

Accumulate

View: Weak quarter; Downgrade to Accumulate

- ACIL reported revenue above estimates however EBITDA margins and PAT much below estimates.
- ACIL posted 7.7%/ -27.3%/ -30.3% YoY growth in revenue/ EBITDA/ APAT to Rs5.4 bn/ Rs317 mn/ Rs147 mn in Q3FY21.
- We broadly maintain our revenue and decrease EBITDA margins for FY21E factoring 9MFY21 results. Accordingly, we downgrade APAT estimates by 21.4% for FY21E. We broadly maintain our FY22E/ FY23 estimates. We estimate 8.7%/ 34.2% revenue/ APAT CAGR over FY20-23E.
- ACIL should remain a net cash company, with an average RoCE/ RoE of 15.5%/ 11.6% over FY20-23E. Though company has a sizeable orderbook and revenue visibility with 100% labour available, the stock has increased 30% since our result update note dated 18 Nov'20. Thus, we downgrade to Accumulate with a revised TP of Rs326 (14x FY23E EPS).

Contraction in EBITDA margin due to write off/ higher input costs

ACIL has written off Rs420 mn/ Rs137.6 mn in FY20/ 9MFY21 resulting in 422 bps/ 282 bps YoY contraction in EBITDA margin to 8.1%/ 6.9%. Adjusting the write off, EBITDA margin is lower by 199 bps/ 169 bps YoY to 10.3%/ 8.0%. Management expects Q4FY21 to be the last quarter for write off of Rs60 mn.

Order book at 4.6x (TTM revenue)

ACIL received fresh orders worth Rs32.4 bn/ Rs20.86 bn during FY20/ YTD FY21. With comfortable orderbook, management is less hungry for order inflows and has bid for only projects worth Rs21 bn. The current order book (Rs81.7 bn), provides revenue visibility for 4.6x TTM revenue. Government orders contribute 81% vs. 80% (FY20) v/s 32% (FY14). We maintain our order inflow estimates of Rs30 bn/ Rs30 bn for FY22E/ FY23E.

Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	5,361	4,980	7.7	4,345	23.4
Total Expense	5,044	4,544	11.0	4,003	26.0
EBITDA	317	436	(27.3)	342	(7.3)
Depreciation	76	81	(6.6)	73	3.7
EBIT	241	355	(32.0)	269	(10.3)
Other Income	48	25	90.7	70	(31.7)
Interest	90	93	(3.9)	98	(8.3)
EBT	199	286	(30.5)	241	(17.3)
Tax	52	75	(30.9)	61	(15.4)
RPAT	147	211	(30.3)	180	(18.0)
APAT	147	211	(30.3)	180	(18.0)
			(bps)		(bps)
Gross Margin (%)	17.5	20.8	(331)	18.7	(122)
EBITDA Margin (%)	5.9	8.7	(284)	7.9	(196)
NPM (%)	2.7	4.2	(150)	4.1	(139)
Tax Rate (%)	26.0	26.1	(15)	25.4	60
EBIT Margin (%)	4.5	7.1	(262)	6.2	(169)

CMP	Rs 307
Target / Upside	Rs 326 / 6%
NIFTY	15,163

Scrip Details

Equity / FV	Rs 134mn / Rs 2
Market Cap	Rs 21bn
	USD 284mn
52-week High/Low	Rs 370/ 136
Avg. Volume (no)	1,11,373
Bloom Code	AHLU IN

Price Performance	1M	3M	12M
Absolute (%)	12	33	(6)
Rel to NIFTY (%)	7	15	(30)

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	58.0	58.0	58.0
MF/Banks/FIs	23.5	24.6	25.9
FIIs	15.1	13.0	11.6
Public / Others	3.5	4.5	4.5

Valuation (x)

	FY21E	FY22E	FY23E
P/E	35.3	17.3	13.2
EV/EBITDA	14.8	8.2	6.3
ROE (%)	7.0	13.0	14.8
RoACE (%)	11.2	17.0	18.2

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	18,142	21,039	24,191
EBITDA	1,251	2,212	2,771
PAT	583	1,193	1,557
EPS (Rs.)	8.7	17.8	23.3

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Exhibit 1: Actual V/s DART estimates (Rs mn)

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	5,361	5,030	6.6	Led by better execution
EBITDA (Rs mn)	317	461	(31.2)	-
EBITDA%	5.9	9.2	(325)	Higher construction and employee cost
PAT (Rs mn)	147	231	(36.3)	Due to poor operating performance

