Stock Update

Ahluwalia Contracts (India) Ltd.

06-September-2021

Ahluwalia Contracts (India) Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Realty	Rs.382.9	Buy at CMP and add more on dips to Rs. 339	Rs. 420	Rs. 462	2 quarters

HDFC Scrip Code	AHLCONEQNR
BSE Code	532811
NSE Code	AHLUCONT
Bloomberg	AHLU:IN
CMP Sep 03, 2021	382.9
Equity Capital (Rs cr)	13.4
Face Value (Rs)	2
Equity Share O/S (cr)	6.7
Market Cap (Rs cr)	2565.3
Book Value (Rs)	131.4
Avg. 52 Wk Volumes	65861
52 Week High	430.0
52 Week Low	203.6

Share holding Pattern % (30th June 2021)	
Promoters	58.0
Institutions	38.7
Non Institutions	3.3
Total	100.0

Retail Research Risk Rating:

	Blue*	

*** Refer at the end for explanation on Risk Ratings**

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Our Take:

Ahluwalia Contracts India Ltd (ACIL) is a Delhi-based integrated construction company, with over five decades of experience of providing turnkey solutions in engineering and designing, to public and private sector. ACIL is a professionally managed company, headed by Mr. Bikramjit Ahluwalia, who has more than four decades of experience in the construction industry. As on date, the company is carrying out 45+ projects across high rise residential, commercial complexes, luxury hotels, institutional buildings, hospitals & medical colleges, corporate office complexes, IT parks & industrial complexes, metro rail stations & depots, power plants and motorised car parking. Till date, the company has completed construction projects in 23+ cities across India.

ACIL has finally begun to show the much awaited acceleration in execution of its strong order backlog. Though execution was weak in Q1FY22 due to the impact of second Covid wave, we expect recovery to begin from Q2FY22. ACIL's order backlog is likely to be the key driver for both fresh inflows and execution in FY22/FY23E. We like the stock due to multiple factors, including its asset light business model, strong financials, healthy FY21 & Q1FY22 numbers, decent order book, prestigious ongoing projects, reduced exposure to private sector contracts (with presence of price escalation clauses with respect to input costs which forms major portion in all the contracts), a comfortable capital structure with adequate liquidity position, improved labour productivity resulting in speedy execution, increased thrust of government on infra segment and rapid pace of vaccination.

Valuation & Recommendation:

The company recorded a decent year-on-year growth in its revenue during FY21, in spite of the country being severely hit by Covid-19 wave. The management has given a revenue guidance of 15-20% growth for FY22E (factoring in the COVID 2nd wave impact), and EBITDA at 11-12%. With write offs mostly taken care of for FY22, pick up in execution (overall infra sector witnessed a remarkable improvement in execution in Q4FY21 as COVID-19 cases declined), superior return ratios than peers and with endeavour to clean up the balance sheet, outlook for FY22 seems bright. CAPEX incurred was at Rs 35.3 crore during FY21, which was ahead of its guidance of Rs 25-30 crore.

ACIL's has an order book of Rs 7,605 crore and expects order inflows of nearly Rs 2,500 crore during FY22. The healthcare sector comprises 52% of ACIL's order backlog and is likely to be a key driver in FY22/FY23E. If labour situation worsens, then it might hinder the speed of execution, thereby, delaying project completion and revenue realisation. Nevertheless, given the company's robust order book, (3.8x of FY21 revenue), and strong execution capability, net cash balance sheet and better RoE/RoCE than peers, we expect revenue/EBITDA/PAT to grow at a CAGR of 12.9/33.2/42.8% over FY21-23E period.

We like ACIL, given its robust order book, strong balance sheet and better RoE/RoCE than peers and government's steps to boost the infrastructure sector. We recommend investors to buy the stock at CMP and add on declines at Rs. 339 (10.0x FY23E EPS) for base case target of Rs 420 (12.5x FY23E EPS) and bull case target price of Rs 462 (13.75x FY23E EPS) over the next two quarters.

