

# AHLUWALIA CONTRACTS

## RESULT UPDATE

### KEY DATA

<b>Rating</b>	<b>BUY</b>
Sector relative	Neutral
Price (INR)	937
12 month price target (INR)	1,080
52 Week High/Low	1,542/620
Market cap (INR bn/USD bn)	63/0.7
Free float (%)	42.0
Avg. daily value traded (INR mn)	67.3

### SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	55.32%	55.32%	55.32%
FII	12.07%	12.51%	12.85%
DII	24.33%	24.70%	24.96%
Pledge	0%	0%	0%

### FINANCIALS

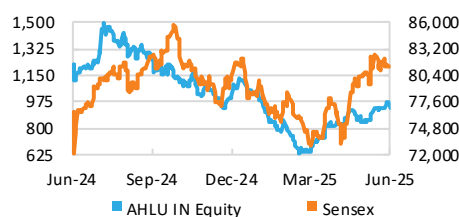
(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	38,553	40,986	47,134	54,204
EBITDA	3,885	3,418	4,308	5,388
Adjusted profit	1,806	2,015	2,579	3,289
Diluted EPS (INR)	27.0	30.1	38.5	49.1
EPS growth (%)	(7.0)	11.6	28.0	27.5
RoAE (%)	26.5	11.8	13.4	14.8
P/E (x)	34.8	31.2	24.3	19.1
EV/EBITDA (x)	14.3	15.6	12.5	9.7
Dividend yield (%)	0.1	0.1	0.1	0.1

### CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	47,134	54,204	3%	3%
EBITDA	4,308	5,388	3%	8%
Adjusted profit	2,579	3,289	8%	12%
Diluted EPS (INR)	38.5	49.1	8%	12%

### PRICE PERFORMANCE



## Execution and margins improve

Ahluwalia Contracts (ACIL) reported Q4FY25 top line of INR12.2bn, up 5% YoY/28% QoQ. EBITDA margin at 10.2% jumped ~120bp YoY/130bp QoQ as slow-moving orders neared completion and execution commenced on high-margin orders. FY25 order wins at ~INR84bn have been robust, taking the order book to ~INR158bn (book-to-bill at 3.8x). Net debt-to-equity remains at a comfortable (0.5)x. Management has guided for 15% YoY revenue growth in FY26E.

Robust order intake, execution pickup in large projects and improvement in margin impel us to raise FY26E/27E EPS by 8%/12%. Maintain 'BUY' with a revised TP of INR1,080 (earlier INR928) while rolling forward the valuation to Q4FY27E EPS (22x EPS).

### Revenue and margins improve QoQ

ACIL's Q4FY25 revenue rose 5% YoY/28% QoQ to INR12.2bn. EBITDA margin too increased ~120bp YoY/130bp QoQ to 10.2% as: i) slow-moving orders neared completion; ii) execution of high-margin orders commenced; iii) construction ban was lifted in the NCR; and iv) approvals were received for certain large orders. Adjusted PAT surged 54% YoY/68% QoQ. The company has guided for 15% YoY growth in top line for FY26E.

### Teething issues in major projects getting resolved

Management mentioned that while the finishing and design issues persist in the CSMT project, the structural issues have been resolved and approvals from client are in place; the project should contribute INR4–5bn to the top line in FY26E. Pace of work for the DLF Arbour and Downtown commercial project, Tata Memorial project and the Signature Global project has also gathered traction. Approvals for the Gems and Jewellery Park project should be received by Q3FY26E.

### Net cash increases QoQ

Net cash increased QoQ to ~INR9.5bn as the working capital cycle improved to 31 days (from 47 days in Q3FY25). Net debt-to-equity remains at a comfortable (0.5)x.

### Order book remains robust

The company ended the quarter with an order book of ~INR158bn (book-to-bill of 3.8x). Management is targeting INR70–80bn in orders in FY26E. It has already won a new project worth ~INR4bn and is L1 in ~INR18bn worth of projects. Management has identified a bid pipeline of ~INR150bn across the residential, airports, commercial and educational segments. The company targets a 60:40 mix of private to public orders as competition in private orders is low while margins are high.

### Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	12,158	11,637	4.5	9,520	27.7
EBITDA	1,236	1,043	18.6	844	46.5
Adjusted Profit	832	540	54.1	494	68.4
Diluted EPS (INR)	12.4	8.1	54.1	7.4	68.4

## Financial Statements

### Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	38,553	40,986	47,134	54,204
Gross profit	7,317	7,787	9,144	10,895
Employee costs	2,824	3,516	3,855	4,379
Other expenses	608	853	981	1,128
EBITDA	3,885	3,418	4,308	5,388
Depreciation	669	666	836	1,015
Less: Interest expense	481	581	638	658
Add: Other income	366	554	615	682
Profit before tax	5,052	2,724	3,448	4,397
Prov for tax	1,296	709	869	1,108
Less: Other adj	0	0	0	0
Reported profit	3,755	2,015	2,579	3,289
Less: Excp.item (net)	(1,950)	0	0	0
Adjusted profit	1,806	2,015	2,579	3,289
Diluted shares o/s	67	67	67	67
Adjusted diluted EPS	27.0	30.1	38.5	49.1
DPS (INR)	0.5	0.5	0.5	0.5
Tax rate (%)	25.7	26.0	25.2	25.2

### Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Order intake (% YoY)	33.9	26.5	(11.5)	11.7
Book-to-bill ratio (x)	2.9	3.8	4.0	4.0
Gross margin (%)	19.0	19.0	19.4	20.1
EBITDA margin (%)	10.1	8.3	9.1	9.9
Net profit margin (%)	4.7	4.9	5.5	6.1
Revenue growth (% YoY)	35.8	6.3	15.0	15.0
EBITDA growth (% YoY)	27.7	(12.0)	26.0	25.1
Adj. profit growth (%)	(7.0)	11.6	28.0	27.5

### Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	7.0
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	83.0	84.0	82.0	81.0
Interest cost (%)	68.7	86.9	76.9	85.9
Employee cost (%)	111.8	157.8	187.6	219.3
Other exp. (%)	7.3	8.6	8.2	8.1
Other inc. (%)	1.6	2.1	2.1	2.1
Dep. (% gr. block)	1,113.9	1,905.0	1,955.0	2,002.0
Effect. tax rate (%)	25.7	25.2	25.2	25.2

### Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	34.8	31.2	24.3	19.1
Price/BV (x)	3.9	3.5	3.1	2.6
EV/EBITDA (x)	14.3	15.6	12.5	9.7
Dividend yield (%)	0.1	0.1	0.1	0.1

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	134	134	134	134
Reserves	15,887	17,867	20,446	23,735
Shareholders funds	16,021	18,001	20,580	23,869
Minority interest	0	0	0	0
Borrowings	450	140	140	140
Trade payables	7,000	8,472	9,321	11,141
Other liabs & prov	4,369	5,258	5,882	7,022
Total liabilities	31,638	36,720	40,773	47,022
Net block	3,301	4,489	5,659	6,651
Intangible assets	12	19	15	11
Capital WIP	73	116	69	69
Total fixed assets	3,385	4,624	5,743	6,731
Non current inv	63	63	63	63
Cash/cash equivalent	7,803	9,641	8,931	10,648
Sundry debtors	7,811	8,130	9,433	10,764
Loans & advances	7	8	10	11
Other assets	11,040	12,619	14,713	16,644
Total assets	31,638	36,720	40,773	47,022

### Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	3,755	2,015	2,579	3,289
Add: Depreciation	669	666	836	1,015
Interest (net of tax)	358	430	477	492
Others	(3,835)	2,412	(4,818)	(1,662)
Less: Changes in WC	1,667	(1,434)	2,170	585
Operating cash flow	2,614	4,090	1,244	3,718
Less: Capex	1,114	1,905	1,955	2,002
Free cash flow	1,500	2,185	(711)	1,716

### Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	26.5	11.8	13.4	14.8
RoCE (%)	24.9	19.1	21.0	22.6
Inventory days	33	36	36	36
Receivable days	67	71	68	68
Payable days	80	85	85	86
Working cap (% sales)	38.8	39.8	37.2	36.1
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.5)	(0.5)	(0.4)	(0.4)
Interest coverage (x)	6.7	4.7	5.4	6.6

### Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	(7.0)	11.6	28.0	27.5
RoE (%)	26.5	11.8	13.4	14.8
EBITDA growth (%)	27.7	(12.0)	26.0	25.1
Payout ratio (%)	0.9	1.7	1.3	1.0

