

Ahluwalia Contracts (I) Ltd.

Industry Eng. & Cons.
Bloomberg AHLU IN
BSE CODE 532811

Uncertainty and Pending approval will continue to impact the Growth

RATING NEUTRAL

CMP 285

Price Target 317

Potential Upside 11%

Rating Change

Estimate Change

Target Change

Stock Info

52wk Range H/L 385/243

Mkt Capital (Rs Cr) 1926

Free float (%) 42%

Avg. Vol 1M (,000) 15

No. of Shares (Cr) 7

Promoters Pledged % 24

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	1752	1810	2330
EBITDA	216	201	280
EBIT	189	176	251
PAT	117	120	177
EPS (Rs)	18	18	26
EPS growth	2%	2%	48%
ROE	16%	14%	18%
ROCE	26%	21%	25%
BVPS	109.6	125.9	149.5
P/B (X)	3.0	2.2	1.9
P/E (x)	18.6	15.8	10.7

Research Analyst

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2QFY20 Results Update

- Company reported de-growth of 5% YoY in revenue to Rs 417 Cr which was impacted due to heavy rainfall and environmental issues faced by projects.
- EBITDA de-grew by 33% YoY and EBITDA margin was also down by 391 bps to 9.2%.
- PAT de-grew by 60% and the margin was down 407 bps to 3% from 7.1% on account of higher interest expenses.
- The Order inflow during the quarter was Rs 1555 Cr while the Order Book Stood at Rs 6225 Cr.

Margin continuously fall down

AHLUCONT reported de-growth in revenue by 5% due to heavy rainfall and environmental issues faced by projects. 2 large projects, Nagpur and Kalyan and 2 large hospitals in Bihar have been impacted due to heavy rainfall and have impacted output by Rs 100 Cr. Gardanibagh in Patna and Mohammadpur in Delhi are facing environmental issues and have impacted output by Rs 30 Cr. EBITDA de-grew by 33% YoY and EBITDA margin was also down by 391 bps to 9.2%. This is the strait fourth quarter in which margin has fall down on YoY basis. PAT has also down by 60% and the margin was down 407 bps to 3% from 7.1%. Order inflow witnessed sharp gain of 278% YoY during the quarter reported Rs 1555 Cr while the order book stood at Rs 6225 Cr.

Uncertainty and pending approval will impact the Growth

Company suffered revenue loss due to certain projects facing problems. 2 large projects, Nagpur and Kalyan and 2 large hospitals in Bihar have been impacted due to heavy rainfall and have impacted output by Rs 100 Cr. Gardanibagh in Patna and Mohammadpur in Delhi are facing environmental issues and have impacted output by Rs 30 Cr. Gardanibagh project in Patna is expected to get environment clearance and expected to start in Jan or Feb 2020 but since the PIL is pending in Patna High Court against project it is still uncertain. Charbag project for NBCC in Lucknow has not considered in order book due to uncertainty. Company was not able to generate any revenue in IIM Nagpur and Paryavaran Bhawan in Patna but these projects are expected to contribute in H2FY20. Due to uncertainties around the projects management has reduced its growth for FY20 to flat to 5%.

View and Valuation

Company reported disappointing numbers during the 2QFY20. Revenue was impacted as the work on certain projects was unable to execute due to delay in necessary approvals and heavy rainfall. Margin has fallen for the straight fourth quarter on a YoY basis and it is the cause of concern. Projects are still facing uncertainties and margins can be impacted, considering this we have reduced our FY21 EPS by 2%. We maintain our NEUTRAL rating on the stock with a target price of Rs 317.

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2QFY20 Results

	Fig in Rs Cr									
Financials	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	H1FY19	H1FY20	YoY %
Net Sales	439	419	487	317	417	-5%	32%	843	734	-12.9%
Other Income	1	4	3	3	2	47%	-35%	3	5	91.1%
Total Income	441	423	491	320	419	-5%	31%	846	739	-12.6%
COGS	181	198	241	98	195	8%	98%	357	293	-17.7%
Expenditure	382	369	431	278	379	-1%	37%	733	657	-10.4%
EBITDA	57	50	57	39	38	-33%	-2%	110	77	-29.6%
Depreciation	7	7	7	8	8	15%	3%	14	16	15.9%
EBIT	51	43	50	31	30	-40%	-4%	96	62	-35.9%
Interest	5	5	5	7	9	68%	22%	9	16	73.4%
PBT	47	41	48	28	24	-49%	-14%	90	51	-43.1%
Tax	16	14	17	10	11	-29%	15%	31	21	-32.4%
PAT	31	27	31	18	13	-60%	-29%	59	30	-48.7%

