

View: Beat on all fronts, upgrade to Accumulate

- ACIL reported results above estimates on all fronts.
- ACIL posted 38.2%/ 61.1%/ 69.0% YoY de-growth in revenue/ EBITDA/ PAT to Rs2.5 bn/ Rs185 mn/ Rs75 mn in Q1FY21.
- We increase our revenue/ EBITDA margin estimates by 7.1%/ 297 bps for FY21E factoring Q1FY21 results. Accordingly, we increase our PAT estimates by 674.1% for FY21E. We broadly maintain our FY22E estimates. We estimate 0.6%/ 35.7% revenue/ PAT CAGR over FY20-22E.
- ACIL should remain a net cash company, with an average RoCE/ RoE of 13.6%/ 9.2% over FY20-22E. Though the stock has increased ~15% since our Q4FY20 result update dated 1 Jul'20, increasing labour availability and healthy orderbook are positives for the company. Thus, we upgrade to Accumulate with an upward revised TP of Rs266 (15x FY22E EPS).

Sharp contraction in EBITDA margin due to write off

ACIL has written off Rs420 mn/ Rs55 mn in FY20/ Q1FY21 resulting in sharp 422 bps/ 436 bps YoY contraction in EBITDA margin to 8.1%/ 7.4%. Adjusting the write off, EBITDA margin is lower by 199 bps/ 216 bps YoY to 10.3%/ 9.6%. Management expects additional Rs120-150 mn worth of write offs for a couple of quarters.

Order book at 4.4x (TTM revenue)

ACIL received fresh orders worth Rs32.4 bn/ Rs2.9 bn during FY20/ YTD FY21. With comfortable orderbook, management is less hungry for order inflows and will opt for similar geography where they are already present. The current order book (Rs75.5 bn) including L1, provides revenue visibility for 4.4x TTM revenue. Government orders contribute 79% vs. 80% (FY20) v/s 32% (FY14). We maintain our order inflow estimates to Rs20 bn/ Rs30 bn for FY21E/ FY22E.

Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	2,498	3,168	(21.1)	5,492	(54.5)
Total Expense	2,313	2,776	(16.7)	5,262	(56.0)
EBITDA	185	392	(52.7)	230	(19.3)
Depreciation	72	77	(6.2)	81	(10.7)
EBIT	113	315	(64.1)	149	(24.0)
Other Income	71	31	131.2	29	142.8
Interest	83	70	18.2	101	(18.3)
EBT	101	275	(63.3)	77	31.8
Tax	26	97	(73.1)	16	68.0
RPAT	75	178	(58.1)	61	22.6
APAT	75	178	(58.1)	61	22.6
			(bps)		(bps)
Gross Margin (%)	22.6	26.1	(342)	18.4	427
EBITDA Margin (%)	7.4	12.4	(495)	4.2	323
NPM (%)	3.0	5.6	(263)	1.1	188
Tax Rate (%)	25.8	35.2	(936)	20.3	557
EBIT Margin (%)	4.5	9.9	(541)	2.7	181

CMP	Rs 244
Target / Upside	Rs 266 / 9%
BSE Sensex	37,898
NSE Nifty	11,178

Scrip Details

Equity / FV	Rs 134mn / Rs 2
Market Cap	Rs 16bn
	US\$ 218mn
52-week High/Low	Rs 370/Rs 136
Avg. Volume (no)	40,046
NSE Symbol	AHLUCONT
Bloomberg Code	AHLU IN

Shareholding Pattern Jun'20(%)

Promoters	58.0
MF/Banks/FIs	23.5
FIs	15.1
Public / Others	3.5

Valuation (x)

	FY20A	FY21E	FY22E
P/E	25.4	37.2	13.8
EV/EBITDA	9.4	11.1	5.7
ROE (%)	8.4	5.3	13.1
RoACE (%)	12.4	9.8	17.3

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	18,849	15,612	19,076
EBITDA	1,530	1,222	2,290
PAT	644	440	1,187
EPS (Rs.)	9.6	6.6	17.7

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Exhibit 1: Actual vs. DART estimates

