



Focus on profitability rather than top-line growth makes the company a good bet.

Ahluwalia Contracts (ACIL) continued its strong performance with Q4FY18 PAT jumping 54% y-o-y to Rs 310 mn. Revenue fell 5% y-o-y (up 24% sequentially) to Rs 4.5 bn; the y-o-y dip was primarily on account of GST impact. The company ended FY18 with order book of Rs 30.7 bn; in Q1FY19, it has this far bagged projects worth Rs 16.2 bn, increasing the order backlog to a robust Rs 47 bn (book-to-bill of 2.9x).

Management continues to maintain a conservative bidding strategy, targeting large-size public sector projects and commercial/institutional orders in the private sector. Maintain Buy with a target price of Rs 505.

Steady performance: Ebitda margin expanded 286bps y-o-y to 11.9%, aided by measures taken to enhance efficiencies and control costs. For FY18, the company delivered 15% topline, 26% Ebitda and 34% PAT growth. PAT margin was boosted by the Rs 600 mn reduction in debt in FY18. Management has guided for Ebitda margin of 13.5-14% for FY19 and revenue growth of 20% each for FY19 and FY20.

# Financials

(₹ mn)

Year to March	FY18	FY19E	FY20E
Revenues	16,466	19,792	23,770
Ebitda	2,193	2,658	3,220
Adj. profit	1,154	1,506	1,880
Dilu.EPS (₹)	17.2	22.5	28.1
Dilu.P/E (x)	21.6	16.6	13.3
EV/Ebitda (x)	10.9	8.6	6.8
ROAE (%)	20.5	21.6	21.7

Source: Company data, Edelweiss research

**Selective bidding with focus on profitability:** The bid pipeline is around Rs 30 bn, with large opportunities in institutional projects like hospitals, airports, etc. Management indicated that commercial realty sector is also looking up. It is targeting total order inflow of Rs 20-22 bn in FY19.

**Outlook and valuations:** ACIL continues to focus on margins and maintaining a lean balance sheet, rather than chasing top-line growth, thus ensuring steady, healthy and sustainable returns.

**Rising government spending on buildings and positive outlook for the commercial real estate segments remain key catalysts.** We maintain Buy with target price of Rs 505, based on 18x FY20e EPS.

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