

Growth lags on poor execution

18 February 2025

PNC Infratech's (PNCL IN) core performance in 9MFY25 was hit despite one-time claim receipt of INR 4.3bn in Q1. Adjusted for this, core revenue decelerated 32% YoY led by multiple factors such as general elections, prolonged monsoons, and delayed receivables (leading to difficulties in execution of various road and irrigation projects). Reported margin, *prima facie*, looks higher for 9M at 23% but adjusted for claims, EBITDA margin compressed 140bps YoY to 11.9%. Thus, PNCL expects FY25 revenue to be lower by 25-30% and margin to sustain at 12-12.5%. It expects a pick up from FY26 (guidance of 30% growth) provided orders worth INR 110bn (of total orderbook of INR 199bn) receive appointed dates soon (by end-FY25) and execution may commence by Q1FY26. Inflows may revive as the ban on bidding has been reduced to four months from earlier twelve months but commencement of execution and receipt of appointed dates are monitorables. Maintain **Buy** with a lower TP of INR 354 from INR 382.

Overall performance miss as execution was hit: Q3 revenues declined 33% YoY to INR 12bn, disappointing our estimates of INR 16.2bn, majorly on lower execution in irrigation and Jal Jeevan Mission (JJM) projects and delay in appointed dates of highway projects (due to difficulty in land availability). Through 9M, the contribution of the water segment declined by 54% YoY to INR 6bn and may remain muted at ~INR 8bn in FY25 versus earlier guidance of INR 12-15bn. EBITDA margin was down 120bps YoY at 12.1%, as estimated. PAT stood at INR 826mn, down 43% YoY, lower than INR 1.2bn estimated.

Post removal of ban, PNCL optimistic on order inflows: YTD, PNCL has received inflows worth INR 67bn (only 50% of its guided inflows of INR 130-150bn). With reduction of ban from a year to four months, PNCL will be eligible to bid for all the projects of NHAI and MoRTH from 18 February. PNCL is confident of achieving its full-year guidance of inflows as it expects a pick-up in awarding from NHAI in March. We remain conservative and expect lower inflows of INR 93bn/84bn/97bn in FY25/26E/27E respectively as against a guidance of INR 130-150bn in FY25 and FY26 due to slowdown in new project awarding by the NHAI and intensifying competition as regards bidding amongst players.

Asset monetization on track: PNCL has executed a definitive agreement with the Highway Infrastructure Trust to divest 12 of its road assets (HAM-11 & BOT-1). The EV of the transaction is INR 90bn, with an equity value of INR 25bn on invested equity of INR 17bn. PNCL expects transaction for 11 assets to be completed by March 2025 with equity investment of INR 16bn. It expects to receive 1.6x investment value. The remaining asset is likely to be concluded by June 2025.

Maintain Buy with TP pared to INR 354: We believe execution in 9MFY25 was hit by macro uncertainties. We expect a moderate growth of 15% each in FY26E and FY27E due to lower inflows and delay in commencement of execution of new projects. We trim our PAT estimates by 8%/12%/9% for FY25E/26E/27E. So, we lower our TP to INR 354 from INR 382, valuing the EPC business at 12x FY27E P/E and equity in operational and HAM projects at 1x. We maintain **Buy**.

Key financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	70,608	76,992	57,431	68,890	85,869
YoY (%)	12.0	9.0	-25.4	20.0	24.6
EBITDA (INR mn)	9,539	12,774	10,686	8,611	10,304
EBITDA margin (%)	13.5	16.6	18.6	12.5	12.0
Adj PAT (INR mn)	6,115	8,498	7,136	5,430	6,613
YoY (%)	36.5	39.0	(16.0)	(23.9)	21.8
Fully DEPS (INR)	23.8	33.1	27.8	21.2	25.8
RoE (%)	16.8	19.5	13.9	9.4	10.4
RoCE (%)	19.0	22.2	16.5	11.7	13.0
P/E (x)	8.9	6.4	7.6	10.0	8.2
EV/EBITDA (x)	7.0	4.9	5.5	7.4	6.5

Note: Pricing as on 17 February 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 354**

