



Company Update Post Management Meet

Change in Estimates Post the Management Meet

FY25E/FY26E: Revenue: 0%/0%; EBITDA: 0%/0%; PAT: 0%/0%

Recommendation Rationale

- Robust order book:** The company has an order book of Rs 16,846 Cr as of date. The order book is equally divided between private and public. Against this backdrop, the current order book gives revenue visibility for the next 3-4 years. The company has guided for high double-digit revenue growth in FY25/FY26. With its established track record of execution excellence and the government's increasing focus on infrastructure development and better traction in private orders, the company is positioned for steady revenue growth, projecting a 21% CAGR over FY24-FY26E.
- New order intake:** As of date, the company's total order intake in FY25 stands at Rs 6,600 Cr. The management expects to win additional orders of Rs 3,500-Rs 4,000 Cr in FY25. The bidding pipeline continues to remain strong driven by private projects. The company has diversified its portfolio by bidding for projects such as airport buildings, metros, and urban infra. It foresees better traction in private orders with improved margins and better project execution as these orders are mostly item-based. We therefore pencil in faster project execution moving ahead as 50% of the current executable order book is from the private side.
- Robust financial position:** The company exhibits a strong financial position, reflected in its net debt-free status, robust cash/bank balance (around 9% of market cap), and high return ratios.

Sector Outlook: Positive

Company Outlook & Guidance: The management has guided for high double-digit revenue growth in FY25/FY26. The company expects robust order intake as the bidding pipeline continues to be strong in most of the segments.

Current Valuation: 22x FY26 EPS (Earlier Valuation: 22x FY26 EPS)

Current TP: Rs 1,340/share (Earlier TP: Rs 1,340/share)

Recommendation: We changed our rating from **HOLD** to **BUY** based on a robust business outlook and the recent correction in the stock price.

Outlook: The company has a well-diversified and robust order book position which gives healthy revenue visibility for the next 3-4 years. Moreover, favourable government thrust on building infrastructure and the revival of private Capex are boosting the overall sentiments, which augers well for the company moving forward.

Valuation & Recommendation: We expect its Revenue/EBITDA/APAT to grow at a CAGR of 21%/26%/33% respectively over FY24-26E. The stock is currently trading at 19x FY26E EPS. We value ACIL at 22x FY26E EPS to arrive at a target price of Rs 1,340/share, implying an upside of 13% from the CMP. We, therefore, change our rating from **HOLD** to **BUY**.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs)	EPS (x)	PE (%)	ROE (%)	ROCE (x)	P/B (x)
FY24	3,855	389	376*	56	21	27%	21%	4.9
FY25E	4,667	447	286	43	27	16%	21%	4.1
FY26E	5,600	622	407	61	19	19%	24%	3.4

Source: Company, Axis Securities Research

*Including exceptional item of Rs 195 Cr.

(CMP as of 16th Sept 2024)

CMP (Rs)	1187
Upside /Downside (%)	13
High/Low (Rs)	1542/649
Market cap (Cr)	7,952
Avg. daily vol. (6m) Shrs.	1,40,000
No. of shares (Cr)	6.7

Shareholding (%)

	Dec-23	Mar-24	June-24
Promoter	55.3	55.3	55.3
FIIs	12.7	13.3	13.3
MFs / UTI	25.5	25.2	24.4
Banks / FIIs	0.0	0.0	0.0
Others	6.5	6.2	7.0

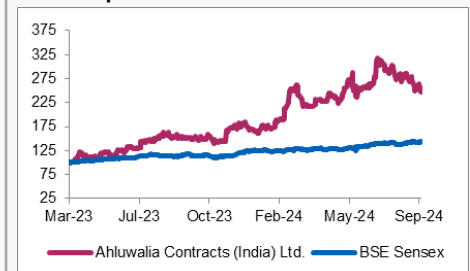
Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	3,855	4,667	5,600
EBITDA	389	447	622
Net Profit	181	286	407
EPS (Rs)	56	43	61
PER (x)	24	31	22
P/BV (x)	5.5	4.7	3.9
EV/EBITDA (x)	21	19	14
ROE (%)	27%	16%	19%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0%	0%
EBITDA	0%	0%
PAT	0%	0%

