

Aug 16, 2022

RESULT UPDATET Q1 FY23 | Sector: Infrastructure

Ahluwalia Contracts (India) Ltd

Strong guidance

Our view

Ahluwalia Contracts (AHLU) reported revenue of Rs6.1bn (our estimate Rs7bn) while EBITDAM came at 9.9% (below our estimates at 11.5%) on account of input cost pressure. Margin is expected to improve from 2HFY23 with softening of commodity prices and better project execution. During 1QFY23, the company has bagged projects worth Rs28.6bn taking its order book to Rs82bn (3x TTM revenue) thereby providing revenue visibility for next 3 years. Further with strong tender pipeline of Rs50bn already bided / planning to bid, management expects healthy order inflow of Rs40bn in FY23E. Going forward management plans to increase the share in private sector from 19% in 1Q. For FY23E, management has given strong revenue guidance in the range of 15-20% with EBITDAM of 12%.

We remain positive on AHLU from a long-term perspective given its 1) sound business strategy, 2) prudent selection of orders (state and central), 3) focus on asset light business model, 4) better working capital management. On the back of a) strong order inflow, b) healthy order book, c) RM prices stabilizing, and d) strong guidance given from the management we expect revenues/PAT CAGR of 15%/29% over FY22-24E. However due to the recent run-up in the stock price we have revised our rating to 'NEUTRAL' with a TP of Rs466 valuing the stock at 12x FY24E EPS.

Result Highlights

- For Q1FY23, AHLU's revenues grew by 5% YoY to Rs6.1bn (below our and street estimate of Rs7.0bn / Rs7.1bn), as execution witnessed slowdown.
- EBITDA reported at ~Rs606mn with EBITDAM witnessing an contraction of 47bps YoY to 9.9% (below YSec estimate of 11.5%). Margins were impacted on account of higher RM cost & subcontracting expenses
- Adj PAT grew 8.6% YoY to Rs378mn (below our and street estimate of Rs489mn/ Rs431mn), due to decline lower operating margin
- At the CMP, the stock trades at a P/E of 14.3x and 11.6x its FY23E & FY24E earnings.

Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	6,092	6,999	7,069	(13.0)	(13.8)	Muted revenue; margins contracted on account of higher RM prices
EBITDA	606	805	669	(24.7)	(9.4)	
EBITDA margin %	9.9	11.5	9.5	(156 bps)	48 bps	
Adj.Pat	378	489	431	(22.8)	(12.3)	

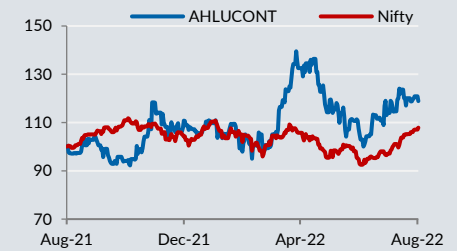
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 452
Target Price	: Rs 466
Potential Return	: 3%

Stock data (as on Aug 16, 2022)

Nifty	17,825
52 Week h/l (Rs)	564 / 346
Market cap (Rs/USD mn)	30185 / 379
Outstanding Shares (mn)	67
6m Avg t/o (Rs mn):	22
Div yield (%):	0.1
Bloomberg code:	AHLU IN
NSE code:	AHLUCONT

Stock performance



	1M	3M	1Y
Absolute return	3.8%	-0.8%	18.1%

Shareholding pattern (As of June'22 end)

Promoter	55.3%
FII+DII	39.8%
Others	4.9%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	ADD
Target Price	466	466

Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Revenues	26,925	30,430	35,556
Yoy growth (%)	35.8	13.0	16.8
OPM (%)	9.5	11.5	12.0
EPS (Rs)	23.2	31.7	38.8
EPS growth	101.0	36.9	22.4
P/E (x)	19.5	14.3	11.6
EV/EBITDA (x)	10.3	7.5	5.9
Debt/Equity (x)	0.1	0.1	0.0
RoE (%)	16.0	18.6	18.9
RoCE (%)	15.6	18.1	18.3

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Exhibit 2: Quarterly snapshot (Standalone)

