

Ahluwalia Contracts | BUY

Weak earnings; poised for robust growth

Ahluwalia Contracts' (ACIL) reported weak results in 3Q26 as PAT at INR 553mn (up 12% YoY) missed JMFe of INR 609mn (consensus: INR 691mn) impacted by lower margins. Reported PAT at INR 540mn included provisions made of INR 13mn w.r.t to new Labour Codes. Execution in 3Q26 (down 10% QoQ) was impacted due to GRAP stage 4 enforced (pollution related part ban on construction activity) in NCR region (42% of Dec-25 backlog). ACIL indicated that even Jan-26 was impacted due to GRAP. Accordingly, it has lowered revenue guidance for FY26 to 10-15% growth (earlier: 15-20% growth). Led by strong YTD inflows of c.INR 90bn (ex GST), L1 position of INR 25bn and robust bid pipeline of INR 70bn, ACIL targets order inflows of INR 100bn/INR 60bn for FY26/27E. Backed by strong backlog, ACIL is confident of 15-20% revenue growth in FY27E which appears conservative and we have factored 22% revenue growth. Factoring lower FY26 revenues and limited margin expansion ahead, we expect EPS cuts of 11%/8%/4% in FY26/27/28E. We expect robust EPS CAGR of 31% over FY25-28E. We like ACIL given its asset light business, lean balance sheet, consistent FCF generation and strong return ratios despite moderate margins. ACIL is currently trading attractively at 15x/12x FY27/28E EPS. Maintain BUY with a revised price target of INR 1,155 (19x Sept-27E EPS).

- Earnings below JMFe impacted by lower margins:** Revenue/EBITDA grew by 11%/15% YoY to INR 10.6bn/INR 974mn (JMFe: INR 10.5bn/INR 1bn). Execution was impacted by GRAP stage 4 enforced (pollution related part ban on construction activity) in NCR region. EBITDA margins expanded by 30bps YoY to 9.2% (JMFe: 9.7%). Adjusted for ECL provisions of INR 32mn, margins stood at 9.5%. Interest costs declined by 22% YoY to INR 114mn (JMFe: INR 140mn).
- Order backlog robust at INR 187bn; execution for big ticket projects to pick-up in FY27:** With robust inflows of c.INR 59bn (ex GST) in 9MFY26, ACIL's backlog strengthened to INR 187bn (4.2x TTM revenues) as of Dec-25. In 4Q26 so far, ACIL has won inflows of c.INR 31bn which will further drive the backlog. With a strong bid pipeline of c.INR 70bn and L1 position of c.INR 25bn, ACIL expects inflows of INR 100bn for FY26E followed by c.INR 65bn in FY27E (moderation YoY on higher base and focus on execution of robust backlog). ACIL expects execution to pick up from FY27 onwards led by new big ticket orders like Gems & Jewellery park and Central Vistats coming in execution and ramp up in execution of CSTM station redevelopment project.
- Lowers FY26 revenue guidance; investing in machinery to support execution of big ticket projects:** With c.42% of ACIL's order backlog coming from the NCR region, NGT restrictions and GRAP implementation has impacted execution leading ACIL to lower revenue growth guidance to 10-15% (earlier 15-20%) for FY26E. ACIL has maintained its 10% margin guidance for FY26/27E. ACIL plans to incur capex of INR 3bn each for FY26/27E as several big ticket projects coming in execution stage and it plans to invest in heavy machinery.
- Maintain BUY with revised price target of INR 1,155:** We like ACIL due its asset light business, lean balance sheet, consistent FCF generation over last decade and strong return ratios despite moderate margins. Robust backlog of INR 187bn (4.2x TTM revenue) as of Dec-25, provides multi year growth visibility. Factoring lower revenues in FY26 and limited margin expansion ahead, we see EPS cuts of 11%/8%/4% in FY26/27/28E. Having said that, backed by robust order backlog, we expect EPS CAGR of 31% over FY25-28E. ACIL is currently trading attractively at 15x/12x FY27/28E EPS. Maintain BUY with a revised price target of INR 1,155 (19x Sept-27E EPS).