## Exhibit 1: Financial snapshot

Standalone (INR mn)	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ	FY24	FY25	FY26E	FY27E
Revenue	12,158	11,637	4.5	9,520	27.7	38,553	40,986	47,134	54,204
Direct cost	9,718	9,638	0.8	7,610	27.7	31,236	33,199	37,990	43,310
Staff cost	932	754	23.6	885	5.2	2,824	3,516	3,855	4,379
Other expenditure	273	202	34.9	181	50.5	608	853	981	1,128
Total expenditure	10,922	10,594	3.1	8,676	25.9	34,667	37,568	42,826	48,817
EBITDA	1,236	1,043	18.6	844	46.5	3,885	3,418	4,308	5,388
Depreciation	171	289	(41.0)	180	(5.1)	669	666	836	1,015
EBIT	1,065	753	41.4	664	60.5	3,217	2,752	3,472	4,373
Less: Interest Expense	128	135	(5.3)	146	(11.9)	481	581	638	658
Add: Other income	180	123	46.0	149	21.3	366	554	615	682
Add: Prior period items	0	0	NA	0	NA	0	0	0	0
Add: Exceptional items	0	1,459	NA	0	NA	1,950	0	0	0
PBT	1,117	2,691	(58.5)	667	67.6	5,052	2,724	3,448	4,397
Less: Provision for Tax	286	692	(58.7)	173	65.2	1,296	709	869	1,108
Reported profit	832	1,999	(58.4)	494	68.4	3,755	2,015	2,579	3,289
Adjusted profit	832	540	54.1	494	68.4	2,296	2,015	2,579	3,289
Equity capital	134	134	0.0	134	0.0	134	134	134	134
No. of Diluted shares outstanding (mn)	67	67	0.0	67	0.0	67	67	67	67
Adjusted Diluted EPS	12.4	8.1	54.1	7.4	68.4	34.3	30.1	38.5	49.1
As % of net revenues			YoY bps			QoQ bps			
Direct cost	79.9	82.8	(289.7)	79.9	(0.6)	81.0	81.0	80.6	79.9
Other expenses	2.2	1.7	50.6	1.9	33.9	1.6	2.1	2.1	2.1
EBITDA	10.2	9.0	120.7	8.9	130.5	10.1	8.3	9.1	9.9
Adjusted profit	6.8	4.6	220.4	5.2	165.3	6.0	4.9	5.5	6.1
Tax rate	25.6	25.7	(15.7)	25.9	(37.2)	25.7	26.0	25.2	25.2

Source: Company, Nuvama Research

### Guidance

1. Revenue: 15% YoY growth
2. EBITDA margin: Double-digit margins
3. Order inflow: INR70–80bn
4. Capex: INR2bn

### Order book declines sequentially

ACIL ended Q4FY25 with an order book of ~INR158bn (~INR163bn at end-Q3FY25) and book-to-bill of 3.8x.

In FY25, the company won orders worth ~INR84.4bn. It would now like to consolidate its operations and hence is bidding conservatively.

It has a bid pipeline of INR150bn across residential, commercial, airports and education segments for FY26E.

Currently, the company is L1 in two projects worth ~INR18bn. One of this is a University of Bhubaneswar project worth ~INR10bn and the other one is an MIDC

project. Management anticipates the receipt of LoA for both these projects over the next 30–45 days.

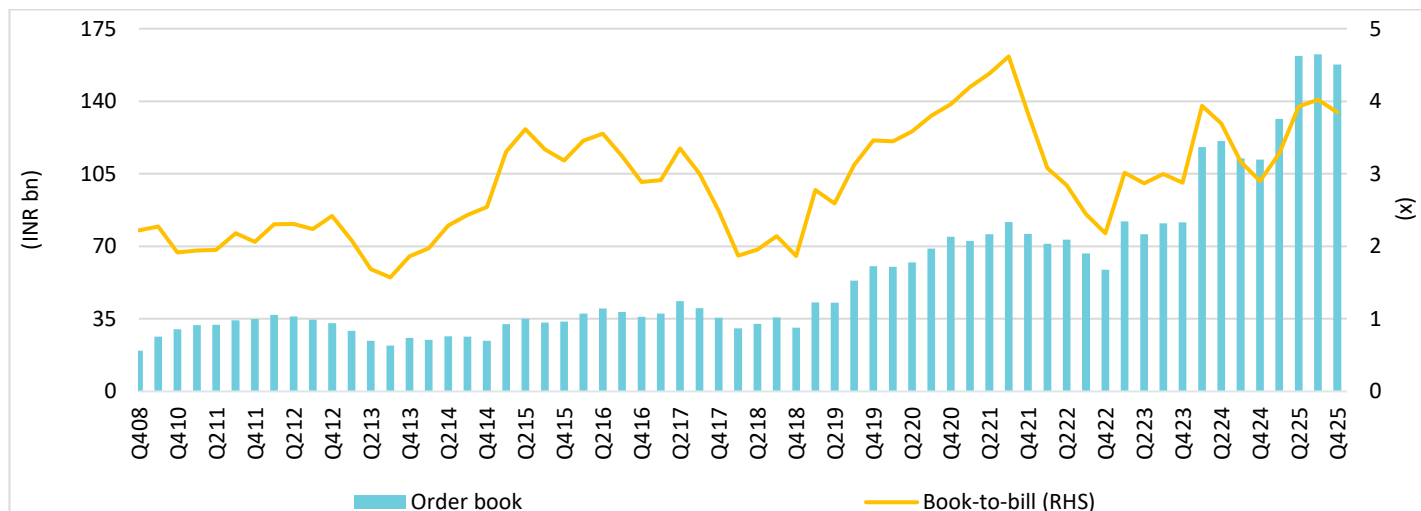
Apart from this, ACIL also received an order worth ~INR4bn from Godrej Properties in Apr-25. Hence, including L1 orders, the company has already won ~INR22bn worth of projects and expects to win another INR50–60bn worth of projects in FY26.