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)	FY22	FY21	YoY (%)
Revenue	5,801	6,980	6,835	7,309	6,092	5.0	-16.6	26,925	19,822	35.8
Total Revenues	5,801	6,980	6,835	7,309	6,092	5.0	-16.6	26,925	19,822	35.8
Expenditure	5,197	6,349	6,141	6,673	5,487	5.6	-17.8	24,359	18,279	33.3
as % of sales	89.6	91.0	89.8	91.3	90.1			90.5	92.2	
Consumption of RM	4,313	5,322	5,252	5,783	4,559	5.7	-21.2	20,669	14,757	40.1
as % of sales	74.3	76.2	76.8	79.1	74.8			76.8	74.4	
Employee Cost	439	497	492	451	457	4.2	1.4	1,879	1,534	22.4
as % of sales	7.6	7.1	7.2	6.2	7.5			7.0	7.7	
Other expenditure	446	530	397	438	470	5.5	7.3	1,811	1,988	-8.9
as % of sales	7.7	7.6	5.8	6.0	7.7			6.7	10.0	
EBITDA	604	631	695	636	606	0.3	-4.7	2,566	1,542	66.4
Depreciation	83	84	85	83	86	3.0	3.3	336	304	10.3
EBIT	521	547	609	553	520	-0.1	-5.9	2,230	1,238	80.1
Other Income	59	69	50	113	72	22.7	-36.5	291	223	30.5
Interest	115	117	106	100	78	-32.3	-22.1	437	426	2.7
PBT	465	499	553	567	515	10.7	-9.2	2,084	1,035	101.3
Total Tax	117	142	130	143	137	16.9	-4.5	569	263	116.6
Adjusted PAT	348	358	423	424	378	8.6	-10.8	1,515	772	96.1
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	348	358	423	424	378	8.6	-10.8	1,515	772	96.1
Extra ordinary items	0	0	0	0	0	0.0	0.0	0	0	0.0
Reported PAT	348	358	423	424	378	8.6	-10.8	1,515	772	96.1
Adjusted EPS	5.2	5.3	6.3	6.3	5.6	8.6	-10.8	22.6	11.5	96.1
Margins (%)										
EBIDTA	10.4	9.0	10.2	8.7	9.9	-47	124	9.5	7.8	175
EBIT	9.0	7.8	8.9	7.6	8.5	-44	97	8.3	6.2	204
EBT	8.0	7.2	8.1	7.8	8.4	43	69	7.7	5.2	252
PAT	6.0	5.1	6.2	5.8	6.2	20	41	5.6	3.9	173
Effective Tax rate	25.2	28.3	23.5	25.3	26.6	142	130	27.3	25.4	192

Source: Company, YES Sec

Exhibit 3: Key Assumptions

Rs mn	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Order inflow	11,673	47,089	32,053	23,204	9,625	17,324	25,467
Revenues	16,466	17,547	18,849	19,822	26,925	30,430	35,556
Order book	30,740	60,380	74,620	76,050	58,750	45,645	35,556
Execution cycle (%)	35%	23%	20%	20%	31%	40%	50%
Ob to sales (x)	1.9	3.4	4.0	3.8	2.2	1.5	1.0

Source: Company, YES Sec

KEY CONCALL HIGHLIGHTS

- Management indicated that with significant amount of orders bagged in 1Q (Rs28.6bn) the company will be cautious in bidding orders which are margin lucrative. Company has a strong bid pipeline of Rs50bn (30% from Private share)
- Management expects order inflow of Rs40bn in FY23E. The company bagged orders worth Rs28.6bn (19% from private sector)
- Company reported revenue growth of merely 5% to Rs6.1bn as a lot of EPC projects were in the initial stage. Execution is expected to gain traction from 2HFY23E.
- Execution status: a)Chamba project - well on track and is expected to be completed by 1QFY24, b) Hamipur hospital - expected to be completed by May'23, c) slowdown poultry market – execution has picked up d) Jammu AIMS hospital – expected to be completed by Sept-Oct'23.
- Order book stands comfortable at Rs82bn (3x TTM revenues) as on 1QFY23 comprising of Hospital-33%, Institutions-35%, Residential - 14%, Commercial-9%, Infrastructure - 8% and Hotels – 2%.
- Region wise breakup: - East – 37%, North – 35%, West – 19%, South – 5% and international – 5%
- The company has been L1 for projects worth Rs7.9bn (Mandale MMRDA depot- Rs700mn and Tata Memorial hospital in Mumbai – Rs7.2bn).
- Gross Debt stands at Rs119mn with Mobilization advance / Retention money/ unbilled revenue stood at Rs 1.7bn/ Rs1.7 bn/ Rs3.3 bn as on 1Q.
- Outlook: Management has guided revenue growth of 15-20% and with commodity prices stabilizing, management expects EBITDA margins in the range of 12-13%
- On capex front, company has spent Rs122mn in 1Q.

