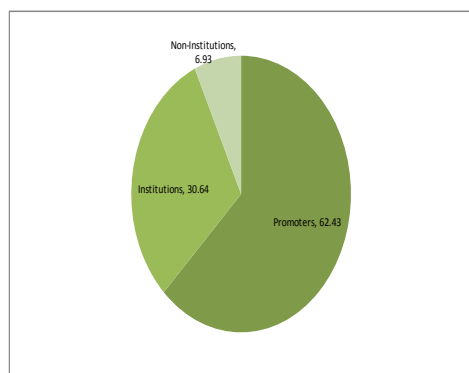


### Market Data (as on 29-03-2017)

Current market price (INR):	307.50
Target Price (INR):	413.00
Upside (%)	34.00
52 Week High/Low:	336.20/240.00
Market Capitalization (In INR-Cr)	2011.64
<b>Recommendation</b>	<b>BUY</b>

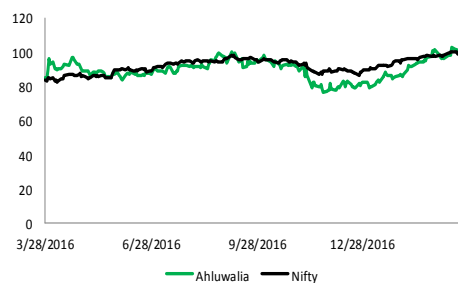
### Shareholding Pattern



### Stock Scan

BSE Code	532811
NSE Code	AHLUCONT
Bloomberg Ticker	AHLU IN
Reuters Tickers	AHLU.BO
Face Value (INR)	2.00
Diluted EPS FY16 (INR)	12.60
Current P/E	24.40
Average P/E	25.22
Beta vs Sensex	0.77
Debt/Equity	0.33
Average Daily Volumes	47,236

### Stock Return Vs. Nifty Return Chart



**Research Analyst:** Kapil Joshi  
**Email:** Kapil.joshi@smifs.com  
**Date:** 30-03-2017

### Brief Overview

Ahluwalia Contracts have carved a niche in the industry as one of the leading Civil Contractors of the country with specialized experience in the Construction Industry for more than 36 years. The Construction services provided by the company consist of the erection of structures and allied services which include planning and scheduling manpower, equipment, materials and the appointment of sub-contractors required for the timely completion of a project in accordance with the terms, plans and specifications contained in the construction and allied documentation. The Company has had the distinction of being associated with most of the leading Architects and Consultants of the country for building of large Institutional Buildings and Corporate Office Complexes, Industrial Complex Buildings, Multi-Storeyed Housing Complexes, Township Development projects, Hospitals, Medical Colleges and Laboratory Buildings, 5-Star Hotels, Educational and Technical Institutes, Etc.

### Investment Rationales

#### Strong financials

Company reported decent set of number in 3Q2017 with 12 per cent growth in sales on YoY basis and 19 per cent increase in operating profit on the back of strong execution after seasonal halt. The shift in orders towards government contracts which constitutes 68 per cent led to EBITDA margin rising by 100 bps. With greater operating profits, low finance cost on the back of company's focus on reducing debt, the PAT for the quarter reported 23 per cent rise YoY. Amid challenging environment of Demonetization, the company performed well on all the parameters. Company debt to equity ratio is continuously decreasing which currently stood at 0.3 (as of FY16). The company aims to bring debt down to zero by FY19, with the help of equity infusion by the promoters (of INR30-35 crore) and free cash-flow generation from business operations. The current debt of the company stood at INR101 crore as of 31 December 2016.

#### Revenue visibility driven by Strong Order book

The Company has an Gross order book of INR6943 crores as of 31st Dec 2016 which comprises of 68 per cent public and 32 per cent private. The north region comprises of 63 percent while west and east constitutes 15 per cent and 22 per cent. The company has robust order backlog of INR4013 crores which provides strong revenue visibility over the period. The Company is expecting NBCC to come up with one or two building redevelopment tenders worth INR7-8bn. Company is also expecting order inflow from government post elections.

#### Government's focus to boost the sector

Infrastructure spend and various policy initiatives will be likely to positively impact the construction sector which in turn lead to higher revenue growth of the company. Growth in residential construction and commercial industrial construction is another growth driver for the company. The Union Government has allocated INR396135 crore in the Union Budget 2017-18, which is a clear sign that the sector has a long run towards economic growth. Granting the infrastructure status to the affordable housing segment will help the construction sector in further grabbing order inflows. Roads and smart cities are the two key areas which have lot of potential.