Financial Summary (Standalone):

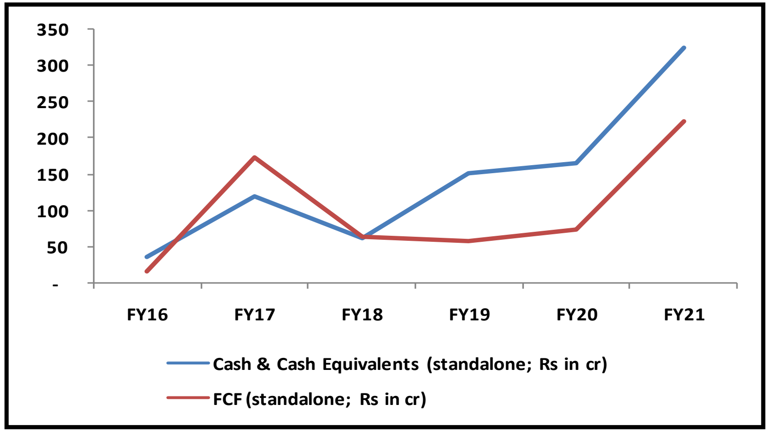
Particulars (Rs cr)	Q1FY22	Q1FY21	YoY-%	Q4FY21	QoQ-%	FY19	FY20	FY21	FY22E	FY23E
Net Sales	580.1	249.8	132.2	761.7	-23.8	1754.7	1884.9	1982.2	2477.7	2849.4
EBITDA	60.4	18.5	226.0	69.8	-13.5	216.5	153.0	154.2	289.4	364.7
Interest Cost	-11.5	-8.3	38.7	-15.6	-26.2	19.2	35.0	42.6	32.1	32.4
Depreciation	-8.3	-7.2	15.1	-8.3	0.3	27.6	31.9	30.4	38.5	40.9
Other Income (excl. EO Items)	5.9	7.1	-16.8	3.5	68.8	9.8	10.4	22.3	11.1	12.7
Tax	-11.7	-2.6	348.8	-12.4	-5.7	62.1	32.2	26.3	59.8	79.1
RPAT	34.8	7.5	365.2	37.1	-6.1	117.4	64.4	77.2	170.1	225.1
Diluted EPS (Rs)	5.2	1.1	365.2	5.5	-6.1	17.5	9.6	11.5	25.4	33.6
RoE-%						17.3	8.4	9.2	17.8	19.7
P/E (x)						21.9	39.8	33.2	15.1	11.4
EV/EBITDA						11.4	16.0	14.6	8.3	6.3

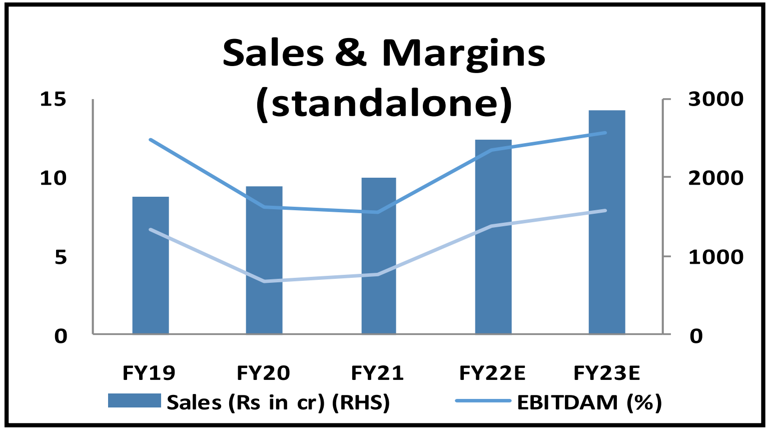
(Source: Company, HDFC sec)

Recent Triggers:

Strong FY21 & Q1FY22 numbers and improved financial (standalone)

