Ahluwalia Contracts (AHLCON)

CMP: ₹544 | Target ₹ 490 (-10%) | Target Period: 12 months

REDUCE

November 17, 2026

Still Not Out of the Woods!

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 ₹19,628 crore as of Q2FY27 (3.95x book to bill). Ahluwalia enjoys a healthy balance sheet and is a net cash company

Q2FY27 performance: Ahluwalia Contracts Limited reported a mixed Q2FY27 performance with strong revenue growth but significant margin compression. The company's consolidated topline rose to ₹1,463.7 crore, up 24.3% YoY and 30.0% QoQ. However, escalating operational costs outpaced this topline expansion, consequently, EBITDA fell 13.7% YoY to ₹110.9 crore, and the EBITDA margin contracted sharply by 334 basis points to 7.6%. PAT fell 29.3% YoY to ₹55.9 crore.

Investment Rationale:

- **Revenue growth and Q3 uncertainty:** The company delivered solid top-line performance this quarter, with Q2 FY27 revenue jumping ~24% YoY. Despite this strong rebound, Q3 execution faces significant near-term uncertainty. **Management anticipates a sequential revenue drop of up to 10% for the third quarter**, largely driven by NGT and GRAP-related construction bans across the NCR. Even though leadership remains confident in achieving its full-year 15% plus revenue growth guidance, navigating these structural winter disruptions will be critical to hitting their ₹5,500 crore year-end target. **We project FY27E/FY28E revenues at ₹5,232/6,051 crore baking in a CAGR of 15.1% over the 2 year period.**
- **Margin pressures to persist:** Profitability is expected to remain under pressure in the near term. **Management has guided that H2 FY27 EBITDA margins will stay muted around the Q2 level of ~7.6%.** This factors in a 50 bps hit from revised PF regulations and ongoing supply chain disruptions. **Even looking ahead to FY28, margin expansion is projected at a modest 100 bps, targeting 8.5% to 9.0% as fixed costs amortize**. A return to double-digit margins remains a distant, 2-3 year journey rather than an immediate possibility. Hence, **we have realigned our estimates with EBITDA margins at 6.9% and 8.5% for FY27 and FY28 respectively**.
- **Orderbook growth to remain restricted:** Order inflows in H1 FY27 have been sluggish, standing at just ₹558.07 crore against a full-year target of ₹4,000 crore. This slow pace of new wins poses a risk to long-term revenue visibility. While the existing order book is large, the combination of muted fresh inflows and stalled project starts could pressure execution run rates in the coming quarters.

Rating and Target Price: Following the muted margin guidance and uncertainty of growth for the next quarter due to anti-pollution measures. **We Maintain REDUCE Rating for Ahluwalia Contracts** with a **revised target price of ₹490** valuing it at 12x its FY28E EPS.

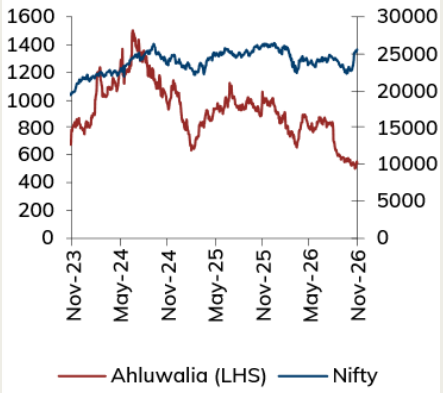
Particulars

Particular	Amount
Market Cap (₹ crore)	3,644
Debt (FY26) (₹ crore)	4
Cash (FY26) (₹ crore)	817
EV (₹ crore)	2,830
52-week H/L (₹)	1078 / 500
Equity capital (₹ crore)	13.4
Face value (₹)	2.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoters	55.3	55.3	55.3	55.3
FII	13.5	13.7	14.1	14.0
DII	23.4	22.3	22.3	22.0
Other	7.8	8.6	8.3	8.7

