

# HSIE Results Daily

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### Results Review

- **PNC Infratech (PNC)** reported revenue at Rs 9bn (26% beat), decline of 32%/22% YoY/QoQ. Although, EBITDA fell 33%/23% YoY/QoQ, EBITDA margin remained intact (-36/-27 bps YoY/QoQ), leading to APAT of Rs 601mn (-40%/-21% YoY/QoQ), ~3x our estimate. Labour availability has improved to 90%, and operations have resumed on all sites. Including the five HAM orders and two EPC projects won recently, executable order book stands at Rs 155bn (~3x FY20 revenue). NWC increased sharply to 84 days from 57 days on Mar-20 on lower revenue base. Nevertheless, PNC maintained net cash at the standalone level, with cash balance of Rs 6.7bn. We maintain BUY on PNC, with an unchanged target price of Rs 234/sh, given strong order book and net cash balance sheet. Key risks: (1) slowdown in NHAI ordering and (2) delay in the monetisation of HAM projects. Successful diversification, away from the roads sector, could lead to expansion of multiple.

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# PNC Infratech

## Beat on execution

PNC Infratech (PNC) reported revenue at Rs 9bn (26% beat), decline of 32%/22% YoY/QoQ. Although, EBITDA fell 33%/23% YoY/QoQ, EBITDA margin remained intact (-36/-27 bps YoY/QoQ), leading to APAT of Rs 601mn (-40%/-21% YoY/QoQ), ~3x our estimate. Labour availability has improved to 90%, and operations have resumed on all sites. Including the five HAM orders and two EPC projects won recently, executable order book stands at Rs 155bn (~3x FY20 revenue). NWC increased sharply to 84 days from 57 days on Mar-20 on lower revenue base. Nevertheless, PNC maintained net cash at the standalone level, with cash balance of Rs 6.7bn. We maintain BUY on PNC, with an unchanged target price of Rs 234/sh, given strong order book and net cash balance sheet. Key risks: (1) slowdown in NHAI ordering and (2) delay in the monetisation of HAM projects. Successful diversification, away from the roads sector, could lead to expansion of multiple.

- **Labour availability improving; toll collection picking up:** Labour availability has improved to 90%, and operations on all sites have commenced. However, sites are operating at lower efficiency as the onset of monsoon has affected execution. PNC expects execution to revert to pre-COVID level by the end of 2QFY21 as monsoon recedes and labour availability normalizes and has guided for 10% YoY decline in revenue. Toll collection has also improved to 90% of the pre-COVID level.
- **Strong OB lends revenue visibility; diversification efforts on:** The order book stood at Rs 155bn, including the five HAM projects and two EPC contracts, on which execution is yet to start. Management expects to receive appointment date for five HAM projects by 4QFY21 and execution on two EPC contracts to start by 3QFY21. The company is targeting to bag Rs 70bn of orders, of which it has already secured Rs 30bn (1 HAM & 2 EPC) year to date. To diversify away from road segment, PNC is looking at water, metro and railways sector. In this direction, PNC has submitted bids for three water supply projects, Rs 6bn combined value, under the Jal Jeevan Mission.
- **Balance sheet robust; monetisation of HAM projects key to watch:** Although NWC deteriorated from 57 days on FY20 end to 84 days on lower revenue base, PNC remains a net cash company at standalone level, with cash balance at Rs 6.7bn and gross debt at Rs 3.3bn. PNC would require to infuse Rs 10bn equity in under construction and recently won HAM projects by FY24. While PNC could fund the equity requirement from internal accruals, we believe, monetisation of HAM projects would be key to churn capital and unlock the value.

## Quarterly/annual financial summary

Year Ending March (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net Sales	9,053	13,218	(31.5)	11,579	(21.8)	30,716	48,779	46,965	53,537
EBITDA	1,198	1,797	(33.3)	1,563	(23.4)	4,320	7,644	5,976	7,451
APAT	601	1,002	(40.0)	761	(21.0)	2,338	3,244	2,557	3,739
Diluted EPS (Rs)	2.3	3.9	(40.0)	3.0	(21.0)	9.1	12.8	10.0	14.6
P/E (x)						18.5	13.2	17.0	11.6
EV / EBITDA (x)						10.2	5.1	7.1	5.9
RoE (%)						11.9	13.9	9.6	12.7

Source: Company, HSIE Research, Standalone financials

## BUY

CMP (as on 28 Aug 2020)	Rs 169
Target Price	Rs 234
NIFTY	11,648

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 234	Rs 234
EPS %	FY21E	FY22E
	-	-

## KEY STOCK DATA

Bloomberg code	PNCL IN
No. of Shares (mn)	257
MCap (Rs bn) / (\$ mn)	43/593
6m avg traded value (Rs mn)	37
52 Week high / low	Rs 215/80

## STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	67.1	(1.3)	(6.3)
Relative (%)	44.6	(4.3)	(11.7)

## SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	56.07	56.07
FIs & Local MFs	21.95	22.83
FPIs	6.37	6.42
Public & Others	15.61	14.68
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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## Rating Criteria

BUY: >+15% return potential  
 ADD: +5% to +15% return potential  
 REDUCE: -10% to +5% return potential  
 SELL: > 10% Downside return potential

## Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	PNC Infratech	CFA	NO
Chintan Parikh	PNC Infratech	MBA	NO
Rohan Rustagi	PNC Infratech	MBA	NO

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