



AHLUWALIA CONTRACTS (INDIA) LTD.

ENGINEERING - DESIGNING - CONSTRUCTION

Design and Build the Dream



Accumulate

Key Data

DATE	21.11.2023
Reco Price	805-815
Target	1,490
Sector	Construction & Realty
BSE Code	532811
NSE Code	AHLUCONT
EPS (FY23)	28.96
Face Value (Rs.)	2.00
Market Cap (Mn)	53,255.10
52-week High/Low (Rs)	812.80 / 422.60.

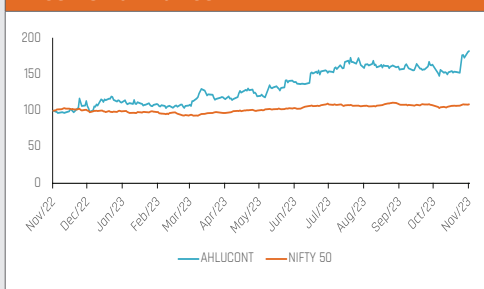
Source : NSE, BSE

Shareholding pattern (September-2023)

	%
Promoters	55.32
DII's	26.65
FII's	12.60
Public	5.43
Total	100.00

Source : NSE, BSE

Price Performance



Rebase to 100

Retail Research

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Ahluwalia Contracts (India) Limited.

Company Background

Ahluwalia Contracts (India) Limited (ACIL) incorporated on June 2, 1979 is a well-established integrated construction company with five decades of expertise in the construction Industry in India and abroad. The company undertakes diverse projects in infrastructure development, providing turnkey solutions in Engineering and design for both Public and Private Sector clients.

It is an India-based engineering, procurement and construction (EPC) company. It has also diversified into developing and operating commercial complex under license arrangement and is also engaged in the real estate trading business.

The Company's projects include hotel projects, such as Leela Palace Five Star Hotel, Pullman & Novotel Hotel, and ITC Grand Central Five Star Hotel; hospital projects, such as BPS Mahila Vishwavidyalaya, Tata Medical Centre and Fortis Super Specialties Hospital; commercial and institutional projects, such as Samrat Ashok Convention Kendra, IFCI Tower, and Cyber Green. The Company has successfully completed numerous landmark projects, making it one of the largest Civil Contractors in India. They have successfully completed some of the most challenging projects in the Country.

Its extensive experience spans various construction activities as below:

- Residential and commercial complexes
- Hotels, institutional buildings, hospitals
- Corporate offices, information technology (IT) parks, industrial complexes
- Automated car parking lot, townships, BOT projects
- Metro station and depot
- Re-development / up-gradation of Railway Stations
- Urban infrastructure

Outlook and Valuation

ACIL is engaged in the engineering and construction of large building infrastructure projects. It is one of the oldest Construction companies in India. It has robust unexecuted Order book giving clear sign of Revenue Visibility over next two to three years.

We estimate the company's top line to grow at a **CAGR of ~21.33%** during FY23- FY26E, supporting with strong order book & management guidance. Currently it is trading at very attractive valuation of 12.89x PE multiple on basis of FY26E EPS. By applying a **PE multiple of 24x** to FY26E EPS of Rs 62.08, we arrive at a target price of **Rs 1,490** indicating an **upside potential of 86%** from the current levels. Hence, we recommend an **ACCUMULATE** rating for a medium to long-term perspective.

Financial Snapshot (Consolidated)

Particulars (Rs. in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY24-FY26E)
Sales	28,383.90	34,060.68	41,554.03	50,695.92	21.33%
EBITDA	3,039.90	3,746.26	4,778.20	5,956.15	25.13%
EBITDA Margin (%)	10.71%	11.00%	11.50%	11.75%	
PAT	1,939.80	2,428.25	3,214.55	4,158.45	28.94%
PAT Margin (%)	6.83%	7.13%	7.74%	8.20%	
Diluted EPS (Rs.)	28.96	36.25	47.99	62.08	

Source: Company, ACMIL Retail Research

Company at a Glance

- To be a premier company providing comprehensive end-to-end solutions in the construction industry.
- Offer state-of-the-art mechanized solutions through excellent infrastructure.
- Maintain in-house capabilities to ensure high-quality standards.
- Provide a wide service portfolio through a robust business flow process.
- Ensure timely construction and delivery of projects.
- Boast experienced promoters and a strong management bandwidth with sound corporate governance.
- Foster a strong network of channel partners.
- Hold ISO 9001, ISO 14001, ISO 27001, and OHSAS 18001 certifications.
- Rank among the top 5 construction companies in India.