Strong cash equivalents at Rs 325.5 crore (up by 97.3% YoY), healthy recoveries with debtors down by 27.2% YoY, borrowings at a low of Rs 15.6 crore (down from Rs 47 crore; a ~67% reduction YoY), free cash flow generation at Rs 223.8 crore, up from Rs 72.9 crore (YoY), the balance sheet is at its leanest levels. Strong receipts at the end of Q4FY21 led to cash & cash equivalents to rise, providing enough room for future growth plans. Mobilisation advances were up from ~Rs 300 crore a quarter ago to ~Rs 320 crore. Inventories were Rs 90 crore higher QoQ at Rs 300 crore. Unbilled revenues were pegged at Rs 250 crore, up from Rs 240 crore a quarter ago. Further, in a bid to clean up the balance sheet, management made a provision of Rs 53 crore in FY21 against expected credit losses. ACIL's capital structure continues to remain comfortable, with low reliance on external debt and healthy debt service coverage ratios. The overall gearing ratio (including long-term and short-term mobilisation advances as debt) stood at -0.4x as on FY21 (as against -0.1x as on FY20).





(Source: Company, HDFC sec)

During Q1FY22, the company's revenue more than doubled to Rs 580.1 crore (up 132%) YoY, the contract work segment revenue was up 131.8% YoY at Rs 578.9 crore. EBITDA was up 226.1% YoY at Rs 60.4 crore, and PAT registered a growth of 365.6% at Rs 34.8 crore YoY. During Q1FY22 the company's OPM was at 10.8%, compared to 7.4% and a PATM of 6%, compared to ~3% YoY. Interest costs lowered because of unwinding of mobilisation advances.

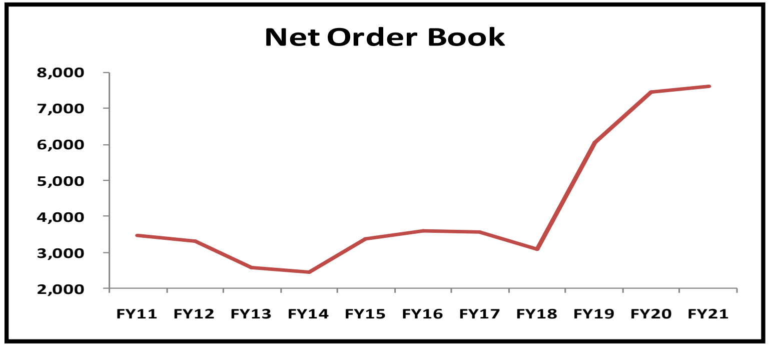
Strong, diversified and structured order book with increased focus on the healthcare segment, provide a visibility of 2-2.5 years

Post Q2FY21, the company's order inflows seemingly started gaining momentum and ended up with a decent order book of Rs 7,115.3 crore (~3.8x FY21 revenue) to be executed in the next 2-2.5 years, with Rs 6,500 crore worth of tenders under submission. The company emerged L1 bidder for about Rs 1,300 crore worth of projects, with two tenders worth Rs 1,160 crore. These Rs 1,160 crore worth of tenders include Rs 250 crore government residential tender for Hitco in Calcutta Rajarhat, expected to be awarded in August/September.

The other is by Bihar Construction Department (BCD) for animal husbandry and Veterinary University tender valued at Rs 890 crore. This tender is also expected to be awarded in September. On the back of improved COVID scenario, the company has provided guidance on Order book inflow to the tune of Rs 2,500 crore for FY22E. Further, ACIL has already placed bids for projects worth Rs 1,200 crore and is looking at an immediate bid pipeline worth Rs 1,900 crore during FY22E. The company is betting big on public sector investments, especially in hospitals, which constitute 50-60% of this order pipeline and out of which 20% is commercial and rest institutional.

In the wake of COVID and fear of a probable third wave, the Delhi government has come up with three packages of hospitals spread over 7 locations. By the end of Q1FY22, the company submitted these three large tenders at a value close to about Rs 2,000 crore. These packages are to be prepared on an emergency basis to help cope with the third wave. The work on company's hospital projects in Hamirpur and Chamba are also moving at full swing now.

Order book break up as on Q1FY22– Commercial (5%), hospital (53%), infrastructure (13%), institutional (14%), residential (15%); sector wise government 81% & private 19%; Region wise East is 33%, North 45% and West is 21%. The company has laid great emphasis on the healthcare segment, wherein it has 5-7 years of building experience. Nearly 51.6% of the company's Order book comprises of healthcare segment, with 7 of current 18 projects are in this segment. Considering the importance being given to setting up healthcare facilities in current times, the OB structure will greatly favour the company. Along with government projects, the company is also looking into possibilities of the residential segment in the real estate sector, although treading cautiously.



