assets of ₹39.9 million during the year and contract liabilities of ₹370.6 million. Thus, resulting in net decrease in net contract balances. The Company has recognized an amount of ₹59.1 billion as remaining performing obligation.

Q4 Quarter Concall Trend Analysis

	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
Profitability and Margins	Turnover of Rs.4.0 billion compared to Rs.5.0 billion in Q1FY2018. PAT of Rs.281.8 million compared to Rs.295.2 million in Q1FY2018. EBITDA margin is 13.0% as compared to 10.6% in Q1FY2018 and PAT of 7.0% as compared to 5.9% in Q1FY2018.	Turnover of Rs.4.4 billion. PAT of Rs.311.6 million compared to Rs.257.7 million in Q2FY18, YoY growth of 31% in revenue and 21% in PAT. EBITDA margin of 13.1% as compared to 14.9% in Q2FY18. PAT margin of 7.1% as compared to 7.7%.	Turnover of Rs.4.2 million compared to Rs.3.6 million in Q3FY18. Turnover below estimates. PAT of Rs.269.4 million compared to Rs.291.6 million in Q3FY18. EBITDA margins stood at 11.9% as compared to 17.3% in Q3FY18. PAT at 6.44% as compared to 8.08% in Q3FY18	EBITDA margins stood at 11.6% as compared to 12.0% in Q4FY18. PAT Margin stands at 6.4% as compared to 6.9% in Q4FY18. Margins has shrunk because of Kota where license re-equalization has been done and secondly, due to impairment of Rs.250.0 million on account of property sale, as sold at a loss. Delay in bill certification has impacted the Company's revenue.
New Orders	Won more than Rs.20.0 billion orders.	Witnessed Rs.11.0 billion order inflow. So total order inflow in this FY is Rs.31.0 billion. Order inflow to decline due to elections.	Order inflow is Rs.35.3 billion.	Order Book increased by Rs.36.9 billion in FY19.
Order Book	Net order book stood at Rs.47.0 billion compared to Rs.43.0 billion in June 2018. Slow moving orders of Rs.1.5 billion.	Net order book stood at Rs.42.8 billion.	Net order book stood at Rs.53.4 billion. Slow moving orders Rs.2.5 billion.	Net order book stood at Rs.60.4 billion. Slow moving project is Rs.5.4 billion.
Projects	Impact of Rs.200.0 million on turnover from redevelopment projects in Delhi due to controversy around felling of trees. Impact of Rs.150.0 million from NBCC Kolkata project due to changes in scope of work. Talkatora- arbitration going on technical matters. For Kota project company reported a loss of Rs.23.0 million and a cash loss of Rs.0.5 million. Company expects the same to breakeven in remaining quarters. The company stated accounting losses of Rs.50.0-60.0 million.	Alipore project- continuous to run slow because it is being redesigned. Talkatora- arbitration is closed to finalized. Arbitration of the Games Village with Emaar MGF- last four months there has been no movement at all. EPC contract-designing was done but the project did not take off. Kota Project reported a revenue of Rs.17.7 million and incurred loss of Rs.45.0 million. One of the project earlier stopped by court now cleared. The company has started designing work on Charbagh.	NGT in Delhi- lost about 20 days or more due to the work being banned, even after 20 days permission was only to work till 6 p.m. in the evening, so impact of Rs.600.0-700.0 million. Projects in Chapra, Nalanda, Bodhgaya delayed due to delay in NGR clearence, so impact of Rs.450.0-500.0 million. Mohammadpur Delhi order- has been cleared by the court but still awaiting environmental clearances from the local forest ministry thus is slow moving. Bihar project got cleared recently.	Charbagh, Lucknow redevelopment project of Rs.5.4 billion, is a slow-moving project, the ground work has not yet started on account of non-receipt of clearances. Delhi redevelopment project is going through re-designing thus, no revenue has been booked from the project. Kolkata auditorium project of Rs.2.9 billion has been stopped again. IIT Kharagpur project was asked to be stopped as the cost of new design was denied by the state government. Hospital project- designers were removed so the Company along with HSCC designed it, the projects has taken off.
Bidding Pipeline	DDA tenders - bids on 10 projects have been submitted, management is looking for private commercial projects.	Bidding pipeline is close to Rs.30.0 billion. Bidding for a Rs.10.0 billion project for building a hospital in Bilaspur. L1 in a hospital project in Bihar. L1 in another Rs.2.3 billion projects. The company has been bidding for AIMS projects in Himachal Pradesh.	Bidding pipeline stands at Rs.25.0 billion. L1 in three projects in Patna, Nagpur and Delhi worth around Rs.10.0 billion.	Bidding pipeline stands at Rs.50.0 billion, mainly from the segments of hospital, metro and education. L1 in projects of about Rs.2.0billion.