Vaibhav Shah

vaibhav.shah@jmfl.com | Tel: (91 22) 66303068

Priyankar Biswas

priyankar.biswas@jmfl.com | Tel: (91 22) 69703622

Parth Thakkar

parth.thakkar@jmfl.com | Tel: (91 22) 61781879

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,155
Upside/(Downside)	42.9%
Previous Price Target	1,230
Change	-6.1%

Key Data – AHLU IN EQUITY

Current Market Price	INR808
Market cap (bn)	INR54.1/US\$0.6
Free Float (%)	45.0
Shares in issue (mn)	67.0
Diluted share (mn)	67.0
3-mon avg daily val (mn)	INR216.0/US\$2.4
52-week range	INR1,129/620
Sensex/Nifty	83,451/25,725
INR/US\$	90.7

Price Performance

%	1M	6M	12M
Absolute	-11.1	-15.0	22.1
Relative*	-11.0	-17.9	11.2

*To the NSE Nifty 50

Financial Summary

Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	38,553	40,986	46,314	56,504	68,934
Sales Growth (%)	35.8	6.3	13.0	22.0	22.0
EBITDA	3,885	3,418	4,634	5,765	7,246
EBITDA Margin (%)	10.1	8.3	10.0	10.2	10.5
Adjusted Net Profit	2,296	2,015	2,820	3,652	4,494
Diluted EPS (INR)	34.3	30.1	42.1	54.5	67.1
Diluted EPS Growth (%)	18.3	-12.3	40.0	29.5	23.1
ROIC (%)	31.8	23.9	28.9	29.5	29.9
ROE (%)	16.2	11.8	14.6	16.2	16.9
P/E (x)	21.9	35.8	18.8	14.5	11.8
P/B (x)	3.1	4.0	2.6	2.2	1.8
EV/EBITDA (x)	11.0	18.3	9.3	7.2	5.6
Dividend Yield (x)	0.1	0.1	0.1	0.1	0.2

Source: Company data, JM Financial. Note: Valuations as of February 17, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1: Standalone quarterly results

In INR mn	3QFY25	4QFY25	FY25	1QFY26	2QFY26	3QFY26	3QFY26E	Variance	FY26E	FY27E	FY28E
Net Sales	9,520	12,158	40,986	10,049	11,773	10,607	10,500	1.0%	46,314	56,504	68,934
EBIDTA	844	1,236	3,418	863	1,286	974	1,019	-4.4%	4,634	5,765	7,246
<i>EBIDTA margin (%)</i>	8.9	10.2	8.3	8.6	10.9	9.2	9.7		10.0	10.2	10.5
Other income	149	180	554	159	150	152	165	-7.8%	627	837	863
Depreciation	180	171	666	207	223	262	230	13.7%	957	1,165	1,474
Interest	145	128	581	119	149	114	140	-18.8%	506	557	630
PBT	667	1,117	2,724	695	1,064	750	814	-7.7%	3,798	4,880	6,005
Tax	173	286	709	184	273	197	205	-3.7%	978	1,228	1,512
<i>Effective tax rate (%)</i>	25.9	25.6	26.0	26.4	25.7	26.3	25.2		25.7	25.2	25.2
PAT	494	832	2,015	511	791	553	609	-9.1%	2,820	3,652	4,494
Extra-ordinary items	-	-	-	-	-	(13)	-		(13)	-	-
Reported PAT	494	832	2,015	511	791	540	609	-11.3%	2,807	3,652	4,494
YoY growth(%)											
Net sales	(7.3)	4.5	6.3	9.3	16.4	11.4			13.0	22.0	22.0
EBITDA	(24.6)	18.6	(12.0)	42.7	75.2	15.4			35.6	24.4	25.7
Other income	64.7	46.0	51.1	47.1	28.0	2.3			13.2	33.6	3.2
Interest	18.7	(5.3)	20.8	(19.1)	(7.1)	(21.8)			(13.0)	10.3	13.1
Depreciation	32.5	(41.0)	(0.3)	38.2	34.6	45.4			43.6	21.8	26.5
PBT	(29.8)	50.7	(12.2)	67.5	102.6	12.5			39.4	28.5	23.1
Adjusted PAT	(30.1)	54.1	(12.3)	67.0	106.1	12.1			40.0	29.5	23.1
Reported PAT	(30.1)	(58.4)	(46.3)	67.0	106.1	9.4			39.3	30.1	23.1

Source: Company, JM Financial

Exhibit 2: Change in estimates

INR mn	FY26E			FY27E			FY28E		
	New	Old	change (%)	New	Old	change (%)	New	Old	change (%)
Net Sales	46,314	48,364	(4.2)	56,504	59,004	(4.2)	68,934	70,805	(2.6)
EBITDA	4,634	5,011	(7.5)	5,765	6,316	(8.7)	7,246	7,582	(4.4)
EBITDA margin %	10.0	10.4		10.2	10.7		10.5	10.7	
Adj. PAT	2,820	3,179	(11.3)	3,652	3,968	(8.0)	4,494	4,703	(4.4)
Diluted EPS	42.1	47.5	(11.3)	54.5	59.2	(8.0)	67.1	70.2	(4.4)