**Exhibit 2: Major order-wins in FY25**

Date	Client	Segment	Value (in mn)	Project details
Oct-24	DLF	Commercial	10,947	Construction of Civil & Composite Steel Structural Works including Rough finishing works for Block 5, 6 and 7 at Downtown, Phase-2, Sector-25A Gurugram
Sep-24	Signature global Homes Private Limited	Residential	1,630	“Civil Structure, Part MEP and finishing works for all towers and basements and all other ancillary buildings” at Iconic Tower, Gurugram
Sep-24	Signature global Business Park Private Limited	Residential	11,440	“Civil Structure, Part MEP and finishing works for all towers and basements and all other ancillary buildings” at Project De-luxe DXP, Gurugram
Aug-24	Bharat Aluminium Company Ltd	Residential	3,504	Design and Build 2 BHK Apartment-756 Nos. on EPC Basis at BALCO Kobra, Chhattisgarh
Jul-24	Airports Authority of India	Airport	5,720	Construction of New Terminal Building, Allied Structure and External Development works on Engineering Procurement and Construction (EPC) Model, Darbhanga Airport Bihar
Jul-24	Airports Authority of India	Airport	8,935	Construction of New Terminal Building, Allied works on Engineering Procurement and Construction (EPC) Model, Lal Bahadur International Airport, Varanasi
Jul-24	ETSY Realcon Pvt Ltd	Institution	5,810	Civil & Structural work at “The Edition” Sector-66, Gurugram (Haryana)
Jun-24	India Jewellery Park, Mumbai	Institution	21,570	Design, Engineering, Procurement and Construction (EPC) for Construction & Development of Gems & Jewellery Park in Mahape, Navi Mumbai
Jun-24	Daffodil Hotel Private Limited	Commercial	882	Civil work for Park Hyatt Goa Pocket at 131 Arossium Village Taluka Mormugao Distt South Goa
Jun-24	Birla Arnaa LLP	Residential	3,840	Civil Structural and architectural work for project work Birla Trimaya Phase1, 2 at Devanahalli, Bengaluru
Jun-24	Indian Financial Technology and Allied Services	Institution	988	MEP Work Enterprises Computing and Cybersecurity Training Institute at Bhubaneshwar
	Others		2,679	
Total order intake			77,944	

