

Ahluwalia Contracts India

BUY
CMP Rs169

ACIL to enjoy benefits from revival in real estate sector

Ahluwalia Contracts India (ACIL) as a contractor enhances value in a project cycle while maintaining margins with limited risk of asset ownership. With revival in real estate development and new project announcement, ACIL will pose to benefit as it's one of major turnkey contractor player. ACIL enhances value with monthly billing and dis-risking itself from long payment cycle.

Robust order backlog provides strong earnings visibility

ACIL's current order backlog of Rs46bn, 3.5x FY09 revenues, provides strong earnings visibility. ACIL's order book historically has been dominated by real estate and allied contracts, which contributed ~90% of the order backlog. With slowdown in real estate business, the company diversified its product portfolio and entered into infrastructure projects business thereby providing cushion to its earnings. Until Q1FY10, Infrastructure space had increased its share to 19% of the order backlog with rest being contributed by real estate and allied segments. We expect the order backlog to grow by 14% CAGR over FY09-11E. Strong execution of the orders should translate into 20% revenue CAGR over FY09-11E.

Diversified client base and venturing into new verticals

ACIL has diversified its client base and has forayed into government contracts to have a good mix of private and public projects to abide slowdown in earnings and order book growth. ~68% of the order book is from the private sector and public sector contributes the rest. The company is foraying into urban infrastructure projects, with expected investment of Rs1,271bn through JNNURM program, huge potential to be tapped.

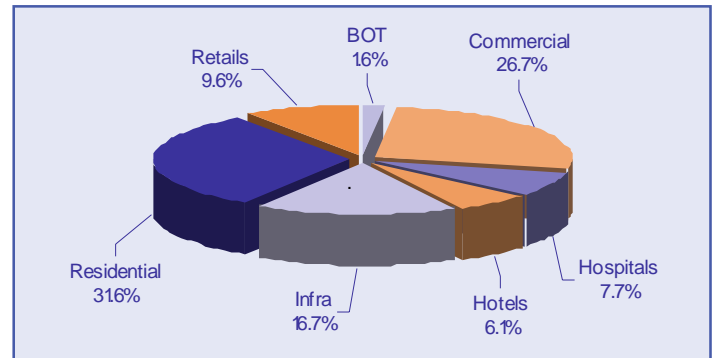
Expanding footprint in urban infrastructure projects

The company has increased focus on infrastructure and Government projects which would perk up the order book quality. ACIL is focus on multilevel car parking, metro railways, airports, power plants, sewage treatment, water treatment etc. The company is actively bidding for urban infrastructure projects (especially projects under the JNNURM scheme) like solid waste management and sewage treatment plants. The expected investment in urban infrastructure under JNNURM program is Rs1,271bn. Huge potential for ACIL to increase its order book, the company expects to increase its urban infrastructure order book share to 30% by FY11 from current levels of 19%.

Best play in the contractor space, Initiate with BUY

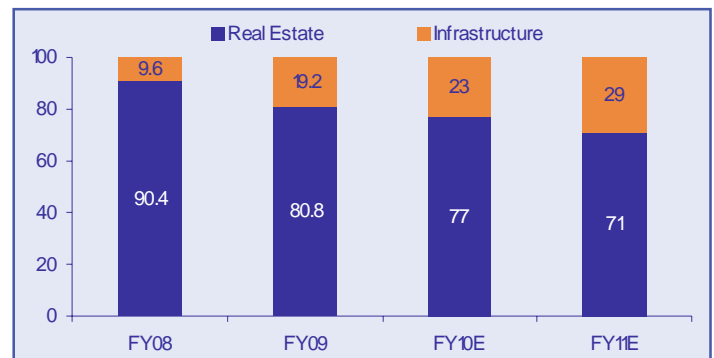
ACIL's Rs46bn order book provides significant earnings visibility for the next three years. Its well diversified client base reduces riskiness by limiting its exposure to private clients. The company is placed in a sweet spot as 82% of its order book comes from the real estate sector, which is subject to further growth given revival in real estate sector. With change in business mix, order inflow and zero debt levels, we expect margins to contract by 20bps, thus translating into 19% earnings growth. We value the core contracting business at 13x FY11E EPS and BOT project at 15% capitalized rate. Initiate coverage with a BUY rating and a target price of Rs214.

