

Ahluwalia Contracts

HOLD

Strong Order book, execution is the key

Summary

Ahluwalia Contracts (AHLU) reported Q3FY25 PAT below our estimates due to a lower EBITDA margin of 8.8% compared to 10.9% YoY. Margin was impacted by slow execution in NCR due to the construction ban and delays in project approvals. The company has guided for EBITDA margins to reach double digits in FY26E. AHLU has maintained consistency in order wins, securing Rs77.9bn in YTDFY25, with additional inflows expected for FY25. We retain our HOLD rating on the stock with a target price (TP) of Rs749, valuing it at 14x FY27E EPS. The company's order book stands at Rs163bn (4x TTM revenue), with a Government-to-Private order mix of 45:55. Additionally, AHLU is focusing on increasing the average ticket size of projects by targeting higher-value contracts.

Key Highlights and Investment Rationale

- **Q3FY25 Snapshot:** Revenue stood at Rs9.5bn saw de growth of 7% YoY. This was mainly due to construction ban in NCR & AHLU has 33% of its OB in this region. EBITDA margin stood at 8.8% vs 10.9% YoY, the decrease is mainly due to increase in sub contract expenses due to shortage of Labour. PAT stood at Rs494mn -30% YoY, mainly due to lower EBITDA, higher finance cost & depreciation.
- **Guidance:** AHLU has revised its revenue growth guidance downward to 8.5-9% (vs. earlier 15%) for FY25E and 15%+ (vs. earlier 15-20%) for FY26E. AHLU anticipates EBITDA margins to improve in Q4FY25 (vs. 8.9% in Q3FY25) and exceed 10% in FY26E. The company has secured Rs77.9bn in order inflows so far in YTDFY25 and targets additional inflows for FY25E. For FY26E, it expects order inflows of ~Rs78bn (vs. earlier guidance of Rs50-60bn), in line with FY25E.

TP **Rs749**

CMP **Rs708**

Potential upside/downside 6%

Previous Rating **HOLD**

Price Performance (%)

	-1m	-3m	-12m
Absolute	(22.0)	(30.6)	(20.0)
Rel to Sensex	(20.4)	(27.4)	(27.2)

V/s Consensus

EPS (Rs)	FY25E	FY26E	FY27E
IDBI Capital	31	43	54
Consensus	35	51	66
% difference	(10.5)	(15.6)	(17.7)

Key Stock Data

Bloomberg/Reuters	AHLU IN/AHLU.BO
Sector	Infrastructure
Shares o/s (mn)	67
Market cap. (Rs mn)	47,417
3-m daily avg Trd value(Rs mn)	2.4
52-week high / low	Rs1,540 / 689
Sensex / Nifty	76,171 / 23,045

Shareholding Pattern (%)

Promoters	55.3
FII	12.5
DII	24.2
Public	8.0

Financial snapshot

(Rs mn)

Year	FY23	FY24	FY25E	FY26E	FY27E
Revenue	28,384	38,553	42,135	48,265	56,549
Change (yoy, %)	5	36	9	15	17
EBITDA	3,042	3,885	3,656	4,840	5,925
Change (yoy, %)	19	28	(6)	32	22
EBITDA Margin(%)	10.7	10.1	8.7	10.0	10.5
Adj.PAT	1,942	1,806	2,071	2,864	3,584
EPS (Rs)	29	27	31	43	54
Change (yoy, %)	28	(7)	15	38	25
PE(x)	24	26	23	17	13
Dividend Yield (%)	0	0	0	0	0
PBV (x)	14	10	10	8	6
RoE (%)	17	13	12	15	16
RoCE (%)	21	19	14	16	18