Relative performance



Source: Ace Equity

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Management Meet Highlight

- **Order Book:** The company has an order book of Rs 16,846 Cr as of date, evenly split between private and public sector projects. This order book provides revenue visibility for the next 3-4 years. The company has guided for high double-digit revenue growth in FY25/FY26. Of the total order book, 24% consists of fixed-price contracts.
- **Margins Impacted:** The company's margins were impacted in Q1FY25 due to slower execution, higher labour costs, and issues related to CST projects. However, it expects execution to improve in Q2FY25 and gain momentum in H2FY25. All major projects are expected to start contributing from H2FY25, with significant revenue contributions anticipated in FY26.
- **Labour Shortage:** The management indicated that labour availability has become a major issue for contractors due to the surge in project launches, coupled with rising labour rates.
- **Order Inflow:** Year-to-date (YTD) order inflow stood at Rs 6,600 Cr, encompassing both public and private projects. The company expects an order inflow of Rs 9,000-10,000 Cr in FY25. The current bidding pipeline ranges between Rs 6,000 Cr and Rs 8,000 Cr. The company's focus on securing more private projects has increased the proportion of private projects in its overall portfolio to 50% from 37% previously. Private projects are more margin-accretive compared to public projects and offer easier execution. The company is not bidding aggressively but is selectively pursuing projects with expected margins in the range of 11-12%.
- **Capex and Working Capital:** The company expended Rs 56 Cr in Capex during Q1FY25 and targets to spend Rs 175 Cr in FY25 to execute projects. It aims to build its asset base to reduce the impact of equipment hiring charges. As of 30th June 2024, unbilled revenue stood at Rs 489 Cr, retention money at Rs 327 Cr, and mobilization advance at Rs 541 Cr. Inventory was Rs 354 Cr, trade payables were Rs 706 Cr, and debtors were Rs 541 Cr.
- **Cash/Bank Balance:** As of 30th Jun'24, the cash balance stands at Rs 248 Cr and the bank balance at Rs 456 Cr. The current gross debt is Rs 65 Cr, with the company being net debt-free.

Key Risks to our Estimates and TP

- Lower order intake may impact revenue growth.
- A rise in commodity prices may impact margins.
- Labour shortage may impact project execution

Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	22,678	25,821	22,678	25,821	0%	0%
EBITDA	1,701	2,350	1,701	2,350	0%	0%
PAT	720	1,239	720	1,239	0%	0%

Source: Company, Axis Securities Research

Q1FY25 - Result Snapshot

	Quarterly Performance				
	Q1FY25	Q4FY24	Q1FY24	% Change (QoQ)	% Change (YoY)
Sales	919	1,164	764	-21%	20%
Other Op. Inc	0	0	0		
Total Revenue	919	1,164	764	-21%	20%
Expenditure					
Cost of material consumed	405	567	357	-29%	14%
Changes in Inventories of Work-In-Progress	0	0	0		
Construction expenses	66	59	48	12%	37%
Subcontract work	284	337	198	-16%	44%
Labour cost	0	0	0		
Employee Cost	81	75	66	7%	23%
Other Expenses	23	20	12	14%	88%
Total Expenditure	859	1059	681	-19%	26%
EBIDTA	60	104	83	-42%	-27%
EBIDTA margin	6.6%	9.0%	10.8%	(240bps)	(420bps)
Oth. Inc.	11	12	7	-13%	58%
Interest	15	14	11	9%	36%
Depreciation	15	29	12	-48%	27%
PBT	41	74	67	-44%	-38%
Tax	11	69	17	-84%	-37%
Exceptional item	0	195			
PAT	31	200	50	-85%	-38%
EPS (Rs.)	4.6	29.8	7.4	-85%	-38%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	2,838	3,855	4,667	5,600
Other operating income	0	0	0	0
Total income	2,838	3,855	4,667	5,600
Cost of materials consumed	1,361	1,839	2,134	2,576
Changes in Inventories of Work-In-Progress	0	0	0	0
Construction expenses	926	1,284	1,663	1,910
Contribution (%)	19.4%	19.0%	18.6%	19.9%
Other Expenses	248	343	423	493
Operating Profit	304	389	447	622
Other income	30	37	53	50
PBIDT	334	425	500	672
Depreciation	39	67	56	70
Interest & Fin Chg.	33	48	59	56
Pre-tax profit	262	310	385	546
Tax provision	68	130	98	139
PAT	194	376	286	407

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Capital Applied	2,494	3,196	3,635	4,195
Net Block	178	238	332	413
CWIP	1	7	7	7
Right of use asset	6	8	8	8
Investment Property	104	85	85	85
Wkg. cap. (excl cash)	179	362	427	522
Cash / Bank balance	588	780	769	838
Other assets	1439	1715	2006	2322
Capital employed	2,494	3,196	3,635	4,195
Equity capital	13	13	13	13
Reserves	1216	1589	1875	2282
Minority Interests	0	0	0	0
Borrowings	3	45	45	45
Other Liabilities	1262	1549	1701	1855

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
PBT	262	505	385	546
Depreciation	39	67	56	70
Interest Expense	20	30	59	56
Changes in Working Capital	55	22	-203	-258
Others	-25	-230	-53	-50
Tax Paid	-49	-137	-98	-139
Net Cash from Operations	301	257	145	224
Capex	-106	-114	-150	-150
Investment	0	0	0	0
Others	-60	-195	53	50
Net Cash from Investing	(166)	(310)	(97)	(100)
Borrowings	2	42	0	0
Interest Expense	-13	-16	-59	-56
Others	-5	-6	0	0
Net Cash from Financing	(16)	21	(59)	(56)
Net Change in Cash	120	(31)	(11)	69
Opening cash	246	366	334	323
Closing cash	366	334	323	392