Client-wise order book break-up



Source: Company, India Infoline Research

Increase in infrastructure OB



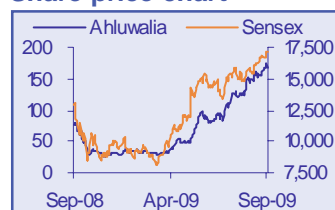
Source: Company, India Infoline Research

Financials

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	8,801	11,916	14,957	20,273
yoy growth (%)	31.5	35.4	25.5	35.5
Operating profit	1,063	1,463	1,810	2,453
OPM (%)	12.1	12.3	12.1	12.1
Reported PAT	517	573	706	996
yoy growth (%)	64.1	10.8	23.2	41.2
EPS (Rs)	8.2	9.1	11.2	15.9
P/E (x)	20.5	18.5	15.0	10.6

Source: Company, India Infoline Research

Share price chart



Source: Company, India Infoline Research

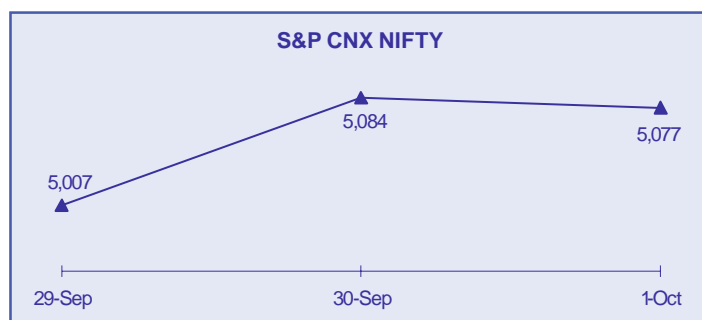
Shareholding pattern

Jun-09	(%)
Promoter	74.5
FII & MF	6.2
Non promoter corp hold	13.8
Public & others	5.6

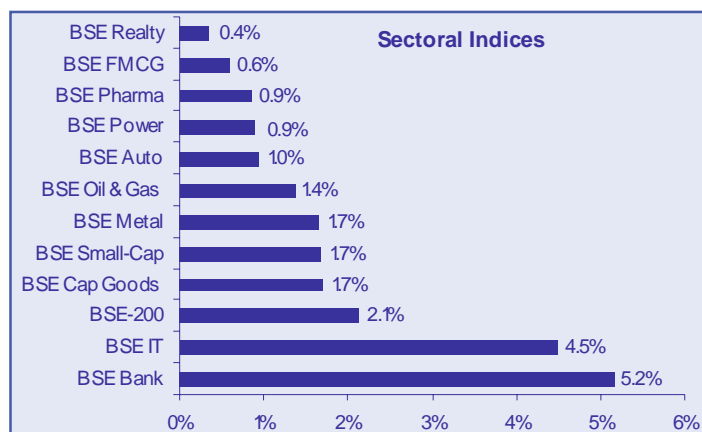
India Infoline Weekly Wrap

Market review

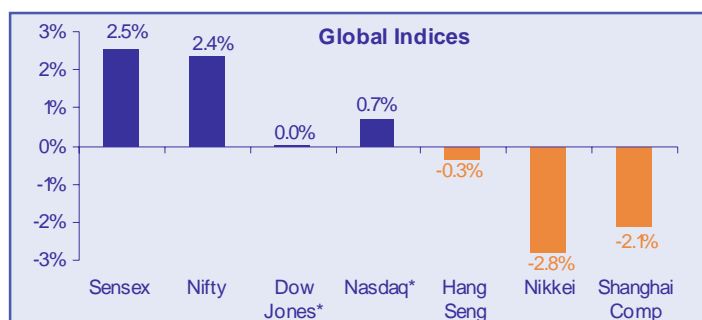
In a truncated trading week, the benchmark Sensex reclaimed the 17,000 mark after ~16 months. Strong liquidity situation and improving economic data contributed to the upbeat mood on Dalal Street. The rally was also boosted by strong inflows from FIIs against net outflows by the local DIIs. Finally the benchmark Sensex added 2.5% and NSE Nifty added 2.4% over the week.



The banking stocks surged smartly on expectations of better quarterly numbers. Index heavyweights like SBI and ICICI Bank were among the major gainers. IT stocks rose as investors turned optimistic about a faster recovery in demand for software services. Capital goods and metal stocks were amongst the other notable gainers.



Indices across the globe witnessed choppy movements. US markets were highly volatile after a drop in consumer confidence added on to the worries about the sustainability of an economic recovery. In Asia, the Nikkei index closed lower as uncertainty about the policies of the country's new government dampened investor confidence.