Company & Business Overview

Ahluwalia Contracts (India) Ltd (ACIL) is engaged in the engineering and construction of large building infrastructure projects, many of which are of national importance. It is one of the oldest Construction companies in India, founded by Late Sh. Karam Chand Ahluwalia father of Mr. Bikramjit Ahluwalia in 1965. ACIL develops and executes civil engineering technically complex, high-value projects that span across diverse segments such as transportation, Building Projects, irrigation and water supply, special buildings and industrial plants. ACIL's projects are hallmarks of quality, excellence, and precision; the Company has delivered numerous engineering marvels within each of its respective segments. Its specialized experience in the Construction Industry for more than 43 years have carved a niche for themselves in the industry as one of the leading Civil Contractors of the country.

The Company has a strong presence in the field of construction. ACIL has developed an in house engineering division to undertake complete Designing, Basic and System Engineering, Procurement, Construction, Erection, Commissioning & Project Management, Coordination assignments for the separate electrical works. The E&M division is working on Pan India. The Electrical division undertakes Supply, Installation, Testing and Commissioning services for:

- Switchyard upto 400 KV
- DG Sets, Power Transformers, Switchboards, Relay & Control Panels etc.
- Overhead and underground electrical networks
- Public address, Communication system, Security System, Fire Alarm, Computer network etc.

ACIL has developed in house Plumbing Division to undertake complete marketing, Commercial Scrutiny, Costing, Designing, Basic and System Engineering.

At Ahluwalia Contracts, for each project there is a fully equipped laboratory on site under a senior Quality Control Engineer. Regular inspections and Quality Audits are carried out both at sites and in Head Office for Quality Assurance. The company has been able to achieve construction quality of the highest levels in its projects, and the company's growth bears testimony to its quality standards and its clients' satisfaction levels.

They are amongst the most mechanized Construction Company in the country having number of Concrete Pumps, Batching Plants, Tower Cranes, Transit Mixers and all the latest plant and machinery. They have more than 610 Engineers & a total staff of 2300 people on roll along with 30000 (Approx) daily wages workers. Their qualified team is fully capable of executing any kind of Construction project within time and cost and with excellent quality.

Diversified Client Base



Source: Company, ACMIIL Retail Research

Robust Order Book (Rs. In Mn.)

Details	FY19	FY20	FY21	FY22	FY23	As at Sept 2023
Gross Order Book	1,06,584	1,23,510	1,31,150	1,30,336	1,44,646	1,88,584
Unexecuted Order Book	59,088	70,936	72,834	57,918	81,627	1,20,796

Source: Company, ACMIIL Retail Research

Top 10 Ongoing Projects (as on 30th September 2023)

Project	Order Value (Rs. In Mn)	Unexecuted Value (Rs. In Mn)
Re-development of Chhatrapati Shivaji Maharaj Terminus (CSMT) at Mumbai	24,500	24,500
AIIMS Jammu	12,540	2,350
Bihar Animal Science University, Patna, Bihar	8,902	7,955
The Arbour Project DLF, Gurugram	7,447	7,305
Tata Memorial Centre, Parel, Mumbai	7,233	7,233
Max Super Speciality Hospital, Gurugram	6,169	6,169
Mandale Depot, Mumbai	5,984	742
Dharavi Wastewater Treatment facility, Mumbai	5,566	5,420
Medical College, Koriyawas, Haryana	5,358	688
LTMG Hospital Sion, Mumbai	5,339	4,565

Source: Company, ACMIIL Retail Research

Segment Wise Diversified Order Book Classification (as on September 2023)

Segment Wise Unexecuted Order Book	(Rs. in Mn.)	Percent (%)
Infrastructure	35,894	29.7
Hospital	30,689	25.4
Institutional	29,207	24.2
Residential	14,935	12.4
Commercial	9,602	7.9
Hotel	469	0.4
Total	1,20,796	100

Source: Company, ACMIIL Retail Research

Sector Wise Order Book Classification (as on September 2023)

Sector Wise Unexecuted Order Book	(Rs. in Mn.)	Percent (%)
Central Government (CG)	58,352	48.3
State Government (SG)	26,763	22.2
Private	35,681	29.5
Total	1,20,796	100

Source: Company, ACMIIL Retail Research

Region Wise Order Book Classification (as on September 2023)

Region Wise Unexecuted Order Book	(Rs. in Mn.)	Percent (%)
West	43,459	36
North	41,507	34.4
East	29,731	24.6
South	1,833	1.5
Overseas (Nepal)	4,266	3.5
Total	1,20,796	100

Source: Company, ACMIIL Retail Research

Investment Rationale

Revenue visibility through strong unexecuted order book supporting with Management Guidance

The company holds a strong outstanding unexecuted order book of approximately Rs.1,20,796 Mn (as of September 2023). This order book comprises 75% public sector projects and 25% private sector projects, expected to be executed in the next 24 to 30 months, as indicated by management. This gives a clear sign of revenue visibility over the next two to three years. Currently, the company is managing 50+ ongoing projects across Pan India, along with one overseas project in Nepal.