Source: IDBI Capital Research, Company

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Conference call takeaways

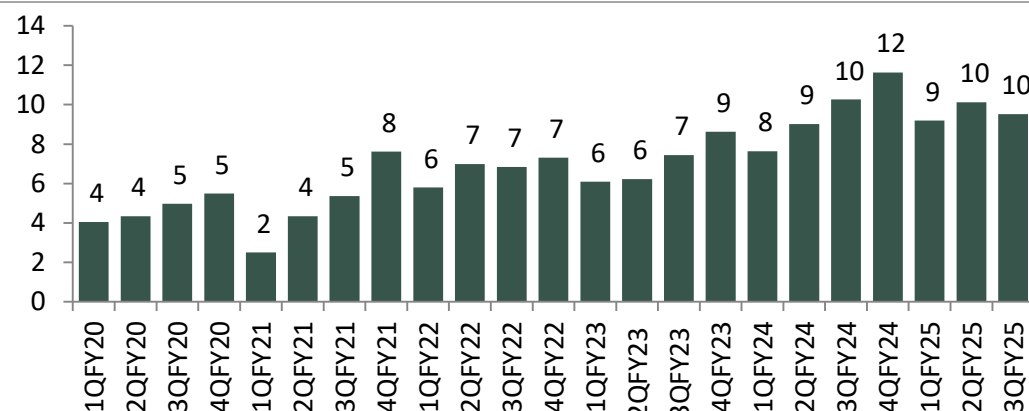
- AHLU has revised its revenue growth guidance downward to 8.5-9% (vs. earlier 15%) for FY25E and 15%+ (vs. earlier 15-20%) for FY26E. In Q3FY25, the company experienced a slowdown in NCR due to the construction ban, affecting ~33% of its order book. However, execution is expected to pick up as the ban was lifted in early Feb'25. AHLU anticipates EBITDA margins to improve in Q4FY25 (vs. 8.9% in Q3FY25) and exceed 10% in FY26E. The company has secured Rs77.9bn in order inflows so far in YTD FY25 and targets additional inflows for FY25E. For FY26E, it expects order inflows of ~Rs78bn (vs. earlier guidance of Rs50-60bn), in line with FY25E.
- The company has already bid for projects worth Rs55bn, which are yet to be open, and plans to bid for another Rs30bn in Feb-Mar'25. Currently, government project bids are pending opening, while the company is actively negotiating with private sector clients. AHLU's total bid pipeline stands at Rs250bn. The company continues to focus on sectors aligned with its core-building segment, including residential, healthcare, and commercial projects. In the long term, AHLU aims to maintain an equitable 50:50 mix between the private and government sectors (currently at 44:56). Additionally, the company is increasing the average ticket size of projects by targeting higher-value contracts.
- The higher finance cost in Q3FY25 was primarily due to interest-bearing mobilization advances and the slower execution of the CSMT project, leading to lower mobilization recoveries. The company expects finance costs to be around Rs140-150mn in Q4FY25E.
- Gross debt stood at Rs110mn in 9MFY25, compared to Rs106mn in H1FY25 and Rs420mn in Q3FY24. Cash stood at Rs7.4bn in 9MFY25, versus Rs7.6bn in H1FY25 and Rs5.9bn in Q3FY24. Net cash stood at Rs7.2bn in 9MFY25, compared to Rs7.5bn in H1FY25 and Rs5.4bn in Q3FY24.
- Higher employee expenses in Q3FY25 were primarily due to the NCR construction ban and slow-moving projects. The company does not anticipate any improvement in the labour shortage issue in the near term.
- As of December 2024, the order book stood at Rs162.6 bn, representing 4.0x TTM revenue. The segment-wise breakup of the order book is as follows: Infrastructure accounts for 29.3%, followed by Hospital at 14.0% and Institutional at 7.6%. The Residential segment holds the largest share at 30.8%, while Commercial projects make up 17.4%. The Hotel segment has the smallest contribution at 0.9%.