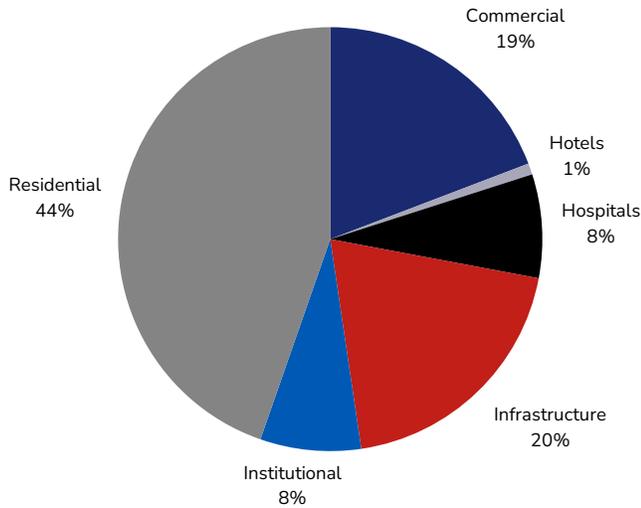
Source: Company, JM Financial

Exhibit 3: Key assumptions

INR mn	FY24	FY25	FY26E	FY27E	FY28E
Order inflows	65,368	84,370	90,000	65,000	90,000
EBITDA Margins (%)	10.1	8.3	10.0	10.2	10.5
Effective tax rate (%)	26.0	26.0	25.7	25.2	25.2
Net WC days*	70	50	60	60	60
Capex (INR mn)	1,072	1,815	3,000	3,000	3,500

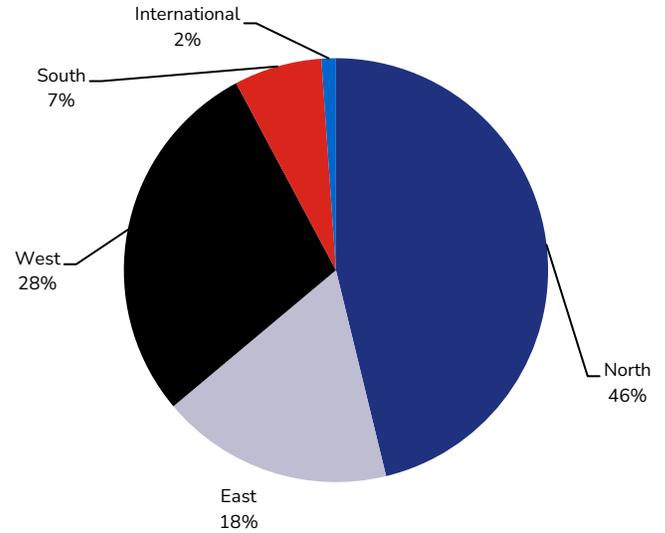
Source: Company, JM Financial

Exhibit 4: Segmental mix of order backlog (INR 187bn – Dec'25)



Source: Company, JM Financial

Exhibit 5: Geographical mix of order backlog



Source: Company, JM Financial

Exhibit 6: Price target of 1,155

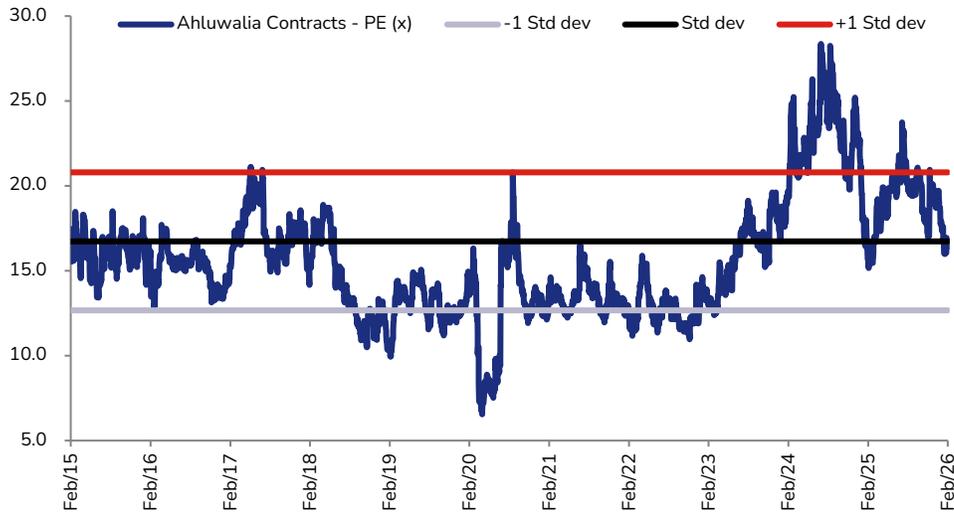
INR mn	Rationale	PAT	Multiple (x)	Value	Value per share
EPC business	PEX Sept-27E PAT	4,073	19	77,384	1,155
Target price					1,155