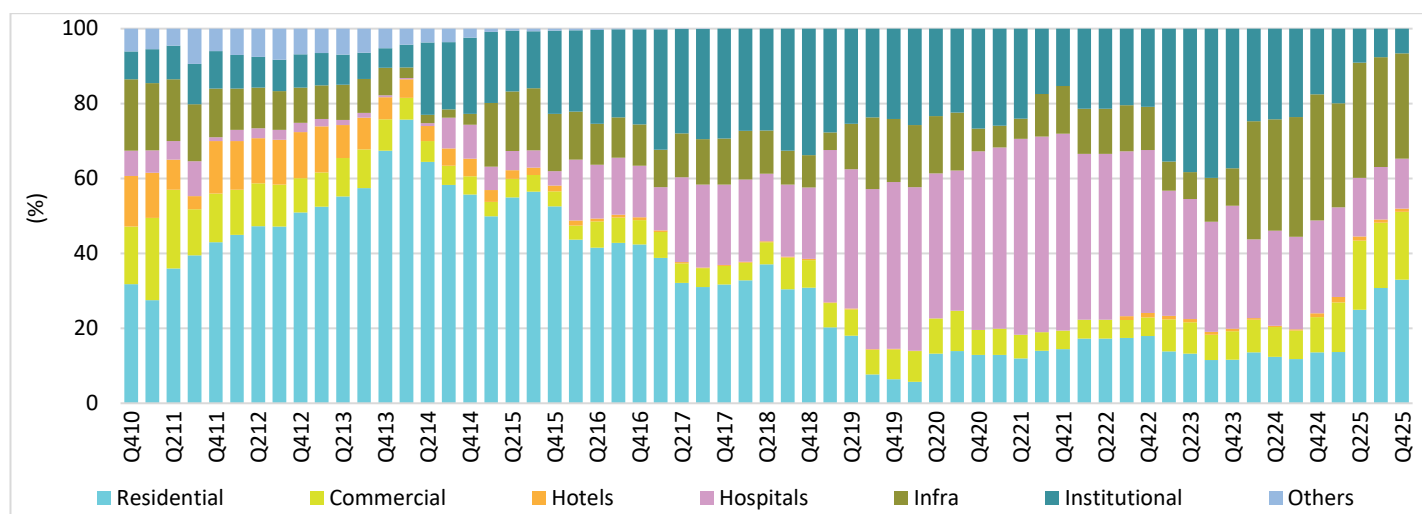
Source: Company, Nuvama Research

**Exhibit 3: Revenue visibility remains high**



Source: Company, Nuvama Research

**Exhibit 4: Residential and infrastructure segment contributes two-thirds to overall order book**

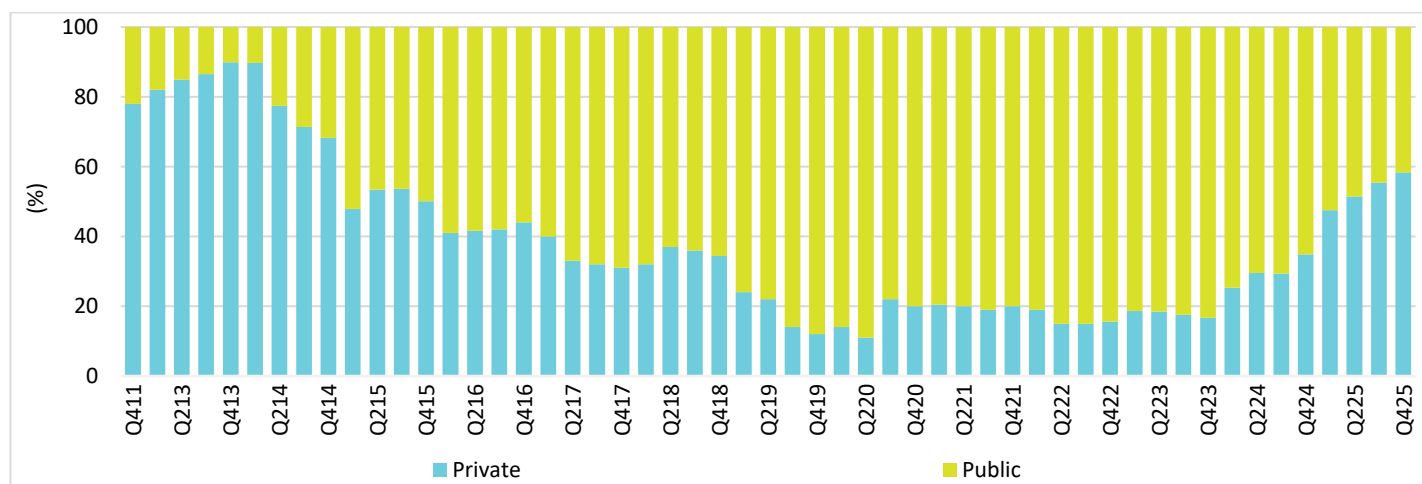


Source: Company, Nuvama Research

Public sector projects make up ~42% of ACIL's order book (29% from the central government, ~2% from foreign governments and balance from state government); the balance comes from the private sector.

Going ahead, the company plans to maintain a 60:40 split between private and public sector clients in the order book as margins in the private sector are better.

**Exhibit 5: Share of public sector orders has come down**



Source: Company, Nuvama Research

The northern region makes up ~40% of the company's order book while western makes up 37%. The share of the eastern region marginally improved QoQ to 19%.

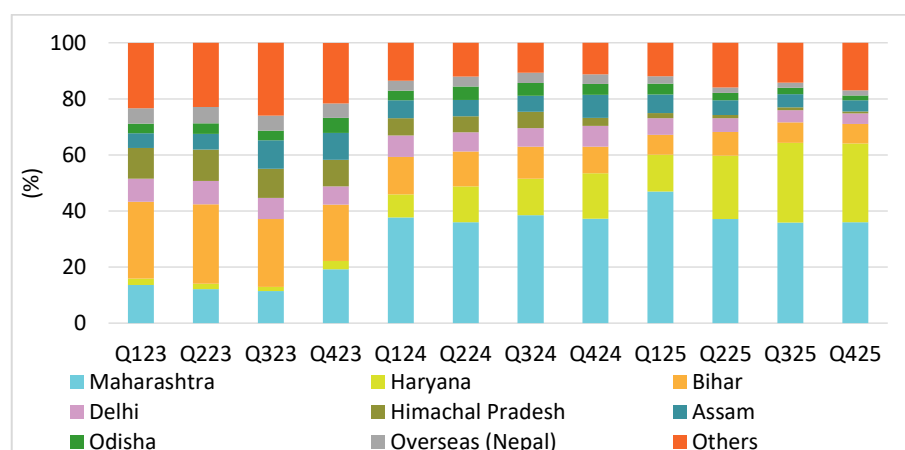
**Exhibit 6: Well-diversified order book across geographies**



Source: Company, Nuvama Research

By states, the company has higher value of orders under execution from Maharashtra (36%), followed by Haryana (28%) and Bihar (7%) together making up nearly three-fourths of the total order book.