Exhibit 1: Quarterly Snapshot

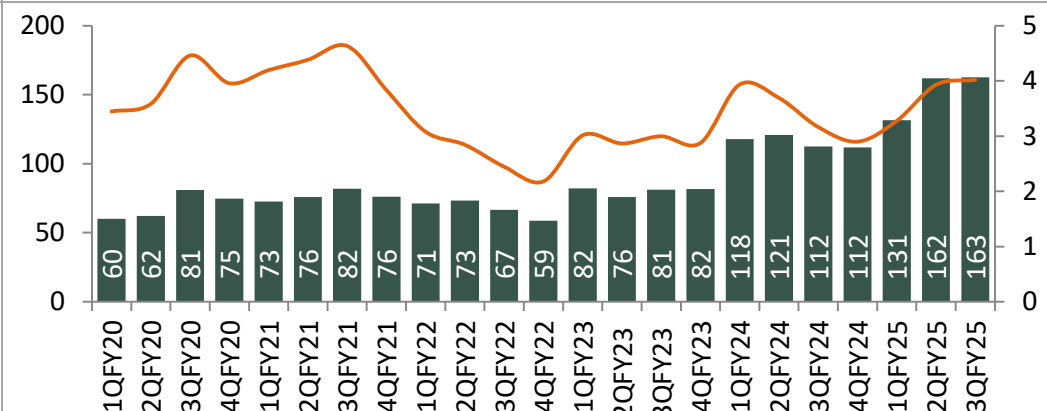
(Rs mn)

Particulars	Q3FY25	Q3FY24	YoY Chg (%)	Q2FY25	QoQ Chg (%)
Net Sales	9,520	10,265	-7	10,115	-6
Cost of sales ex Depri	8,676	9,146	-5	9,381	-8
EBITDA	844	1,118	-25	734	15
<i>EBITDA margin (%)</i>	<i>8.8</i>	<i>10.9</i>	<i>-203bps</i>	<i>7.3</i>	<i>161bps</i>
Other income	149	90	65	117	27
PBIDT	992	1,209	-18	851	17
Depreciation	180	136	32	166	9
Interest	145	123	19	160	-9
Pre-tax profit	667	950	-30	525	27
Tax	173	244	-29	141	22
Profit after tax	494	706	-30	383	29

Source: Company

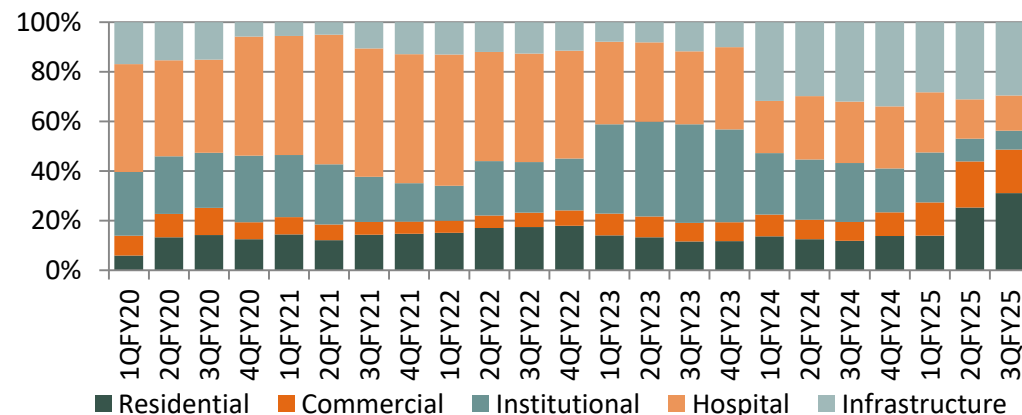
Exhibit 2: Q3FY25 Revenue at Rs10bn (-7% YoY)


Source: Company

Exhibit 3: Order book at Rs163bn;


