Ahluwalia (AHLCON)

CMP: ₹ 938 | Target: ₹ 1110 (18%) | Target Period: 12 months | **BUY**

June 3, 2025

Healthy margins expansion; FY26 to be robust...

About the stock: Ahluwalia Contracts (India) Limited is a leading construction company operating across residential/commercial complex, hotels, hospitals, institutional/corporate offices, IT parks, Railway station redevelopment, metro station/depot, parking lot etc.

- The order book stood at ₹ 15775 crore as of Q4FY25 (3.8x book to bill). Ahluwalia enjoys a healthy balance sheet and is a net cash company (net cash of ₹ 964 crore in Q4FY25).

Q4FY25 Performance: Ahluwalia reported revenue from operations at ₹1216 crore, up 4.5% YoY. EBITDA at ₹123.6 crore was up 18.6% YoY with EBITDA margin at 10.2%, up 120 bps YoY. The Reported PAT was at ₹83.2 crore, down 58% YoY as base quarter had one-time exceptional gain (₹195 crore). On adjusted basis, PAT was up 44% YoY. For FY25, revenue from operations stood at ₹4099 crore, up 6.3% YoY. EBITDA Margin was reported at 8.3%, down 180 bps YoY. PAT at ₹201.5 crore, down ~13% YoY, on adjusted basis.

Investment Rationale

- **Healthy revenue growth visibility on order book:** Ahluwalia has a strong order book of ₹ 15775 crore as of Q4 (3.8x book to bill). It has received order inflows of ₹8437 crore in FY25. Given the bid pipeline of ₹15000 crore, it expects new order inflows of ₹ 7000-8000 crore for FY26 (of which, it has already been declared L-1 bidder for projects worth ~₹1800 crore). With healthy pipeline of orders and execution pace expected to pick up, it has guided for a topline growth of 15% for FY26. Given the robust orderbook, we expect strong revenue CAGR of ~16.1% over FY25-27E to ₹ 5522 crore.

- **Margins to improve in FY26:** The management is optimistic with margins improving to double digits in FY26, owing to the completion of slow-moving projects, likely better management of the NGT issue and absence of additional expenses. With strong execution and price escalation in ~89% of the order book, we expect margins to bounce back to 10.2% and 10.7% in FY26 and FY27, respectively vs. 8.3% in FY25, driving 39.2% adjusted earnings CAGR over FY25-27E.

Rating and Target Price

- Given the expertise of 5 decades, strong order book visibility, history of robust execution and balance sheet strength, Ahluwalia is poised for a robust growth recovery ahead

- **We value Ahluwalia at ₹ 1110 i.e. 19x on FY27E EPS and maintain our BUY rating**

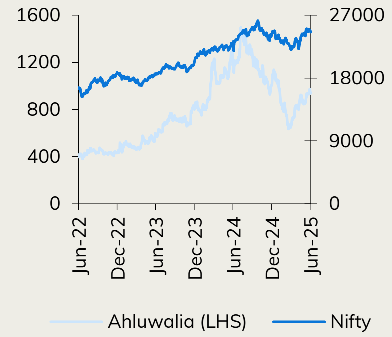
Particulars

Particular	Amount
Market Cap (₹ crore)	6,283
Debt (FY25) (₹ crore)	14
Cash (FY25) (₹ crore)	964
EV (₹ crore)	5,333
52 week H/L (₹)	1542 / 620
Equity capital (₹ crore)	13.4
Face value (₹)	2.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoters	55.3	55.3	55.3	55.3
DII	25.3	25.0	24.7	24.3
FIIs	13.3	12.9	12.5	12.1
Other	6.1	6.9	7.5	8.3

Price Chart



Key risks

- Lower than expected execution
- Heightened competitive intensity impacting margins