**Exhibit 7: Maharashtra, Haryana and Bihar account for ~71% of order book**



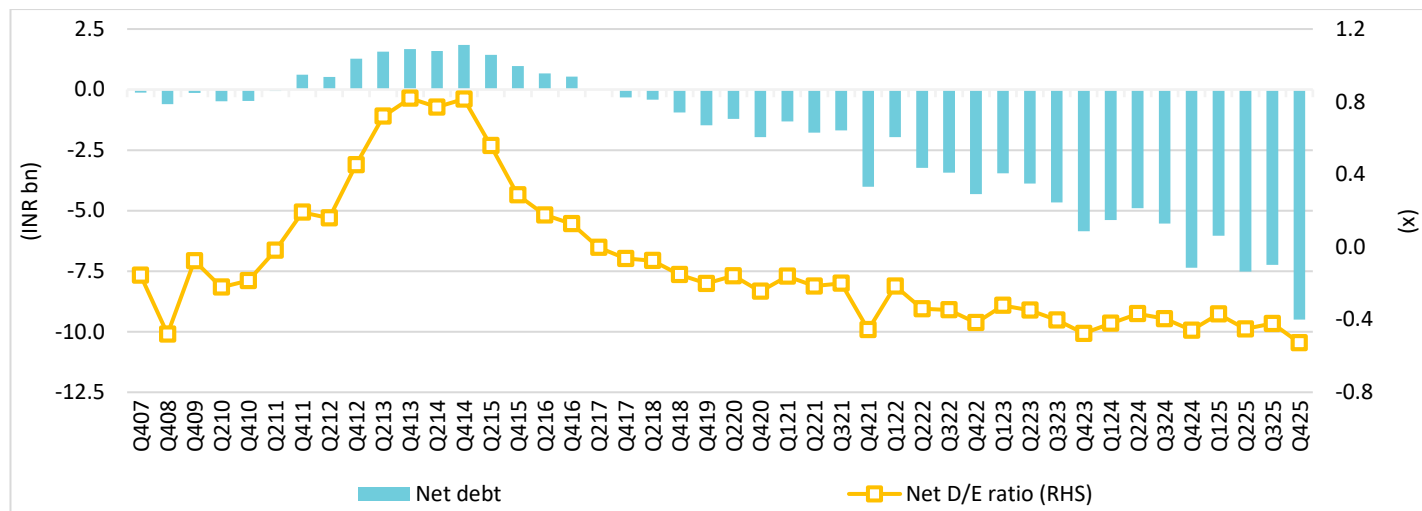
Source: Company, Nuvama Research

## Maintains net cash position

Net cash stood at ~INR9.5bn (~INR7.2bn as on end-Q3FY25).

Leverage remains comfortable with net debt-to-equity at negative 0.5x.

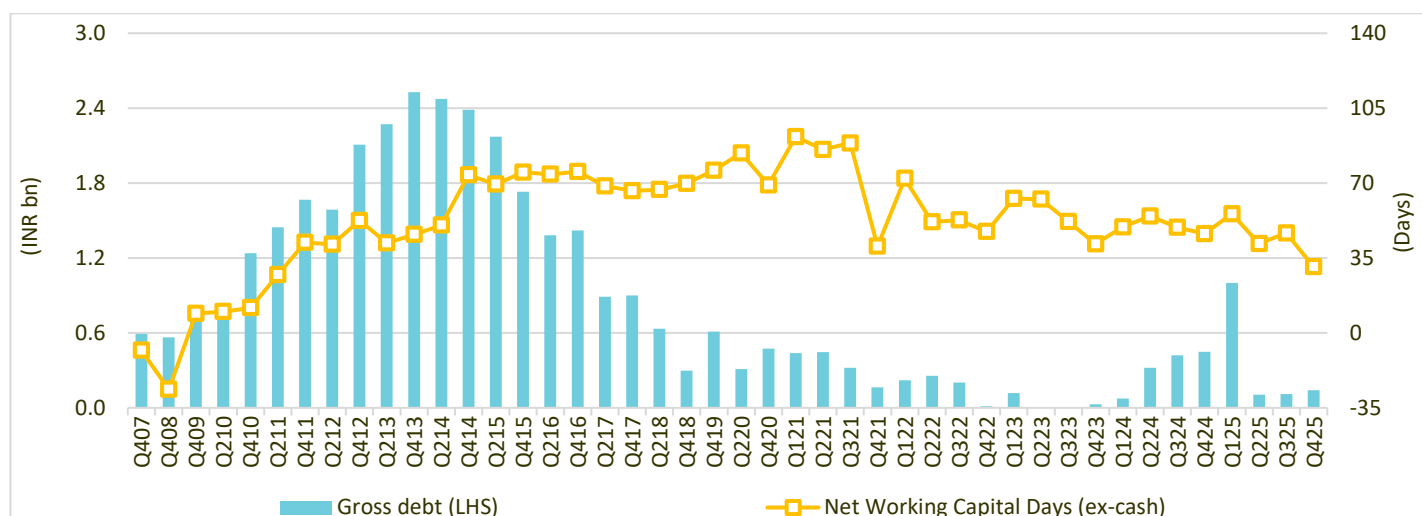
Exhibit 8: Healthy leverage levels



Source: Company, Nuvama Research

Working capital cycle improved QoQ to 31 days (47 days in Q3FY25).