Upside: **37%**

CMP: **INR 258**

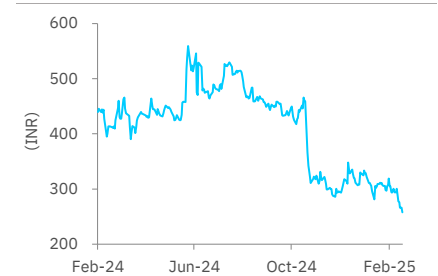
As on 17 February 2025

Key data

Bloomberg	PNCL IN
Reuters Code	PNCL.NS
Shares outstanding (mn)	257
Market cap (INR bn/USD mn)	66/762
Enterprise Value (INR bn/USD mn)	133/1536
Avg daily volume 3M (INR mn/USD mn)	493/6
52 week high/low	575/255
Free float (%)	44

Note: as on 17 February 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	56.1	56.1	56.1	56.1
% Pledged	-	-	-	-
FII	11.8	10.8	10.1	7.0
DII	27.1	26.4	25.5	26.6
Others	5.0	6.7	8.3	10.3

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.4)	(6.4)	4.2
PNC Infratech	(13.8)	(43.9)	(37.7)
NSE Mid-cap	(7.8)	(13.5)	1.5
NSE Small-cap	(12.4)	(16.4)	(4.8)

Ankita Shah

Infrastructure, Ports & Logistics,
Industrials
+91 22 6164 8516
ankita.shah@elaracapital.com

Associate
Jinesh Kothari



Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	70,608	76,992	57,431	68,890	85,869
EBITDA	9,539	12,774	10,686	8,611	10,304
Add:- Non operating Income	383	278	416	333	336
OPBIDTA	9,922	13,052	11,102	8,944	10,641
Less :- Depreciation & Amortization	1,100	1,033	930	1,014	1,098
EBIT	8,822	12,019	10,172	7,931	9,543
Less:- Interest Expenses	638	658	658	691	726
PBT	8,184	11,361	9,514	7,240	8,817
Less :- Taxes	2,069	2,863	2,379	1,810	2,204
Reported PAT	6,115	8,498	7,136	5,430	6,613
Adjusted PAT	6,115	8,498	7,136	5,430	6,613
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	513	513	513	513	513
Reserves	38,903	47,300	54,308	59,609	66,094
Net worth	39,416	47,813	54,821	60,122	66,607
Borrowings	4,500	3,821	3,740	3,665	3,596
Deferred Tax (Net)	(240)	(279)	(279)	(279)	(279)
Other non-current liabilities	6,339	6,710	6,710	6,710	6,710
Total Liabilities	50,015	58,066	64,992	70,218	76,634
Net Block	5,345	4,740	5,010	5,196	5,298
Investments	10,347	13,983	18,983	23,983	28,983
Cash & bank balances	3,734	7,126	11,335	6,164	2,723
Net Working Capital	20,657	25,458	22,583	27,456	31,856
Other Assets	9,932	6,759	7,080	7,418	7,773
Total Assets	50,015	58,066	64,992	70,218	76,634
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non-cash items	7,618	10,061	8,307	6,801	8,100
Add/Less:- Working Capital changes	(7,521)	(1,385)	2,553	(5,211)	(4,754)
Operating Cash Flow	97	8,675	10,860	1,590	3,346
Less:- Capex	554	439	1,200	1,200	1,200
Free Cash Flow	(457)	8,236	9,660	390	2,146
Financing Cash Flow	410	(1,046)	(868)	(895)	(923)
Investing Cash Flow	(1,496)	(3,797)	(4,584)	(4,667)	(4,664)
Net change in Cash	(1,543)	3,393	4,209	(5,171)	(3,441)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	12.0	9.0	(25.4)	20.0	24.6
EBITDA Growth	21.2	33.9	(16.3)	(19.4)	19.7
PAT Growth	36.5	39.0	(16.0)	(23.9)	21.8
EBITDA Margin	13.5	16.6	18.6	12.5	12.0
Net Margin	8.7	11.0	12.4	7.9	7.7
Return & Liquidity Ratios (%)					
Net Debt/Equity (x)	0.0	(0.1)	(0.1)	(0.0)	0.0
ROE (%)	16.8	19.5	13.9	9.4	10.4
ROCE (%)	19.0	22.2	16.5	11.7	13.0
Per Share data & Valuation Ratios					
Reported EPS (INR)	23.8	33.1	27.8	21.2	25.8
Adjusted EPS (INR)	23.8	33.1	27.8	21.2	25.8
EPS growth (%)	36.5	39.0	(16.0)	(23.9)	21.8
DPS (INR)	0.5	0.5	0.5	0.5	0.5
Core P/E (x)	8.9	6.4	7.6	10.0	8.2
EV/EBITDA (x)	7.0	4.9	5.5	7.4	6.5
EV/Sales (x)	0.9	0.8	1.0	0.9	0.8
Core Price/Book (x)	1.4	1.1	1.0	0.9	0.8
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.2