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ Crore)	FY21	FY22	FY23	FY24	FY25	5 Year CAGR (FY20-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Net Sales	1,964	2,668	2,799	3,855	4,099	17.0	4,733	5,522	16.1
EBITDA	154	257	304	388	342	17.5	483	593	31.7
EBITDA Margin (%)	7.8	9.6	10.9	10.1	8.3		10.2	10.7	
Adj. Net Profit	77	155	194	231	202	25.7	306	391	39.2
EPS (₹)	11.5	23.2	29.0	56.1	30.1		45.7	58.3	
P/E (x)	81.6	40.6	32.4	16.8	31.2		20.5	16.1	
EV/EBITDA (x)	38.2	22.9	18.8	14.3	15.6		10.8	8.4	
RoCE (%)	16.7	25.0	24.5	22.2	18.6		22.6	23.4	
RoE (%)	8.8	15.0	15.8	23.5	11.2		14.6	15.7	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Orderbook Internals and inflow guidance –**
    - **The unexecuted orderbook as of Q4FY25 stood at ₹15775 crore, implying 3.8x book to bill, executable over the next 2-2.5 years. The order inflows for FY25 stood at ₹8437 crore.**
    - Geographically the order break-up is West – 36.5%, North – 39.9%, East – 19.1%, South – 2.7% and Overseas (Nepal)– 1.8%.
    - The government and private segments form 39.9% and 58.3% of the overall project (Govt./private split is expected to be 40:60 as company is focusing more on private segments).
    - Going ahead, the management has indicated an order pipeline of ₹15000 crore for FY26 across residential, institutions, airports etc, which should translate into order inflows of around ₹7000-8000 crore. As of now, the company has already been declared L-1 bidder for projects worth approximately ₹1800 crore and by the end of FY26, it expects to win orders in excess of ₹5000 crore.

- **Topline and Margin Guidance** – The company has guided for 15% growth in FY26 (vs 20% earlier). On margins front, the management is optimistic with margins improving **to double digits for FY26 given the completion of slow-moving projects, better management of the NGT issue and absence of additional overheads**.

- Capex – The capex incurred for FY25 has been around ₹190 crore. For FY26, the capex is expected to be ₹200 crore. The company has taken on orders for high-rise buildings which will require aluminium/specialized shuttering along with specialized machinery like cranes, hence requiring large capex on the projects.

- **Labour Woes** – The company expects labour issues to come up during Q2/Q3 period as Bihar elections are due in October. Since most of the skilled labour comes from Bihar, the company expects the labour shortage will have an impact on project performance across the country. Hence, it has been cautious with its growth guidance factoring in the labour issues anticipated this year.

- **Delhi NGT update** – The company does not expect any major setback from the NGT issues in Delhi for FY26 as the state government has taken proactive action to curb pollution. Unlike last year, where the NGT issue plagued Q3 and Q4 which impacted margins, for FY26, it expects the pain to be much lesser and the impact on production to be minimal.

- **Key project updates –**
    1. **The CSMT Station Re-development** – Being the company's largest project till date (worth ₹2367 crore), the fixed overheads and slow execution on the ground due to various factors had significantly impacted the margins in FY25. The management has indicated that the project's execution timeline was extended, though most of the major design issues had been dealt with and most of the approvals from the clients are in place, however, given the complexity of the project, some finishing items/design issues continue to persist while most of the structural issues have been concluded. It expects to execute billing of ₹15-20 crore starting this month, which will gradually increase month on month through the year. It expects around ₹400-500 crore in revenues from the

project in FY26. It expects to complete the project in 2-2.5 years from now most likely by FY28.

2. **Gems and Jewellery Park** – The project had earlier been stalled on account of the elections in FY25. The management indicated they are still awaiting clearances to break ground. It expects the project to start from Q3 FY26 with revenues pegged at around ₹150 crore from the project. The project value is ₹2157 crore.
3. **DLF projects** – The company is executing two projects for DLF. The residential project in sector 63 is logging a run rate of around ₹25-30 crore every month. The project is slated to be completed by October 2026. The commercial project (6-6.5 million sq. feet) on the Delhi-Gurgaon highway has commenced with construction. It is expected to log a run rate of ₹25-30 crore every month.
4. **Signature Global project -** The management indicated that the project site had been handed over to the company and since last month, it is logging a turnover of about ₹15-20 crore, the same run-rate is expected for the year forward.
5. **Tata Memorial project** – The project is moving as per schedule, the company is billing close to ₹8-10 crore every month, it is expected to ramp up to ₹15-20 crore in the following month.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Net Sales	**3,855**	**4,099**	**4,733**	**5,522**
Growth (%)	37.7	6.3	15.5	16.7
Raw Material Cost	1,839	1,799	2,082	2,430
Employee Cost	282	352	364	414
Other Expenditure	1,345	1,606	1,803	2,085
Total Op Expenditure	3,467	3,757	4,250	4,929
EBITDA	**388**	**342**	**483**	**593**
Growth (%)	46.6	(12.0)	41.1	22.9
EBITDA Margin (%)	**10**	**8**	**10**	**11**
Other income	37	55	64	70
Depreciation	67	67	77	86
EBIT	358	331	469	578
Interest	48	58	57	52
Exceptional items	195	-	-	-
PBT	505	273	412	526
Tax	130	71	106	135
Rep. PAT	**375**	**202**	**306**	**391**
Adj. Net Profit	**231**	**202**	**306**	**391**
Growth (%)	18.8	(12.5)	51.9	27.5
EPS (₹)	**56.1**	**30.1**	**45.7**	**58.3**