Source: Company, DART

Exhibit 2: Change in estimates – Downgrade FY21E and broadly maintain FY22E/ FY23E estimates

(Rs mn)	FY21E			FY22E			FY23E		
	New	Old	% change	New	Old	% change	New	Old	%change
Net revenues	18,142	17,505	3.6	21,039	20,352	3.4	24,191	23,411	3.3
EBIDTA	1,251	1,562	(19.9)	2,212	2,442	(9.4)	2,771	2,814	(1.5)
EBIDTA margin (%)	6.9	8.9	(203) bps	10.5	12.0	(149) bps	11.5	12.0	(57) bps
Adj. Net Profit	583	742	(21.4)	1,193	1,292	(7.7)	1,557	1,504	3.5
EPS (Rs)	8.7	11.1	(21.4)	17.8	19.3	(7.7)	23.3	22.5	3.5

Source: DART, Company

Key earnings takeaways

- Labour at pre covid levels but productivity not yet at 100%.
- Bid pipeline is robust and company has bid for Rs21 bn worth of projects. These include NBCC project in Delhi and Patna project both worth Rs10 bn each and few Mumbai projects. Lot of activity witnessed in hospital and commercial real estate in Gurgaon, Mumbai and Pune. Don't expect major inflows in Q4FY21E and guided for Rs20 bn for FY22E.
- Company is hopeful to match FY21E revenue to FY20 levels and grow 15% in FY22E with EBITDA margins of 10-11%/ 11-12% in FY22E/ FY23E. Small issues like farmer agitation and NGT continue to come up and hamper execution.
- EBITDA margins impacted due to rise in raw material prices like steel and provisions of Rs85 mn. ~80-85% of order book is pass through however, government project reimbursement is bases on indexes and generally there is a lag of 1-1.5 month. Company is not clear as to how much will be compensated. Private projects compensate to the extent of the rise in cost whereas government projects compensate on the basis of index.
- Company had procured 10,000 tons of steel in Oct-Nov'20 at Rs36 and touched Rs60 in Dec'20. However, steel prices have started to soften a bit by Rs4-5.
- Total of Rs137.6 mn provisions are done in 9MFY21 and expect Rs60 mn additional in Q4FY21. This will be the last provision done by the company. Ahluwalia is cleaning up the balance sheet as advised by the auditor. 80% of the provisions done are before 4-5 years old and all are for private contracts.
- No payment issues as such and no slow moving projects. Private projects picking up speed.
- AIIMS Jammu revenue has started and Rs250 mn billing was done last month, expect Rs400 mn billing per month from Apr'21. Auditorium project will complete by Oct'21. Mohammadpur project has picked up pace and doing Rs40-50mn per month. 2 hospital projects in HP designing is underway and company has broken grounds. Kalyani and Nagpur AIIMS to be completed by Jun'21. Central Vista 50% work is done and currently doing

Rs400 mn billing per month and company is likely to hand over in 3 months. Sion project work will commence in 1 month and Nalanda & Sapra will be completed by Sept'21. Haryana project currently billing Rs150 mn per month.

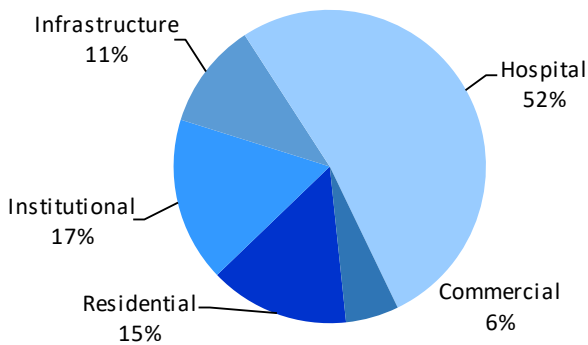
- Capex of Rs190 mn done in 9MFY21 and expect Rs70-80 mn capex in Q4FY21E. Expect FY22E to be lower than FY21E. Current employee run rate will continue for next quarters.
- Outstanding Debtors which are under litigation and after provisions are made stood at Rs1.03 bn.
- Mobilization advance/ Retention money/ Unbilled revenue stood at Rs2.95 bn/ Rs1.78 bn/ Rs2.43 bn and Gross Debt/ Cash stood at Rs320 mn/ Rs2.01 bn as on Dec'20. Debtors (excl. retention)/ Inventory (excl. retention)/ Creditors stood at Rs5.08 bn/ Rs2.08 bn/ Rs5.36 bn.
- Arbitration proceedings are delayed since one year which are expected to pick up. Expect company to receive award in FY22E. Arbitration claim of Rs500 mn are in favour of Ahluwalia and are currently in High court.
- Ahluwalia sold 1 flat for a value of Rs14.8 mn and unsold inventory stands at Rs460 mn.

