

November 18, 2020

Q2FY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	288		288	
Sales (Rs. m)	27,299	31,023	27,299	31,023
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,139	3,568	3,139	3,568
% Chng.	-	-	-	-
EPS (Rs.)	27.4	31.0	27.4	31.0
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	18,849	17,915	27,299	31,023
EBITDA (Rs. m)	1,530	1,612	3,139	3,568
Margin (%)	8.1	9.0	11.5	11.5
PAT (Rs. m)	644	783	1,837	2,074
EPS (Rs.)	9.6	11.7	27.4	31.0
Gr. (%)	(45.1)	21.5	134.6	12.9
DPS (Rs.)	0.2	0.2	0.5	0.6
Yield (%)	0.1	0.1	0.2	0.3
RoE (%)	8.4	9.3	18.9	17.8
RoCE (%)	14.3	13.9	25.6	24.6
EV/Sales (x)	0.8	0.8	0.5	0.4
EV/EBITDA (x)	9.4	9.0	4.4	3.8
PE (x)	24.6	20.3	8.6	7.7
P/BV (x)	2.0	1.8	1.5	1.3

Key Data

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52-W High / Low	Rs.370 / Rs.136
Sensex / Nifty	44,180 / 12,938
Market Cap	Rs.16bn/ \$ 214m
Shares Outstanding	67m
3M Avg. Daily Value	Rs.51.32m

Shareholding Pattern (%)

Promoter's	58.00
Foreign	15.06
Domestic Institution	23.45
Public & Others	3.49
Promoter Pledge (Rs bn)	3.86

Stock Performance (%)

	1M	6M	12M
Absolute	6.4	37.8	(13.7)
Relative	(3.7)	(6.3)	(21.3)

Viral Shah

viralshah@plindia.com | 91-22-66322250

Shivang Joshi

shivangjoshi@plindia.com | 91-22-66322391

Higher provisions dent margins

Quick Pointers:

- Pick up in execution drives revenue growth (up 4.1% YoY) for the quarter while provisions for doubtful debts of ~Rs50mn dent margins.
- With healthy order inflows of Rs12.4bn till date, order book stands strong at Rs81.2bn (~4.4x trailing revenues).
- Labour availability stands at 80% pre-covid levels (vs 60% pre-covid levels by Sep'20); Company expects to reach ~100% by Dec'20.

Ahluwalia Contracts (ACIL) posted a strong quarterly performance with execution rising 4.1% YoY (vs PLe 23% decline) led by rise in labour availability. Labour availability stands 80% pre-covid levels (up from 60% in Sep'20). Margins were weak despite healthy execution and several cost control measures primarily due to provision of Rs50mn towards receivables and similar trend is expected to continue in 3Q and 4Q. Considering uncertainty regarding pandemic, management cited caution on execution. However, management indicated that working capital has improved as disbursements have started from state authorities primarily in West Bengal and Bihar and expects normalcy by Dec'20.

ACIL is among few EPC companies which have turned around with significant improvement in profitability through sound business strategy, focus on asset light business model, prudent selection of orders (state & central agencies) and better working capital management. Given strong 1H, we have revised our FY21 earnings estimate from Rs636mn to Rs783mn. At CMP, the stock trades at a P/E of 20.3x/ 8.6x on FY21E/ FY22E EPS and is trading at an EV of 9x/ 4.4x FY21E/ FY22E EBITDA. We maintain BUY rating on the stock with a TP of Rs288 (Same as earlier).

Healthy execution; margins fail to pick-up: For Q2FY21, ACIL's revenues grew 4.1% YoY to Rs4.3bn (PLe Rs3.2bn), led by robust execution of its strong order book and rising labour force. EBITDA declined by ~10.7% YoY to Rs342mn as EBITDAM softened 130bps YoY to 7.9% (PLe 8%) led by provisions of Rs50mn towards receivables. PBT was largely flat YoY at Rs241mn, while adj. PAT rose 42% YoY to Rs180mn (PLe Rs61mn), led by higher other income at Rs70mn (vs Rs20mn YoY) and lower effective tax rate at 24% (vs 47% YoY).