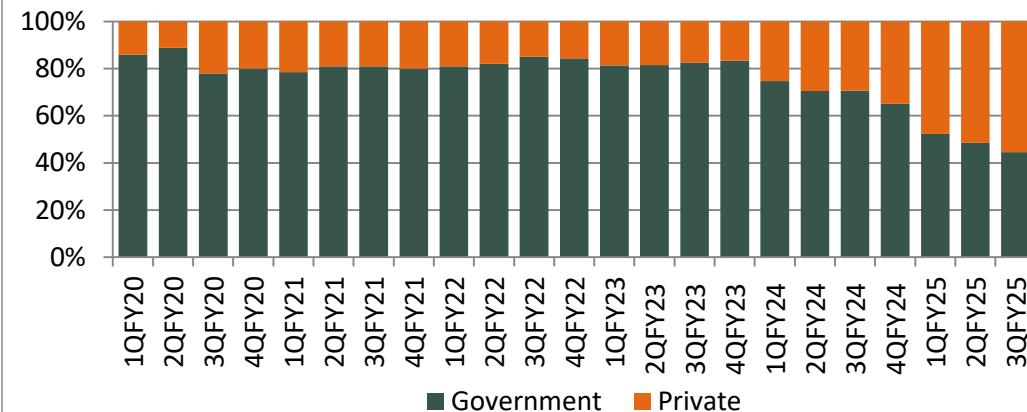
Source: Company

Exhibit 4: Highest contribution from Infrastructure & Residential



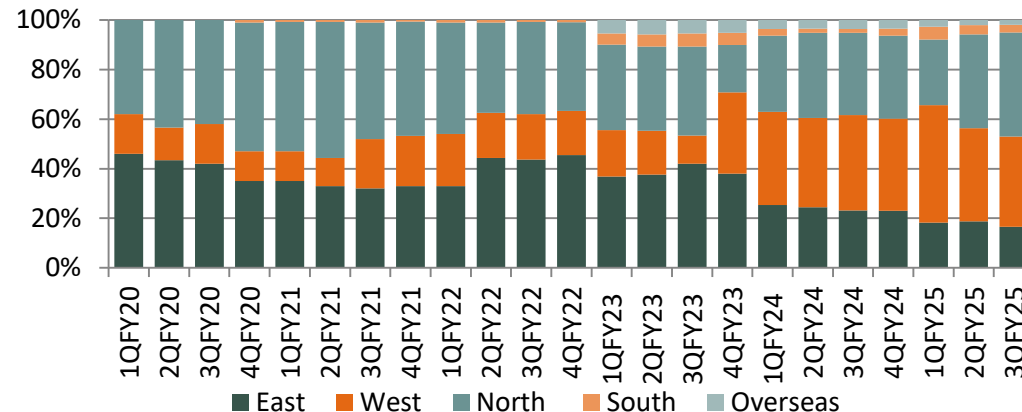
Source : Company

Exhibit 5: Private orders increasing at 55% in Q3FY25



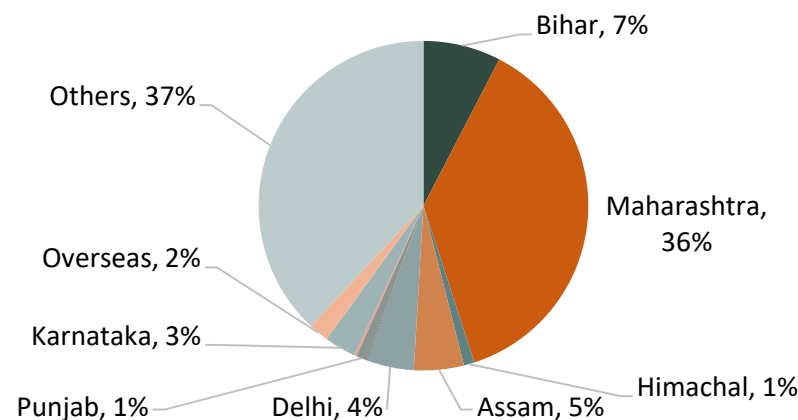
Source : Company

Exhibit 6: OB concentrated in West (36%) and North (42%)