Exhibit 3: Income statement (Standalone)

Particulars (Rs mn)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	9MFY21	9MFY20	YoY (%)
Revenue	5,361	4,980	7.7	4,345	23.4	12,205	13,357	(8.6)
Material consumed	2,511	2,451	2.4	2,100	19.6	5,820	6,332	(8.1)
Operating exp	334	225	48.4	287	16.4	786	686	14.6
Employees cost	443	370	19.5	353	25.6	1,060	1,121	(5.4)
Sub contract exp	1,579	1,268	24.5	1,145	37.9	3,284	3,536	(7.1)
Other expenditure	177	229	(22.6)	118	50.4	411	382	7.6
Total expenditure	5,044	4,544	11.0	4,003	26.0	11,361	12,057	(5.8)
EBITDA	317	436	(27.3)	342	(7.3)	844	1,300	(35.1)
Depreciation	76	81	(6.6)	73	3.7	221	238	(6.9)
Operating profit	241	355	(32.0)	269	(10.3)	623	1,063	(41.4)
Other income	48	25	90.7	70	(31.7)	188	75	150.0
EBIT	289	380	(23.9)	339	(14.7)	811	1,138	(28.7)
Interest	90	93	(3.9)	98	(8.3)	270	249	8.7
EBT	199	286	(30.5)	241	(17.3)	541	889	(39.2)
Tax	52	75	(30.9)	61	(15.4)	139	306	(54.6)
Net income	147	211	(30.3)	180	(18.0)	402	583	(31.1)
EPS (Rs)	2.2	3.2	(30.3)	2.7	(18.0)	6.0	8.7	(31.1)
			bps		bps			bps
EBIDTA Margin (Excl. O.I.)	5.9	8.7	(284)	7.9	(196)	6.9	9.7	(282)
EBIDTA Margin (Incl. O.I.)	6.8	9.3	(245)	9.5	(268)	8.5	10.3	(184)
NPM (%)	2.7	4.2	(150)	4.1	(135)	3.2	4.3	(110)
Tax/PBT (%)	26.0	26.1	(15)	25.4	60	25.7	34.4	(873)
Material cons/Revenue (%)	82.5	79.2	331	81.3	122	81.0	79.0	202

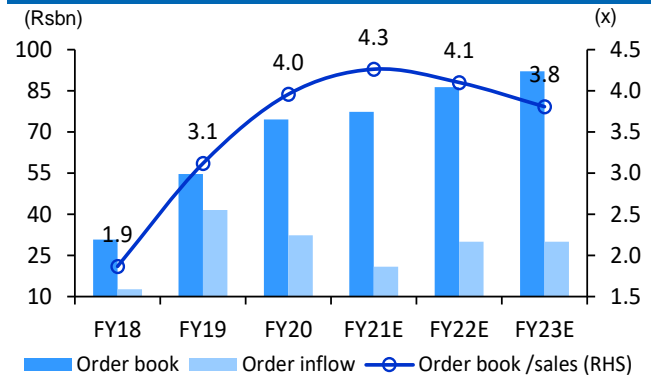
Source: DART, Company

Exhibit 4: Rs81.7 bn order book break up



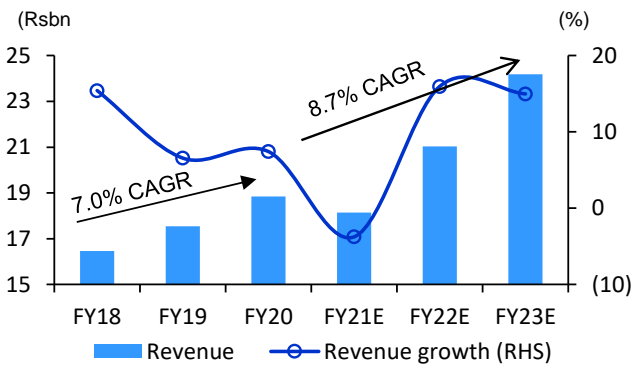
Source: Company, DART

Exhibit 5: Order book trend (Standalone)