Price Chart



Key risks

- Lower than expected project executions
- Higher than expected margin improvements

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Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Operating Income	3,855	4,099	4,565	18.2	5,232	6,051	15.1
EBITDA	388	342	434	23.0	361	514	8.8
EBITDA Margin (%)	10.1	8.3	9.5		6.9	8.5	
Net Profit	375.5	201.7	264.3		164.2	270.8	
Adj. Net Profit	231	202	264	25.7	164	271	1.2
EPS (₹)	56.1	30.1	39.5		24.5	40.4	
P/E (x)	9.7	18.1	13.8		22.2	13.5	
EV/EBITDA (x)	7.5	7.9	6.5		8.2	5.6	
RoCE (%)	22.2	18.6	20.1		12.9	17.6	
RoE (%)	23.5	11.2	12.8		7.4	10.9	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Q2FY27 - Key Performance highlights

- **Management Guidance:** Management **maintained its FY27 revenue growth guidance of 15%+ (targeting a ~₹5,500 crore run rate)** and projects 15-20% growth for FY28. **Q3 FY27 revenue may dip up to 10% QoQ (to ~₹1,300 crore) due to NCR's GRAP pollution bans**, but Q4 is expected to be the year's best quarter. **H2FY27 EBITDA margins should hold near Q2's ~7.6% range**, accounting for a 50 bps hit from revised PF rules and supply chain delays. **FY28 EBITDA margins are guided to expand by 100+ bps to 8.5-9.0% as overheads amortize, though double-digit margins remain 2-3 years away**.
- **Orderbook and Bid Pipeline:** The September 2026 **unexecuted order book stood at ~₹19,628 crore, bringing the TTM book to bill at 3.95x**. It spans Residential (40%), Commercial/Industrial (19%), Institutional (18%), Infrastructure (17%), and Hospitals/Hotels (6%), dominated by private clients (64%), with Central (27%) and State (8%) governments making up the rest. Regionally, North leads at 53% (NCR ~48.6%), followed by West (24%), East (15%), and South (7%), showing planned diversification into Mumbai, Bengaluru, Hyderabad, and Assam while avoiding stretched states like Bihar and West Bengal. **H1 inflows were ₹558.07 crore, plus a ₹350 crore Bennett University win and a ₹379 crore L1 status, bringing YTD inflows near ₹1,000 crore versus a ₹4,000 crore FY27 target. Current bids total ₹1,500 crore within a ₹5,000 crore pipeline**, with strict labour/material escalation clauses mandated.
- **Labour Issues Update:** Structural labour challenges persist due to a 35-40% minimum wage hike in NCR states and a skilled manpower shortage. A statutory PF wage ceiling hike (₹15,000 to ₹25,000) brought 85% of workers under the PF ambit, raising monthly outlays by ~₹3 crore and dragging EBITDA margins by ~0.5%. **To mitigate this, ~50% of clients without labour escalation clauses have agreed to minimum wage index-based compensation, and negotiations continue for the rest**. The company now refuses new bids lacking labour escalation protections. UP election-related workforce disruptions are expected to be negligible, as labour is mostly sourced from Bihar, West Bengal, and Jharkhand.
- **Raw Material Issues:** Q2 raw material expenses rose 4-5% as a revenue proportion, mainly due to early-stage EPC project billing covering direct materials without fully capturing margins; this should normalize within 6-9 months. Price protections are solid**: only 9.2% of the order book is fixed-price, government contracts have WPI-linked pass-throughs, and private deals have base-rate protections for cement, steel, and RMC.** However, Middle East tensions increased lead times (steel/cement from 2-3 to 5-6 weeks, and electromechanical equipment up to 8 weeks) prompting IT and planning upgrades.
- **Debt and Working Capital:** September 2026 working capital included **mobilization advances of ₹939 crore (32% interest-bearing), retention money of ₹437 crore, and unbilled revenue of ₹925 crore**. Elevated unbilled revenue and quarterly finance costs of ₹14.7 crore (down from ₹16.4 crore in Q1 and ₹14.9 crore in Q2 FY26) reflect large EPC projects like CSMT, where physical progress (₹100-110 crore) outpaces railway billing milestones (₹80 crore).
- **Key Project Level Updates:** Q2 execution showed mixed but encouraging progress. **The Central Vista project (unexecuted ₹2,534 crore) is exempt from GRAP bans and progressing fast; it billed ₹43 crore in October, targets ₹150 crore in Q3, and ₹200+ crore in Q4. The CSMT station (₹1,397 crore) overcame design hurdles, with monthly billing rising from ₹50 crore to ₹80 crore, targeting ₹150 crore in Q3 and ₹200 crore in Q4**. The Varanasi airport project is fast-tracked for Jan/Feb 2027 completion. The DLF City Center project added ₹200 crore via expanded scope. **However, the ₹2,157 crore India Jewellery Park is stalled waiting for clearance; no Q3 revenue is expected, though margins have escalation protection**.
- **Cash Position:** Management confirmed a **strong treasury balance of nearly ₹1,000 crore**. This liquidity generated ₹14.1 crore in Q2 Other Income (₹29.8 crore in H1 FY27), which is expected to sustain in H2.

