

Ahluwalia Contracts

Margin miss; weak execution

Ahluwalia Contracts (AHLU) reported a revenue/EBITDA/APAT miss of 0.0/28.4/36.7%. EBITDA margin stood at 7.3% (-270/+68bps YoY/QoQ, vs. our estimate of 10.1%). RPAT/APAT: INR 384mn (-30.6/+25.3% YoY/QoQ, a miss of 36.7%). Execution for AHLU has been affected by elections causing labour scarcity and extended monsoon, resulting in project sites operating at subdued execution levels. AHLU guided growth of 15/20% for FY25/26 revenue and an EBITDA margin of single/double digit for FY25/26, respectively. The total FYTDFY25 order inflow (OI) stands at INR 77.9bn. The order book (OB) as of Sep'24 stood at INR 161.9bn (~4.2x FY24 revenue). AHLU has guided for further OI of INR 10bn for the remaining FY25 (FY26 OI guided at INR 50-60bn). AHLU is effectively debt-free, with a negligible gross debt of INR 0.1bn and total cash and cash equivalents of over INR 7.6bn, as of Sep'24. Given the slowdown in execution and weak margins (FY25 – 9% EBITDA margin guidance, FY26-double digit) we revise our EPS/target price lower and maintain our ADD rating with TP to INR 1,111 (16x Dec-26E EPS).

- Q1FY25 financial highlights:** Revenue: INR 10.1bn (+12.2/+10% YoY/QoQ, in line). EBITDA: INR 734mn (-18.3/+21.4% YoY/QoQ, a miss of 28.4%). EBITDA margin: 7.3% (-270/+68bps YoY/QoQ, vs. our estimate of 10.1%). RPAT/APAT: INR 384mn (-30.6/+25.3% YoY/QoQ, a miss of 36.7%). Margins were impacted by several factors: a) delay in CSMT project due to design changes causing a revenue miss; b) Heavy monsoon; and c) labour shortages leading to weaker execution. AHLU guided for 15/20% FY25/26 revenue growth, with EBITDA margin (incl. other income) upwards of 10%+ in H2FY25.
- With a robust OB; execution becomes a key focus:** The total YTFY25 order inflow stands at INR 77.9bn. The OB as of Sep'24 stood at INR 161.9bn (~4.2x FY24 revenue) to be executed in the next 2-2.5 years. AHLU has guided for further OI of INR 10bn for the remaining FY25. The overall bid pipeline stands at INR 50-55bn with awarding expected to pick up from H2FY25. Moreover, amidst healthy order book, AHLU won't bid aggressively and rather its focus has now shifted towards private sector due to high demand and better margin mix.
- Robust net cash position:** AHLU is effectively debt-free, with a negligible gross debt of INR 0.1/0.5bn and total cash and cash equivalents of over INR 7.6/7.8bn, as of Sep'24/Mar'24. Planned capex for FY25 has been revised from INR ~1.75bn to INR ~1.4bn, and capex incurred in H1FY25 is INR 1.01bn.

Standalone Financial Summary (INR mn)

Particulars	2Q	2Q	YoY (%)	1Q	QoQ	FY24	FY25E	FY26E	FY27E
	FY25	FY24		FY25	(%)				
Net Sales	10,115	9,015	12.2	9,193	10.0	38,553	44,780	54,184	66,105
EBITDA	734	898	(18.3)	605	21.4	3,885	4,075	5,798	7,338
APAT	384	553	(30.6)	306	25.3	2,439	2,422	3,779	4,941
Diluted EPS (INR)	5.7	8.3	(30.6)	4.6	25.3	36.4	36.2	56.4	73.8
P/E (x)						31.9	26.8	17.2	13.2
EV / EBITDA (x)						18.2	16.3	10.8	8.5
RoE (%)						17.2	14.7	20.2	21.4

Source: Company, HSIE Research

Change in Estimates (INR mn)

Particulars	FY25E			FY26E			FY27E		
	New	Old	Chg (%)	New	Old	Chg (%)	New	Old	Chg (%)
Net Revenues	44,780	44,780	-	54,184	55,975	(3.2)	66,105	69,409	(4.8)
EBITDA	4,075	4,568	(10.8)	5,798	6,773	(14.4)	7,338	8,399	(12.6)
Margins (%)	9.1	10.2	(110.0)	10.7	12.1	(140.0)	11.1	12.1	(100.0)
APAT	2,422	2,843	(14.8)	3,779	4,571	(17.3)	4,941	5,896	(16.2)

Source: Company, HSIE Research

ADD

CMP (as on 18 Nov 2024)	INR 967
Target Price	INR 1,111
NIFTY	23,454

KEY CHANGES	OLD	NEW	
Rating	ADD	ADD	
Price Target (INR)	1,273	1,111	
EPS Change %	FY25E -14.8	FY26E -17.3	FY27E -16.2

KEY STOCK DATA

Bloomberg code	AHLU IN
No. of Shares (mn)	67
MCap (INR bn) / (\$ mn)	65/767
6m avg traded value (INR mn)	181
52 Week high / low	INR 1,542/748

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(26.7)	(19.6)	25.8
Relative (%)	(24.5)	(25.6)	8.1

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	55.32	55.32
FIs & Local MFs	25.32	24.96
FPIs	13.25	12.85
Public & Others	6.11	6.87
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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