

**NHAI Ban to be Lifted & Robust Order Book To Drive Growth; Upgrade To BUY**
**Est. Vs. Actual for Q3FY25: Revenue – MISS; EBITDA Margin – MISS; PAT– MISS**
**Revision in Estimates post Q3FY25**
**FY25E/FY26E: Revenue: -6%/2%; EBITDA: -5%/-1%; PAT: -5%/0%**
**Recommendation Rationale**

- Robust & Diversified Order Book:** As of 31st Dec'24, PNCIL's order book stood at Rs 18,962 Cr, representing over 2.4x FY24 revenue, providing revenue visibility for the next 2-2.5 years. Aligned with its diversification strategy, the company is expanding its focus to include bids in the railway and water segments across both state and central projects. This approach aims to reduce reliance on the road sector and create a more resilient revenue base.
- Order Inflow of Rs 13,000-15,000 Cr Expected for FY25:** As of 31st Dec'24, the company received an order inflow of Rs 6,670 Cr, with management anticipating an additional Rs 6,000-9,000 Cr in Q4FY25. This is supported by a robust bid pipeline of Rs 25,000 Cr in non-MoRTH projects and around Rs 1,25,000 Cr from NHAI and MoRTH projects. Furthermore, management has guided for an order inflow of Rs 15,000 Cr in FY26.
- Lifting of NHAI ban, big positive for the company:** In October 2024, NHAI had imposed a one-year ban on the company from bidding for projects. However, the ban was later reduced to four months, set to end on February 18, 2025. This will allow the company to participate in new project bids from NHAI and MoRTH, constituting a significant portion of its order book. Consequently, this is expected to drive an increase in order inflow for Q4FY25 and FY26.

**Sector Outlook: Positive**
**Company Outlook & Guidance:** For FY25, the company expects revenue to de-grow by 20-25% due to delays in land acquisition and receiving AD. However, for FY26, revenue growth is expected to be 25-30%, and EBITDA margins are expected to be between 12-12.5%.

**Current Valuation: 8x FY26 EPS (Earlier Valuation: 7x FY26 EPS) and HAM assets 1.2x book value**
**Current TP: Rs 330/share (Earlier TP: Rs 300/share)**
**Recommendation:** We change our **HOLD** rating to **BUY** recommendation on the stock.

**Alternative BUY Ideas from our Sector Coverage: H.G Infra (TP: Rs 1720/share), G R Infraprojects Ltd (TP: 1430/share), J Kumar Infra (TP: 940/share)**
**Financial Performance**

The company reported revenue of Rs 1,205 Cr, down 33% YoY, due to slow project execution caused by extended monsoons, delays in awarding AD, and slow awarding activity. It recorded an EBITDA of Rs 146 Cr, down 39% YoY, and an APAT of Rs 83 Cr, down 45% YoY. The company posted an EBITDA margin of 12.1% in Q3FY25 (vs. an estimate of 12.1%), compared to 13.3% in Q3FY24.

**Key Financials (Standalone)**

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1205	5%	-33%	1442	-16%
EBITDA	146	9%	-39%	174	-16%
EBITDA Margin	12.1%	49bps	-117bps	12.1%	2bps
Net Profit	83	2%	-45%	106	-22%
EPS (Rs)	3.2	2%	-45%	4.1	-22%

Source: Company, Axis Securities Research

 (CMP as of 11<sup>th</sup> February 2025)

CMP (Rs)	287
Upside /Downside (%)	15%
High/Low (Rs)	575 / 279
Market cap (Cr)	7371
Avg. daily vol. (6m) Shrs.	13,01,707
No. of shares (Cr)	25.6

**Shareholding (%)**

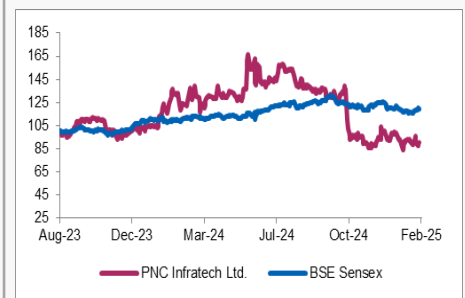
	Jun-24	Sep-24	Dec-24
Promoter	56.1	56.1	56.1
FIIs	10.8	10.1	7.0
MFs / UTI	25.3	24.5	26.3
Banks / FIs	0.0	0.0	0.0
Others	7.8	9.4	10.7