(Source: Company, HDFC sec)

Faster completions of projects due to pick up in execution will boost FY22E earnings

The company is witnessing a pick-up in execution across key projects in the states of J&K, Bihar and Maharashtra. The Jammu project (Rs 1,253 crore) has gathered pace and is logging a monthly billing of Rs 20 crore, which is expected to ramp up Q2FY22 onwards. As on date, the company has done a billing of close to Rs 150 crore, with a hope to achieve a run rate between Rs 25 to 30 crore per month for the rest of FY22. According to the management, other projects like AIIMS Kalyani and Nagpur will be handed over to the states by Q2FY22E. Even though, Q1FY22 bore the brunt of the second wave, contribution from Bihar (~Rs 425 crore worth medical college in Chapra, with a backlog of Rs 314 crore and the ~Rs 383.5 crore dental college in Nalanda, with a backlog of Rs 258 crore as on Q4FY21) and the Calcutta Milon Mela project will help boost the H1FY22E revenue.

The Sion hospital project (~Rs 530 crore) in Maharashtra is to be a long-run project of 4 years. In Nov 2020, the company secured a contract worth Rs 530.3 crore for construction of Mandale Depot of Mumbai Metro Rail project, for which work has started. This will be the second maintenance depot (car shed) of the entire 42.2 km line-2 and will become the largest in Mumbai when built. Execution has picked up space at the Central Vista Project too.

In Oct 2020, the company won another project for construction of a 240-bed hospital building of Dr Radha Krishnan Medical College and Hospital at Hamirpur in Himachal Pradesh worth Rs 323.3 crore. The company has bagged the work order from CPWD, Hamirpur Project Division. This project has also started picking up pace, with bills worth Rs 10 crore which has already been raised. The Central Vista (CPWD) project has also seen significant uptick in its execution.

Top ongoing projects that will pull up the top-line are (as on date)-

Current Project
All India Institute of Medical Sciences (Kalyani, West Bengal)
All India Institute of Medical Sciences (Nagpur, Maharashtra)
South Asian University (Maidan Garhi, New Delhi)
Redevelopment of Mohammadpur Residential Complex, EPC Basis. (New Delhi for CPWD)
CNCI Hospital Building Complex (Rajarhat, Kolkata)
National Cancer Institute – Residential Complex, for AIIMS (Jhajjar ,Haryana)
Regional Centre for NSG (Rajarhat,Kolkata)

SS Block at Kolkata Medical College (Kolkata)
Unitech Realty Commercial Complex (Gurgaon)
IIIT-D Campus Phase II (At Okhla, Phase-III, New Delhi)
AIIMS Mother & Child Block (AIIMS campus Ansari Nagar, New Delhi)
AIIMS OPD Block (AIIMS campus Ansari Nagar, New Delhi)
Sale Residential Towers for HDIL whispering Towers (Mumbai)
DDA Houses on Desin & Built Basis (Narela, New Delhi)
Police Head Quarter Building Govt. of Bihar (Bailey Road, Patna)
Prateek "Grand City" Housing Complex (Shidhartha Vihar, Ghaziabad, UP)
Krrish "Monde-DE" Housing Complex (Gurgaon, Haryana)
National Inteligence Grid (NATGRID) (New Delhi)
HDIL Residential Rehab Building (Mumbai)
Knight's Court Housing Complex (Jaypee Green, Noida)
Summer Palms, Precasting Housing (Umang Realtech Pvt. Ltd.,Bahadurgarh, Haryana)
Income Tax Department (Bandra Kurla Complex, Mumbai)
IIM-Rohtak Permanent Campus (Sunaria Village, Rohtak)

Long term Triggers

Various governmental projects focusing on infrastructure will be beneficial for the company

The current government is constantly providing a thrust towards improvement of infrastructure in the country. It has allocated highest ever amount of Rs 3.9 lakh crore towards building new infrastructure. The combination of a clear mandate to usher in sweeping economic reforms and the promise to replicate the success of attracting investment and building infrastructure across the nation, is apparent from the firm measures undertaken by the government.