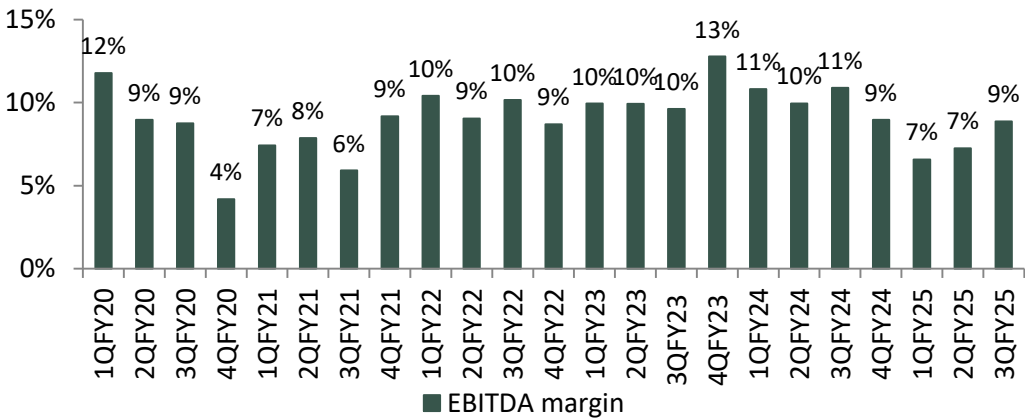
Source : Company

Exhibit 7: Largest order book in Maharashtra (36%) as on Dec'24



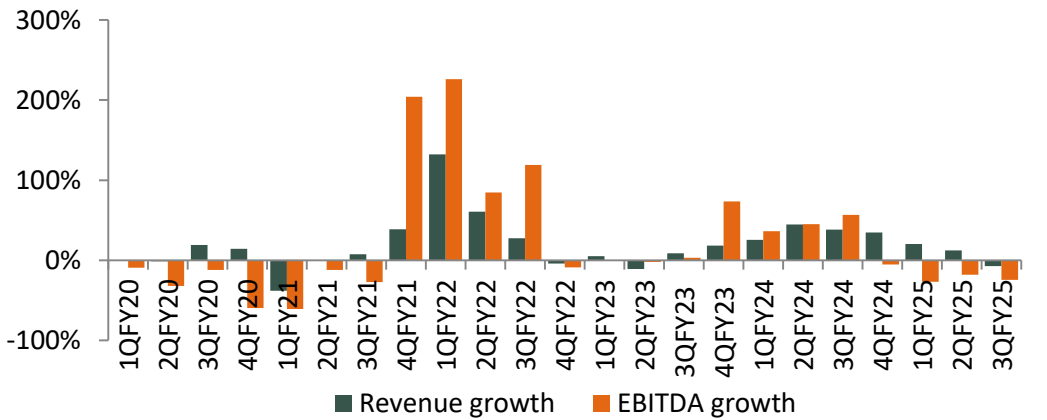
Source : Company

Exhibit 8: EBITDA margins decreased YoY



Source : Company

Exhibit 9: Revenue at -7% YoY, EBITDA down -25% YoY



Source : Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	26,925	28,384	38,553	42,135	48,265	56,549
<i>Change (yoy, %)</i>	36	5	36	9	15	17
Operating expenses	(24,359)	(25,342)	(34,667)	(38,479)	(43,425)	(50,624)
EBITDA	2,566	3,042	3,885	3,656	4,840	5,925
<i>Change (yoy, %)</i>	66	19	28	(6)	32	22
<i>Margin (%)</i>	9.5	10.7	10.1	8.7	10.0	10.5
Depreciation	(336)	(388)	(669)	(800)	(921)	(1,042)
EBIT	2,230	2,654	3,217	2,857	3,919	4,883
Interest paid	(437)	(331)	(481)	(526)	(603)	(706)
Other income	291	295	366	456	537	644
Pre-tax profit	2,084	2,618	3,102	2,786	3,853	4,821
Tax	(569)	(677)	(1,296)	(715)	(989)	(1,237)
<i>Effective tax rate (%)</i>	27.3	25.8	41.8	25.7	25.7	25.7
Minority Interest	-	-	-	-	-	-
Net profit	1,515	1,942	1,806	2,071	2,864	3,584
Exceptional items	-	-	-	-	-	-
Adjusted net profit	1,553	1,942	2,306	2,071	2,864	3,584
<i>Change (yoy, %)</i>	99	25	19	(10)	38	25
EPS	23.2	29.0	34.4	30.9	42.8	53.5
Dividend per sh	0.3	0.5	0.5	0.4	0.6	0.8
<i>Dividend Payout %</i>	1.3	2	2	1	1	1