Profit and Loss Account

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Revenue	**16,466**	**17,522**	**19,631**	**23,040**
Total Expense	**14,273**	**15,359**	**17,080**	**20,047**
COGS	12,608	13,477	15,053	17,792
Employees Cost	1,338	1,433	1,533	1,686
Other expenses	326	449	494	568
EBIDTA	**2,193**	**2,163**	**2,551**	**2,994**
Depreciation	256	276	315	363
EBIT	**1,936**	**1,887**	**2,237**	**2,631**
Interest	251	192	200	160
Other Income	63	98	108	129
Exc. / E.O. items	0	0	0	0
EBT	**1,749**	**1,793**	**2,144**	**2,600**
Tax	594	620	729	884
RPAT	1,154	1,173	1,415	1,716
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**1,154**	**1,173**	**1,415**	**1,716**

Balance Sheet

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Sources of Funds				
Equity Capital	134	134	134	134
Minority Interest	0	0	0	0
Reserves & Surplus	6,090	7,220	8,611	10,303
Net Worth	**6,224**	**7,354**	**8,745**	**10,437**
Total Debt	298	611	0	0
Net Deferred Tax Liability	(217)	(299)	(290)	(281)
Total Capital Employed	**6,305**	**7,666**	**8,455**	**10,156**
Applications of Funds				
Net Block	**1,844**	**1,862**	**2,048**	**2,185**
CWIP	3	4	3	3
Investments	63	63	63	63
Current Assets, Loans & Advances	**10,403**	**12,606**	**13,792**	**16,625**
Inventories	1,891	2,223	2,391	2,807
Receivables	6,711	7,566	8,442	9,792
Cash and Bank Balances	1,247	2,092	2,078	2,994
Loans and Advances	0	0	0	0
Other Current Assets	554	725	881	1,032
Less: Current Liabilities & Provisions	**6,008**	**6,868**	**7,450**	**8,719**
Payables	3,778	4,285	4,270	5,012
Other Current Liabilities	2,230	2,583	3,180	3,708
sub total				
Net Current Assets	4,395	5,737	6,341	7,905
Total Assets	**6,305**	**7,666**	**8,455**	**10,156**

E – Estimates

Important Ratios

Particulars	FY18A	FY19A	FY20E	FY21E
(A) Margins (%)				
Gross Profit Margin	23.4	23.1	23.3	22.8
EBIDTA Margin	13.3	12.3	13.0	13.0
EBIT Margin	11.8	10.8	11.4	11.4
Tax rate	34.0	34.6	34.0	34.0
Net Profit Margin	7.0	6.7	7.2	7.4
(B) As Percentage of Net Sales (%)				
COGS	76.6	76.9	76.7	77.2
Employee	8.1	8.2	7.8	7.3
Other	2.0	2.6	2.5	2.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.1	0.0	0.0
Interest Coverage	7.7	9.8	11.2	16.4
Inventory days	42	46	44	44
Debtors days	149	158	157	155
Average Cost of Debt	41.8	42.3	65.5	
Payable days	84	89	79	79
Working Capital days	97	120	118	125
FA T/O	8.9	9.4	9.6	10.5
(D) Measures of Investment				
AEPS (₹)	17.2	17.5	21.1	25.6
CEPS (₹)	21.1	21.6	25.8	31.0
DPS (₹)	0.0	0.4	0.4	0.4
Dividend Payout (%)	0.0	2.1	1.7	1.4
BVPS (₹)	92.9	109.8	130.6	155.8
RoANW (%)	20.5	17.3	17.6	17.9
RoACE (%)	23.2	19.5	20.0	20.2
RoAIC (%)	29.1	25.7	27.0	27.7
(E) Valuation Ratios				
CMP (₹)	306	306	306	306
P/E	17.7	17.5	14.5	11.9
Mcap (₹ Mn)	20,485	20,485	20,485	20,485
MCap/ Sales	1.2	1.2	1.0	0.9
EV	19,536	19,004	18,407	17,491
EV/Sales	1.2	1.1	0.9	0.8
EV/EBITDA	8.9	8.8	7.2	5.8
P/BV	3.3	2.8	2.3	2.0
Dividend Yield (%)	0.0	0.1	0.1	0.1
(F) Growth Rate (%)				
Revenue	15.4	6.4	12.0	17.4
EBITDA	26.2	(1.3)	18.0	17.3
EBIT	29.3	(2.5)	18.5	17.6
PBT	33.4	2.5	19.6	21.2
APAT	32.6	1.6	20.7	21.2
EPS	32.6	1.6	20.7	21.2

Cash Flow

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
CFO	810	857	1,213	1,471
CFI	(91)	(203)	(392)	(371)
CFF	(696)	191	(835)	(184)
FCFF	634	564	714	971
Opening Cash	1,225	1,247	2,092	2,078
Closing Cash	1,247	2,092	2,078	2,994

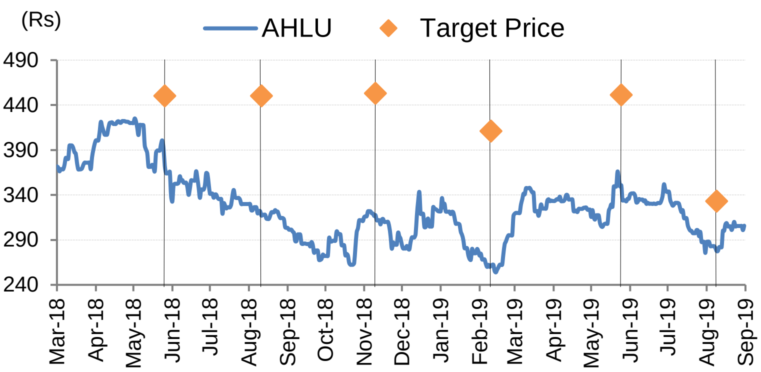
E – Estimates

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 (₹)
May-18	Buy	450	372
Aug-18	Buy	450	317
Nov-18	Buy	453	318
Feb-19	Buy	411	261
May-19	Buy	451	351
Aug-19	Buy	333	278

*Price as on recommendation date

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