Looking ahead, the company aims for a revenue mix of 60% (public) and 40% (private), clearly signaling a heightened focus on the private sector in future order bids. The company's management anticipates a 20%+ revenue growth over the next two to three years, maintaining an EBITDA margin in the range of 11% to 12%. Additionally, there is an expectation of a new order inflow of around Rs. 20,000 Mn in the remaining part of FY24 before the General Election.

Proven Execution Track Record in diversified business verticals across Pan India

Ahluwalia Contracts (India) Limited has not lagged behind; instead, it has moved ahead, earning a reputation in the construction industry within the country. The company has built landmark projects, including housing colonies, hotels, malls, hospitals, corporate offices, and more, spread across major cities in the country. It is scaling new heights in the industry.

Consistently Maintaining ideological foundations in respect of Time bound execution & high quality Construction through in house capabilities.

The company's ideological foundations, centered on a commitment to the time-bound completion of projects and high-quality construction, have been the cornerstones of its rapid growth over the years. Its consistent pursuit of customer satisfaction has earned it several prestigious awards in the past. The company will continue to uphold its long-term quality objectives, focusing on producing functionally efficient buildings through an all-inclusive approach encompassing design, materials, construction technology, and workmanship.

Thrust for Infra push and Private Capex Revival are key for future growth

In the medium term, ACIL is poised to benefit from the government's focus on the healthcare and education sectors, as well as the reconstruction of prominent government buildings and infrastructure. The anticipated resurgence in capital expenditure from the private sector during this period will also contribute to ACIL's advantage, enabling the diversification of its revenue stream with relatively better profitability. ACIL's extensive experience in diversified construction activities, coupled with a proven track record spanning over four decades, and the company's robust execution capabilities provide medium to long-term assurance of cash flow. Moreover, the inclusion of price-escalation clauses pertaining to input costs in a significant portion of contracts safeguards profitability to a certain extent.

Develop In-house Capabilities in terms of advanced Technologies, Process Automation & Modern Equipment's for time bound project execution

The scenario of present-day construction-related works has considerably changed and advanced with the latest types of technology in designing, construction, architecture, and other related fields. As a result, the role of modern plant and machinery, along with advanced technologies, is essential for the timely and quality completion of project works.

Various Plant & Machinery and equipment's at Project Site as below:

- Earth Work related Machinery
- Structure Work related Machinery
- Finishing Related Works Machinery
- JCB Excavator Loader
- Poclain
- Bob Cat
- Air Compressor
- Earth Compactor
- e-watering Pumps
- Dumpers
- DG Sets

In-house Facility for Structure Related Work Solution

- Mini Batching Plants
- Mixers
- Vibrators
- DG Sets

Experienced management with established track record and execution capabilities

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

Benefited from the government thrust on urban infrastructure development, being its long-Standing track Record in building construction segments

In the budget 2023-24, the government proposes to set up an Urban Infrastructure Development Fund to develop the urban infra by public agencies in tier-2 and tier-3 cities. The allocation of Ministry of Housing and Urban Affairs for FY24 stood at Rs.76,432 Mn. The railway station redevelopment projects have also been exhibiting a significant project pipeline in the medium term. Besides, the healthcare infrastructure needs of the country have come into the spotlight post COVID-19, both by centre and states. The New Education policy announced in January 2021 aims to increase the gross enrolment ratio from 26.3% in 2018 to 50% by 2035; the average enrolment of 0.6 million students will rise sharply, leading to higher addition of colleges than the current rate. ACIL shall be benefited from the government's thrust on urban infrastructure being its long-standing track record in buildings construction segment.

Commitment to support ESG Standard & Complying all Regulations in respect of Safe Construction Practices

ACIL's commitment to ESG will support its credit profile. It's establishing, implementing and maintaining Environmental and Occupational Health & Safety systems in compliance with international standards. The company has a committed CSR policy Governance. Their Safety Objectives are driven by the Safety Policy and it will strive to prevent accidents and achieve Zero Tolerance level for injuries in execution while complying with all the applicable Legislation/Regulations in respect of Safe Construction Practices.