FINANCIALS

Exhibit 4: Balance Sheet (Standalone)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Sources of Funds					
Equity capital	134	134	134	134	134
Reserves	7,906	8,666	10,231	12,357	14,959
Non Minority Controlling Int.	0	0	0	0	0
Net worth	8,040	8,800	10,365	12,491	15,093
Debt	911	677	539	639	739
Deferred tax liab (net)	(236)	(231)	(264)	(264)	(264)
Total liabilities	8,715	9,246	10,640	12,866	15,568
Application of Funds					
Gross Block	2,005	2,388	2,671	3,171	3,671
Depreciation	931	1,187	1,522	1,919	2,378
Fixed Asset	1,084	1,213	1,164	1,264	1,305
CWIP	2	4	1	1	1
Investments	1,186	1,145	1,125	1,125	1,125
Net Working Capital	6,443	6,884	8,351	10,476	13,137
Inventories	2,208	2,972	2,420	2,918	3,409
Sundry debtors	5,973	4,349	4,871	5,836	6,819
Cash & equivalents	2,439	4,175	4,333	4,776	5,979
Loans & Advances	439	497	373	520	629
Other Current Asset	4,034	6,031	5,921	7,333	8,874
Sundry creditors	5,231	6,402	6,194	7,086	8,280
Provisions	93	83	90	90	90
Other current liabilities	3,325	4,654	3,284	3,731	4,203
Total Assets	8,715	9,246	10,640	12,866	15,568

Source: Company, YES Sec

Exhibit 5: Income statement (Standalone)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue	18,849	19,822	26,925	30,430	35,556
% Change YoY	7.4	5.2	35.8	13.0	16.8
Operating profit	1,530	1,542	2,566	3,499	4,267
EBITDA margins	8.1	7.8	9.5	11.5	12.0
% Change YoY	(29.3)	0.8	66.4	36.4	21.9
Depreciation	319	304	336	396	459
EBIT	1,211	1,238	2,230	3,103	3,808
EBIT margins	6.4	6.2	8.3	10.2	10.7
Interest expense	350	426	437	511	591
Other income	104	223	291	248	259
Profit before tax	966	1,035	2,084	2,839	3,475
Taxes	322	263	532	713	873
<i>Effective tax rate (%)</i>	<i>33.3</i>	<i>25.4</i>	<i>25.5</i>	<i>25.1</i>	<i>25.1</i>
Net profit	644	772	1,552	2,126	2,602
Minorities and other					
Net profit after minorities	644	772	1,552	2,126	2,602
Exceptional items	0	0	0	0	0
Net profit	644	772	1,552	2,126	2,602
% Change YoY	(45.1)	19.9	101.0	36.9	22.4
EPS (Rs)	9.6	11.5	23.2	31.7	38.8

Source: Company, YES Sec

Exhibit 6: Cash Flow Statement (Standalone)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Profit before Tax	966	1,035	2,084	2,839	3,475
Interest	231	298	318	511	591
Depreciation	319	304	336	396	459
Other Items	319	335	(84)	-	-
(Inc)/Dec in WC	(268)	936	(1,405)	(1,683)	(1,458)
Direct Taxes Paid	471	317	591	713	873
CF from Oper. Activity	1,097	2,591	658	1,351	2,194
(Inc)/Dec in FA	(368)	(357)	(281)	(500)	(500)
Free Cash Flow	729	2,234	377	851	1,694
(Pur)/Sale of Invest.	(91)	(121)	(726)	-	-
CF from Inv. Activity	(459)	(479)	(1,007)	(500)	(500)
Change in Networkth					
Inc/(Dec) in Debt	(137)	(310)	(157)	100	100
Interest Paid	(202)	(197)	(285)	(511)	(591)
Dividends Paid	(24)	-	-	-	-
Others	-	-	-	0	(0)
CF from Fin. Activity	(364)	(507)	(442)	(411)	(491)
Inc/(Dec) in Cash	274	1,605	(791)	439	1,203
Opening cash Balance	1,376	1,650	3,255	2,464	2,903
Others					
Closing cash Balance	1,650	3,255	2,464	2,903	4,106

