

Results in-line; SPA signed for asset monetization

PNC Infra (PNCL) reported numbers largely in-line with our estimates with 11% revenue growth and 13.3% margins. The management has maintained its FY24 guidance of 10% revenue growth and 13-13.5% margins. In Jan'2024, PNCL signed definitive agreement to sell 12 road assets to Highway Infra trust (KKR entity) for total EV of Rs90bn (Equity value Rs29bn: ~1.67x return on invested equity). Though NHAI/MoRTH tendering has been sluggish in FY24, PNCL's healthy OB of Rs174bn (2.3x TTM Book-to-bill) provides enough headroom for growth in near term. Order prospects in other areas like drinking water (JJM) and railways, are being pursued by PNC, which should also aid in achieving its order inflow target in FY25. We maintain our Buy rating on the stock with a revised TP of Rs533 (Rs460 earlier).

3QFY24 result highlights

PNCL reported largely in-line set of numbers with Revenue/EBITDA slightly below our estimate by 1.1%/1.2%. The company reported revenue of Rs18bn which was up 10.8% YoY and 6.5% QoQ. Operating expenses at Rs15.6bn were up 10.2% YoY. EBITDA came in at Rs2.3bn, up 13.3%/5.2% YoY/QoQ. EBITDA margin at 13.3% was up 50bps YoY and in-line with our estimate. PAT at Rs1.5bn came exactly in-line with our estimate, up 16.8% YoY. Net working capital at 73 days in Dec 2023 vs 87 days in March 2023.

Order book remains strong; inflow to improve in FY25 on strong pipeline

Dec 2023 OB stands at Rs174bn. Road EPC projects constitute 75% of total order-book. Unexecuted OB comprises 75% road and 25% water projects. Company has submitted 17 bids (6 HAM & 11 EPC) worth Rs140bn. PNCL has guided for revenue growth of 10% in FY24 and EBITDA margins of ~13-13.5% (Unchanged). Order inflow of Rs80bn/Rs120bn expected in FY24/FY25. Cumulatively, NHAI and MoRTH have floated 100 EPC projects worth Rs700bn and HAM projects worth Rs900bn. Company expects billing of more than Rs20bn from JJM in FY24.

SPA signed for divesting 12 road assets at an EV of Rs90bn; aggressive bidding for BOT not expected

Company expects the deal to be completed in 2 tranches by Dec 2024 with flexibility for the deal to be completed in 1 tranche as well. Phase 1 would comprise of 6HAM/1Bot assets with EV of Rs50.1bn (Equity- Rs17.9bn), expected to be completed by Aug 2024, whereas Phase 2 would comprise of 5 HAM assets with EV of Rs39.9bn (Equity- Rs11.1 bn). Pending equity to be invested as of Dec 2023 stands at Rs900mn. Total cash is at Rs3.7bn. The management has guided that cash utilization will be done for growth capital for HAM projects and the management will be conservative in bidding for BOT toll projects.

Maintain Buy with TP of Rs533 (earlier Rs460)

We have increased our FY25/FY26 PAT estimates by 1.3%/6.3%. We are building in 12.9%/12.3% revenue/PAT CAGR for the company over FY23-26. We believe that higher order inflow in FY25 will likely result in higher revenue growth than expected. We value the stock based on SOTP method wherein standalone EPC business is valued at 12x Sep 25 EPS and HAM/BOT projects are valued at 0.8x P/B. We have valued the recently monetized assets at deal valuation of Rs29bn. We maintain our Buy rating on the stock with revised TP of Rs533 (earlier 460).

Financial and valuation summary

YE Mar (Rs mn)	3QFY24A	3QFY23A	YoY (%)	2QFY24A	QoQ (%)	FY24E	FY25E	FY26E
Revenues	18,027	16,270	10.8	16,930	6.5	76,832	89,125	1,01,603
EBITDA	2,395	2,081	15.1	2,276	5.2	10,399	12,011	13,661
EBITDA margin (%)	13.3	12.8	3.9	13.4	(1.2)	13.5	13.5	13.4
Adj. Net profit	1,511	1,294	16.8	1,398	8.1	6,428	7,743	8,650
Adj. EPS (Rs)	5.9	5.0	16.8	5.4	8.1	25.1	30.2	33.7
EPS growth (%)						5.1	20.5	11.7
PE (x)						17.6	14.6	13.0
EV/EBITDA (x)						10.1	9.0	7.5
PBV (x)						2.5	2.1	1.8
RoE (%)						15.1	15.7	15.1
RoCE (%)						14.3	15.1	14.7