Note: Pricing as on 17 February 2025; Source: Company, Elara Securities Estimate

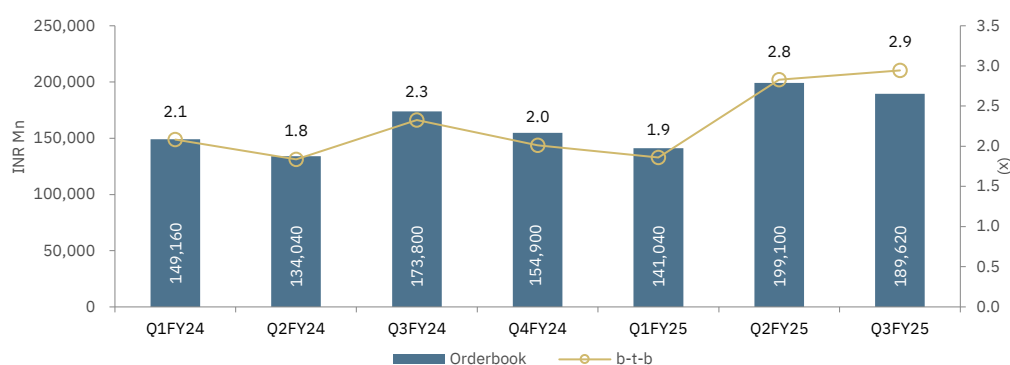
Margin is likely to be 12-12.5% in FY26E and FY27E; FY25 margin may be higher on one-off arbitral claims worth INR 4.3bn

Quarterly financials

Consolidated (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Variance (%)
Net sales	12,051	18,027	(33.2)	11,491	4.9	16,166	(25.5)
EBITDA	1,460	2,395	(39.0)	1,336	9.3	1,997	(26.9)
EBITDA margins (%)	12.1	13.3		11.6		12.4	
Other income	159	42	276.6	129	23.3	91	74.7
Interest	217	172	26.2	152	43.1	154	40.9
Depreciation	226	261	(13.3)	226	0.3	248	(8.7)
PBT	1,176	2,004	(41.3)	1,088	8.1	1,687	(30.3)
Tax	349	493	(29.2)	279	25.2	425	(17.8)
Effective tax rate (%)	29.7	24.6		25.6		25.2	
PAT	826	1,511	(45.3)	809	2.2	1,262	(34.5)
NPM (%)	6.9	8.4		7.0		7.8	
EPS (INR)	3.2	5.9	(45.3)	3.2	2.2	4.9	(34.5)

Source: Company, Elara Securities Estimate

Exhibit 1: Healthy orderbook visibility at 2.9x, execution to pick up post receipt of approvals



Source: Company, Elara Securities Research

Exhibit 2: Valuation summary

(INR mn)	FY27E	Per share (INR)
Standalone PAT	6,613	
P/E (x)	12	
Value of construction business (A)	79,357	309
Equity in operational HAM projects (C)	3,205	12
Equity in under-construction HAM projects (D)	8,180	32
Target price (A+B+C)	90,742	354
CMP		257
Upside (%)		37