Concall Highlights

- Revenue is expected to be in the range of Flat to 5% YoY growth.
- Margin is expected to be at 12.4% in FY20 and in FY21 13.5%.
- 2 large projects, Nagpur and Kalyan and 2 large hospitals in Bihar have been impacted due to heavy rainfall and have impacted output by Rs 100 Cr.
- Gardanibagh in Patna and Mohammadpur in Delhi are facing environmental issues and have impacted output by Rs 30 Cr.
- Gardanibagh project in Patna is expected to get environment clearance and expected to start in Jan or Feb 2020. PIL is pending in Patna High Court against project.
- Company was not able to generate any revenue in IIM Nagpur and Paryavaran Bhawan in Patna.
- IIM Nagpur will be contributing to Revenue in H2FY20 and Paryavaran Bhawan in Patna will contribute in 4QFY20.
- Charbag project for NBCC in Lucknow has been not considered in order book as it's in coma.
- Order intake target is Rs 2000 Cr of that Rs 1985 Cr of orders are already in up to date. Expect to add Rs 1000 Cr of new order.
- Rs 1000 Cr of orders are slow moving.
- Total order book as on 30th September 2019 is Rs 6225 Cr of that 88% is from Government and 22% from Private. 9% is from Commercial, 39% Hospital, 15% infra, 24% Institutional and 13% Residential.
- Rs 168 Cr is uncertified Revenue.

SEGMENTAL REVENUE

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Contract Work	446	400	433	412	479	315	414	-4%	31%
Lease Rental	0	1	1	1	1	2	2	29%	-3%
Others	-	3	5	6	7	-	1	NA	NA

Exhibit: Order Inflow

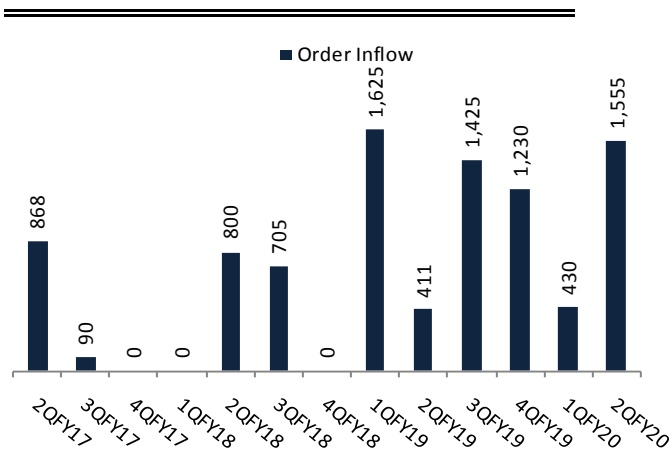


Exhibit: Order Book: Public vs Private

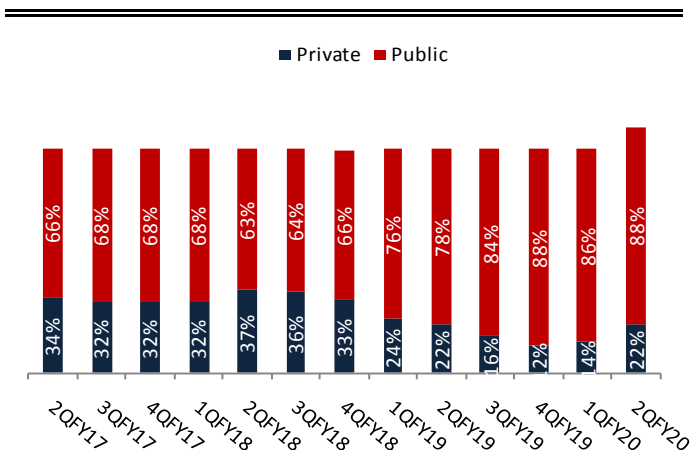


Exhibit: EBITDA and EBITDA Margin

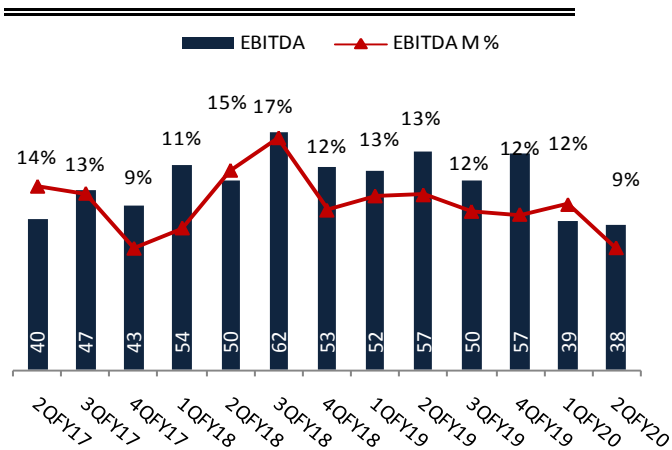
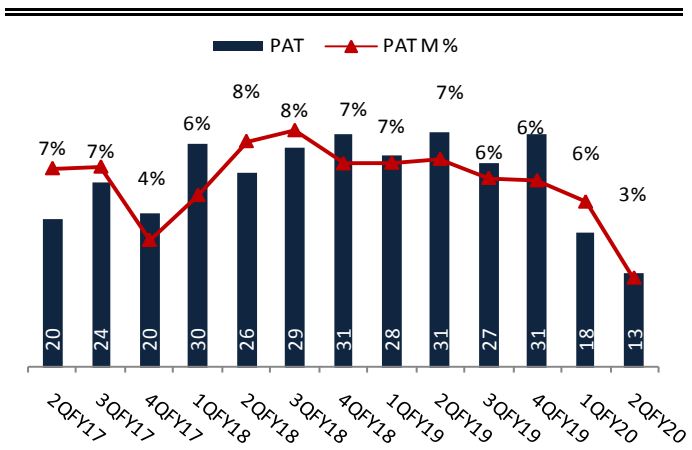