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

Result Update

India I Infrastructure

06 February, 2024

BUY

Price: Rs444

Target Price: Rs533

Forecast return: 20%

Institutional Research

Market Data

Bloomberg:	PNCL IN
52 week H/L:	463/261
Market cap:	Rs114.0bn
Shares Outstanding:	256.5mn
Free float:	42.0%
Avg. daily vol. 3mth:	8,80,217

Source: Bloomberg

Changes in the report

Rating:	Buy, Unchanged
Target price:	15.9% from Rs460 to Rs533
EPS:	FY24: -1.4%; FY25:+1.3%

Source: Centrum Broking

Shareholding pattern

	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	56.1	56.1	56.1	56.1
FIIs	11.0	10.8	10.3	9.5
DIIIs	27.2	28.1	28.5	29.4
Public/other	5.7	5.1	5.2	5.0

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY24	Actual Q3FY24	Variance (%)
Revenue	18,222	18,027	(1.1)
EBITDA	2,424	2,395	(1.2)
EBITDA margin	13.3	13.3	--
Rep. PAT	1,512	1,511	(0.1)

Source: Company, Centrum Broking



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Infrastructure

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY24E		% chg	FY25E		% chg
	New	Old		New	Old	
Net Sales	76,832	77,512	(0.9)	89,125	88,364	0.9
EBITDA	10,399	10,524	(1.2)	12,011	11,871	1.2
EBITDA margin %	13.5	13.6		13.5	13.4	
Adj. PAT	6,428	6,519	(1.4)	7,743	7,640	1.3

Source: Centrum Broking

PNCL versus NIFTY Midcap 100

	1m	6m	1 year
PNCL IN	26.6	26.2	30.9
NSE Midcap 100	3.4	30.2	59.7

Source: Bloomberg, NSE

Key assumptions

Rsm	FY23	FY24E	FY25E
Order inflows	48,550	50,000	1,00,000
EBITDA Margins (%)	13.5%	13.5%	13.5%
Equity infusion	1,635	5,942	7,013
Capex	393	1,200	1,700
NWC days (ex-cash & L&A to subs)	82	49	54

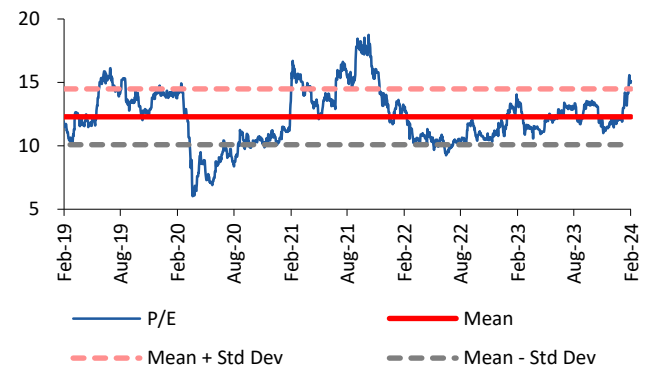
Source: Centrum Broking

Valuations

We value the stock based on SOTP method wherein standalone EPC business is valued at 12x Sep 25 EPS and HAM/BOT projects are valued at 0.8x P/B. We maintain our Buy rating on the stock with revised TP of Rs533 (earlier 460).

Particulars	Rs mn
Sep25E PAT	8,197
Target Multiple (x)	12.0
Equity value (Rs mn)	98,359
No of shares (mn)	257
Value per share (Rs)	383
Value of BOT projects (Rs)	12
Value of HAM projects (Rs)	23
Realised value of assets sold	115
Target Price (Rs)	533

P/E mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap	CAGR (FY23-25E)			EV/EBITDA (x)			P/E (x)			FY25E	
	(Rs bn)	Sales	EBITDA	PAT	FY23	FY24E	FY25E	FY23	FY24E	FY25E	RoE (%)	ROCE (%)
GR Infra	130	-0.5%	-5.4%	-8.0%	10.0	12.6	11.3	15.2	20.6	18.0	12%	11%
HG Infra	62	17.9%	16.9%	16.6%	9.1	7.6	6.5	14.6	12.1	10.7	22%	18%
KNR	81	9.2%	4.3%	15.6%	10.9	10.9	9.8	22.3	19.2	16.7	14%	14%
L&T	4,805	17.1%	21.9%	32.5%	25.7	20.8	17.0	46.5	34.2	26.5	18%	9%
NCC	137	18.4%	21.0%	27.9%	10.5	8.3	7.3	23.8	17.2	14.8	12%	11%
PNC	113	12.3%	12.2%	12.5%	12.2	11.0	9.4	18.5	17.6	14.6	16%	15%