#### Valuation

Considering strong revenue visibility as current order book of INR4013 crore (3.2x FY16 revenue), high ROE and declining debt-equity ratio, we assign the PE of 18x for FY19 EPS of 22.93 and arrived at the Target price of INR413.00

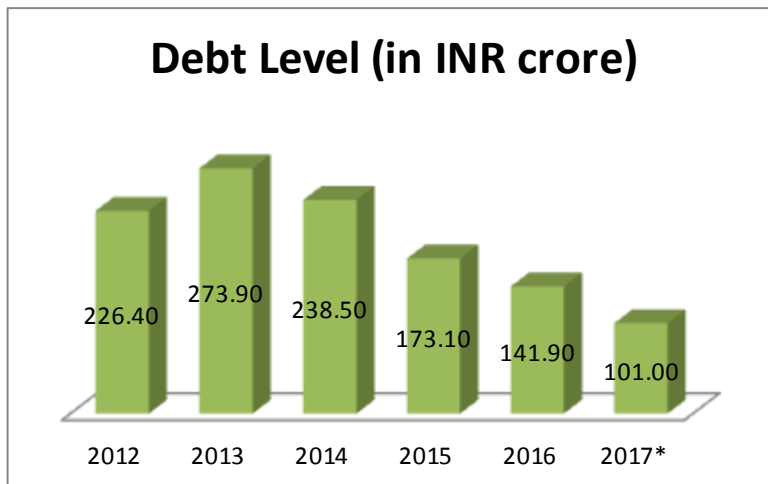
### Ahluwalia Contracts Limited -Financial Performance at a glance

Particulars (INR Cr)	FY 2014A	FY 2015A	FY 2016A	FY 2017E	FY 2018E	FY 2019E
<b>Net Sales</b>	960.34	1059.92	1249.58	1399.82	1626.48	1870.60
<b>Growth (%)</b>	-29.80	10.30	17.90	12.02	16.20	15.00
<b>EBITDA</b>	41.73	114.85	160.86	187.28	219.96	257.60
<b>EBITDA Margins (%)</b>	4.34	11.00	13.00	13.40	13.50	13.77
<b>Net Profit</b>	21.75	64.14	84.41	99.40	124.60	153.60
<b>Net Profit Margins (%)</b>	2.30	6.10	6.80	7.10	7.70	8.21
<b>Net Profit Growth (%)</b>	128.54	194.48	31.83	17.75	25.35	23.27
<b>EPS</b>	3.47	9.57	12.60	14.84	18.59	22.93
<b>BVPS</b>	36.02	50.39	63.01	77.30	94.67	118.00
<b>P/E</b>	11.67	24.96	24.06	21.40	17.08	13.74
<b>P/BV</b>	1.12	4.95	4.81	4.11	3.35	2.61
<b>EV/EBITDA</b>	10.78	15.00	12.90	11.24	9.57	8.18
<b>ROE (%)</b>	10.10	22.75	22.21	20.85	21.27	21.42

Source: Bloomberg, Ace Equity and SMIFS Research

Quarterly Performance								
Particulars( In INR Crore)-Standalone	Quarter Ended					Nine months for the period ended		
	Q3-Dec 16	Q3-Dec 15	YoY %	Q2-Sep 17	QoQ %	31.12.2016	31.12.2015	YoY %
Revenue	358.00	320.00	12.00%	290.00	23.00%	955.00	866.00	10.00%
EBITDA	47.20	39.60	19.00%	39.80	19.00%	130.00	108.00	21.00%
EBITDA Margin(%)	13.00%	12.00%	100 bps	14.00%	(100)bps	14.00%	12.00%	200 bps
Net Profit	24.40	19.80	23.00%	19.70	24.00%	65.60	57.70	14.00%
Net Profit Margin(%)	7.00%	6.00%	100 bps	7.00%	0 bps	7.00%	7.00%	0 bps
EPS	3.60	3.00	20.00%	2.90	24.00%	9.80	8.60	14.00%