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	7,699	5,855	7,612
EBITDA	1,277	1,093	951
Net Profit	850	722	606
EPS (Rs)	33	28	24
PER (x)	15	10	12
P/BV (x)	2.6	1.3	1.2
EV/EBITDA (x)	9.7	6.7	7.7
ROE (%)	19%	14%	10%

**Change in Estimates (%)**

Y/E Mar	FY25E	FY26E
Sales	-6%	2%
EBITDA	-5%	-1%
PAT	-5%	0%

**Relative Performance**


Source: Ace Equity, Axis Securities Research

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## Outlook

A boost in the infrastructure sector is expected with a pick-up in awarding activity and the recent allocation of Rs 2.8 Lc Cr to MoRTH in the Budget 25-26. We expect the company to report revenue growth of 30% in FY26, backed by a robust and diversified order book, strong order inflow, especially after the closure of the MoRTH ban, a debt-free balance sheet, and favourable government support.

## Valuation & Recommendation

The stock is currently trading at an implied PE of 6x FY26E EPS. Following the recent correction, valuation has become attractive, and the lifting of the NHAJ ban is positive for the company's future growth prospects. Therefore, **we change our recommendation on the stock from HOLD to BUY with a TP of Rs 330/share, implying a 15% upside from the CMP.**

## Key Concall Highlights

- **Order Book:** The current executable order book stands at Rs 18,962 Cr (including Rs 4,097 Cr awaiting AD), with 75% attributed to Highway & Expressway projects and the remaining 25% to Railway, Water, and other projects. The company is L1 in one project worth Rs 2,400 Cr.
- **Order Inflow:** As of 31st Dec'24, the company received an order inflow of Rs 6,670 Cr. Management anticipates an additional order inflow of Rs 6,000-9,000 Cr in Q4FY25, supported by a robust bid pipeline of Rs 25,000 Cr in non-MoRTH projects and approximately Rs 1,25,000 Cr from NHAJ and MoRTH projects.
- **HAM Portfolio:** The company holds a portfolio of 23 HAM projects totalling approximately Rs 30,000 Cr, making it the country's largest portfolio of HAM highway projects. Currently, 12 projects are operational, seven are under construction, and four have completed financial closure.
- **Equity Investments in Subsidiaries:** The total equity requirement is Rs 3,092 Cr, of which Rs 2,283 Cr has been invested to date. The balance equity required for HAM projects is Rs 809 Cr, expected to be invested over the next 2-3 years. This equity investment will be funded through internal accruals.
- **Asset Monetization:** The company, together with its wholly-owned subsidiary, PNC Infra Holdings Limited, has signed a Master Securities Purchase Agreement (SPA) with Highways Infrastructure Trust (HIT), an Infrastructure Investment Trust (InvIT) affiliated with KKR & Co. Inc. The agreement involves divesting 12 of the company's road assets: 11 NH Hybrid Annuity Mode (HAM) assets and 1 State Highway BOT Toll asset. The enterprise value of the divestment is Rs 9,005 Cr, with an equity value of Rs 2,902 Cr. During the quarter, the company received principal approvals from NHAJ for divesting 8 HAM assets. Approvals for the remaining three assets are expected by the end of Feb'25. The company has already received NOC from 34 lenders for 11 projects and hopes to monetise 11 assets by the end of FY25.
- **Water Projects:** In FY26, the company expects revenue of Rs 800-850 Cr from the Jal Jivan Mission and Rs 400-450 Cr from irrigation projects.
- **Working Capital:** Working capital stood at 167 days in Q3 FY25, up from 144 days in Q2 FY25. This temporary increase is due to advances given to suppliers and investments in mutual funds. The management targets working capital days to be 105-110 by the end of FY25.
- **As of 31st Dec'24,** the mobilisation advance stood at Rs 671 Cr, retention money at Rs 172 Cr, inventory at Rs 747 Cr, debtors at Rs 1668 Cr, creditors at Rs 760 Cr, total standalone debt at Rs 391 Cr, and cash and bank balances at Rs 743 Cr.

