

Ahluwalia Contracts

Significant beat on execution

Ahluwalia (AHLU) surprised positively on execution front (~5x our estimate), despite the shortage of labour and considerable restriction on operation in projects within city limits, as it focused on off-site execution. While revenue declined by 38/55% YoY/QoQ, APAT declined by 78%/50% YoY/QoQ. Labour availability has improved to 40% from 20% at one point of time during the lockdown. Besides, AHLU won new orders worth Rs 3bn during the quarter, taking the order book to Rs 75bn. Gross debt decreased to Rs 430mn from Rs 520mn at FY20 end. With cash balance at Rs 1.8bn, AHLU remains a net cash company. We maintain BUY on AHLU and roll forward our valuation to June-22E with target price of Rs 286 (10x June-22E EPS).

- **Strong execution leads to significant beat:** Ahluwalia reported 1QFY21 revenue at Rs 2.5bn, nearly 5x our estimate and down 38%/55% YoY/QoQ, as the company focused on off-site execution of structural framework of some of the projects. While it focused on reducing overhead expenses, EBITDA declined by 61%/19% YoY/QoQ. Adjusting for Rs 55mn of impairment and Rs 33mn write-back of liabilities, APAT came in at Rs 93mn (down 78%/50% YoY/QoQ) against our estimated loss of Rs 396mn. The company expects additional impairment of Rs 120-150mn in the next two quarters.
- **Labour shortage and cash crunch at client-side could impact execution:** Labour availability has improved to 40% from the lows 20% during the lockdown and sites are operating at 45% of capacity currently. Management expects labour shortage to continue for next 3-4 months which would impact execution in the near term. In the medium term, execution could slow down if payments from clients start getting delayed.
- **Order book remains robust at Rs ~75bn:** AHLU has won a new order worth Rs 2.9bn during 1QFY21 for construction of a hospital. Basis management commentary, the hospital segment could see ordering of Rs 70-80bn in the near term. Tendering in other segments have also been healthy. However, AHLU would bid only where there is reasonable certainty of cash flow and where it is already present. Order book now stands at Rs 75 bn, of which 48% is from the hospital segment, and 25% from institutional.
- **Net cash status provides significant comfort:** With gross debt of Rs 430mn and cash balance of Rs 1.8bn, AHLU remains a net cash company. The company incurred Capex of Rs 30mn during the quarter and has pegged Rs 100-150mn of additional Capex for the remainder of the year. With Capex intensity continuing to remain low, we expect AHLU to remain a net cash company over FY21-22E.

Quarterly/Annual Financial summary

YE March (Rs mn)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)	FY20E	FY21E	FY22E	FY23E
Net Sales	2,498	4,040	(38.2)	5,492	(54.5)	18,849	13,646	21,715	27,641
EBITDA	185	476	(61.1)	230	(19.4)	1,530	1,018	2,866	3,649
APAT	93	436	(78.5)	188	(50.4)	790	310	1,690	2,251
Diluted EPS (Rs)	1.4	6.5	(78.5)	2.8	(50.4)	11.8	4.6	25.2	33.6
P/E (x)						20.6	52.4	9.6	7.2
EV / EBITDA (x)						9.9	14.9	5.1	3.8
RoE (%)						10.3	3.8	18.3	20.2

Source: Company, HSIE Research, Standalone financials

BUY

CMP (as on 14 Aug 2020)	Rs 243
Target Price	Rs 286
NIFTY	11,178

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 265	Rs 286
EPS %	FY21E	FY22E
	-	-

KEY STOCK DATA

Bloomberg code	AHLU IN
No. of Shares (mn)	67
MCap (Rs bn) / (\$ mn)	16/219
6m avg traded value (Rs mn)	8
52 Week high / low	Rs 370/136

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	40.1	(24.7)	(11.8)
Relative (%)	18.4	(16.5)	(13.3)

SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	58.00	58.00
FIs & Local MFs	23.28	23.13
FPIs	15.52	15.06
Public & Others	3.20	3.81
Pledged Shares	23.68	23.68

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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