

Ahluwalia Contracts

Robust outperformance

Ahluwalia Contracts (AHLU) reported revenue/EBITDA/APAT of 8.6/1.1/0.8bn, (missing)/beating our estimates by (17.7)/9.5/10.8%. While surpassing its FY23 order inflow (OI) guidance of INR 45bn with an OI of INR 50.6bn, the order book (OB) as of Mar'23 stood at INR 81.6bn. With an OI of INR 37.5bn in FYTD24, the OB as of date stands at ~INR 120bn (~4.2x FY23 revenue). The OB is well-diversified, providing a natural hedge from a slowdown in any particular business/geography segment. AHLU guided for FY24 revenue to grow by 20% YoY, with EBITDA margin (excl. other income) at ~11%+ and an OI of INR 20-25bn in the remaining part of the year. Given robust inflows, better margins and pick-up in execution, we recalibrate our FY24/25E EPS higher and increase the multiple to 14x from 13x. We maintain BUY on the stock, with an increased TP of INR 700/sh.

- **Q4FY23 financial highlights:** Revenue: INR 8.6bn (+18.1/+16.1% YoY/QoQ, a 17.7% miss). EBITDA: INR 1.1bn (+73.3/+54.3% YoY/QoQ, a 9.5% beat). EBITDA margins: 12.8% (+407/+316bps YoY/QoQ, vs. our estimate of 9.6%, majorly due to lower input and raw material prices, partly offset by higher employee expenses). Depreciation: INR 102mn (+23.4/-7.6% YoY/QoQ). Interest cost: INR 112mn (+12.3/+59.2% YoY/QoQ). Other income: INR 89mn (-21.4/+30.3% YoY/QoQ). RPAT/APAT: INR 722mn (+70.5/+60.5% YoY/QoQ, a 10.8% beat). AHLU guided for FY24 revenue to grow by 20% YoY, with EBITDA margin (excl. other income) at ~11%. It expects to be an INR 50bn revenue company in the next 4-5 years.
- **Surpassing OI guidance; well-diversified OB:** FY23 OI came in at INR 50.6bn vs. revised FY23 OI guidance of ~INR 45bn, taking the OB as of Mar'23 to INR 81.6bn. With an OI of INR 37.5bn in FYTD23, the OB as of date stands at ~INR 120bn (~4.2x FY23 revenue). Client-wise, government orders form 83.3% of OB and, segment-wise, institutional and hospital are the major drivers, contributing 37.2/32.9%, with residential/infra/others contributing 11.6/10/8.3%. Geography-wise, AHLU is present in 16 states with east/north/west/south/international (Nepal) regions contributing 38/32.9/19.2/4.8/5.2%. This provides a natural hedge from a slowdown in any particular business/geography segment. AHLU guided for another INR 20-25bn OI for the remaining part of the year. It has a strong bid pipeline of ~INR 34bn.
- **Net cash status continues:** AHLU has a negligible standalone gross debt of INR 27mn as of Mar'23 vs. INR 7mn as of Mar'22. With a cash and cash equivalent balance of INR 5.9bn, it continues with its net cash status. Capex incurred in FY23 is INR 1.1bn and FY24 guidance for the same is INR 1.3bn.

Standalone Financial Summary (INR mn)

YE March	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	8,631	7,309	18.1	7,433	16.1	26,925	28,384	33,493	39,857
EBITDA	1,103	636	73.3	715	54.3	2,566	3,042	3,818	4,902
APAT	722	424	70.5	450	60.5	1,553	1,942	2,543	3,347
EPS (INR)	10.8	6.3	70.5	6.7	60.5	23.2	29.0	38.0	50.0
P/E (x)						25.0	20.0	15.3	11.6
EV/EBITDA (x)						13.5	10.9	9.3	7.0
RoE (%)						16.2	17.1	19.0	20.7

Source: Company, HSIE Research

Standalone Estimate Change Summary

Particulars	FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	33,493	33,352	0.4	39,857	36,687	8.6
EBITDA	3,818	3,802	0.4	4,902	4,512	8.6
EBITDA (bps)	11.4	11.4	(0.0)	12.3	12.3	0.0
APAT	2,543	2,531	0.5	3,347	3,056	9.5

Source: Company, HSIE Research

BUY

CMP (as on 29 May 23)	INR 580
Target Price	INR 700
NIFTY	18,599

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 568	INR 700
	FY24E	FY25E
EPS Change %	+0.5	+9.5

KEY STOCK DATA

Bloomberg code	AHLU IN
No. of Shares (mn)	67
MCap (INR bn) / (\$ mn)	39/475
6m avg traded value (INR mn)	27
52 Week high / low	INR 618/371

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	26.0	33.6	33.8
Relative (%)	19.4	33.3	19.3

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	55.32	55.32
FIs & Local MFs	27.19	27.97
FPIs	12.19	11.50
Public & Others	5.30	5.21
Pledged Shares	7.16	7.16

Source: BSE

Pledged shares as % of total shares

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Disclosure:

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