

# Ahluwalia Contracts

## Margins continue to disappoint

Ahluwalia Contracts (AHLU) reported revenue/EBITDA/APAT of 7.4/0.7/0.5bn, missing our estimates on all fronts by 13/21.4/25.1%. With FY23 revenue guidance at INR 30bn, AHLU maintained 10-15% YoY growth for FY23, with reduced EBITDA margin (incl. other income) in the range of 10-11%. Margin is expected to improve from FY24 with softening of commodity prices, a narrower gap of indices with input prices, slightly lesser competitive intensity and new projects bid at elevated input price assumption. FYTD23 order inflow (OI) came in at INR 40.2bn with Q4FY23 guidance of another INR 5bn. Excluding the L1 of INR 6.7bn, the FYTD23 order book (OB) stands at INR 81.1bn (~2.7x FY23E Revenue). On the diversification front, client-wise, government orders form 82.5% of OB and, segment-wise, institutional and hospital are the major drivers, contributing 39.8/29.4%, with infra/residential/commercial/hotel contributing 11.8/11.7/6.7/ 0.8%. Geography-wise, AHLU is present in 16 states with East/North/ West/South/international regions contributing 42/35.8/11.5/5.3/ 5.4%. We maintain BUY on the stock, with a reduced TP of INR 568/sh (13x Dec-24E EPS).

- **Financial highlights:** Revenue: INR 7.4bn (+8.7/+19.3% YoY/QoQ, a 13% miss). EBITDA: INR 715mn (+2.9/+15.5% YoY/QoQ, a 21.4% miss). EBITDA margin: 9.6% (-55/-32bps YoY/QoQ, vs. our estimate of 10.6%). Depreciation: INR 111mn (+30.3/+25.1% YoY/QoQ). Interest cost: INR 70mn (-33.6/-0.9% YoY/QoQ). Other Income: INR 68mn (+36.8/+4.1% YoY/QoQ). Consequently, RPAT/APAT: INR 450mn (+6.3/+14.9% YoY/QoQ, a 25.1% miss). AHLU reiterated its FY23 revenue growth of 10-15% YoY, with reduced EBITDA margin (incl. other income) in the range of 10-11%.
- **Robust OI; well-diversified OB:** FYTD23 OI came in at INR 40.2bn vs. revised FY23 OI guidance of INR 40bn. Ahlu is L1 in one project worth INR 6.7bn and expects it to be awarded by Q4FY23-end. Excluding the L1, FYTD23 OB stands at INR 81.1bn (~2.7x FY23E revenue). Client-wise, government orders form 82.5% of OB and, segment-wise, institutional and hospital are the major drivers, contributing 39.8/29.4%, with infra/residential/commercial/hotel contributing 11.8/11.7/6.7/0.8%. Geography-wise, AHLU is present in 16 states with East/ North/West/South/international regions contributing 42/35.8/11.5/5.3/5.4%. AHLU guided for another INR 5bn OI in Q4FY23. It has a strong bid pipeline of ~INR 30bn, of which 40% is from private sector clients.
- **Net cash status:** AHLU is effectively debt-free, with virtually no debt on its books of accounts. Capex incurred in 9MFY23 is c.INR 800mn with Q4FY23 guidance of another INR 80mn.

### Standalone Financial Summary (INR mn)

YE March	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	7,433	6,835	8.7	6,228	19.3	26,925	30,237	33,352	36,687
EBITDA	715	694	2.9	619	15.5	2,566	3,196	3,802	4,512
APAT	450	423	6.3	392	14.9	1,553	2,058	2,531	3,056
EPS (INR)	6.7	6.3	6.3	5.8	14.9	23.2	30.7	37.8	45.6
P/E (x)						20.6	15.6	12.7	10.5
EV/EBITDA (x)						10.8	7.3	5.8	4.8
RoE (%)						16.2	18.1	18.6	18.7

### Standalone Estimate Change Summary

Particulars	FY23E			FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	30,237	29,363	3.0	33,352	33,357	(0.0)	36,687	37,359	(1.8)
EBITDA	3,196	3,268	(2.2)	3,802	4,063	(6.4)	4,512	4,625	(2.4)
EBITDA (%)	10.6	11.1	(56.0)	11.4	12.2	(78.0)	12.3	12.4	(8.0)
APAT	2,058	2,080	(1.0)	2,531	2,656	(4.7)	3,056	3,086	(1.0)

Source: Company, HSIE Research

**BUY**

CMP (as on 14 Feb 2023)	INR 475
Target Price	INR 568
NIFTY	17,930

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 557	INR 568
EPS	FY23E	FY24E
Change %	(1.0)	(4.7)

### KEY STOCK DATA

Bloomberg code	AHLU IN
No. of Shares (mn)	67
MCap (INR bn) / (\$ mn)	32/384
6m avg traded value (INR mn)	18
52 Week high / low	INR 564/359

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	16.7	3.2	27.4
Relative (%)	17.6	0.6	19.2

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	55.32	55.32
FIs & Local MFs	27.45	27.19
FPIs	12.30	12.19
Public & Others	4.93	5.30
Pledged Shares	7.16	7.16

Source: BSE

Pledged shares as % of total shares

**Parikshit D Kandpal, CFA**  
 parikshitd.kandpal@hdfcsec.com  
 +91-22-6171-7317

**Nikhil Kanodia**  
 nikhil.kanodia@hdfcsec.com  
 +91-22-6171-7362

**Manoj Rawat**  
 manoj.rawat@hdfcsec.com  
 +91-22-6171-7358

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,  
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  
Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)