Source: Company, JM Financial

Key conference call takeaways

- **FY26 guidance:** Revenue growth: 10-15% growth (earlier: 15-20% growth); EBITDA margins: 10% (9M26: 9.6%); Order inflows: INR 100bn (YTD: INR 90bn ex GST); Capex: INR 3bn.
- **NGT has impacted** the revenue growth as c.44% of the orderbook is from the NCR region. GRAP norms impacted execution in Jan-26 as well.
- **Bid pipeline robust** at INR 70bn. Currently L1 in 4 projects worth INR 25bn. Given the strong backlog, ACIL targets inflows of c.INR 50-60bn for FY27E.
- **Projects update:** CSMT execution to pick up pace & targets rev of c.INR 3-3.5bn/INR 7bn for FY26/27E; Gems & Jewellery execution to start in 1Q27 and expects 20% (earlier: 30-35%) execution in FY27; Central Vistas project to start in FY27 and targets 30% execution.
- Payments are slightly delayed in Assam and Himachal Pradesh, but no major challenges are to be faced.

Exhibit 7: 1-year forward P/E chart



Source: Company, JM Financial, Bloomberg

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	38,553	40,986	46,314	56,504	68,934	
Sales Growth (%)	35.8	6.3	13.0	22.0	22.0	
Other Operating Income	-	-	-	-	-	
Total Revenue	38,553	40,986	46,314	56,504	68,934	
Cost of Goods Sold/Op. Exp	31,236	33,199	36,278	44,457	54,382	
Personnel Cost	2,824	3,516	4,430	5,094	5,859	
Other Expenses	608	853	973	1,187	1,448	
EBITDA	3,885	3,418	4,634	5,765	7,246	
EBITDA Margin (%)	10.1	8.3	10.0	10.2	10.5	
EBITDA Growth (%)	27.7	-12.0	35.6	24.4	25.7	
Depn. & Amort.	669	666	957	1,165	1,474	
EBIT	3,217	2,752	3,677	4,601	5,772	
Other Income	366	554	627	837	863	
Finance Cost	481	581	506	557	630	
PBT before Excep. & Forex	3,102	2,724	3,798	4,880	6,005	
Excep. & Forex Inc./Loss(-)	-	-	-	-	-	
PBT	3,102	2,724	3,798	4,880	6,005	
Taxes	806	709	978	1,228	1,512	
Extraordinary Inc./Loss(-)	1,459	-	-13	-	-	
Assoc. Profit/Min. Int.(-)	-	-	-	-	-	
Reported Net Profit	3,755	2,015	2,807	3,652	4,494	
Adjusted Net Profit	2,296	2,015	2,820	3,652	4,494	
Net Margin (%)	6.0	4.9	6.1	6.5	6.5	
Diluted Share Cap. (mn)	67	67	67	67	67	
Diluted EPS (INR)	34.3	30.1	42.1	54.5	67.1	
Diluted EPS Growth (%)	18.3	-12.3	40.0	29.5	23.1	
Total Dividend + Tax	33	40	56	73	90	
Dividend Per Share (INR)	0.5	0.6	0.8	1.1	1.3	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Profit before Tax	3,102	2,724	3,798	4,880	6,005	
Depn. & Amort.	669	666	957	1,165	1,474	
Net Interest Exp. / Inc. (-)	-	-	-	-	-	
Inc (-) / Dec in WCap.	-1,667	1,434	53	-645	-1,014	
Others	1,459	-	-13	-	-	
Taxes Paid	-862	-734	-978	-1,228	-1,512	
Operating Cash Flow	2,701	4,090	3,817	4,172	4,953	
Capex	-1,137	-1,858	-3,000	-3,000	-3,500	
Free Cash Flow	1,564	2,232	817	1,172	1,453	
Inc (-) / Dec in Investments	0	0	-	-	-	
Others	-	-	-	-	-	
Investing Cash Flow	-1,137	-1,858	-3,000	-3,000	-3,500	
Inc / Dec (-) in Capital	-	-	-	-	-	
Dividend + Tax thereon	-33	-40	-56	-73	-90	
Inc / Dec (-) in Loans	423	-310	-140	-	-	
Others	-31	-44	-	0	0	
Financing Cash Flow	359	-394	-196	-73	-90	
Inc / Dec (-) in Cash	1,923	1,838	621	1,099	1,364	
Opening Cash Balance	5,880	7,803	9,641	10,262	11,361	
Closing Cash Balance	7,803	9,641	10,262	11,361	12,725	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Shareholders Fund	16,021	18,001	20,751	24,330	28,735	
Share Capital	134	134	134	134	134	
Reserves & Surplus	15,887	17,867	20,617	24,196	28,601	
Preference Share Capital	-	-	-	-	-	
Minority Interest	-	-	-	-	-	
Total Loans	450	140	-	-	-	
Def. Tax Liab. / Assets (-)	-325	-352	-352	-352	-352	
Other non-current liabilities / Lease Liabilities	-	-	-	-	-	
Total - Equity & Liab.	16,471	18,141	20,751	24,330	28,735	
Net Fixed Assets	3,385	4,624	6,667	8,502	10,529	
Gross Fixed Assets	5,947	7,762	10,762	13,762	17,262	
Intangible Assets	-	-	-	-	-	
Less: Depn. & Amort.	2,635	3,254	4,211	5,376	6,850	
Capital WIP	73	116	116	116	116	
Investments	63	63	63	63	63	
Current Assets	28,190	32,033	34,234	40,160	47,724	
Inventories	3,158	3,392	3,280	4,019	4,768	
Sundry Debtors	7,811	8,130	7,613	9,288	11,332	
Cash & Bank Balances	7,803	9,641	10,262	11,361	12,725	
Loans & Advances	7	8	9	11	13	
Other Current Assets	9,411	10,862	13,070	15,480	18,886	
Current Liab. & Prov.	15,493	18,931	20,564	24,747	29,933	
Current Liabilities	7,000	8,472	7,951	9,379	12,217	
Provisions & Others	8,492	10,459	12,613	15,368	17,715	
Net Current Assets	12,697	13,102	13,670	15,414	17,791	
Other Non Current Assets/ROU Assets	-	-	-	-	-	
Total - Assets	16,471	18,141	20,751	24,330	28,735	