The railways segment has been another major driver for the EPC segment. This segment has always managed to attract higher budgetary allocations. New rail corridors, such as agro-rail and tourist rail networks, create opportunities requiring real estate for the warehousing, cold storage and hospitality sectors. Relaxation of FDI norms in construction industry and allowing 100% FDI in townships and settlements is a welcome move. FDI in India is less than 1% of GDP, compared to 2.4% in China and 1.8% in Brazil. As a result, rapid acceleration of inflows of FDI in India is expected. Around 26% growth is expected in residential construction and 10% growth in commercial, industrial construction over the next 5 years. US$ 1 trillion investment in infrastructure targeted in 12th five year plan, 50% from the private sector. Various other measures taken are:

- Rs 48,000 crore for building 100 smart cities under Smart Cities Mission
- Rs 50,000 crore for 500 cities under Atal Mission for Rejuvenation and Urban Transformation
- Incumbent Government's 'Housing for all by 2022' initiative
- Rs 500 crore allocated in Budget towards 3P India to rejuvenate the PPP model
- Five year plans for investments of Rs 111 trln in infrastructure creation (about 7,300 projects) by 2025.
- About 50% of NIP investment is targeted towards urban and rural infra, and railways (12%).

Even if few of these projects are implemented, it offers strong demand opportunity for the infrastructure sector.
Government contracts constitute around 81% of the order book. Besides, the company's order book position is fairly diversified geographically with orders to be executed across various states such as Bihar, Jammu and Kashmir, West Bengal, Delhi, Maharashtra, Uttar Pradesh and Uttarakhand. Furthermore, the company has reduced its exposure towards residential/real estate segment (private) and subsequently increased its exposure in other segments like hospitals and educational institutions, thereby leading to reduced counterparty risk.

Kota – Bus terminal complex
In FY08 ACIL entered into an asset ownership space and had bagged its first BOT project - i.e. KOTA Bus Terminal complex from Rajasthan State Road Transport Corp (RSRTC). It has rights to lease ~3,00,000 sq ft of commercial space and collect rentals for 30 years extendable by another 10 years. The Company does not have any right to sell the building but only to sub-lease. The Company has no further contractual obligations to purchase, construct or develop the said investment property. There is a contractual obligation on the Company to maintain the commercial complex. The actual maintenance charges will be recovered from the occupants of the commercial complex. Revenue from advertisement, outside the building shall be shared between RSRTC & the Company in 50:50 ratio.

The Company has developed (Bus Depot and Commercial Complex at Kota) for Rajasthan State Road Transport Corporation (RSRTC) under an "Agreement to Develop"/License agreement at a cost of Rs 125.02 crore spent till 31st March, 2021 including discounted value of license fees of Rs 29.93 crore recognised on application of Ind AS 116 effective from 01st April, 2019 (up to 31st March, 2020 Rs 124.9 crore) on the land belonging to RSRTC under license arrangement. The expenditure (construction cost) incurred has been shown in Balance Sheet under the main head "Investment Property" and sub-head "Right of Use Assets (Building)".

Experienced management with established track record and execution capabilities

ACIL is a professionally managed company, headed by Mr. Bikramjit Ahluwalia, who has more than four decades of experience in the construction industry. He is assisted by a team of qualified executives including Mr. Shobhit Uppal, Deputy Managing Director, and Mr. Vikas Ahluwalia, Whole time Director, who have significant experience in infrastructure space. In the past, the company has successfully completed several projects ranging from construction of institutional buildings, corporate office complexes, multi-storied housing complexes, township development projects, hospitals, hotels, educational institutes, gymnasiums & sport complexes etc.