- **Capex and Depreciation:** Ahluwalia uses a counter-cyclical capex approach to avoid heavy fixed EMI burdens. **H1 FY27 capex was ₹142 crore (₹66 crore in Q2). Management reaffirmed a pruned FY27 target of ₹220-225 crore (down from ₹300+ crore)**, as existing fleets can handle the order book. Investments focus on mechanized assets like cranes, batching plants, and shuttering systems for high-rises. **FY28 capex guidance remains strict at ₹220-250 crore**. Quarterly depreciation rose to ₹34.8 crore in Q2 FY27 (from ₹32.2 crore in Q1 and ₹22.3 crore YoY) and should average ~₹35 crore/quarter in FY27, rising to ₹37-38 crore in FY28.

Exhibit 1: Quarter Performance

Particulars	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Total Operating Income	1463.7	1177.3	24.3	1125.8	30.0
Consumption of raw materials	1195.4	904.3	32.2	936.3	27.7
Employee benefit expenses	132.6	120.8	9.8	120.0	10.5
Other Expenses	24.7	23.6	4.5	21.1	16.8
EBITDA	110.9	128.6	-13.7	48.3	129.7
EBITDA Margin(%)	7.6	10.9	-334 bps	4.3	329 bps
Other Income	14.2	15.0	-5.5	15.7	-9.9
Depreciation	34.8	22.3	56.2	32.2	8.3
Interest	14.7	14.9	-1.1	16.4	-10.6
PBT	75.6	106.4	-29.0	15.4	390.6
Taxes	19.7	27.3	-28.1	3.9	398.5
PAT	55.9	79.1	-29.3	11.5	387.8