Exhibit 9: Working capital cycle improves sequentially

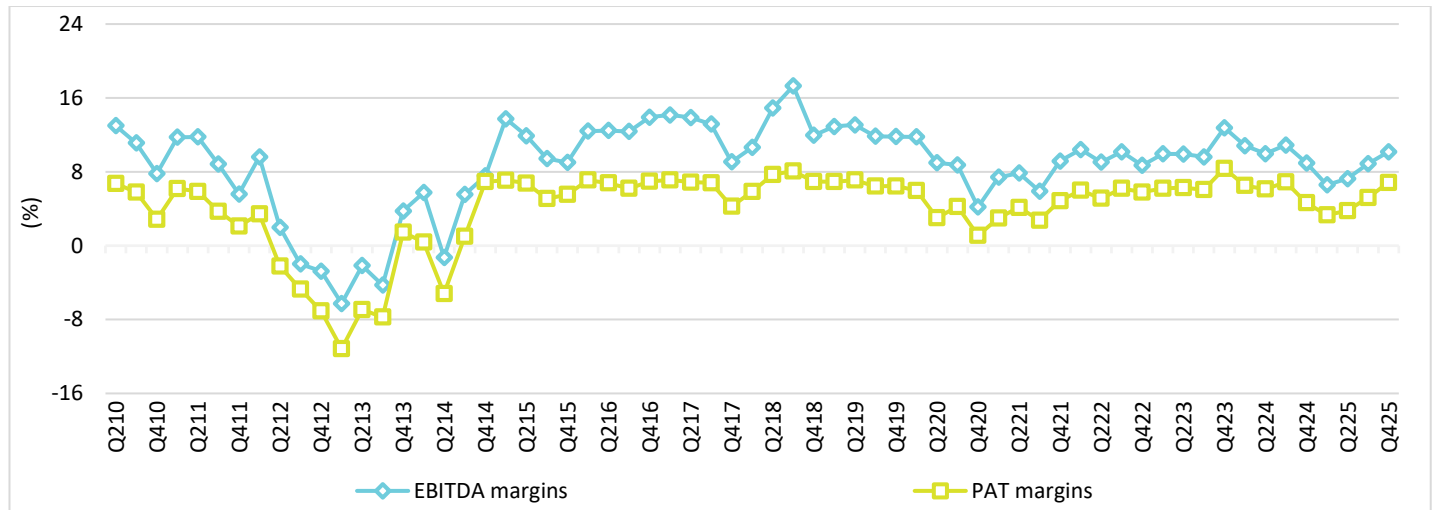


Source: Company, Nuvama Research

## Q4FY25 conference call highlights

1. **EBITDA margin:** EBITDA margin increased ~120bp YoY/130bp QoQ to 10.2% in Q4FY25 as slow-moving orders are nearing completion and execution has begun on high-margin projects. Also, lifting of the construction ban led to a QoQ improvement in margins.

Exhibit 10: EBITDA margin jumps YoY in Q4FY25



Source: Company, Nuvama Research

2. **Capex** incurred during FY25 was ~INR1.9bn.
3. **Fixed price contracts** make up just 11% of the total order book.
4. Competitive intensity remains high for the public sector orders; however it is limited for high-ticket private sector orders over INR4–5bn.
5. **Project updates:**
  - **CSMT redevelopment project** –The structural issues have been resolved while the finishing and the design issues still persists. Management expects this project to contribute INR4–5bn in FY26 and 2–2.5 years for the entire project to get completed.
  - **DLF Arbour project** – The work is in in full swing, and the company is billing INR250–300mn per month in this project. It expects to complete this project by Q3FY27E.
  - **Gems and Jewellery project** – The company expects to get notice to proceed in Q3FY26E, post-which they will start the design work.
  - **Tata Memorial, Parel** – Ahluwalia is billing INR0.8–1bn per month here and expects it to ramp up to INR1.5–2bn per month starting Q2FY26E.
  - **Signature Global project:** Work has started and is billing INR1.5–2bn per month here.

## Company Description

ACIL commenced operations in 1969 as an EPC company; it was incorporated as a private limited company in 1979 and got converted into a public limited company in 1990. It has carved a niche for itself as a specialised buildings contractor with strong execution track record.

### Major segments for the company are:

**Commercial:** Construction of malls, shopping complexes and exhibition facilities; healthcare services, educational facilities and hospitality sector, corporate offices and buildings.