Industry Overview

The Indian construction industry is the engine of the Indian economy. The Indian construction sector is responsible for propelling the country's overall development as good infrastructure is the basis for all other projects, and it enjoys prime attention from the government. The construction industry in India is expected to grow by 12.0% to reach INR 45,907 billion in 2023. Despite near-term challenges in certain construction sectors, the medium to long-term growth story in India remains intact. The construction industry in India is expected to grow steadily over the next four quarters. The growth momentum is expected to continue over the forecast period, recording a CAGR of 9.9% during 2023-2027.

Despite the surge in construction costs, government spending on infrastructure projects has remained strong in 2022, and the trend continued further in 2023. This along with the spending on commercial projects, including the construction of new data centres across the country, will keep supporting the growth of the construction industry over the next three to four years.

Furthermore, the demand for residential units is also driving the residential construction market in India. Despite the surge in construction costs and rate hikes announced by the Reserve Bank of India, the growing residential sales volume has led to a recovery in the real estate market. The growth has been led by mid-range, premium, and luxury segments.

The government has announced a strong pipeline of infrastructure projects across different sectors. The spending on these projects is projected to keep assisting the growth of the overall construction industry in India over the next three to four years. To fund the infrastructure construction projects, the government has also entered into loan agreements with the Asia Development Bank.

In January 2023, the Finance Ministry announced that the Indian government entered into a loan agreement worth US\$1.2 billion for funding infrastructure development in India. The loan agreement is expected to cover the development activities of highways in the North-eastern state of Assam and Tripura, among other projects.

The megatrends shaping the business landscape include AIIMS and Institutional Projects, like All India Medical Sciences in India, Institutional Building, Railway Stations, University's and Data Centres becoming more commitment works, demanding and aspirational. There is a clear preference for brands of trust and reliability as well as those ensuring deep engagement with timely delivery of the projects.

The construction industry in India is the second largest employer after agriculture, and it is therefore critical to the country's economic stability. The industry is expected to reach Rs. 54,914 Billion by 2024.