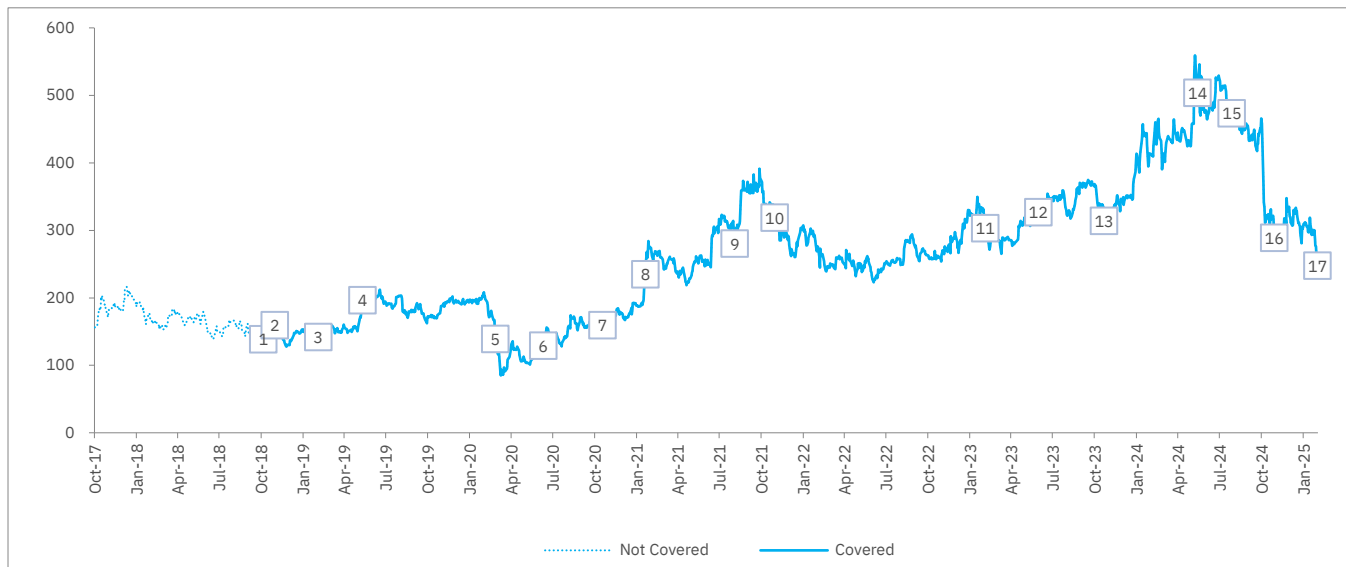
Note: Pricing as on 17 February 2025; Source: Elara Securities Estimate

Exhibit 3: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	65,108	74,985	86,943	57,431	68,890	85,869	(11.8)	(8.1)	(1.2)
EBITDA	11,684	9,748	11,303	10,686	8,611	10,304	(8.5)	(11.7)	(8.8)
PAT	7,722	6,181	7,271	7,136	5,430	6,613	(7.6)	(12.1)	(9.0)
TP (INR)			382			354			(8)

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
11	21-Feb-2023	Buy	INR 460	INR 313
12	16-Jun-2023	Buy	INR 510	INR 337
13	7-Nov-2023	Buy	INR 565	INR 325
14	30-May-2024	Accumulate	INR 603	INR 514
15	13-Aug-2024	Accumulate	INR 563	INR 485
16	14-Nov-2024	Buy	INR 382	INR 299
17	17-Feb-2025	Buy	INR 354	INR 258

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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India Elara Securities (India) Private Limited One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500	Europe Elara Capital Plc. 6th Floor, The Grove, 248A Marylebone Road, London, NW1 6JZ, United Kingdom Tel : +44 20 7486 9733	USA Elara Securities Inc. 230 Park Avenue, Suite 2415, New York, NY 10169, USA Tel: +1 212 430 5870 Fax: +1 212 208 2501	Asia / Pacific Elara Capital (Asia) Pte.Ltd. One Marina Boulevard, Level 20, Singapore 018989 Tel : +65 6978 4047
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Managing Director

Harendra Kumar | harendra.kumar@elaracapital.com | +91 22 6164 8571



Head of Research

Dr Bino Pathiparampil | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

Sales Team



India

Hitesh Danak - hitesh.danak@elaracapital.com - +91 22 6164 8543
Ashok Agarwal - ashok.agarwal@elaracapital.com - +91 22 6164 8558



India, APAC & Australia

Sudhanshu Rajpal - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508
Joshua Saldanha - joshua.saldanha@elaracapital.com - +91 22 6164 8541
Shraddha Shrikhande - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567



India & UK

Prashin Lalvani - prashin.lalvani@elaracapital.com - +91 22 6164 8544



India & US

Karan Rathod - karan.rathod@elaracapital.com - +91 22 6164 8570



Corporate Access, Conference & Events

Anita Nazareth - anita.nazareth@elaracapital.com - +91 22 6164 8520
Tina D'souza - tina.dsouza@elaracapital.com - +91 22 6164 8595

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Elara Securities (India) Private Limited

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 Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509
 Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509