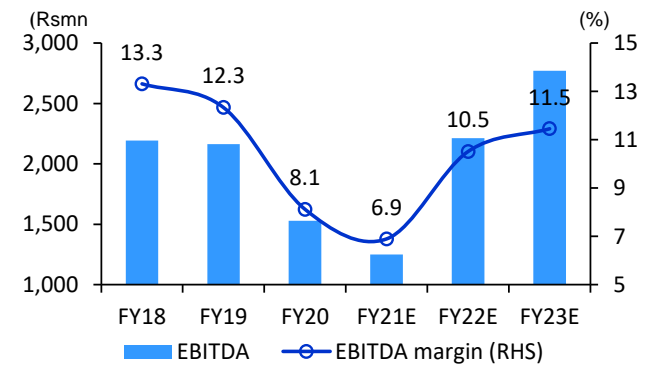
Source: Company, DART

Exhibit 6: Revenue CAGR of 8.7% over FY20-23E



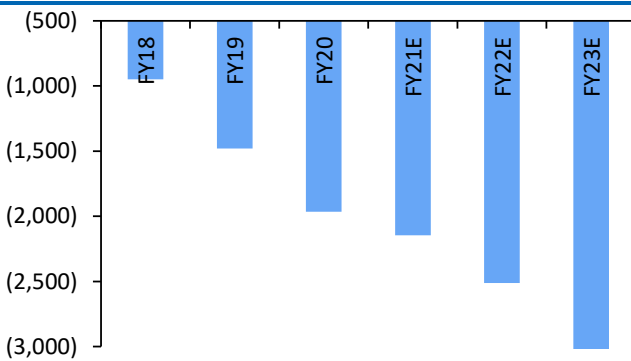
Source: Company, DART

Exhibit 7: EBITDA Margin trend



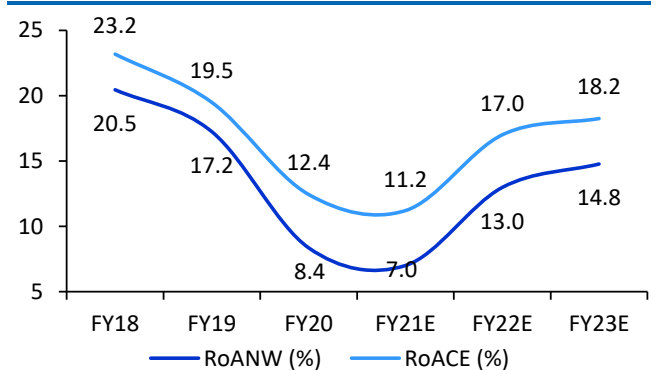
Source: Company, DART

Exhibit 8: Net Debt free company (Rs mn)



Source: Company, DART

Exhibit 9: Return Ratio Trend



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	18,849	18,142	21,039	24,191
Total Expense	17,319	16,891	18,827	21,420
COGS	15,038	14,641	16,200	18,530
Employees Cost	1,543	1,512	1,815	1,996
Other expenses	738	738	812	893
EBIDTA	1,530	1,251	2,212	2,771
Depreciation	319	306	368	435
EBIT	1,211	945	1,844	2,337
Interest	350	370	400	410
Other Income	104	209	160	168
Exc. / E.O. items	0	0	0	0
EBT	966	784	1,604	2,094
Tax	322	201	411	537
RPAT	644	583	1,193	1,557
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	644	583	1,193	1,557

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	134	134	134	134
Minority Interest	0	0	0	0
Reserves & Surplus	7,906	8,469	9,642	11,179
Net Worth	8,040	8,603	9,776	11,313
Total Debt	474	350	450	450
Net Deferred Tax Liability	(236)	(227)	(218)	(209)
Total Capital Employed	8,278	8,726	10,008	11,554