(in Rs mn)	Actual	DART Est.	% Variation	Comment
Revenue	2,498	1,426	75.3	Better execution than estimates
EBITDA	185	(253)	-	-
EBITDA Margin (%)	7.4	(17.8%)	759	Lower expenses than estimates
Adj. PAT	75	(306)	-	Better operating performance

Source: Company, DART

Exhibit 2: Change in estimates – Upgrade FY21E estimates and maintain FY22E estimates

(Rs mn)	FY21E			FY22E		
	New	Old	% chg	New	Old	% chg
Revenue	15,612	14,571	7.1	19,076	19,038	0.2
EBITDA	1,222	708	72.7	2,290	2,285	0.2
EBITDA Margin (%)	7.8	4.9	297	12.0	12.0	0
Adj. PAT	440	57	674.1	1,187	1,183	0.3
EPS (Rs)	6.6	0.8	674.1	17.7	17.7	0.3

Source: Company, DART

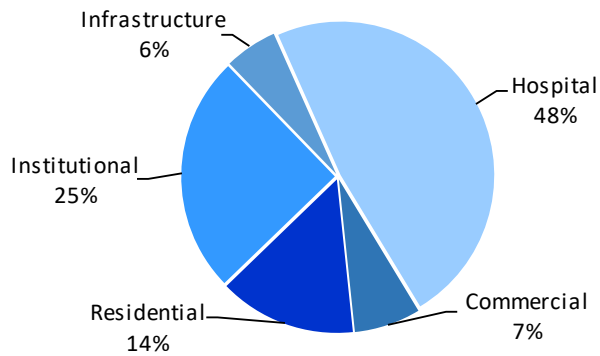
Key earnings takeaways

- Labour availability now at 40% vs. 15-20% in Q1FY21. Corona cases are increasing in Bihar and WB thus labour issues will continue for 3-4 months. Company is operating at 45% capacity, may achieve 60% by end of Q2FY21E.
- Bid pipeline of Rs70-80 bn in hospital segment.
- Payments are coming but slowdown is visible. Already witnessing issues in payments as state governments are cash strapped.
- Expect Q2FY21E to be better than Q1FY21. Funding constraints will impact revenue in Bihar and West Bengal for the next 2-3 months.
- 48% of the orderbook in healthcare segment. Expect Jammu project (Rs12.5 bn) to start by end of Aug'20. Central Vista project started in Jun'20 and Rs450 mn work is done. Brookfield funded projects in Pune slowly starting, labour increasing gradually from nil to 300 and expect additional 100 in 15-20 days.
- ACIL took a write off of Rs55 mn (7-8 projects) in Q1FY21 and expect additional Rs120-150 mn in next 2 quarters.
- Will bid for Central Vista project depending on the situation as the project is politically interfered. Company doesn't expect new Central Vista projects to come in next 2 quarters. Company is not hungry for inflows at this point.
- Other income includes liabilities write back of Rs30 mn. Capex of Rs30 mn done in Q1FY21E. Expect Rs100-140 mn capex in 9MFY21E.
- Debtors/ Inventory/ Payables stood at Rs6.96 bn/ Rs2.06 bn/ Rs5 bn. Unbilled revenue stood at Rs1.58 bn.
- Mobilization advance/ Retention money stood at Rs2.26 bn/ Rs1.65 bn and Gross Debt stood at Rs439 mn as on Jun'20.

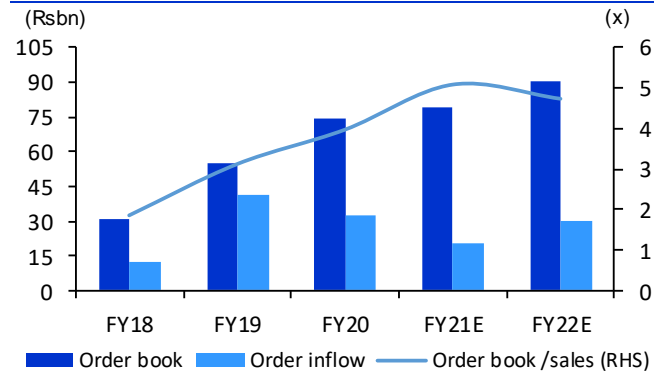
Exhibit 3: Q1FY21 Performance (Standalone)

