

Retail Equity Research
PNC Infratech Limited
Construction & Engineering

BSE CODE : 539150
BLOOMBERG CODE: PNCL:IN

NSE CODE: PNCINFRA
SENSEX : 63,143

12 Months Investment Period
CMP Rs.316

Rating as per Small Cap
TARGET Rs.382

RETURN 21%


(Closing: 13-06-2023)

KEY CHANGES:

TARGET


RATING


EARNINGS


Margins to stabilise...
PNC Infratech Ltd. (PNC) is an infrastructure construction, development and management company; expertise in execution of projects including highways, bridges, flyovers, airport runways, industrial areas and transmission lines.

- **PNC reported 12% top-line growth and 37% YoY PAT growth in FY23, led by a pick-up in execution and better operating margins.**
- **EBITDA margin improved by 102bps to 13.5% in FY23 due to a better mix and a fall in other expenses by 30% YoY.**
- **The company expects the pace of construction to pick up in FY24 and has guided for 15% YoY revenue growth with a margin of 13-13.5%.**
- **In FY23, order inflow remains tepid at Rs 4,900cr, however, the order book remains strong at Rs20,530cr (incl. L1).**
- **The company targets an order inflow of ~Rs 12,000cr in FY24, 70% from road and 30% from non-road projects.**
- **PNC has improved the execution of water segment projects, which is expected to lead to healthy revenue growth in FY24, along with stable margins. We reiterate BUY rating on the stock with a TP of Rs 382 based on a P/E of 11x on FY25E EPS and BOT/HAM projects on P/B basis.**

Execution to pick up...
PNC reported revenue growth of 10% YoY to Rs2,115cr in Q4FY23, which is inline with our estimate, aided by a pick up in water segment projects (Jal Jeevan Mission). The company has executable JJM projects worth Rs 4,500cr. Out of these, PNC booked revenue of Rs 1,033cr in FY23. Further, the management expects revenue of Rs 2,500cr in FY24 with a margin of ~15 to 17%. In FY23, revenue grew by 12% YoY to Rs 7,061cr. Going forward, we expect the execution to pick up pace as most of the HAM projects are under construction. The company has 22 HAM projects, comprising 6 operational, 12 under construction and 4 that have received letters of award. The management has guided for revenue growth of 15% for FY24 with a margin of 13% to 13.5%.

Order book provides visibility...
In FY23, the company has received only Rs 4,900cr of orders, however, the company remains confident of achieving Rs 10,000cr to Rs12,000cr of new orders in FY24. The management guided that strong bid pipeline for roads and highways in the upcoming months. The current order book remains strong at Rs 20,530cr (incl. L1 orders Rs 4,854cr) which is 3x FY23 revenue and provides strong revenue visibility in the coming years. The road projects constitute 62% of the total order book and 43% are for water and canals. Currently, PNC is eyeing to monetise 12 projects (7 are operational and 5 are to be operational in FY2).

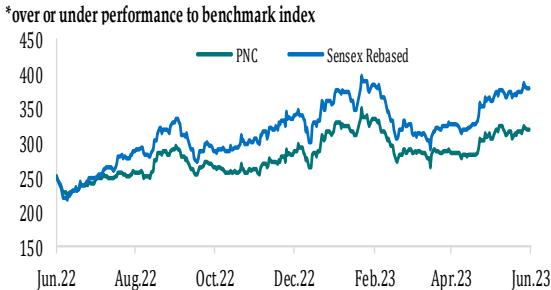
Margins to stabilise...
EBITDA margin improved by 157bps YoY to 13.3% due to a better mix and a fall in employee costs by 4% YoY and other expenses by 38% YoY. The company expects margins to be in the range of 13% to 13.5% in FY24, aided by strong execution. Adj. PAT grew by 33% YoY to Rs184cr, led by lower interest expenses (-14% YoY) and a drop in depreciation (13% YoY).

Valuations
We expect execution to pick up pace as most of the HAM projects are under execution. The robust order book and strong execution capability will keep the outlook intact. We reiterate our Buy rating on the stock and value the EPC business at a P/E of 11x on FY25E EPS & BOT/HAM on P/B basis with a TP of Rs 382.