Applications of Funds

Net Block	2,208	2,152	2,484	2,749
CWIP	2	2	2	2
Investments	63	63	63	63
Current Assets, Loans & Advances	15,092	15,413	17,084	19,633
Inventories	2,208	2,196	2,448	2,785
Receivables	5,973	6,205	7,048	8,104
Cash and Bank Balances	2,439	2,495	2,962	3,507
Loans and Advances	0	0	0	0
Other Current Assets	4,472	4,517	4,626	5,237
Less: Current Liabilities & Provisions	9,083	8,903	9,624	10,893
Payables	5,231	5,236	5,554	6,319
Other Current Liabilities	3,852	3,667	4,070	4,574
	<i>sub total</i>			
Net Current Assets	6,009	6,510	7,459	8,740
Total Assets	8,282	8,726	10,008	11,554

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	20.2	19.3	23.0	23.4
EBIDTA Margin	8.1	6.9	10.5	11.5
EBIT Margin	6.4	5.2	8.8	9.7
Tax rate	33.3	25.6	25.6	25.6
Net Profit Margin	3.4	3.2	5.7	6.4
(B) As Percentage of Net Sales (%)				
COGS	79.8	80.7	77.0	76.6
Employee	8.2	8.3	8.6	8.3
Other	3.9	4.1	3.9	3.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.0	0.0	0.0
Interest Coverage	3.5	2.6	4.6	5.7
Inventory days	43	44	42	42
Debtors days	116	125	122	122
Average Cost of Debt	64.5	89.8	100.0	91.1
Payable days	101	105	96	95
Working Capital days	116	131	129	132
FA T/O	8.5	8.4	8.5	8.8
(D) Measures of Investment				
AEPS (Rs)	9.6	8.7	17.8	23.3
CEPS (Rs)	14.4	13.3	23.3	29.7
DPS (Rs)	0.4	0.3	0.3	0.3
Dividend Payout (%)	3.8	3.4	1.7	1.3
BVPS (Rs)	120.0	128.4	145.9	168.9
RoANW (%)	8.4	7.0	13.0	14.8
RoACE (%)	12.4	11.2	17.0	18.2
RoAIC (%)	17.4	15.8	24.0	26.1
(E) Valuation Ratios				
CMP (Rs)	307	307	307	307
P/E	32.0	35.3	17.3	13.2
Mcap (Rs Mn)	20,595	20,595	20,595	20,595
MCap/ Sales	1.1	1.1	1.0	0.9
EV	18,631	18,450	18,083	17,538
EV/Sales	1.0	1.0	0.9	0.7
EV/EBITDA	12.2	14.8	8.2	6.3
P/BV	2.6	2.4	2.1	1.8
Dividend Yield (%)	0.1	0.1	0.1	0.1
(F) Growth Rate (%)				
Revenue	7.4	(3.8)	16.0	15.0
EBITDA	(29.3)	(18.3)	76.9	25.3
EBIT	(35.9)	(22.0)	95.2	26.7
PBT	(46.2)	(18.9)	104.6	30.6
APAT	(45.1)	(9.5)	104.6	30.6
EPS	(45.1)	(9.5)	104.6	30.6

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	1,097	612	1,327	1,507
CFI	(386)	(41)	(540)	(532)
CFE	(364)	(514)	(320)	(430)
FCFF	734	362	627	807
Opening Cash	2,092	2,439	2,495	2,962
Closing Cash	2,439	2,495	2,962	3,507

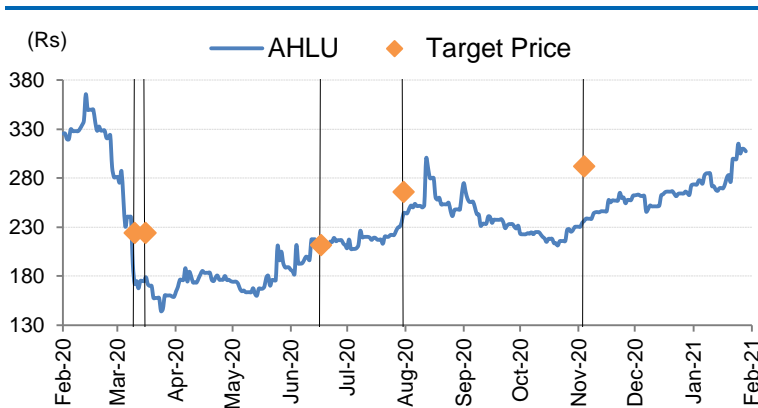
E – Estimates

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.)
Mar-20	Accumulate	224	172
Mar-20	Buy	224	179
Jul-20	Reduce	212	210
Aug-20	Accumulate	266	244
Nov-20	Buy	292	236

*Price as on recommendation date

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