Particulars (Rs mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	FY20	FY19	YoY (%)
Revenue	2,498	4,040	(38.2)	5,492	(54.5)	18,849	17,547	7.4
Raw materials	1,208	1,773	(31.9)	2,715	(55.5)	9,047	8,007	13.0
Operating expenses	165	225	(26.9)	269	(38.7)	955	792	20.5
Employees cost	264	362	(27.0)	423	(37.4)	1,543	1,433	7.7
Sub - contract	560	1,132	(50.5)	1,500	(62.6)	5,036	4,702	7.1
Other expenditure	116	71	62.1	356	(67.5)	738	449	64.3
Total expenditure	2,313	3,564	(35.1)	5,262	(56.0)	17,319	15,382	12.6
EBITDA	185	476	(61.1)	230	(19.3)	1,530	2,165	(29.3)
Depreciation	72	77	(6.2)	81	(10.7)	319	276	15.7
Operating profit	113	399	(71.7)	149	(24.0)	1,211	1,889	(35.9)
Other income	71	31	131.2	29	142.8	104	98	6.9
EBIT	184	429	(57.2)	178	3.3	1,316	1,987	(33.8)
Interest	83	70	18.2	101	(18.3)	350	192	82.1
EBT	101	359	(71.9)	77	31.8	966	1,795	(46.2)
Provision for taxation	26	118	(77.9)	16	68.0	322	621	(48.2)
Net income	75	241	(69.0)	61	22.6	644	1,174	(45.1)
EPS (Rs)	1.1	3.6	(69.0)	0.9	22.6	9.6	17.5	(45.1)
			(bps)		(bps)			
EBIDTA Margin (Excl. O.I.)	7.4	11.8	(436)	4.2	323	8.1	12.3	(422)
EBIDTA Margin (Incl. O.I.)	10.2	12.5	(229)	4.7	553	8.7	12.9	(422)
NPM (%)	2.9	5.9	(301)	1.1	181	3.4	6.7	(325)
Tax/PBT (%)	25.8	32.9	(701)	20.3	557	33.3	34.6	(131)
Construction/Revenue (%)	77.4	77.5	(12)	81.6	(427)	79.8	76.9	284

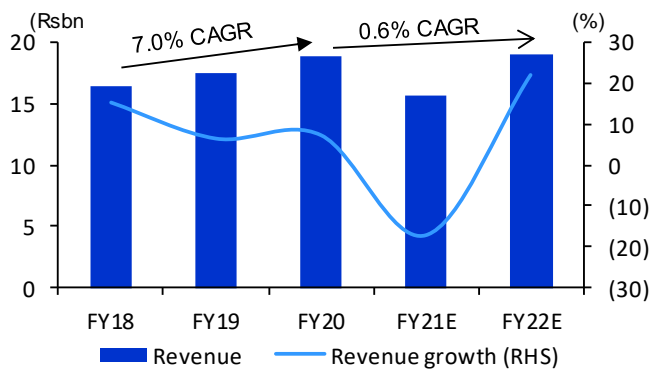
Source: Company, DART

Exhibit 4: Rs72.6 bn order book break up


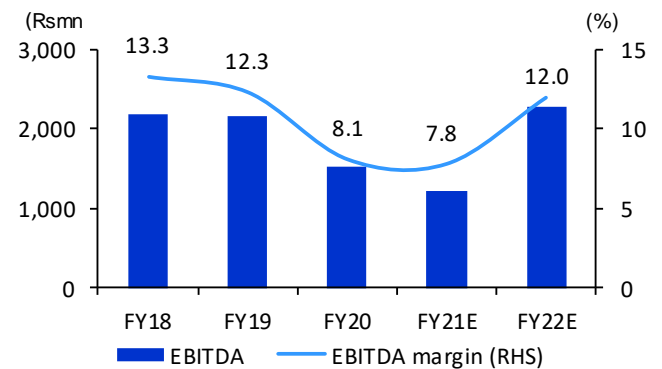
Source: Company, DART

Exhibit 5: Order book trend (Standalone)