*As per previous close

FII & MF activity

Date	(Rs cr)	
	FII Net Investment	MF Net Investment
24-Sep	1,322	(797)
25-Sep	3,312	(107)
29-Sep	1,103	21
-	-	-
-	-	-
Total 2009	58,962	3,327

BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
ICICI Bank	927	10.4	Jindal Stainless	100	18.6
Wipro	608	7.4	SRF	188	14.1
TCS	630	7.2	Ultratech Cem	849	13.0
Bharti Airtel	435	5.0	BHEL	1,574	11.0
BHEL	2,351	4.8	Hexaware	82	10.8

BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Grasim Inds	2,701	(4.7)	BPCL	558	(3.8)
Tata Motors	580	(2.2)	HPCL	388	(3.6)
HDFC	2,699	(1.9)	Unitech	106	(3.4)
NTPC	210	(1.0)	Dr Reddy's Labs	952	(3.4)
ITC	233	(1.0)	Thermax	536	(3.2)

Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
29-Sep	Deutsche Sec	DS Kulkarni	S	2.3	66
30-Sep	LIC	3i Infotech	B	7.9	79
30-Sep	Merrill Lynch	Ansal Housing	S	0.9	60
30-Sep	Nomura India	Dishman Pharma	B	8.8	259
30-Sep	JP Morgan	Everonn	B	2.7	426

Book closures and record dates

Company	Date	Purpose
Sunteck	09-Oct-09	Stock Split
Greaves	14-Oct-09	Final Dividend

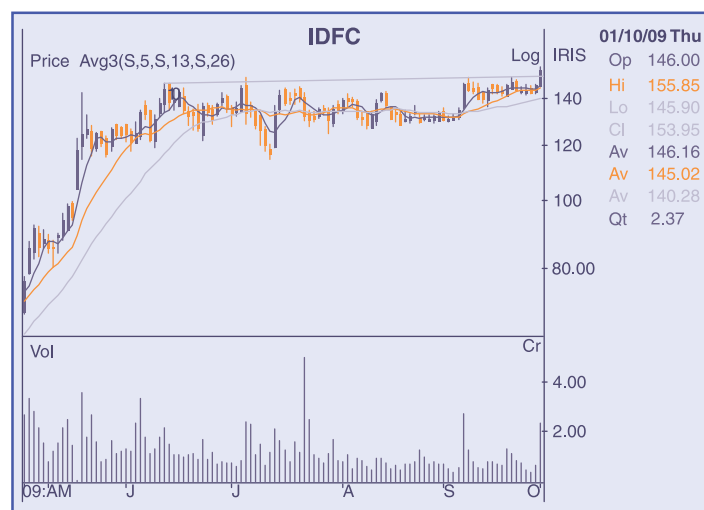
Insider trades

Company	Name	B/S	Qty ('000)
Fame India	Salim Govani	S	50.3
Shree Cement	Prashant Bangur	B	1.8
Crompton Greaves	Gautam Thaper	S	140.8
Shopper's Stop	B.S. Nagesh	B	8.9

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Technical ideas

IDFC **BUY**
CMP Rs154



A detailed study of daily chart suggests that IDFC has made several attempts to break above the resistance zone of Rs147-150 (as shown in the chart). The stock has been trading within a channel of Rs110-150 in the past six months. The channel is a corridor, within which the price keeps fluctuating within the context of the upper and the lower boundary line. Generally, a breakout on either side (Up/Down) sets the trend for the future.

On Thursday, IDFC gave an upside breakout. This was accompanied by smart surge in volumes. We expect the stock rangebound trading to come to an end and is likely to resume its uptrend. The stock rallied by 5% during Thursday confirming the bullish set up.

We continue to remain positive on the stock from technical perspective as the stock has managed to hold on to its short-term support trendline in ongoing market volatility. Moreover, the stock has given a close above its 26-DMA. We recommend traders to buy the stock in the range of Rs152-156 with a stop loss of Rs145 for target of Rs172 and Rs175.

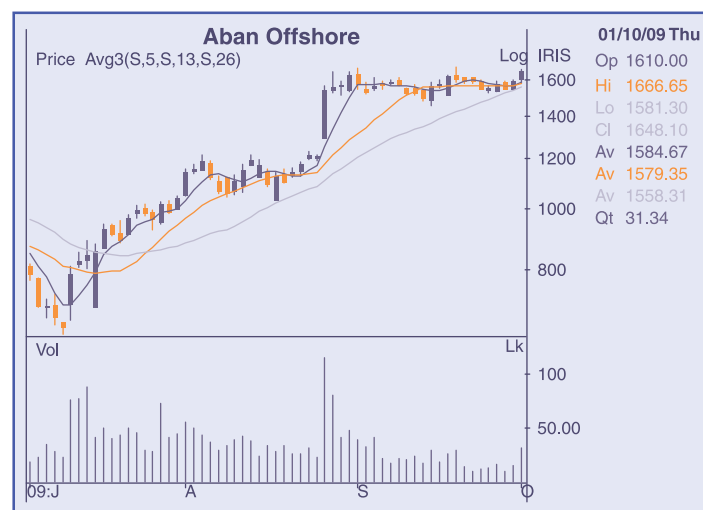
Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
AB Nuvo	6.6	285.3	13.3
JSW Steel	2.6	280.8	25.2
Jindal Saw	1.3	260.6	26.6
Bharat Elec.	1.9	237.3	1.5
Ispat India	5.1	187.4	1,368.6

Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Bharti Airtel	435	423	407.9	85.2
Maha Seamless	330	319	5.4	2.7
Anant Raj Inds	152	142	16.5	4.9
AB Nuvo	1,018	975	6.2	1.8
R Com	319	303	120.9	69.4

Aban **BUY**
CMP Rs1,648



On the daily chart, the stock has broken out from a rectangular trading channel after consolidating between Rs1,450-1,645 in the last four weeks. As seen in the chart above, zone of Rs1,645-1,660 has acted as a hurdle in the past.

On Thursday, the stock surged by ~4%, accompanied by impressive volumes. In fact, it logged in highest volumes in last two weeks. Another optimist move is the stock has closed above its short-term moving averages.

Momentum oscillator's like RSI and MACD are also showing signs of upward movement. We expect the stock to test the levels of Rs1,800 in the short term. Traders can buy the stock in the range of Rs1,630-1,665 with a stop loss of Rs1,600 for target of Rs1,780 and Rs1,800.

Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Syndicate Bank	(2.7)	209.7	14.6
Divis	(2.5)	183.0	6.7
Tata Power	(2.0)	182.5	4.7
Kingfisher	(2.4)	180.2	73.1
Mphasis	(0.8)	140.3	12.6

Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
SCI	140	143	2.6	8.0
Kirloskar Bro	210	220	0.1	0.2
Praj Inds	102	103	20.0	52.8
Suzlon	92	96	234.5	503.7
Hindalco	127	131	79.6	170.9

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Mutual fund round-up

India Infoline picks

Mutual Funds	Assets (Rs Cr)	NAV (Rs)	Absolute return (%) as on September 30, 2009							
			1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
DSP-BR Top 100 Equity – RP (G)	1,814	86.7	2.2	9.2	18.1	65.6	35.9	14.1	71.8	281.2
HDFC Top 200 Fund (G)	4,756	171.8	2.4	9.3	18.2	83.6	42.9	21.6	71.4	300.1
ICICI Pru Dynamic Plan (G)	1,645	83.2	2.6	6.4	19.7	70.7	31.5	6.7	49.6	298.9
Reliance Monthly Income Plan (G)	398	19.1	0.1	2.2	6.4	20.2	31.4	33.8	43.4	85.3
Sundaram Tax Saver (G)	1,137	41.1	1.5	9.3	22.9	79.1	40.9	15.6	72.2	304.3

Fund this week: Reliance Monthly Income Plan

Fund snapshot		Asset allocation (%)	
Fund Manager	A Tripathy, Ashwani Kumar	Equity	15.0
Latest NAV	Rs19.1	Debt	67.0
NAV 52 high/low	Rs19/14	Cash/call	17.0
Latest AUM	Rs397.0	Top 5 holdings (%)	
Type	Open-ended	GOI	31.0
Class	Hybrid: Monthly Income	Tata Motors Ltd	15.1
Options	Growth & dividend	HDFC Ltd	12.5
Min investment	Rs10,000	Indian Oil Corporation Ltd	6.2
Entry load	Nil	IDBI Ltd	5.0
Exit load	1% <1 year		
Benchmark	Crisil MIP Blended	Securities	31.0
No. of stocks	23	Banks	17.9
Expense ratio	2.0%	Auto & Auto ancillaries	15.1

NFO update

Fund Name	Close	Type	Class
Mirae China Advantage Fund	9-Oct	OE	Hybrid
Religare PSU Equity Fund	28-Oct	OE	Equity – them
Shinsei Treasury Advantage	7-Oct	OE	Debt - Gilt

Dividend update

Mutual Fund	Dividend %	Record date	Class
Canara Robeco Equity Div	20.0	6-Oct	Equity - Div
Religare FMP - 375 D Sr -XVII	100.0	4-Oct	Debt - FMP
-	-	-	-

Commodity, debt and currency graphs



* As per previous close

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