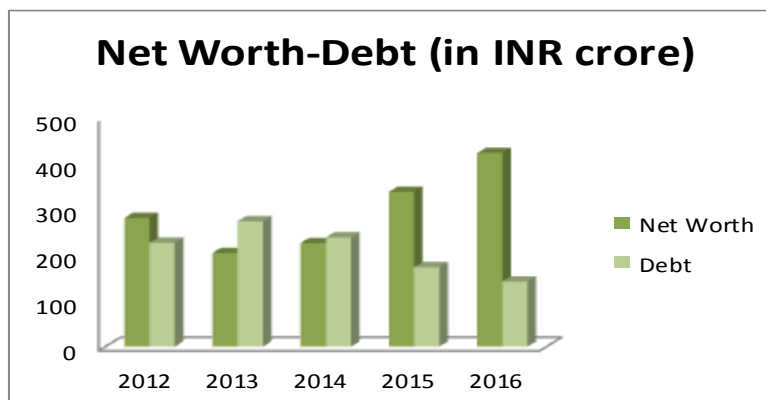
During Q3 FY17, Ahluwalia Contracts has achieved a turnover of INR358.08 crores and a PAT of INR24.45 crores in comparison to a turnover of INR319.95 crores and a PAT of INR19.84 crores in Q3 FY16 . During Q3 FY17, company's EBITDA margin was 13.19% as compared to 12.36% in the corresponding quarter last year and PAT margin stands at 6.83% as compared to 6.20% in the corresponding period last year. During the nine months of FY17, the company has achieved a turnover of INR954.68 crores and PAT of INR65.65 crores in comparison to a turnover of INR865.89 crores and a PAT of INR57.71 crores in the corresponding period of FY16. The company has secured new orders worth INR1450 crores in this financial year till date. Net order book of the company as on December 31, 2016, stood at INR4013 crores.



In recent years, funds pumped in by promoters, repayment of debts, completion of loss making projects and sale of none core business assets have helped the company to reduce the debt significantly. The graph shows the decreasing trend of the debt owned by the company to the lenders. As of total debt of the company stood at INR101 crore. The company is planning to infuse about INR30-35 crore to reduce the debt.

The company is focusing on making the company debt free by 2019. The improving balance sheet position is expected to increase profitability levels, going forward.

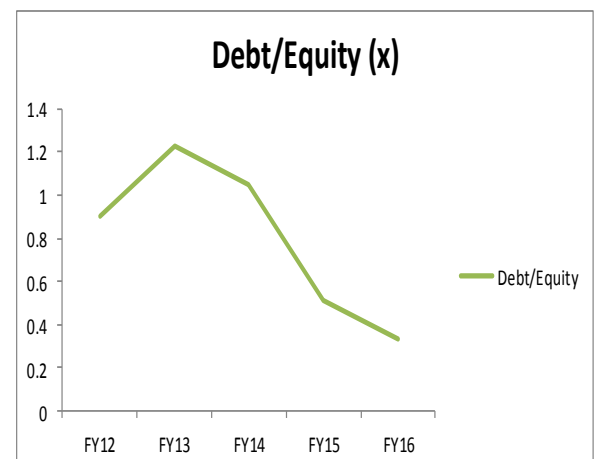
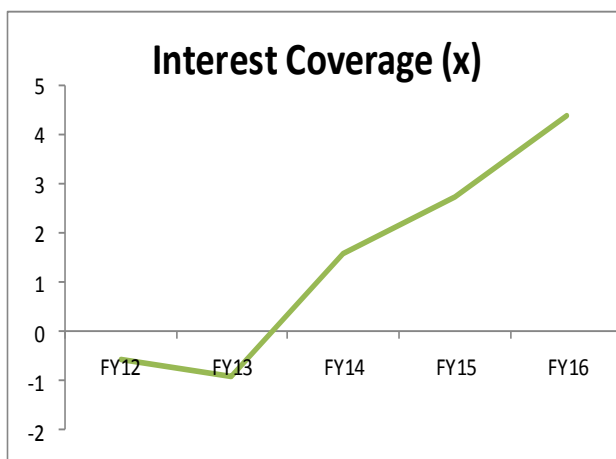
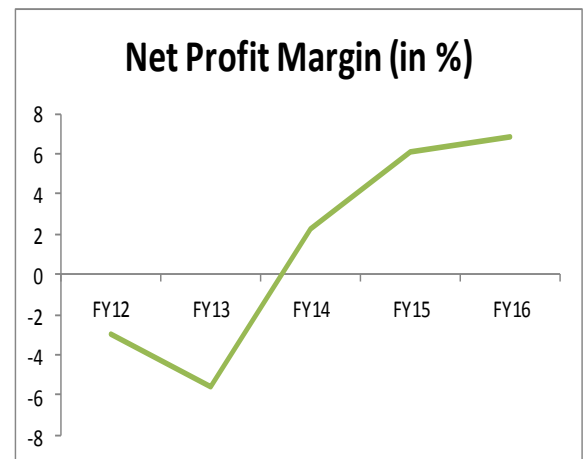
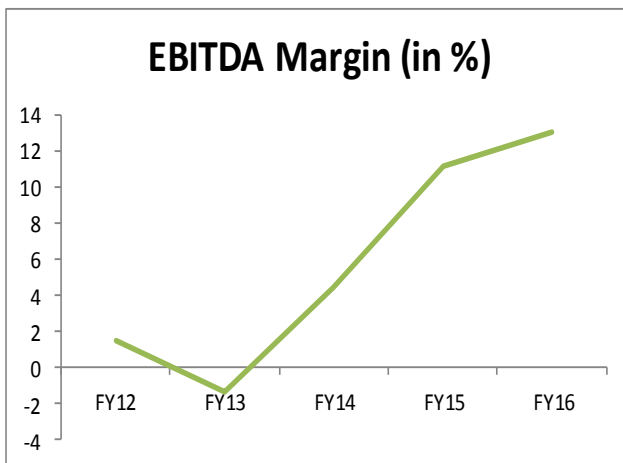
\*Data as of 31 December 2016