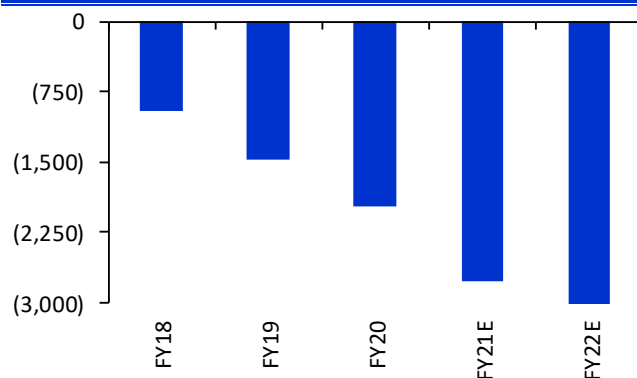
Source: Company, DART

Exhibit 6: 0.6% revenue CAGR over FY20-22E


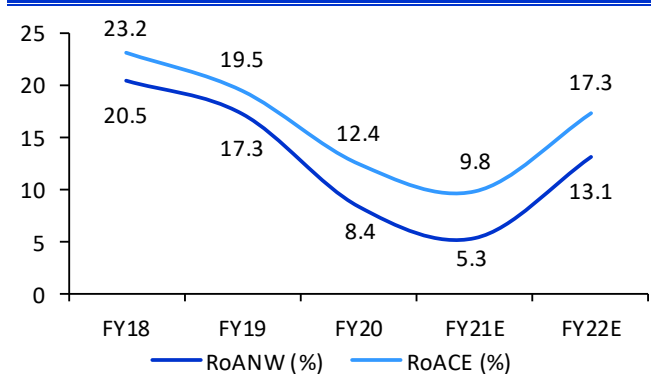
Source: Company, DART

Exhibit 7: EBITDA Margin trend


Source: Company, DART

Exhibit 8: Net debt free company (Rs mn)


Source: Company, DART

Exhibit 9: Return ratios trend


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	17,547	18,849	15,612	19,076
Total Expense	15,382	17,319	14,390	16,786
COGS	13,500	15,038	12,521	14,731
Employees Cost	1,433	1,543	1,389	1,528
Other expenses	449	738	480	528
EBIDTA	2,165	1,530	1,222	2,290
Depreciation	276	319	367	411
EBIT	1,889	1,211	856	1,879
Interest	192	350	390	420
Other Income	98	104	125	138
Exc. / E.O. items	0	0	0	0
EBT	1,795	966	591	1,596
Tax	621	322	151	409
RPAT	1,174	644	440	1,187
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	1,174	644	440	1,187

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	134	134	134	134
Minority Interest	0	0	0	0
Reserves & Surplus	7,250	7,906	8,326	9,493
Net Worth	7,384	8,040	8,460	9,627
Total Debt	611	470	450	450
Net Deferred Tax Liability	(283)	(236)	(227)	(218)
Total Capital Employed	7,712	8,275	8,683	9,859

Applications of Funds

Net Block	1,862	2,208	2,141	2,230
CWIP	4	2	2	2
Investments	63	63	63	63
Current Assets, Loans & Advances	12,651	15,092	13,997	16,120
Inventories	1,481	2,208	1,871	2,014
Receivables	5,950	5,973	5,308	6,200
Cash and Bank Balances	2,092	2,439	3,224	3,755
Loans and Advances	0	0	0	0
Other Current Assets	3,128	4,472	3,594	4,152
Less: Current Liabilities & Provisions	6,868	9,089	7,520	8,556
Payables	4,285	5,231	4,317	4,868
Other Current Liabilities	2,583	3,858	3,203	3,688
<i>sub total</i>				
Net Current Assets	5,783	6,002	6,477	7,564
Total Assets	7,712	8,275	8,683	9,859