## Key Risks to Our Estimates and TP

- Lower order inflow and slower execution may hamper revenue growth
- Higher input prices may impact margins

## Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	5,855	7,612	6,209	7,451	-6%	2%
EBITDA	1,093	951	1,146	961	-5%	-1%
PAT	722	606	764	608	-5%	0%

Source: Company, Axis Securities Research

## Result Review Q3FY25

(Rs Cr)	Quarterly Performance				
	Q3FY25	Q2FY25	Q3FY24	% Change (QoQ)	% Change (YoY)
<b>Sales</b>	<b>1,205</b>	<b>1,149</b>	<b>1,803</b>	5%	-33%
Other Op. Inc	0	0	0		
<b>Total Revenue</b>	<b>1,205</b>	<b>1,149</b>	<b>1,803</b>	5%	-33%
<b>Expenditure</b>					
Cost of material consumed	895	851	1350	5%	-34%
Change in Inventory	0	0	0	0%	0%
Employee Cost	85	88	86	-3%	-1%
Other Expenses	79	76	127	4%	-38%
<b>Total Expenditure</b>	<b>1059</b>	<b>1015</b>	<b>1563</b>	4%	-32%
<b>EBITDA</b>	<b>146</b>	<b>134</b>	<b>239</b>	9%	-39%
	12.1%	11.6%	13.3%	49bps	-117bps
Oth. Inc.	16	13	4	23%	277%
Interest	21.7	15.2	17.2	43%	26%
Depreciation	23	23	26	0%	-13%
Exceptional Item	<b>118</b>	<b>109</b>	<b>200</b>	8%	-41%
<b>PBT</b>	<b>35</b>	<b>28</b>	<b>49</b>	25%	-29%
Tax	<b>83</b>	<b>81</b>	<b>151</b>	2%	-45%
<b>PAT</b>	<b>3.2</b>	<b>3.2</b>	<b>5.9</b>	2%	-45%
EPS (Rs.)	<b>1,205</b>	<b>1,149</b>	<b>1,803</b>	5%	-33%

Source: Company, Axis Securities Research

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>7,061</b>	<b>7,699</b>	<b>5,855</b>	<b>7,612</b>
Other operating income	0	0	0	0
<b>Total income</b>	<b>7,061</b>	<b>7,699</b>	<b>5,855</b>	<b>7,612</b>
Cost of materials consumed	5,262	5,548	4,034	5,716
Contribution (%)	25.5%	27.9%	31.1%	24.9%
Other Expenses	845	873	728	944
<b>Operating Profit</b>	<b>954</b>	<b>1,277</b>	<b>1,093</b>	<b>951</b>
Other income	38	28	47	41
<b>PBIDT</b>	<b>992</b>	<b>1,305</b>	<b>1,139</b>	<b>993</b>
Depreciation	110	103	97	117
Interest & Fin Chg.	64	66	64	57
<b>Pre-tax profit</b>	<b>818</b>	<b>1,136</b>	<b>979</b>	<b>818</b>
Tax provision	207	286	257	213
<b>PAT</b>	<b>611</b>	<b>850</b>	<b>722</b>	<b>606</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Total assets</b>	<b>6,070</b>	<b>6,498</b>	<b>6,996</b>	<b>7,922</b>
Net Block	525	466	459	433
Right to use assets	9	8	8	8
CWIP	0	0	0	0
Investments	1035	1664	2304	2634
Wkg. cap. (excl cash)	1991	1782	1398	1809
Cash / Bank balance	373	713	1153	1000
Other assets	2137	1865	1674	2038
<b>Capital employed</b>	<b>6,070</b>	<b>6,498</b>	<b>6,996</b>	<b>7,922</b>
Equity capital	51	51	51	51
Reserves	3890	4730	5452	6058
Minority Interests	0	0	0	0
Borrowings	450	382	382	382
Other Liabilities	1679	1334	1110	1430