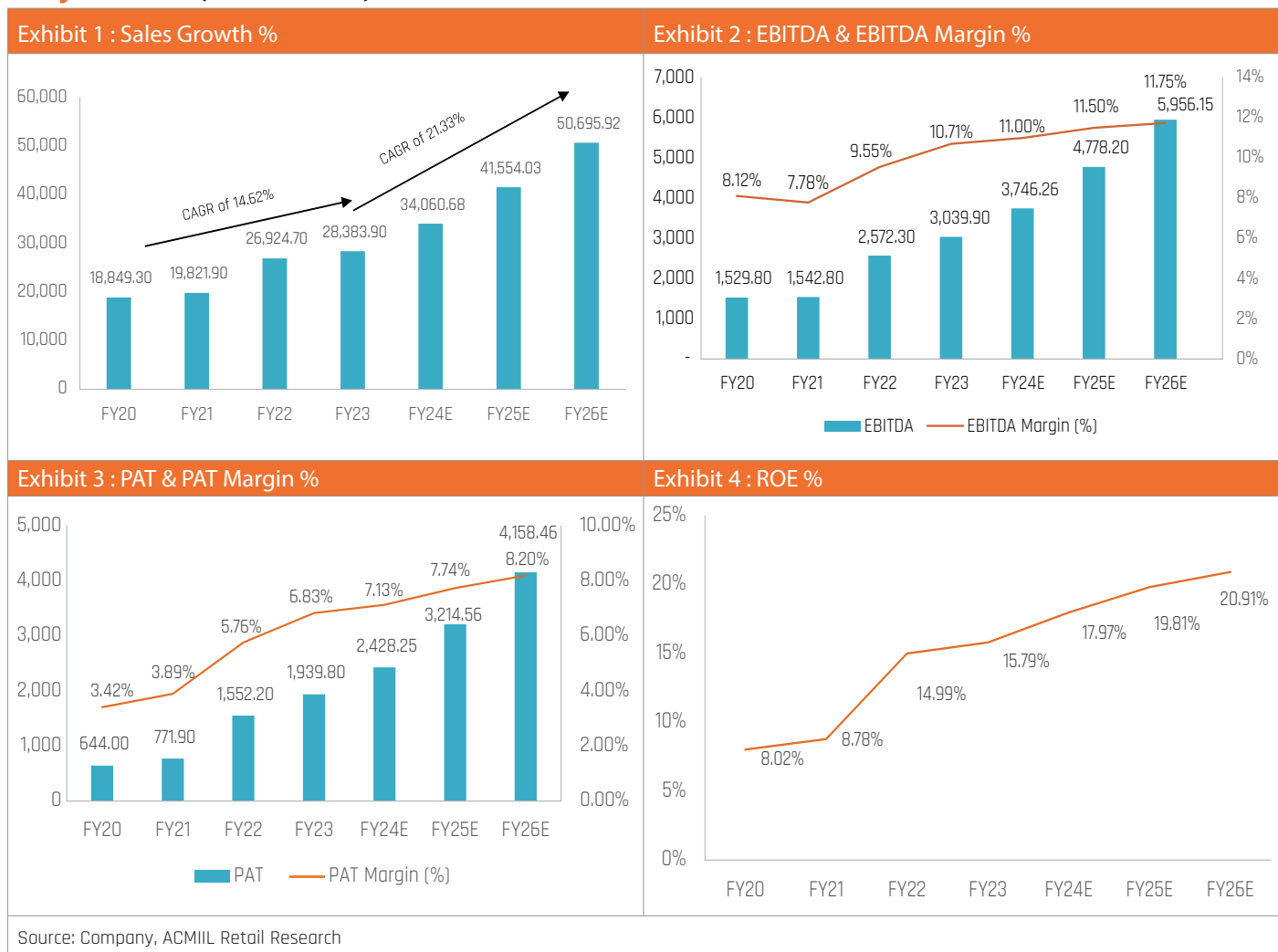
Additional Key Growth Drivers

- The construction industry market in India works across 250 sub-sectors with linkages across sectors.
- By 2030, more than 40% of the population is expected to live in urban India (33% today), creating a demand for 25 Mn additional mid-end and affordable residential units.
- Under National Infrastructure Plan (NIP), India has an investment budget of \$1.4 Tn on infrastructure - 24% on renewable energy, 18% on roads & highways, 17% on urban infrastructure, and 12% on railways.
- 35 Multimodal Logistics Parks (MMLPs) to be developed at a total capital cost of \$ 6.1 Bn, will cater to 50% of the freight movement.
- Increasing demand for commercial space (office spaces), hotels, retail, and entertainment units.
- Indian Real Estate sector is expected to reach a market size of USD 1 Tn by 2030. Its contribution to the country's GDP is expected to be approximately 13% by 2025.

Budget 2023 as a Game changer for Overall Infrastructure push of the Country

- Rs. 10 Lakh Crore: 33% Increase in capital Investment Outlay in budget 2023.
- The outlay for PM Awas Yojana is being enhanced by 66 % to over 79,000 cr
- Urban Infrastructure Development Fund: INR 10,000 Cr Outlay per year to create urban infrastructure in tier 2 & 3 cities.

Story in Charts (Values in Mn.)



Financial Statements

Consolidated Profit & Loss Statement:

Particulars (Rs. in Mn.)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	18,849.30	19,821.90	26,924.70	28,383.90	34,060.68	41,554.03	50,695.92
Total Expenses	17,319.50	18,279.10	24,352.40	25,344.00	30,314.42	36,775.83	44,739.77
EBITDA	1,529.80	1,542.80	2,572.30	3,039.90	3,746.26	4,778.20	5,956.15
EBITDA Margin (%)	8.12%	7.78%	9.55%	10.71%	11.00%	11.50%	11.75%
Other Income	104.40	222.40	284.80	295.20	305.00	315.00	325.00
Interest	350.00	426.00	437.30	330.80	324.10	358.10	325.10
Depreciation	318.70	304.40	335.80	387.70	451.68	398.97	346.69
PBT	965.50	1,034.80	2,084.00	2,616.60	3,275.47	4,336.13	5,609.36
Tax	321.50	262.90	531.80	676.80	847.22	1,121.57	1,450.90
PAT	644.00	771.90	1,552.20	1,939.80	2,428.25	3,214.56	4,158.46
PAT Margin (%)	3.42%	3.89%	5.76%	6.83%	7.13%	7.74%	8.20%
Diluted EPS (Rs.)	9.61	11.52	23.17	28.96	36.25	47.99	62.08
ROE (%)	8.02%	8.78%	14.99%	15.79%	17.97%	19.81%	20.91%

Source: Company, ACMIL Retail Research

Risks and concerns

- Any kind of slowdown in GDP or change in government policies related to Capex in budget have a direct impact on the overall growth of the company.
- ACIL is in highly competitive industry with many players.
- Inherent cyclical trend associated with the construction sector may affect business performance of the company

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