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	23.1	20.2	19.8	22.8
EBIDTA Margin	12.3	8.1	7.8	12.0
EBIT Margin	10.8	6.4	5.5	9.8
Tax rate	34.6	33.3	25.6	25.6
Net Profit Margin	6.7	3.4	2.8	6.2
(B) As Percentage of Net Sales (%)				
COGS	76.9	79.8	80.2	77.2
Employee	8.2	8.2	8.9	8.0
Other	2.6	3.9	3.1	2.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.0
Interest Coverage	9.8	3.5	2.2	4.5
Inventory days	31	43	44	39
Debtors days	124	116	124	119
Average Cost of Debt	42.3	64.7	84.7	93.3
Payable days	89	101	101	93
Working Capital days	120	116	151	145
FA T/O	9.4	8.5	7.3	8.6
(D) Measures of Investment				
AEPS (Rs)	17.5	9.6	6.6	17.7
CEPS (Rs)	21.6	14.4	12.0	23.9
DPS (Rs)	0.4	0.4	0.3	0.3
Dividend Payout (%)	2.1	3.8	4.6	1.7
BVPS (Rs)	110.2	120.0	126.3	143.7
RoANW (%)	17.3	8.4	5.3	13.1
RoACE (%)	19.5	12.4	9.8	17.3
RoAIC (%)	25.6	17.4	14.7	27.8
(E) Valuation Ratios				
CMP (Rs)	244	244	244	244
P/E	13.9	25.4	37.2	13.8
Mcap (Rs Mn)	16,362	16,362	16,362	16,362
MCap/ Sales	0.9	0.9	1.0	0.9
EV	14,881	14,394	13,587	13,057
EV/Sales	0.8	0.8	0.9	0.7
EV/EBITDA	6.9	9.4	11.1	5.7
P/BV	2.2	2.0	1.9	1.7
Dividend Yield (%)	0.1	0.1	0.1	0.1
(F) Growth Rate (%)				
Revenue	6.6	7.4	(17.2)	22.2
EBITDA	(1.3)	(29.3)	(20.1)	87.3
EBIT	(2.4)	(35.9)	(29.4)	119.5
PBT	2.6	(46.2)	(38.8)	170.1
APAT	1.7	(45.1)	(31.8)	170.1
EPS	1.7	(45.1)	(31.8)	170.1

Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	857	1,097	1,391	1,333
CFI	(203)	(386)	(175)	(362)
CFF	191	(364)	(431)	(440)
FCFF	564	734	1,091	833
Opening Cash	1,247	2,092	2,439	3,224
Closing Cash	2,092	2,439	3,224	3,755

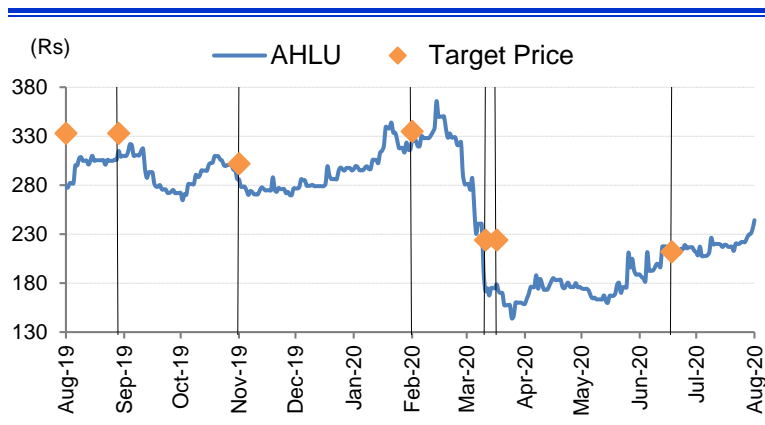
E – Estimates

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-19	Buy	333	278
Sep-19	Buy	333	315
Nov-19	Buy	302	286
Feb-20	Buy	335	326
Mar-20	Accumulate	224	172
Mar-20	Buy	224	179
Jul-20	Reduce	212	210

*Price as on recommendation date

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