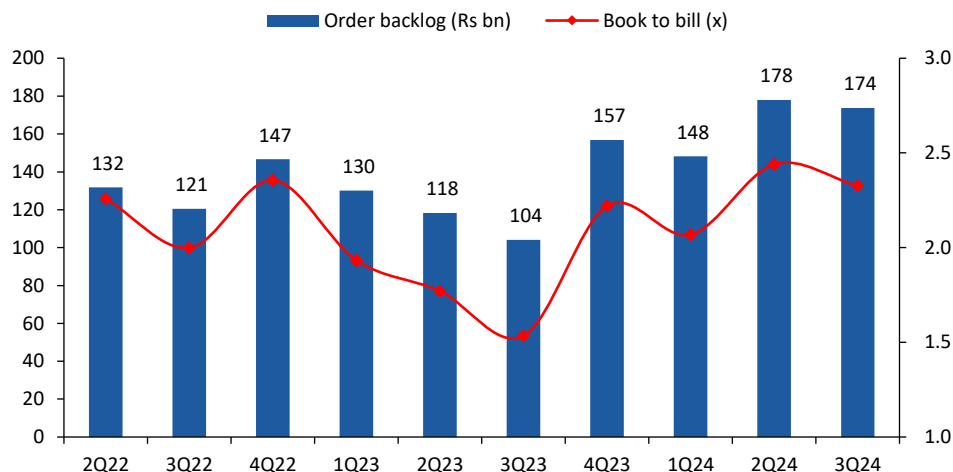
Source: Company, Centrum Broking

Exhibit 1: 3QFY24 results summary (standalone)

Y/E March (Rsmm)	3Q23	2Q24	3Q24	YoY	QoQ
Net Sales	16,270	16,930	18,027	10.8	6.5
Total Operating Expenses	2,081	2,276	2,395	15.1	5.2
EBITDA	12.8%	13.4%	13.3%	50bps	-16bps
EBITDA Margin (%)	98	57	42	(56.7)	(26.4)
Other Income	278	257	261	(6.0)	1.7
Interest Costs	162	187	172	6.2	(8.1)
Depreciation	1,739	1,890	2,004	15.3	6.0
PBT	445	492	493	11.0	0.2
Tax	26	26	25	(3.7)	(5.5)
Reported PAT	1,294	1,398	1,511	16.8	8.1
NPM(%)	8.0%	8.3%	8.4%	43bps	12bps
EPS (Rs.)	5.0	5.4	5.9	16.8	8.1

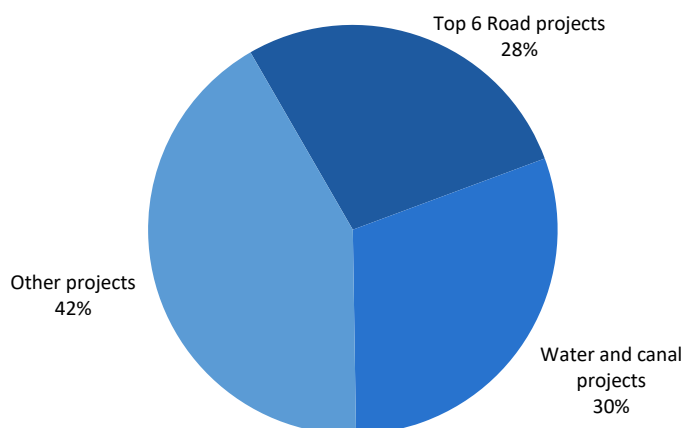
Source: Centrum Broking, Company Data

Exhibit 2: Healthy OB at Rs174bn



Source: Centrum Broking, Company Data

Exhibit 3: Significant contribution from water projects



Source: Centrum Broking, Company Data;