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
PBT	818	1136	979	818
Depreciation	110	103	97	117
Interest Expense	64	66	64	57
Changes in Working Capital	-935	257	351	-362
Others	6	-10	-47	-41
Tax Paid	-217	-291	-257	-213
<b>Net Cash from Operations</b>	<b>(153)</b>	<b>1261</b>	<b>1187</b>	<b>377</b>
Capex	-62	-48	-90	-90
Investment	-163	-722	-640	-330
Others	112	-8	47	41
<b>Net Cash from Investing</b>	<b>(114)</b>	<b>(779)</b>	<b>(683)</b>	<b>(379)</b>
Borrowings	-83	30	0	0
Interest Expense	-64	-66	-64	-57
Dividend paid	-13	-13	0	0
Others	312	87	0	0
<b>Net Cash from Financing</b>	<b>153</b>	<b>38</b>	<b>(64)</b>	<b>(57)</b>
<b>Net Change in Cash</b>	<b>(114)</b>	<b>520</b>	<b>440</b>	<b>(153)</b>
Opening cash	407	293	616	1056
<b>Closing cash</b>	<b>293</b>	<b>813</b>	<b>1056</b>	<b>903</b>

Source: Company, Axis Securities Research

**Ratio Analysis**

(%)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Growth Indicator</b>				
Sales Growth	12%	9%	-24%	30%
EBITDA Growth	21%	34%	-14%	-13%
PAT Growth	37%	39%	-15%	-16%
<b>PROFITABILITY RATIOS</b>				
EBITDA Margin	13.5%	16.6%	18.7%	12.5%
Adjusted net margin	8.7%	11.0%	12.3%	8.0%
<b>EFFICIENCY RATIOS (x)</b>				
Capital Turnover	1.79	1.61	1.06	1.25
Total Asset Turnover	1.52	1.41	0.94	1.11
Fixed Asset Turnover	13.4	16.5	12.7	17.6
Debtor days	99	92	92	92
Inventory days	46	43	43	43
Payable days	41	53	50	50
Cash Conversion Cycle (days)	104	83	86	86
<b>Leverage ratios</b>				
Debt to equity	0.05	0.05	0.05	0.04
Net debt to equity	0.02	-0.07	-0.14	-0.10
Interest coverage	15	19	17	17
<b>PER SHARE DATA</b>				
Diluted EPS (Rs)	23.8	33.1	28.1	23.6
Book value per share (Rs)	154	186	215	238
DPS (Rs)	0.5	0.5	0.0	0.0
<b>Return Ratios</b>				
Return on equity	17%	19%	14%	10%
Return on capital employed	20%	24%	18%	13%
<b>VALUATION RATIOS</b>				
P/E	19	15	10	12
P/BV	2.9	2.6	1.3	1.2
EV/EBITDA	11.9	9.7	6.7	7.7

Source: Company, Axis Securities Research

## PNC Infratech Price Chart and Recommendation History



Date	Reco	TP	Research	Date	Reco	TP	Research
01-Jan-23	BUY	340	Top Picks	01-Apr-24	BUY	510	Top Picks
01-Feb-23	BUY	370	Top Picks	02-May-24	BUY	510	Top Picks
15-Feb-23	BUY	390	Result Update	27-May-24	HOLD	505	Result Update
01-Mar-23	BUY	390	Top Picks	13-Aug-24	HOLD	465	Result Update
01-Apr-23	BUY	390	Top Picks	18-Nov-24	HOLD	300	Result Update
02-May-23	BUY	390	Top Picks	12-Feb-25	BUY	330	Result Update
26-May-23	BUY	425	Result Update				
01-Jun-23	BUY	425	Top Picks				
01-Jul-23	BUY	425	Top Picks				
01-Aug-23	BUY	425	Top Picks				
14-Aug-23	BUY	435	Result Update				
01-Sep-23	BUY	425	Top Picks				
18-Sep-23	BUY	435	AAA				
03-Oct-23	BUY	425	Top Picks				
02-Nov-23	BUY	415	Result Update				
01-Dec-23	BUY	415	Top Picks				
01-Jan-24	BUY	415	Top Picks				
02-Feb-24	BUY	505	Top Picks				
07-Feb-24	BUY	510	Result Update				
01-Mar-24	BUY	510	Top Picks				

Source: Axis Securities Research

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