Source: Company, Axis Securities Research

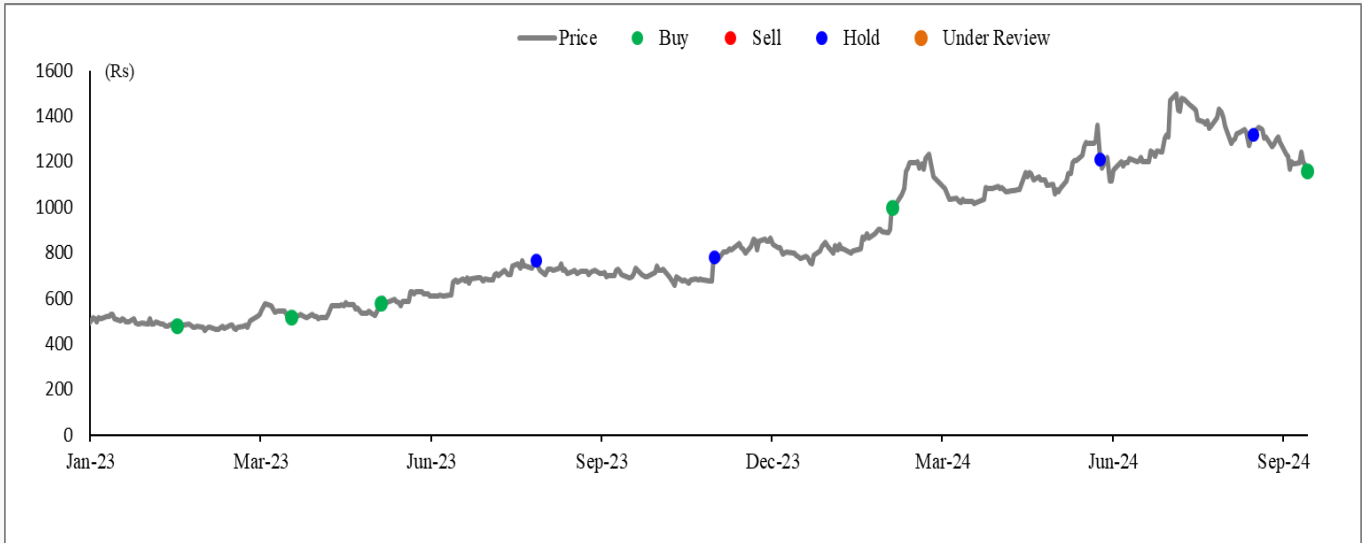
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E
Sales Growth	5%	36%	21%	20%
Ebitda Growth	19%	28%	15%	39%
PAT Growth	25%	93%	-24%	42%
Profitability Ratio				
EBITDA Margin	10.7%	10.1%	9.6%	11.1%
Adjusted net margin	6.8%	9.7%	6.1%	7.3%
Efficiency Ratio				
Capital Turnover	2.3	2.4	2.5	2.4
Total Asset Turnover	2.1	1.9	2.1	2.1
Fixed Asset Turnover	15.8	15.7	13.7	13.3
Debtor days	78	71	70	70
Inventory days	35	33	33	33
Payable days	97	74	74	74
Cash Conversion Cycle (days)	16	30	30	30
Leverage Ratios				
Debt to equity	0.04	0.03	0.02	0.02
Net debt to equity	-0.48	-0.46	-0.38	-0.35
Interest coverage	9	8	8	11
Per Share Data				
Diluted EPS (Rs)	29	56	43	61
Book value per share (Rs)	184	239	282	343
DPS (Rs)	0.3	0.0	0.0	0.0
Return Ratios				
Return on equity	17%	27%	16%	19%
Return on capital employed	23%	21%	21%	24%
Valuation Ratio				
P/E	35	21	27	19
P/BV	5.4	4.9	4.1	3.4
EV/EBITDA	22.0	20.0	17.4	12.5

Source: Company, Axis Securities Research

Ahluwalia Contracts India Price Chart and Recommendation History



Date	Reco	TP	Research
15-Feb-23	BUY	545	Result Update
17-Apr-23	BUY	610	Company Update
30-May-23	BUY	650	Result Update
17-Aug-23	HOLD	800	Result Update
16-Nov-23	HOLD	810	Result Update
15-Feb-24	BUY	1,110	Result Update
31-May-24	HOLD	1,160	Result Update
19-Aug-24	HOLD	1,340	Result Update
17-Sep-24	BUY	1,340	Company Update

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.

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