Concerns

- Impact of higher commodity prices (steel and cement) could adversely impact the earnings of the company. FY21 was marked with write-offs/provisions (Rs 53 crore in FY21; long-due Commonwealth Games receivables), pending approval for cost escalations on the work carried out etc. However, as far as the write offs are concerned, the management claims that its balance sheet is mostly cleaned up now.
- Muted private sector investments, leading to slow economic recovery.
- Geographical concentration risk poses a threat which might cause further delays in execution during COVID scenario. Moreover, ACIL mainly has a presence across the East and the North. It appears to have reluctance towards the South and the West, leading to lesser opportunities.
- The promoters have pledged 27.3% of its shares for working capital purposes of ACIL; The promoters are trying to release the same, and expects the reduction of the same by the next year. But, as long as it is not completely released, risk of sell-off in the stock, if the promoters are not able to serve the MTM requirements on these borrowings, remain.
- Cyclical trends associated with the construction sector, the working capital intensive nature of ACIL's (although, declined from 72 days in FY20 to 24 in FY21; standalone) operations and its relatively high level of receivables with some write-offs expected in real

estate debtors are a few structural concerns. The sector has been marred by varied challenges over the past few years on account of economic slowdown, regulatory changes and policy paralysis, which had adversely impacted the financial and liquidity profile of players in the industry. The construction sector continues to witness cyclical trends consistent with its inherent nature, notwithstanding a stable outlook for the sector in the long term

- The company, in Q1FY22, had unbilled revenue of Rs 369 crore, with Rs 619 crore receivables, including retention money of Rs 198 crore (Rs 182.9 crore in FY21), mobilisations are Rs 327 crore and trade payable of Rs 588 crore. Other than healthcare, there are a lot of other projects which might get impacted. About 20-40% of the lifecycle of a project might get impacted because of the government finances getting stretched, especially West Bengal, post COVID. The company meets its working capital requirements through mobilization advances and elongating its creditors with low reliance on working capital borrowings as reflected from average working capital utilization of 15.40% for the 12-month period ending December 2020

Peer Comparison (standalone)

	Mcap (Rs cr)	Sales				EBITDA Margin (%)				PAT			
		FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Ahluwalia Contracts	**2565.3**	**1884.9**	**1982.2**	**2477.7**	**2849.4**	**8.1**	**7.8**	**11.7**	**12.8**	**64.4**	**77.2**	**170.1**	**225.1**
PSP Projects	1623.2	1499.3	1240.9	1657.9	2017.9	12.7	10.9	11.7	12.2	129.3	83.5	126.0	153.4
Capacite Infraprojects	1019.1	1528.7	879.7	1742	2500	16.8	15.5	18.8	20.0	75.6	1.8	127.4	246.6

	RoE (%)				P/E				EV/EBITDA			
	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Ahluwalia Contracts	**8.4**	**9.2**	**17.8**	**19.7**	**39.9**	**33.3**	**15.1**	**11.4**	**16.0**	**14.7**	**8.3**	**6.4**
PSP Projects	31.2	16.8	21.4	21.8	12.6	19.4	12.9	10.6	8.7	12.2	8.7	6.8
Capacite Infraprojects	8.6	0.2	12.8	21.0	13.5	569.1	8.0	4.1	4.2	8.4	3.5	2.2

(Source: Company, HDFC sec)

About the company

Ahluwalia Contracts (India) Limited is an India-based integrated construction company. The Company's project portfolio encompasses projects across residential and commercial complexes, hotels, institutional buildings, hospitals and corporate offices, information technology (IT) parks and industrial complexes, metro station and depot, power plants and automated car parking lot, among others. The

Ahluwalia Contracts (India) Ltd.

Company's projects include hotel projects, such as Hotel Renaissance and ITC Gardenia Five Star Hotel; hospital projects, such as BPS Mahila Vishwavidyalaya, Tata Medical Centre and Fortis Super Specialties Hospital; commercial/office projects, such as District Court Complex, Caparo International Centre and The Republic of Singapore High Commission; residential projects, such as Lotus Boulevard Group Housing, Pearl Housing and 795 Mass Housing, and educational institutions, such as Indian Institute of Corporate Affairs, Indraprastha Institute of Information Technology and IIT Campus Mandi.

(Source: Company, HDFC sec)

Ahluwalia Contracts (India) Ltd.