**Industrial facilities:** Construction of buildings for manufacturing facilities with structural steel work, sheeting, specialised flooring, external and internal finishes.

**Infrastructure:** Construction of airports, urban infrastructure, parking lots, metro stations, etc.

**Housing (residential):** Construction of buildings for group housing projects. ACIL executes turnkey projects, including civil, electrical, plumbing, fire-fighting, lifts, external and internal finishes and external landscaping.

## Investment Theme

ACIL is a Delhi-based integrated construction company with more than four decades of experience in offering turnkey solutions in the building space. With a diversified services portfolio, it is one of the most reputable building contractors in India.

Singed by exposure to slow-moving/fixed price contracts from private sector clients during FY12–14, ACIL prudently sharpened focus on escalation clause-based orders from the public sector. Government projects ensure margin stability, payment security and greater confidence in execution timelines, all of which greatly de-risk the company's business model.

## Key Risks

Execution delays/payment risk in private sector projects: Liquidity issues have put the spanner in the works of many developers' projects, thereby slowing execution. In addition, the receivables cycle from such clients is high. Exposure to such developers can lead to delays in project execution/elongated payment cycle for ACIL.

Additional Data

Management

C & MD and CEO	Bikramjit Ahluwalia
Director	Shobhit Uppal
Director	Vikas Ahluwalia
CFO	Satbeer Singh
Auditor	Amod Agrawal & Associates

Holdings – Top 10\*

% Holding		% Holding	
SBI small cap	8.06	Franklin	1.70
Nalanda India E	5.49	Canara Robeco M	1.25
Axis MF	4.81	ABSL	1.17
DSP MF	3.73	TIAAA	0.03
Nalanda India F	3.69	Power Corp Cana	0.00

\*Latest public data

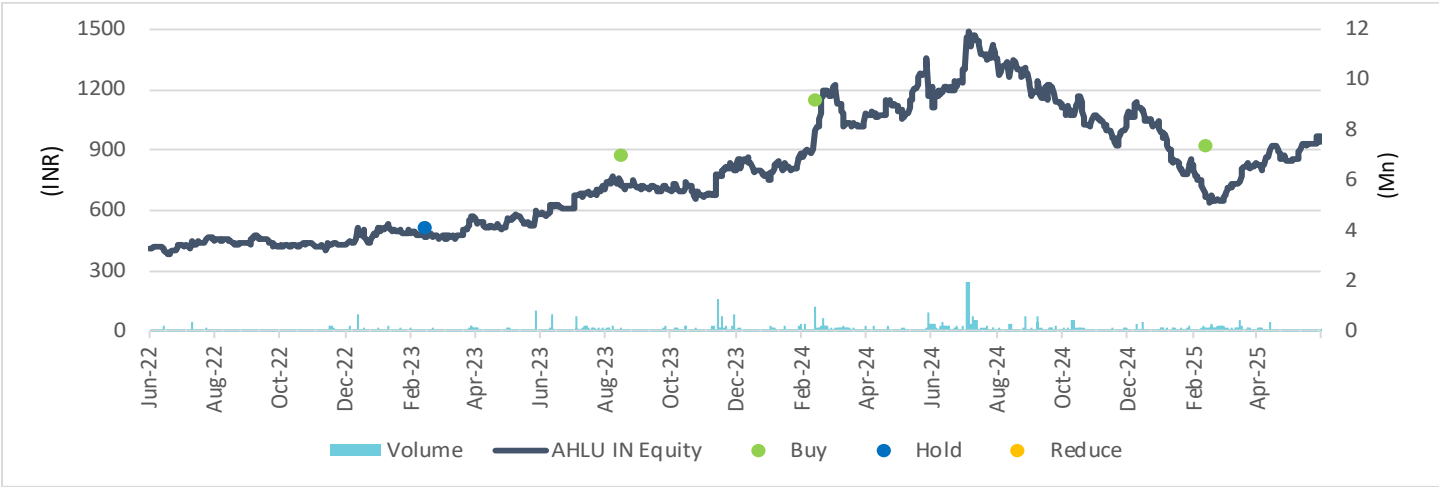
Recent Company Research

Date	Title	Price	Reco
12-Feb-25	Battling execution challenges; <i>Result Update</i>	706	Buy
18-Nov-24	Execution improves; margins weak; <i>Result Update</i>	998	Buy
16-Aug-24	Strong order-wins; margins weak; <i>Result Update</i>	1,320	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
02-Jun-25	Infrastructure	Road awarding and construction pick up; <i>Sector Update</i>
30-May-25	KNR Constructions	Challenges galore; <i>Result Update</i>
30-May-25	NBCC	Robust performance; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	203
Hold	<15% and >-5%	62
Reduce	<-5%	37

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