Robust order inflows lead to comfortable order book: The company bagged projects worth Rs12.4bn till date and is further L-1 in orders of Rs5bn from Sion hospital. Order book remains strong at Rs81.2bn (4.4x TTM revenues) on date providing comfortable revenue visibility for next two-three years. The order book comprises of Hospital segment (52%), Institutional (24%), Commercial (7%), Residential (12%) and Infrastructure segment (5%). Gross debt continues to remain low at ~Rs440mn with healthy cash & cash equivalents of ~Rs2.2bn as on 2QFY21. Working capital has improved significantly led by steady disbursement from State (Bihar & West Bengal) and Central Govt. authorities.

Exhibit 1: Quarterly Financials (Standalone): Modest margins despite strong pick-up in execution levels

Y/e March (Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY gr. (%)	QoQ gr. (%)	1HFY21	1HFY20	YoY gr. (%)
Revenue	4,173	4,980	5,492	2,498	4,345	4.1	73.9	6,844	7,341	-6.8
Total Revenues	4,173	4,980	5,492	2,498	4,345	4.1	73.9	6,844	7,341	-6.8
Expenditure	3,790	4,544	5,262	2,313	4,003	5.6	73.1	6,316	6,566	-3.8
as % of sales	90.8	91.3	95.8	92.6	92.1			92.3	89.5	
Consumption of RM	3,085	3,720	4,215	1,768	3,246	5.2	83.5	3,308	2,935	12.7
as % of sales	73.9	74.7	76.7	70.8	74.7			48.3	40.0	
Employee Cost	388	370	423	264	353	-9.1	33.3	617	750	-17.8
as % of sales	9.3	7.4	7.7	10.6	8.1			9.0	10.2	
Other expenditure	317	454	625	280	405	27.8	44.4	2,391	2,882	-17.0
as % of sales	7.6	9.1	11.4	11.2	9.3			34.9	39.3	
EBITDA	383	436	230	185	342	-10.7	84.5	527	774	-31.9
Depreciation	79	81	81	72	73	-7.8	1.3	146	157	-7.0
EBIT	303	355	149	113	269	-11.4	137.7	382	618	-38.2
Other Income	20	25	29	71	70	254.0	-0.8	141	50	179.5
Interest	85	93	101	83	98	14.8	18.4	181	155	16.3
PBT	238	286	77	101	241	1.2	138.7	342	513	-33.4
Total Tax	112	75	16	26	61	-45.4	134.4	87	209	-58.3
Adjusted PAT	126	211	61	75	180	42.7	140.2	254	304	-16.4
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	126	211	61	75	180	42.7	140.2	254	304	-16.4
Extra ordinary items	0	0	0	0	0	0.0	0.0	0	0	0.0
Reported PAT	126	211	61	75	180	42.7	140.2	254	304	-16.4
Adjusted EPS	2	3	1	1	3	42.7	140.2	4	5	-16.4
						<i>bps</i>	<i>bps</i>			<i>bps</i>
EBIDTA	9.2	8.7	4.2	7.4	7.9	-130	45	7.7	10.5	-285
EBIT	7.3	7.1	2.7	4.5	6.2	-109	166	5.6	8.4	-284
EBT	5.7	5.7	1.4	4.0	5.5	-16	150	5.0	7.0	-200
PAT	3.0	4.2	1.1	3.0	4.1	112	114	3.7	4.1	-43
Effective Tax rate	47.1	26.1	20.3	25.8	25.4	-2168	-46	25.5	40.7	-1519

Source: Company, PL

Exhibit 2: Key Assumptions

Y/e March (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Order inflow	11,673	47,187	32,380	30,761	38,451	48,064
Revenues	16,466	17,547	18,849	17,915	27,299	31,023
Order book	30,740	60,380	74,620	87,466	98,619	1,15,659
Execution cycle (%)	35%	23%	20%	17%	22%	21%
Ob to sales (x)	1.9	3.4	4.0	4.9	3.6	3.7