Source: Company, JM Financial

Dupont Analysis						
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Margin (%)	6.0	4.9	6.1	6.5	6.5	
Asset Turnover (x)	2.7	2.4	2.4	2.5	2.6	
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0	
RoE (%)	16.2	11.8	14.6	16.2	16.9	

Source: Company, JM Financial

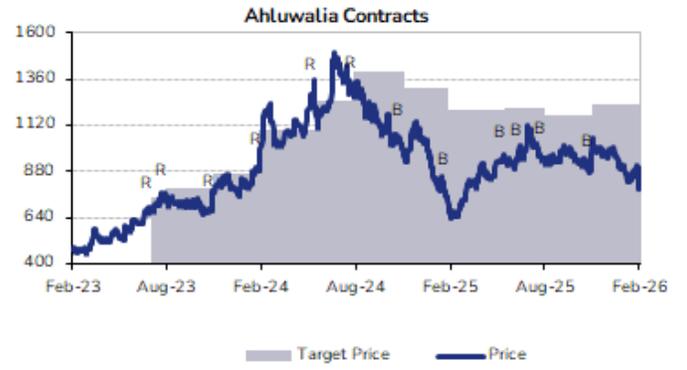
Key Ratios						
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
BV/Share (INR)	239.2	268.7	309.8	363.2	429.0	
ROIC (%)	31.8	23.9	28.9	29.5	29.9	
ROE (%)	16.2	11.8	14.6	16.2	16.9	
Net Debt/Equity (x)	-0.5	-0.5	-0.5	-0.5	-0.4	
P/E (x)	21.9	35.8	18.8	14.5	11.8	
P/B (x)	3.1	4.0	2.6	2.2	1.8	
EV/EBITDA (x)	11.0	18.3	9.3	7.2	5.6	
EV/Sales (x)	1.1	1.5	0.9	0.7	0.6	
Debtor days	74	72	60	60	60	
Inventory days	30	30	26	26	25	
Creditor days	74	82	70	67	72	

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
18-Nov-25	Buy	1,230	4.7
18-Aug-25	Buy	1,175	-2.9
3-Jul-25	Buy	1,210	0.0
3-Jun-25	Buy	1,210	0.8
12-Feb-25	Buy	1,200	-8.7
18-Nov-24	Buy	1,315	-6.1
16-Aug-24	Reduce	1,400	12.0
1-Jun-24	Reduce	1,250	13.6
15-Feb-24	Reduce	1,100	27.1
17-Nov-23	Reduce	865	9.5
17-Aug-23	Reduce	790	6.2
20-Jul-23	Reduce	745	

Recommendation History Chart



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com