Key Ratios					
Particulars	FY12	FY13	FY14	FY15	FY16
EBITDA Margin(%)	1.40	-1.40	4.40	11.10	13.00
Net Profit Margin(%)	-3.00	-5.60	2.30	6.10	6.80
Debt/Equity(x)	0.90	1.23	1.05	0.51	0.33
Interest Coverage(x)	-0.56	-0.92	1.56	2.73	4.38
ROE(%)	-13.5	-31.42	10.10	22.75	22.22

Margins are expected to grow further led by Robust order books and focusing on Government projects along with better operating efficiencies .

Focusing on reducing the debt which will cut down the interest payment and lead to higher profitability.



#### Order Book as on 31 December, 2016

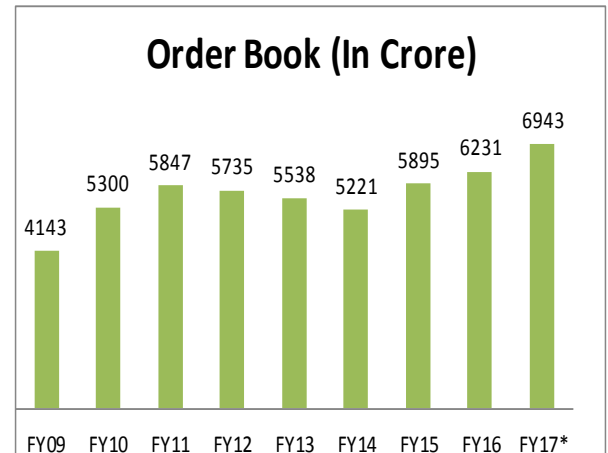
Segment	Gross		Net	
	INR (in Crores)	(%)	INR (in Crores)	(%)
Commercial	351.19	5.06%	201.32	5.02%
Hospital	1262.23	18.18%	885.33	22.06%
Hotels	21.21	0.31%	9.19	0.23%
Industrial	49.00	0.71%	5.33	0.13%
Infrastructure	640.64	9.23%	487.42	12.14%
Institutional	2237.96	32.23%	1179.6	29.39%
Residential (PVT)	1993.58	28.71%	932.15	23.22%
Residential (Public)	387.26	5.58%	313.53	7.81%
<b>Total</b>	<b>6943.07</b>	<b>100.00%</b>	<b>4013.87</b>	<b>100%</b>

Source: Company Presentation

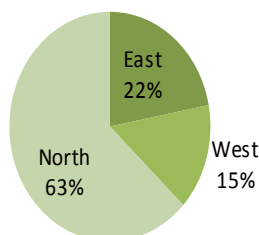
- ⇒ Company's Net order book of INR4013.87 crore (3.2x FY16 revenue) as on 31 December 2016 provides robust visibility over the next few years.
- ⇒ Further, with infrastructure development in the fast lane, huge order pipeline exists which further strengthens future growth prospects.
- ⇒ Company is continuously focusing on Government orders as 68 per cent of the Order backlog is from Public sector.

#### Growth Drivers

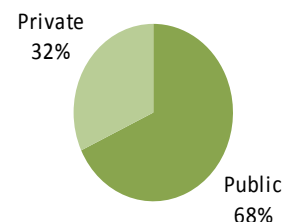
- ⇒ Government thrust
- ⇒ Pick up in Real estate sector
- ⇒ Infrastructure development
- ⇒ Massive rapid Transport system
- ⇒ Conducive environment for private sector participation
- ⇒ Budgetary measures