Source: Company, ICICI Direct Research

Exhibit 2: Change in Estimates

	FY27E			FY28E			Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Revenue	5,105	5,232	2.5	5,938	6,051	1.9	Realigned Estimates
EBITDA	408	361	-11.6	534	514	-3.8	
EBITDA Margin (%)	8.0	6.9	-110 bps	9.0	8.5	-50 bps	
PAT	213	164	-22.8	297	271	-8.9	
Diluted EPS (₹)	31.7	24.5	-22.8	44.4	40.4	-8.9	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Operating Income	**4,098.6**	**4,565.2**	**5,231.9**	**6,050.7**
Growth (%)	6.3	11.4	14.6	15.7
Raw Material Cost	1,799	1,894	2,381	2,717
Employee Cost	352	440	445	490
Other Expenditure	1,606	1,796	2,046	2,330
Total Op Expenditure	3,757	4,131	4,871	5,536
EBITDA	**342**	**434**	**361**	**514**
Growth (%)	(12.0)	27.0	(16.9)	42.5
EBITDA Margin (%)	**8**	**10**	**7**	**9**
Other income	55	71	60	66
Depreciation	67	98	138	146
EBIT	331	408	283	434
Interest	58	50	61	68
Exceptional items	-	-	-	-
PBT	273	358	222	366
Tax	71	93	58	95
Rep. PAT	**202**	**264**	**164**	**271**
Adj. Net Profit	**202**	**264**	**164**	**271**
Growth (%)	(12.5)	31.0	(37.9)	65.0
EPS (₹)	**30.1**	**39.5**	**24.5**	**40.4**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(₹ Crore)	FY25	FY26E	FY27E	FY28E
Profit after Tax	202	264	164	271
Depreciation	67	98	138	146
Interest	58	50	61	68
Others	(58)	(72)	(60)	(66)
Cash Flow before wc changes	268	341	303	419
Net Increase in CA	(190)	(313)	(556)	(460)
Net Increase in CL	344	309	458	404
Net CF from op. activities	**422**	**337**	**206**	**363**
Net purchase of Fixed Assets	(191)	(271)	(278)	(200)
Others	45	(148)	4	(3)
Net CF from Inv. Activities	**(146)**	**(419)**	**(274)**	**(203)**
Proceeds from share capital	0	1	6	6
Debt Proceeds/Repayment	(31)	(10)	10	-
Interest paid	(58)	(50)	(61)	(68)
Dividend paid	(3)	(5)	(6)	(6)
Net CF rom Fin Activities	**(92)**	**(65)**	**(51)**	**(68)**
Net Cash flow	**184**	**(147)**	**(120)**	**92**
Opening Cash	780	964	817	698
Closing Cash	**964**	**817**	**698**	**789**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity capital	13	13	13	13
Reserves & Surplus	1,785	2,046	2,210	2,480
Networth	1,798	2,059	2,223	2,494
Loan Funds	14	4	14	14
Deferred Tax liability	(35)	(35)	(35)	(35)
Total Liabilities	**1,777**	**2,027**	**2,202**	**2,472**
Assets				
Net Block	461	634	775	829
Capital WIP	7	6	6	6
Non-current Investments	41	231	265	307
Othe non-current assets	122	152	174	201
Inventories	339	342	433	501
Trade Receivables	813	760	1,037	1,200
Cash & Bank Balances	964	817	698	789
Loans & Advances	1	2	2	2
Other current assets	923	1,285	1,472	1,703
Total current assets	3,040	3,206	3,641	4,194
Total Current liabilities	1,894	2,202	2,660	3,065
Net Current Assets	1,146	1,004	981	1,129
Total Assets	**1,777**	**2,027**	**2,202**	**2,472**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Reported EPS	30.1	39.5	24.5	40.4
Adj. EPS	30.1	39.5	24.5	40.4
BV per share	268.5	307.4	331.9	372.3
Operating Ratios (%)				
EBITDA Margin	8.3	9.5	6.9	8.5
EBIT/ Net Sales	6.7	7.4	4.3	6.1
PAT Margin	4.9	5.8	3.1	4.5
Inventory days	30.2	27.4	30.2	30.2
Debtor days	72.4	60.8	72.4	72.4
Creditor days	75.4	65.2	75.4	75.4
Return Ratios (%)				
RoE	11.2	12.8	7.4	10.9
RoCE	18.6	20.1	12.9	17.6
RoIC	34.5	26.4	15.0	22.1
Valuation Ratios (x)				
P/E	18.1	13.8	22.2	13.5
EV / EBITDA	7.9	6.5	8.2	5.6
EV / Net Sales	0.7	0.6	0.6	0.5
Price to Book Value	2.0	1.8	1.6	1.5
Solvency Ratios (x)				
Debt / EBITDA	0.0	0.0	0.0	0.0
Net Debt / Equity	(0.5)	(0.4)	(0.3)	(0.3)

Source: Company, ICICI Direct Research

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