Source: Company, PL

Concall Highlights

- Revenues for Q2FY21 grew by 4.1% YoY led by significant execution pickup across its project sites as labour availability increased.
 - Labour availability has risen to 80% pre covid levels vs 60% by Sep'20 end.
 - Management expects the labour availability to increase 100% pre covid level by Dec'20.
- Despite cost control initiatives & healthy execution, EBITDA margins came in at 7.9% vs 9.2% in 2QFY20 primarily due to provisions made of Rs50mn for receivables. Adjusting to this, EBITDA margins stands at 9% for the quarter.
 - Going forward, management expects such provisions to continue as uncertainty regarding pandemic continues.
 - On account of write back of Liabilities to the tune of Rs30mn, other income was higher at Rs70mn (up 254% YoY) during the quarter.
- The company secured projects worth ~Rs7.7bn taking its order book to Rs75.9bn (4.4x TTM revenues) as on 2QFY21. Order book comprises of Hospital segment (52%), Institutional Segment (24%), Commercial (7%), Residential (12%) and Infrastructure segment (5%) respectively.
 - The company has secured orders worth Rs12.4bn till date and is further L1 in order worth Rs5bn from Sion hospital project in Mumbai.
 - Despite healthy bid pipeline, management would be cautious on bidding and expects additional order inflows of Rs10bn for FY21E.
- In terms of working capital, management has seen significant improvement even in states such as Bihar and West Bengal as payments are being released.
- Gross debt stand continues to remain low at Rs440mn (same as 1Q) with healthy cash & cash equivalents of Rs2.2bn.
- Management continues to refrain from giving any guidance for FY21 considering the ongoing uncertainty due to Covid-19.
- The company incurred a capex of Rs87mn in 1HFY21 out of total plan outlay of Rs250-300mn.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	18,849	17,915	27,299	31,023
YoY gr. (%)	7.4	(5.0)	52.4	13.6
Cost of Goods Sold	9,047	8,241	12,830	14,581
Gross Profit	9,803	9,674	14,468	16,442
Margin (%)	52.0	54.0	53.0	53.0
Employee Cost	1,543	2,150	2,184	2,482
Other Expenses	1,693	1,254	1,911	2,172
EBITDA	1,530	1,612	3,139	3,568
YoY gr. (%)	(29.3)	5.4	94.7	13.6
Margin (%)	8.1	9.0	11.5	11.5
Depreciation and Amortization	319	316	417	485
EBIT	1,211	1,297	2,723	3,082
Margin (%)	6.4	7.2	10.0	9.9
Net Interest	350	419	428	460
Other Income	104	166	154	142
Profit Before Tax	966	1,044	2,449	2,765
Margin (%)	5.1	5.8	9.0	8.9
Total Tax	322	261	612	691
Effective tax rate (%)	33.3	25.0	25.0	25.0
Profit after tax	644	783	1,837	2,074
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	644	783	1,837	2,074
YoY gr. (%)	(45.1)	21.5	134.6	12.9
Margin (%)	3.4	4.4	6.7	6.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	644	783	1,837	2,074
YoY gr. (%)	(45.1)	21.5	134.6	12.9
Margin (%)	3.4	4.4	6.7	6.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	644	783	1,837	2,074
Equity Shares O/s (m)	67	67	67	67
EPS (Rs)	9.6	11.7	27.4	31.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	2,005	2,255	2,555	2,855
Tangibles	2,005	2,255	2,555	2,855
Intangibles	-	-	-	-
Acc: Dep / Amortization	931	1,247	1,663	2,149
Tangibles	931	1,247	1,663	2,149
Intangibles	-	-	-	-
Net fixed assets	1,074	1,009	892	707
Tangibles	1,074	1,009	892	707
Intangibles	-	-	-	-
Capital Work In Progress	12	12	12	12
Goodwill	-	-	-	-
Non-Current Investments	1,502	1,547	1,457	1,506
Net Deferred tax assets	236	236	236	236
Other Non-Current Assets	882	948	1,128	1,331
Current Assets				
Investments	-	-	-	-
Inventories	2,208	2,454	3,740	4,250
Trade receivables	5,973	7,362	8,227	9,350
Cash & Bank Balance	2,439	2,268	2,985	3,347
Other Current Assets	3,152	3,319	3,385	3,728
Total Assets	17,364	19,146	22,097	24,550
Equity				
Equity Share Capital	134	134	134	134
Other Equity	7,906	8,674	10,474	12,506
Total Networkth	8,040	8,807	10,608	12,640
Non-Current Liabilities				
Long Term borrowings	446	446	446	446
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	465	465	465	465
Trade payables	5,231	5,399	5,983	5,950
Other current liabilities	3,418	4,265	4,831	5,285
Total Equity & Liabilities	17,364	19,146	22,097	24,550