#### Order Book-Diversified Regional Presence



#### Order Book-Sector wise Increasing footprints in Public sector



### Peer Comparison: TTM Based

Company	Revenue(INR crore)	EBITDA(INR crore)	EBITDA Margin(%)	Profit After Tax (INR crore)	PAT Margin(%)	P/E(x)	P/B(x)
Ashoka Buildcon	1957.10	270.96	13.80	177.50	9.10	22.02	2.11
Simplex Infra	5697.00	633.00	11.11	69.00	1.00	23.34	1.00
HCC Ltd.	3721.03	771.42	20.70	92.53	2.50	27.62	1.67
KNR Construction	1399.77	202.49	14.50	164.65	11.80	15.72	3.48
J Kumar Infra	1446.85	250.76	17.30	107.66	7.40	18.91	1.58
Ahluwalia Contracts	1335.43	183.31	13.70	92.35	6.90	24.43	4.89

Source: Bloomberg and SMIFS Research

### Peer Comparison: Bloomberg Consensus Estimates

Company	Revenue(INR crore)			EBITDA(INR crore)			EBITDA Margin(%)			Profit After Tax(INR crore)			PAT Margin(%)			P/E(x)			P/B(x)		
	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
Ashoka Buildcon	2175.50	2690.00	2947.60	268.70	313.50	359.90	12.40	11.70	12.20	174.00	193.60	213.70	8.00	7.20	7.25	20.61	18.62	16.79	1.97	1.82	1.65
Simplex Infra	5898.20	6380.40	6588.80	651.20	696.50	754.30	11.00	10.90	11.40	83.11	119.00	142.10	1.41	1.87	2.16	16.70	11.95	10.47	0.92	0.85	0.80
HCC Ltd.	3900.20	4841.11	5145.80	633.30	780.10	677.10	16.20	16.10	13.20	-0.45	279.90	263.00	-0.01	5.78	5.11	389.00	11.79	13.77	1.39	1.22	1.12
KNR Construction	1382.40	1636.00	1947.40	203.20	239.00	286.10	14.70	14.60	14.70	142.50	153.30	166.90	10.31	9.37	8.57	17.08	13.50	14.68	2.93	2.50	2.16
J Kumar Infra	1575.20	1998.10	2458.80	270.50	338.80	421.00	17.20	17.00	17.10	117.70	146.90	180.70	7.47	7.35	7.35	17.83	14.27	11.57	1.51	1.39	1.26
Ahluwalia Contracts	1399.82	1626.48	1870.60	187.30	220.00	257.60	13.40	13.50	13.77	99.40	124.60	153.60	7.10	7.66	8.21	21.40	17.08	13.74	4.11	3.35	2.61

Source: Bloomberg and SMIFS Research

Ongoing Projects		
Project	Value (INR crore)	Value of Net O/S (INR Crore)
HSCC Ltd: Construction of Mother & Child, OPD Block & Other Associates Services in AIIMS Campus Ansari Nagar New Delhi	498.10	270.90
Housing Development and Infrastructure Ltd: Construction of Residential Building at Mulund, Mumbai	423.70	257.90
BCD Patna: Construction of International Convention Centre at Patna	417.10	63.80
South Asian University : Construction of university at Delhi	401.60	375.70
DDA: Construction of Residential Building on design & built basis at Narela, Delhi	338.90	271.20
BCD Patna: Construction of Police Head Quarters at Patna	335.00	218.90
HSCC Ltd: Construction of Residential Complex for National Cancer Institute at Jhajjar Haryana	313.00	276.50
IIM Rohtak : Construction of Phase 1A of Permanent Campus for Indian Institute of Management Rohtak at Sunaria Village Rohtak	309.70	228.30
Brookfield : Construction of Civi Package for T-6, T-7 and T-9 at unitech Reality project Ltd Gurgaon	245.10	144.40
HSCC Ltd: Construction of Hospital Building for Chittaranjan National Cancer Institute at Kolkata	244.10	233.80
IIITD Delhi : Construction of IIITD Campus at Okhla Phase II Delhi	219.50	117.60
CPWD: Construction of PNB Head Office Building at Dwarka, Delhi	202.90	14.60
Parteek Group: Civil & Structural work of the proposed multistory group housing Project Parteek Grand City Ghaziabad	178.00	115.90
Amity University : Construction of university Campus at Kolkata	175.00	29.90
CPWD: Construction of Office Building of Income Tax Dept. at BKC Mumbai	163.10	95.90
NBCC Ltd : Construction of infrastructure Building for National Intelligence Grid at Delhi	154.20	117.20

Source: Company Presentation

## Key Risk

- Any Delay by public or Private segment orders may impact the revenue and profitability of the company
- Any delay of payment from client would increase working capital and would impact profitability

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Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Sell	0 to <-10%
Neutral	No Rating

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Analyst's dependent relatives' ownership in the stock – NIL

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