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Profit after Tax	375	202	306	391
Depreciation	67	67	77	86
Interest	48	58	57	52
Others	(42)	(58)	(64)	(70)
Cash Flow before wc changes	448	268	377	458
Net Increase in CA	(437)	(190)	(321)	(400)
Net Increase in CL	287	344	282	351
Net CF from op. activities	**299**	**422**	**338**	**409**
Net purchase of Fixed Assets	(117)	(191)	(200)	(140)
Others	20	45	38	39
Net CF from Inv. Activities	**(97)**	**(146)**	**(162)**	**(101)**
Proceeds from share capital	(1)	0	(1)	6
Debt Proceeds/Repayment	42	(31)	-	-
Interest paid	(48)	(58)	(57)	(52)
Dividend paid	(3)	(3)	(5)	(6)
Net CF rom Fin Activities	**(10)**	**(92)**	**(63)**	**(52)**
Net Cash flow	**192**	**184**	**113**	**256**
Opening Cash	588	780	964	1,077
Closing Cash	**780**	**964**	**1,077**	**1,334**

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity capital	13	13	13	13
Reserves & Surplus	1,587	1,785	2,085	2,476
Networth	1,600	1,798	2,099	2,490
Loan Funds	45	14	14	14
Deferred Tax liability	(33)	(35)	(35)	(35)
Total Liabilities	**1,612**	**1,777**	**2,078**	**2,468**
Assets				
Net Block	337	461	584	638
Capital WIP	7	7	7	7
Non-current Investments	64	41	48	56
Othe non-current assets	89	122	141	165
Inventories	316	339	392	457
Trade Receivables	780	813	938	1,095
Cash & Bank Balances	780	964	1,077	1,334
Loans & Advances	1	1	1	1
Other current assets	788	923	1,065	1,243
Total current assets	2,665	3,040	3,474	4,130
Total Current liabilities	1,550	1,894	2,175	2,527
Net Current Assets	1,116	1,146	1,298	1,603
Total Assets	**1,612**	**1,777**	**2,078**	**2,468**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Reported EPS	56.1	30.1	45.7	58.3
Adj. EPS	34.4	30.1	45.7	58.3
BV per share	238.8	268.5	313.3	371.6
Operating Ratios (%)				
EBITDA Margin	10.1	8.3	10.2	10.7
EBIT/ Net Sales	8.3	6.7	8.6	9.2
PAT Margin	6.0	4.9	6.5	7.1
Inventory days	29.9	30.2	30.2	30.2
Debtor days	73.9	72.4	72.4	72.4
Creditor days	66.3	75.4	75.4	75.4
Return Ratios (%)				
RoE	23.5	11.2	14.6	15.7
RoCE	22.2	18.6	22.6	23.4
RoIC	39.1	34.5	41.2	45.3
Valuation Ratios (x)				
P/E	16.7	31.2	20.5	16.1
EV / EBITDA	14.3	15.6	10.8	8.4
EV / Net Sales	1.4	1.3	1.1	0.9
Price to Book Value	3.9	3.5	3.0	2.5
Solvency Ratios (x)				
Debt / EBITDA	0.1	0.0	0.0	0.0
Net Debt / Equity	(0.5)	(0.5)	(0.5)	(0.5)

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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