Company Data	
Market Cap (cr)	₹ 8,132
Enterprise Value (cr)	₹ 8,289
Outstanding Shares (cr)	25.7
Free Float	43.9%
Dividend Yield	0.2%
52 week high	₹ 355
52 week low	₹ 219
6m average volume (cr)	0.01
Beta	0.67
Face value	₹ 2

Shareholding (%)	Q2FY23	Q3FY23	Q4FY23
Promoters	56.1	56.1	56.1
FII's	9.8	9.3	9.5
MFs/Insti	29.1	29.6	29.4
Public	5.1	5.0	5.0
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	11%	10%	26%
Absolute Sensex	8%	0%	16%
Relative Return*	3%	10%	11%



Standalone (cr)	FY23A	FY24E	FY25E
Sales	7,061	7,960	8,816
Growth (%)	12.0	12.7	10.8
EBITDA	954	1,067	1,190
EBITDA Margin(%)	13.5	13.4	13.5
PAT Adj.	612	689	786
Growth (%)	36.6	12.7	14.0
Adj.EPS	23.8	26.9	30.6
Growth (%)	36.6	12.7	14.0
P/E	13.3	11.8	10.3
P/B	2.1	1.8	1.5
EV/EBITDA	8.7	7.9	7.0
ROE (%)	16.8	16.1	15.8
D/E	0.12	0.10	0.08

Antu Eapan Thomas
Research Analyst

SOTP Valuation

Particulars	Invested Equity (Rs Cr.)	Value/Share (Rs)	Rationale
Standalone EPC		337	P/E11x FY25E EPS
BOT Projects	395	15	1.0x P/BV
HAM	1,252	29	0.6x P/BV
Total Value per share		382	

Quarterly Financials (Standalone)

Profit & Loss

Rs (cr)	Q4FY23	Q4FY22	(%) YoY Growth	Q3FY23	(%) QoQ Growth	FY23	FY22	(%) YoY Growth
Sales	2,115	1,917	10.3	1,627	30.0	7,061	6,306	12.0
EBITDA	281	225	25.1	208	35.1	954	787	21.2
EBITDA margins (%)	13.3	11.7	157bps	12.8	50bps	13.5	12.5	102bps
Depreciation	28	32	-13.0	28	0.4	110	130	-15.3
EBIT	264	201	31.1	180	46.2	854	666	28.3
Interest	15	17	-13.7	16	-9.4	64	80	-20.4
Other Income	11	8	23.8	10	7.6	38	54	-29.4
Exceptional Items	-	-	0.0	-	0.0	-	-	0.0
PBT	249	184	35.2	174	43.2	818	631	29.6
Tax	65	46	40.5	44	45.1	207	184	12.7
Reported PAT	184	138	33.5	129	42.5	611	448	36.5
Adjustments	0.0	0.0	0.0	-0.2	0.0	-0.2	-	0.0
Adj PAT	184	138	33.5	130	42.3	612	448	36.6
No. of Shares	26	26		26		26	26	
EPS (Rs)	7.2	5.4	33.5	5.1	42.3	23.8	17.5	36.6

Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	7,888	8,884	7,960	8,816	0.9	-0.8
EBITDA	1,049	1,199	1,067	1,190	1.7	-0.7
Margins (%)	13.3	13.5	13.4	13.5	10bps	0bps
Adj. PAT	684	801	689	786	0.8	-1.9
EPS	27	31	27	31	0.8	-1.9

Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	4,925	6,306	7,061	7,960	8,816
% change	1.0	28.0	12.0	12.7	10.8
EBITDA	673	787	954	1,067	1,190
% change	-12.0	17.0	21.2	11.8	11.6
Depreciation	112	130	110	120	129
EBIT	560	657	844	947	1,061
Interest	77	80	64	62	57
Other Income	75	54	38	40	50
PBT	559	631	818	925	1,055
% change	-8.7	13.1	29.6	13.1	14.0
Tax	197	184	207	236	269
Tax Rate (%)	35.2	29.1	25.3	25.5	25.5
Reported PAT	362	448	611	689	786
Adj*	-1	0	0	0	0
Adj PAT	361	448	612	689	786
% change	-22	24	37	13	14
No. of shares (cr)	26	26	26	26	26
Adj EPS (Rs.)	14	17	24	27	31
% change	-21.6	24.0	36.6	12.7	14.0
DPS (Rs.)	0.9	0.9	0.9	0.9	0.9

BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	688	407	293	109	261
Accounts Receivable	839	1,273	1,906	2,181	2,415
Inventories	354	481	764	891	983
Other Cur. Assets	1,548	1,666	1,515	1,592	1,667
Investments	747	871	1,035	1,138	1,309
Gross Fixed Assets	1,237	1,337	1,537	1,657	1,777
Net Fixed Assets	654	574	531	613	604
CWIP	3	14	-	2	2
Intangible Assets	2	2	3	4	4
Def. Tax (Net)	23	15	24	15	10
Other Assets	-	-	-	-	-
Total Assets	4,857	5,302	6,070	6,545	7,255
Current Liabilities	833	787	808	859	912
Provisions	24	21	35	39	43
Debt Funds	253	216	450	440	430
Other Liabilities	838	938	836	600	500
Equity Capital	51	51	51	51	51
Reserves & Surplus	2,857	3,289	3,890	4,556	5,318
Shareholder's Fund	2,908	3,340	3,942	4,607	5,370
Total Liabilities	4,857	5,302	6,070	6,545	7,255
BVPS (Rs.)	113	130	154	180	209

CASH FLOW

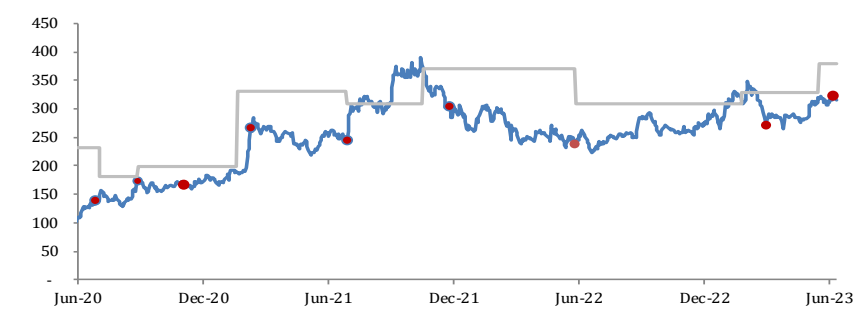
Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	671	761	928	1,045	1,184
Non-cash adj.	-21	-96	-152	-166	-207
Changes in W.C	-297	-728	-730	-424	-344
C.F. Operation	428	-9	85	495	682
Capital exp.	-197	-90	-214	-118	-120
Change in inv.	-73	-125	-164	-103	-171
Other invest.CF	0	0	0	0	0
C.F - Investment	-345	-269	-416	-261	-341
Issue of equity	0	0	0	0	0
Issue/repay debt	29	-37	234	-10	-10
Dividends paid	-22	-22	-23	-23	-23
Other finance.CF	-43	100	-102	-236	-100
C.F - Finance	-78	-4	217	-417	-190
Chg. in cash	5	-281	-114	-183	151
Closing cash	688	407	293	109	261

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab. & Return					
EBITDA margin (%)	13.7	12.5	13.5	13.4	13.5
EBIT margin (%)	11.4	10.4	12.0	11.9	12.0
Net profit mgn.(%)	7.3	7.1	8.7	8.7	8.9
ROE (%)	13.2	14.3	16.8	16.1	15.8
ROCE (%)	9.5	11.3	12.5	11.8	11.5
W.C & Liquidity					
Receivables (days)	60.9	61.1	82.1	93.7	95.1
Inventory (days)	32.4	34.2	43.2	51.1	52.4
Payables (days)	61.9	50.3	41.2	48.2	54.3
Current ratio (x)	4.0	4.7	5.3	5.3	5.6
Quick ratio (x)	1.8	2.1	2.7	2.7	2.9
Turnover & Leverage					
Gross asset T.O (x)	4.3	4.9	4.9	5.0	5.1
Total asset T.O (x)	1.1	1.2	1.2	1.3	1.3
Int. coverage ratio (x)	7.3	8.2	13.2	15.4	18.8
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	1.6	1.3	1.2	1.1	0.9
EV/EBITDA (x)	11.4	10.0	8.7	7.9	6.9
P/E (x)	22.4	18.1	13.2	11.7	10.3
P/BV (x)	2.8	2.4	2.1	1.8	1.5

Recommendation Summary

(Last 3 years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
17-Feb-2020	Accumulate	233
02-July- 2020	BUY	182
31-Aug-2020	Buy	199
04-Nov- 2020	BUY	199
10-Feb-2021	Buy	331
29-Jun-2021	Buy	310
24-Nov-2021	Buy	370
01-Jun-2022	Buy	315
02-Mar-2023	Buy	328
13-Jun-2023	Buy	382

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute ‘Accumulate’ as Buy and ‘Reduce’ as Sell.

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