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	966	1,044	2,449	2,765
Add. Depreciation	319	316	417	485
Add. Interest	350	419	428	460
Less Financial Other Income	104	166	154	142
Add. Other	-	-	-	-
Op. profit before WC changes	1,635	1,778	3,294	3,710
Net Changes-WC	(358)	(1,003)	(1,199)	(1,856)
Direct tax	(322)	(261)	(612)	(691)
Net cash from Op. activities	955	514	1,482	1,163
Capital expenditures	(613)	(250)	(300)	(300)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(613)	(250)	(300)	(300)
Issue of share cap. / premium	-	-	-	-
Debt changes	300	-	-	-
Dividend paid	(16)	(16)	(37)	(41)
Interest paid	(350)	(419)	(428)	(460)
Others	(1)	-	-	-
Net cash from Fin. activities	(67)	(435)	(465)	(501)
Net change in cash	275	(170)	717	361
Free Cash Flow	605	264	1,182	863

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	4,980	5,492	2,498	4,345
YoY gr. (%)	19.0	14.4	(21.1)	4.1
Raw Material Expenses	-	-	-	-
Gross Profit	4,980	5,492	2,498	4,345
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	436	230	185	342
YoY gr. (%)	(12.2)	(59.5)	(52.7)	(10.7)
Margin (%)	8.7	4.2	7.4	7.9
Depreciation / Depletion	81	81	72	73
EBIT	355	149	113	269
Margin (%)	7.1	2.7	4.5	6.2
Net Interest	93	101	83	98
Other Income	25	29	71	70
Profit before Tax	286	77	101	243
Margin (%)	5.7	1.4	4.0	5.6
Total Tax	75	16	26	61
Effective tax rate (%)	26.1	20.3	25.8	25.1
Profit after Tax	211	61	75	182
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	211	61	75	180
YoY gr. (%)	(21.6)	(80.3)	(58.1)	42.7
Margin (%)	4.2	1.1	3.0	4.1
Extra Ord. Income / (Exp)	-	-	-	3
Reported PAT	211	61	75	182
YoY gr. (%)	(21.6)	(80.3)	(58.1)	44.7
Margin (%)	4.2	1.1	3.0	4.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	211	61	75	182
Avg. Shares O/s (m)	67	67	67	67
EPS (Rs)	3.2	0.9	1.1	2.7

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	9.6	11.7	27.4	31.0
CEPS	14.4	16.4	33.6	38.2
BVPS	120.0	131.5	158.4	188.7
FCF	9.0	3.9	17.6	12.9
DPS	0.2	0.2	0.5	0.6
Return Ratio(%)				
RoCE	14.3	13.9	25.6	24.6
ROIC	13.4	13.8	26.8	25.2
RoE	8.4	9.3	18.9	17.8
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	56	77	66	77
Valuation(x)				
PER	24.6	20.3	8.6	7.7
P/B	2.0	1.8	1.5	1.3
P/CEPS	16.5	14.5	7.0	6.2
EV/EBITDA	9.4	9.0	4.4	3.8
EV/Sales	0.8	0.8	0.5	0.4
Dividend Yield (%)	0.1	0.1	0.2	0.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-20	BUY	288	231
2	14-Aug-20	BUY	288	244
3	07-Jul-20	BUY	264	215
4	01-Jul-20	BUY	264	211
5	07-Apr-20	Accumulate	264	142
6	14-Feb-20	Accumulate	296	328
7	10-Jan-20	Accumulate	283	295
8	03-Jan-20	Accumulate	283	284
9	23-Dec-19	Accumulate	283	280

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	880	894
2	Ahluwalia Contracts (India)	BUY	288	231
3	Ashoka Buildcon	BUY	147	69
4	Bharat Electronics	Hold	99	94
5	BHEL	Hold	34	28
6	Capacite's Infraprojects	BUY	162	144
7	Container Corporation of India	BUY	468	378
8	Cummins India	Accumulate	472	434
9	Engineers India	BUY	104	64
10	GE T&D India	Hold	86	86
11	H.G. Infra Engineering	BUY	259	186
12	IRB Infrastructure Developers	BUY	152	109
13	ITD Cementation India	BUY	67	50
14	J.Kumar Infraprojects	BUY	176	105
15	Kalpataru Power Transmission	BUY	296	251
16	KEC International	Accumulate	339	338
17	KNR Constructions	BUY	336	255
18	Larsen & Toubro	BUY	1,284	935
19	NCC	BUY	83	36
20	PNC Infratech	BUY	219	167
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	48
23	Siemens	BUY	1,402	1,275
24	Thermax	Accumulate	798	790
25	Triveni Turbine	BUY	85	69
26	Voltamp Transformers	BUY	1,283	1,032

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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