Exhibit 4: Details of HAM assets

Rsm	Length (km)	Lane	TPC	Total Debt	Equity invested	Current status
Dausa-Lalsot *	83	4	8,200	3,710	650	COD
Aligarh-Kanpur *	43	4	11,100	5,000	1,310	COD
Jhansi-Khajuraho (Pkg II) *	85	4	12,620	5,900	1,040	COD
Chitradurga-Davanagere *	73	6	13,380	6,060	1,070	COD
Jhansi-Khajuraho (Pkg I) *	77	4	13,420	6,040	1,280	PCOD
Chakeri-Allahabad *	145	6	20,180	8,730	1,870	PCOD
Mitrasen to Kanpur *	56	4	17,900	7,750	1820	PCOD
Challakere-Hariyur *	60	4	10,230	4,400	1,040	UC
Jagdishpur-Faizabad *	61	4	13,110	5,590	1,320	PCOD
Unnao-Lalganj *	70	4	14,910	6,310	1290	PCOD
Meerut – Nazibabad *	54	4	12,070	5,140	1200	UC
Kanpur-Lucknow (Pkg I)	18	6	16,180	7,800	860	UC
Kanpur-Lucknow (Pkg II)	45	6	16,620	7,770	850	UC
Sonauli- Gorakhpur	80	4	16,110	7,570	850	UC
Mathura - Gaju Village (Pkg- 1B)	33	4	9,940	4,720	520	UC
Hardoi	54	4	9,480	4,430	490	UC
Gaju Village- Devinagar (Pkg-1C)	33	4	8,190	3,860	420	UC
Akkalkot Pkg-II (Badadal-Maradgi S)	71	6	17,330	8,120	910	UC
Singraur Uphar - Baranpur Kadipur Ichauli (Package-III)	25.5	4	8,190	4,440	2.5	AD
Ranchi -Kolkata Highway (Pkg-2)	27	6	8,910	5,000	2.5	FC
Ranchi -Kolkata Highway (Pkg-3)	36	6	11,130	6,320	2.5	FC
Ranchi -Kolkata Highway (Pkg-6)	35.2	6	12,600	7,150	2.5	FC
Western Bhopal Bypass	40.9	4	11,740	-	-	LOA
Total	1,306		2,93,540	1,31,810	18,800	

Source: Centrum Broking, Company Data, *part of the definitive agreements signed with Highways Infrastructure Trust on 15th January 2024

Exhibit 5: Equity requirement for HAM assets

Particulars	Rs mn
Total HAM projects (x)	23
Total equity requirement	30,000
Investments till now	18,800
FY24 requirement	1,100
FY25 requirement	4,500
Remaining over FY26/FY27	5,600

Source: Centrum Broking, Company Data

Exhibit 6: Valuation summary

Particulars	Rs mn
Sep25E PAT	8,197
Target Multiple (x)	12.0
Equity value (Rs mn)	98,359
No of shares (mn)	257
Value per share (Rs)	383
Value of BOT projects (Rs)	12
Value of HAM projects (Rs)	23
Realised value of assets sold	115
Target Price (Rs)	533

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	63,055	70,608	76,832	89,125	1,01,603
Operating Expense	44,517	52,624	58,085	67,379	77,015
Employee cost	3,420	3,359	3,738	4,299	4,729
Others	7,245	5,087	4,610	5,437	6,198
EBITDA	7,872	9,539	10,399	12,011	13,661
Depreciation & Amortisation	1,299	1,100	1,208	1,349	1,540
EBIT	6,573	8,439	9,190	10,662	12,121
Interest expenses	801	638	1,080	1,015	1,018
Other income	542	383	479	700	457
PBT	6,314	8,184	8,590	10,347	11,560
Taxes	1,836	2,069	2,162	2,604	2,910
Effective tax rate (%)	29.1	25.3	25.2	25.2	25.2
PAT	4,478	6,115	6,428	7,743	8,650
Minority/Associates	0	0	0	0	0
Recurring PAT	4,478	6,115	6,428	7,743	8,650
Extraordinary items	(447)	0	0	0	0
Reported PAT	4,031	6,115	6,428	7,743	8,650