Financials (Standalone):

Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	**1754.7**	**1884.9**	**1982.2**	**2477.7**	**2849.4**
Growth (%)	*6.6*	*7.4*	*5.2*	*25.0*	*15.0*
Operating Expenses	1538.2	1731.9	1827.9	2188.3	2484.7
EBITDA	**216.5**	**153.0**	**154.2**	**289.4**	**364.7**
EBITDA (%)	*12.3*	*8.1*	*7.8*	*11.7*	*12.8*
EBITDA Growth (%)		*-29.3*	*0.8*	*87.6*	*26.0*
Depreciation	27.6	31.9	30.4	38.5	40.9
EBIT	**188.9**	**121.1**	**123.8**	**250.9**	**323.9**
Other Income (Incl. EO Items)	9.8	10.4	22.3	11.1	12.7
Interest	19.2	35.0	42.6	32.1	32.4
PBT	**179.5**	**96.6**	**103.5**	**229.9**	**304.2**
Tax	62.1	32.2	26.3	59.8	79.1
RPAT	**117.4**	**64.4**	**77.2**	**170.1**	**225.1**
APAT	**117.4**	**64.4**	**77.2**	**170.1**	**225.1**
Growth (%)		*(45.1)*	*19.9*	*120.3*	*32.3*
EPS	**17.5**	**9.6**	**11.5**	**25.4**	**33.6**

Balance Sheet

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	13.4	13.4	13.4	13.4	13.4
Reserves	722.0	790.6	866.6	1021.7	1242.0
Total Share-holders Funds	***735.4***	***804.0***	***880.0***	***1035.1***	***1255.4***
Minority Interest	***0.0***	***0.0***	***0.0***	***0.0***	***0.0***
Long Term Debt	0.6	0.5	0.6	0.0	0.0
Short Term Debt	60.2	46.5	15.0	16.4	18.6
Total Debt	**60.9**	**47.0**	**15.6**	**16.4**	**18.6**
Deferred Taxes	-29.9	-23.6	-23.1	-29.9	-29.9
Long Term Provisions & Others	67.3	119.5	208.9	93.7	116.3
TOTAL SOURCES OF FUNDS	**833.7**	**947.0**	**1081.4**	**1115.3**	**1360.4**
APPLICATION OF FUNDS					
Net Block	186.2	217.5	229.5	225.0	224.1
CWIP	0.4	0.2	0.4	0.4	0.4
Other Non-Current Assets	133.6	123.0	182.9	215.1	270.6
Investments	6.3	6.3	6.3	6.3	6.3
Total Non-current Assets	***326.6***	***347.0***	***419.0***	***446.8***	***501.5***
Inventories	222.3	220.8	297.2	325.8	374.7
Debtors	649.0	597.3	434.9	543.1	624.5
Cash & Equivalents	152.8	165.0	325.5	188.5	272.0
Cash FDR	56.4	78.9	92.1	81.5	76.8
ST Loans & Advances, Others	46.5	327.6	469.9	400.5	460.2
Total Current Assets	***1126.9***	***1389.5***	***1619.5***	***1539.4***	***1808.2***
Creditors	428.5	523.1	691.6	590.9	621.2
Other Current Liabilities & Provisions	191.3	266.9	265.6	280.6	328.7
Total Current Liabilities	***619.8***	***790.0***	***957.2***	***871.4***	***949.8***
Net Current Assets	*507.1*	*599.4*	*662.3*	*668.0*	*858.4*
Misc Expenses & Others	0.0	0.5	0.0	0.5	0.5
TOTAL APPLICATION OF FUNDS	**833.7**	**946.9**	**1081.4**	**1115.3**	**1360.4**

Ahluwalia Contracts (India) Ltd.