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Shareholders' funds	10,365	12,298	16,021	18,063	20,885	24,417
Share capital	134	134	134	134	134	134
Reserves & surplus	10,231	12,164	15,887	17,929	20,752	24,283
Total Debt	0	-	7	-	-	-
Other liabilities	1,293	1,489	3,798	4,092	4,595	5,274
Curr Liab & prov	8,814	11,157	12,137	13,413	15,068	17,477
Current liabilities	8,814	11,157	12,137	13,413	15,068	17,477
Provisions	-	-	-	-	-	-
Total liabilities	10,107	12,646	15,942	17,505	19,663	22,752
Total equity & liabilities	20,472	24,944	31,964	35,567	40,548	47,169
Net fixed assets	2,226	2,887	3,385	3,586	3,665	3,623
Investments	63	63	63	63	63	63
Other non-curr assets	2,601	1,952	2,202	2,336	2,565	2,874
Current assets	15,582	20,043	26,314	29,583	34,256	40,609
Inventories	2,420	2,440	3,158	3,506	3,956	4,612
Sundry Debtors	4,425	6,064	7,464	8,158	9,653	11,310
Cash and Bank	4,333	5,880	7,803	9,216	10,824	13,237
Loans and advances	4,403	5,658	7,888	8,704	9,822	11,450
Total assets	20,472	24,944	31,964	35,567	40,548	47,169

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	2,084	2,618	5,052	2,786	3,853	4,821
Depreciation	336	388	669	800	921	1,042
Tax paid	(591)	(488)	(1,370)	(715)	(989)	(1,237)
Chg in working capital	(1,405)	546	220	(421)	(1,136)	(1,161)
Other operating activities	234	(50)	(1,996)	70	66	62
Cash flow from operations (a)	658	3,013	2,575	2,521	2,716	3,526
Capital expenditure	(281)	(1,061)	(1,144)	(1,000)	(1,000)	42
Chg in investments	(830)	(770)	(2,195)	-	-	-
Other investing activities	92	147	227	456	537	644
Cash flow from investing (b)	(1,007)	(1,658)	(3,096)	(544)	(463)	(356)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	(185)	(6)	391	(7)	-	-
Dividend (incl. tax)	-	(20)	(27)	(30)	(42)	(52)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(257)	(134)	(157)	(526)	(603)	(706)
Cash flow from financing (c)	(442)	(161)	207	(563)	(644)	(758)
Net chg in cash (a+b+c)	(791)	1,195	(314)	1,413	1,608	2,412

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (Rs)	155	184	239	270	312	365
Adj EPS (Rs)	23.2	29.0	34.4	30.9	42.8	53.5
Adj EPS growth (%)	99	25	19	(10)	38	25
EBITDA margin (%)	9.5	10.7	10.1	8.7	10.0	10.5
Pre-tax margin (%)	7.7	9.2	8.0	6.6	8.0	8.5
Net Debt/Equity (x)	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5
ROCE (%)	20	21	19	14	16	18
ROE (%)	16	17	13	12	15	16

DuPont Analysis

Asset turnover (x)	1.3	1.2	1.4	1.2	1.3	1.3
Leverage factor (x)	2.1	2.0	2.0	2.0	2.0	1.9
Net margin (%)	5.6	6.8	4.7	4.9	5.9	6.3

Working Capital & Liquidity ratio

Inventory days	33	31	30	30	30	30
Receivable days	60	78	71	71	73	73
Payable days	93	97	74	74	74	74

Valuations

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
PER (x)	31.3	24.4	26.3	22.9	16.6	13.2
Price/Book value (x)	4.6	3.9	3.0	2.6	2.3	1.9
EV/Net sales (x)	1.6	1.5	1.0	0.9	0.8	0.6
EV/EBITDA (x)	16.8	13.7	10.2	10.4	7.6	5.8
Dividend Yield (%)	0.0	0.1	0.1	0.1	0.1	0.1

Source: Company; IDBI Capital Research

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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