Ratios					
YE Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (%)					
Revenue	28.0	12.0	8.8	16.0	14.0
EBITDA	17.0	21.2	9.0	15.5	13.7
Adj. EPS	23.7	36.5	5.1	20.5	11.7
Margins (%)					
Gross	29.4	25.5	24.4	24.4	24.2
EBITDA	12.5	13.5	13.5	13.5	13.4
EBIT	10.4	12.0	12.0	12.0	11.9
Adjusted PAT	6.4	8.7	8.4	8.7	8.5
Returns (%)					
ROE	14.3	16.8	15.1	15.7	15.1
ROCE	13.0	14.6	14.3	15.1	14.7
ROIC	19.7	21.3	23.9	28.4	28.1
Turnover (days)					
Gross block turnover ratio (x)	5.5	6.0	5.9	6.0	6.0
Debtors	61	82	79	62	64
Inventory	34	43	44	37	38
Creditors	50	41	45	40	37
Net working capital	120	146	126	105	116
Solvency (x)					
Net debt-equity	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)
Interest coverage ratio	9.8	15.0	9.6	11.8	13.4
Net debt/EBITDA	(0.4)	(0.2)	(0.8)	(0.4)	(0.7)
Per share (Rs)					
Adjusted EPS	17.5	23.8	25.1	30.2	33.7
BVPS	130.2	153.6	177.8	206.9	239.5
CEPS	22.5	28.1	29.8	35.4	39.7
DPS	0.5	0.8	0.9	1.1	1.2
Dividend payout (%)	3.2	3.5	3.5	3.5	3.5
Valuation (x)					
P/E	16.7	18.5	17.6	14.6	13.0
P/BV	2.2	2.9	2.5	2.1	1.8
EV/EBITDA	9.1	11.6	10.1	9.0	7.5
Dividend yield (%)	0.2	0.2	0.2	0.2	0.3

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity share capital	6,414	6,414	6,414	6,414	6,414
Reserves & surplus	26,988	33,002	39,204	46,676	55,024
Shareholders fund	33,402	39,416	45,618	53,090	61,438
Minority Interest	0	0	0	0	0
Total debt	2,158	4,500	2,500	1,500	500
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	(152)	(55)	(55)	(55)	(55)
Total liabilities	35,408	43,861	48,063	54,535	61,883
Gross block	11,463	11,856	13,056	14,756	17,006
Less: acc. Depreciation	(5,569)	(6,511)	(7,719)	(9,068)	(10,608)
Net block	5,894	5,345	5,337	5,688	6,398
Capital WIP	0	0	0	0	0
Net fixed assets	5,894	5,345	5,337	5,688	6,398
Non Current Assets	0	0	0	0	0
Investments	8,712	10,347	16,289	23,302	23,068
Inventories	4,808	7,644	6,378	7,399	8,457
Sundry debtors	12,728	19,055	14,103	16,360	19,485
Cash & Cash Equivalents	5,277	6,482	10,350	6,498	10,703
Loans & advances	7,959	5,779	5,779	5,779	5,779
Other current assets	7,493	6,897	9,472	10,988	12,526
Trade payables	5,076	6,790	7,495	7,384	8,440
Other current liab.	12,178	10,744	11,792	13,679	15,619
Provisions	208	155	358	416	474
Net current assets	20,803	28,168	26,437	25,545	32,417
Total assets	35,408	43,861	48,063	54,535	61,883

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	5,867	8,184	8,590	10,347	11,560
Depreciation & Amortisation	1,299	1,100	1,208	1,349	1,540
Net Interest	801	638	1,080	1,015	1,018
Net Change – WC	(4,065)	(8,341)	5,599	(2,959)	(2,668)
Direct taxes	(1,751)	(2,166)	(2,162)	(2,604)	(2,910)
Net cash from operations	2,897	(436)	14,315	7,147	8,541
Capital expenditure	(164)	(393)	(1,200)	(1,700)	(2,250)
Acquisitions, net	0	0	0	0	0
Investments	(1,247)	(1,635)	(5,942)	(7,013)	234
Others	(1,128)	2,180	0	0	0
Net cash from investing	(2,538)	151	(7,142)	(8,713)	(2,016)
FCF	359	(285)	7,173	(1,566)	6,525
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	(1,835)	2,342	(2,000)	(1,000)	(1,000)
Dividend paid	(128)	(214)	(225)	(271)	(303)
Interest paid	(801)	(638)	(1,080)	(1,015)	(1,018)
Others	0	0	0	0	0
Net cash from financing	(2,764)	1,490	(3,305)	(2,286)	(2,321)
Net change in Cash	(2,406)	1,205	3,868	(3,852)	4,205

Source: Company, Centrum Broking

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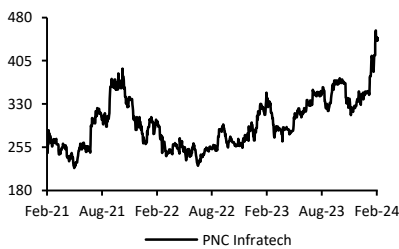
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PNC Infratech



Source: Bloomberg

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