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
PBT	**179.5**	**96.6**	**103.5**	**229.9**	**304.2**
Non-operating & EO items	3.7	31.9	33.5	-11.1	-12.7
Interest expenses	10.7	23.1	29.8	32.1	32.4
Depreciation	27.6	31.9	30.4	38.5	40.9
Working Capital Change	-56.4	-26.8	93.6	-307.4	-144.6
Tax paid	-79.1	-47.1	-31.7	-59.8	-79.1
OPERATING CASH FLOW (a)	**85.9**	**109.7**	**259.1**	**-77.8**	**141.1**
Capex	-29.3	-36.8	-35.3	-34.0	-40.0
Investments + Interest income	-13.3	-9.1	-12.6	11.0	12.7
INVESTING CASH FLOW (b)	**-42.6**	**-45.9**	**-47.9**	**-23.0**	**-27.3**
Share capital Issuance	0.0	0.0	0.0	0.0	0.0
Debt Issuance	31.3	-13.7	-31.0	0.8	2.2
Interest expenses	-9.8	-18.7	-19.7	-32.1	-32.4
Dividend	-2.4	-2.4	0.0	-4.8	-4.8
Others Miscellaneous	0.0	-1.6	0.0	0.0	0.0
FINANCING CASH FLOW (c)	**19.1**	**-36.4**	**-50.7**	**-36.1**	**-35.0**
NET CASH FLOW (a+b+c)	*62.4*	*27.4*	*160.5*	*-136.9*	*78.8*

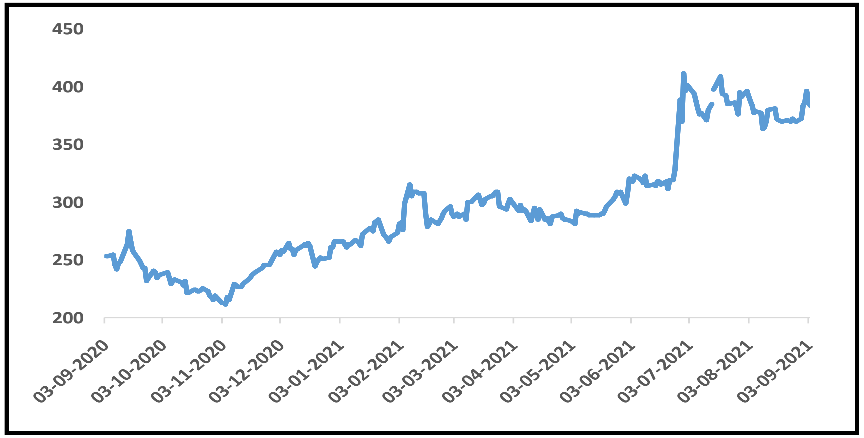
Key Ratios

Particulars	FY19	FY20	FY21	FY22E	FY23E
PROFITABILITY RATIOS (%)					
Gross Margin	23.1	20.2	19.9	21.7	22.6
EBITDA Margin	12.3	8.1	7.8	11.7	12.8
APAT Margin	6.7	3.4	3.9	6.9	7.9
RoE	17.3	8.4	9.2	17.8	19.7
RoCE	15.6	9.3	10.1	17.4	18.3
SOLVENCY RATIOS (X)					
Net Debt/EBITDA	0.3	0.3	0.1	0.1	0.1
Net D/E	-0.1	-0.1	-0.4	-0.2	-0.2
PER SHARE DATA (Rs)					
EPS	17.5	9.6	11.5	25.4	33.6
CEPS	21.6	14.4	16.1	31.1	39.7
DPS	0.4	0.4	0.0	0.7	0.7
BVPS	109.8	120.0	131.4	154.5	187.4
TURNOVER RATIOS (Days)					
Inventory	46.2	42.8	54.7	48.0	48.0
Debtors	135.0	115.7	80.1	80.0	80.0
Payables	89.1	101.3	127.4	87.0	79.6
VALUATION					
P/E (x)	21.9	39.8	33.2	15.1	11.4
P/BV (x)	3.5	3.2	2.9	2.5	2.0
EV/EBITDA (x)	11.4	16.0	14.6	8.3	6.3
EV/Revenues (x)	1.4	1.3	1.1	1.0	0.8
Dividend Yield (%)	9.4	9.4	0.0	18.8	18.8

(Source: Company, HDFC sec)

Ahluwalia Contracts (India) Ltd.

One Year Price Chart



(Source: Company, HDFC sec)

HDFCSec Retail Research Rating description

Green rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Blue Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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