Exhibit: PAT and PAT Margin



Financial Details

Income Statement

Fig In Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	960	1,060	1,250	1,427	1,647	1,752	1,810	2,330
Change (%)	-31%	10%	18%	14%	15%	6%	3%	29%
EBITDA	42	115	161	173	219	216	201	280
Change (%)	-276%	175%	40%	8%	27%	-1%	-7%	39%
Margin (%)	4%	11%	13%	12%	13%	12%	11%	12%
Depr & Amor.	12	21	20	24	26	28	25	29
EBIT	30	94	141	149	194	189	176	251
Int. & other fin. Cost	36	39	35	27	25	19	20	24
Other Income	14	12	14	8	6	10	10	9
EBT	8	67	119	131	175	179	166	237
Exp Item	(14)	-	-	-	-	-	-	-
Tax	0	1	34	43	59	62	47	60
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	22	66	85	88	115	117	120	177
Adjusted PAT	36	66	85	88	115	117	120	177
Change (%)	-147%	85%	28%	3%	32%	2%	2%	48%
Margin(%)	4%	6%	7%	6%	7%	7%	7%	8%

Balance Sheet

Fig In Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	13	13	13	13	13	13	13	13
Reserves	214	324	409	491	608	721	830	988
Networth	226	338	422	505	621	734	844	1,001
Debt	226	155	133	90	30	61	58	95
Other Non Cur Liab	67	48	85	66	30	67	67	67
Total Capital Employed	453	493	555	595	651	795	902	1,097
Net Fixed Assets (incl CWIP)	198	195	197	197	189	191	206	207
Non Cur Investments	1	6	6	0	-	-	-	-
Other Non Cur Asst	169	157	116	189	154	165	168	200
Non Curr Assets	368	351	313	386	342	355	374	407
Inventory	172	167	205	248	189	222	230	296
Debtors	404	417	500	455	566	649	645	798
Cash & Bank	55	76	88	84	75	138	205	179
Other Curr Assets	50	25	45	59	72	118	163	158
Curr Assets	681	685	838	846	902	1,127	1,242	1,596
Creditors	291	269	295	352	378	429	443	570
Provisions	3	3	1	3	2	2	3	3
Other Curr Liab	237	230	221	191	140	152	157	202
Curr Liabilities	530	502	516	571	563	620	640	824
Net Curr Assets	151	183	321	275	339	507	602	772
Total Assets	1,051	1,042	1,157	1,232	1,245	1,483	1,617	2,003

Financial Details

Cash Flow

Fig In Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	22	67	119	131	175	179	166	237
(inc)/Dec in Working Capital	7	(49)	(64)	(31)	(67)	(38)	12	(87)
Non Cash Op Exp	12	21	20	24	26	28	25	29
Int Paid (+)	32	33	27	19	9	10	20	24
Tax Paid	20	(37)	7	12	56	79	47	60
others	(24)	(11)	(10)	(3)	(1)	4	-	-
CF from Op. Activities	28	98	84	127	81	86	177	148
(inc)/Dec in FA & CWIP	(34)	(22)	(22)	(21)	(18)	(30)	(40)	(29)
Free Cashflow	(5)	76	62	107	63	56	137	119
(Pur)/Sale of Inv	2	-	-	-	0	-	-	(166)
others	34	38	(10)	12	(2)	(13)	-	-
CF from Inv. Activities	2	16	(33)	(9)	(20)	(43)	(40)	(195)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	(14)	(65)	(31)	(52)	(60)	31	(3)	37
Int. Paid	31	33	26	19	9	10	20	24
Div Paid (inc tax)	-	-	-	-	-	2	11	19
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	(45)	(98)	(58)	(71)	(70)	19	(34)	(6)
Inc(Dec) in Cash	(15)	16	(6)	48	(8)	62	102	(53)
Add: Opening Balance	42	27	42	36	84	75	209	320
Closing Balance	27	42	36	84	125	209	312	267

Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	10%	20%	20%	17%	19%	16%	14%	18%
ROCE	11%	27%	33%	29%	31%	26%	21%	25%
Asset Turnover	0.91	1.02	1.08	1.16	1.32	1.18	1.12	1.16
Debtor Days	154	144	146	116	125	135	130	125
Inv Days	65	57	60	63	42	46	46	46
Payable Days	110	93	86	90	84	89	89	89
Int Coverage	1	2	4	6	8	10	9	11
P/E	12	25	23	24	22	19	16	11
Price / Book Value	1	5	5	4	4	3	2	2
EV/EBITDA	6	14	12	11	11	9	8	6
FCF per Share	(5)	76	62	107	63	56	137	119
Div Yield	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.5%	0.8%

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Analyst's ownership of the stocks mentioned in the Report	NIL
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