Source: Company, YES Sec

Exhibit 7: Du-pont Analysis

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Tax burden (x)	2.5	3.5	3.1	3.3	3.3
Interest burden (x)	0.3	0.2	0.2	0.2	0.2
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	2.2	2.1	2.5	2.4	2.3
Financial leverage (x)	1.1	1.1	1.0	1.0	1.0
RoE (%)	10.1%	10.5%	16.0%	18.6%	18.9%

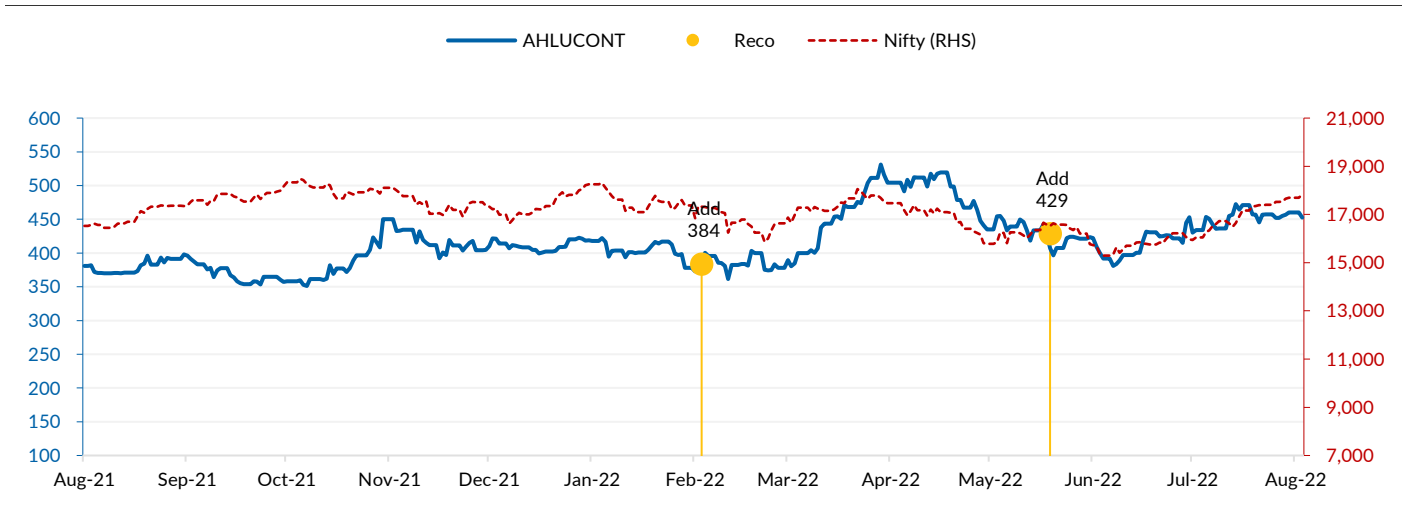
Source: Company, YES Sec

Exhibit 8: Ratio Analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E
Basic (Rs)					
EPS	9.6	11.5	23.2	31.7	38.8
Dividend per share	-	-	-	-	-
Cash EPS	14.4	16.1	28.2	37.7	45.7
Book value per share	120	131	155	186	225
Div. payout (%)	0%	0%	0%	0%	0%
Valuation ratios (x)					
P/E	47.0	39.2	19.5	14.3	11.6
P/CEPS	31.5	28.1	16.0	12.0	9.9
P/B	3.8	3.4	2.9	2.4	2.0
EV/EBIDTA	18.8	17.4	10.3	7.5	5.9
Dividend yield (%)	-	-	-	-	-
Profitability Ratios (%)					
RoIC	9.6	10.0	15.6	18.1	18.3
RoE	10.1	10.5	16.0	18.6	18.9
RoCE	9.3	10.0	15.6	18.1	18.3
Liquidity ratios					
Debtor (days)	116	80	66	70	70
Inventory (days)	43	55	33	35	35
Creditor (days)	101	118	84	85	85
Net working Capital (days)	78	50	54	68	73
Asset Turnover (x)	2.2	2.1	2.5	2.4	2.3

Source: Company, YES Sec

Recommendation Tracker



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