

Retail Equity Research
PNC Infratech Limited
Construction & Engineering

BUY

BSE CODE : 539150 NSE CODE: PNCINFRA
BLOOMBERG CODE: PNCL:IN SENSEX : 65,828

12 Months Investment Period Rating as per Small Cap
CMP Rs.365 TARGET Rs.438 RETURN 20% ↑
(Closing: 29-09-2023)

KEY CHANGES: **TARGET** ↑ **RATING** ↔ **EARNINGS** ↑

Execution remains the key catalyst...

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 currently holds order book worth Rs 19,000cr, which is 2.7x TTM revenue and bodes well for revenue visibility in the coming quarters.
- The company is targeting a topline growth of 15% YoY in FY24, (which includes Rs2,000cr plus revenue from the water segment) with an EBITDA margin of 13 to 13.5%.
- Order inflows to pick up pace in H2FY24 as MoRTH revised the road construction target from 12,500km to 14,000km in FY24.
- The company targets an order inflow of ~Rs 10,000cr in FY24, 70% from road and 30% from non-road projects.
- In Q1FY24, PNC reported a revenue growth of 6% YoY which is below our estimate due to delay a in execution.
- With an increasing bidding pipeline and robust order book, we reiterate BUY rating on the stock with a TP of Rs 438 based on a P/E of 12x on FY25E EPS and BOT/HAM projects on P/B basis.

Order book provides visibility...

The current order book remains strong at ~Rs 19,000cr (incl. L1 orders Rs 4,083cr) which is 2.7x Trailing Twelve Months revenue and provides strong revenue visibility in the coming years. We expect order inflow to grow to Rs 10,000cr in FY24 as the bidding pipeline from NHAI and MoRTH remains strong. NHAI has already floated 68 projects, including EPC and HAM, both of which are estimated to cost Rs65,000cr. The company has already submitted 11 bids, 5 HAM and 6 EPC. The road projects constitute 72% of the total order book and 28% are for water and canals. Currently, PNC is planning to monetise 12 projects (11 HAM and 1 BOT) towards the end of FY24. The total equity requirements for all the under construction HAM project over the next two to three years will be around Rs1,228cr.

Top-line to grow at 14% CAGR over FY23-FY25E...

PNC reported revenue growth of 6% YoY to Rs1,861cr in Q1FY24, which is below our estimate due to delay in execution. The company has executable JJM projects worth Rs 7,000cr. Out of these, PNC booked revenue of Rs 1,400cr till Q1FY24. Further, the management expects revenue above Rs 2,000cr in FY24 with a margin of ~15 to 17%. Going forward, we expect the execution to pick up pace as 90% of the order book is in the construction stage. The company has 22 HAM projects, comprising 6 operational, 12 under construction and 4 that have signed the concession agreement. The management has guided revenue growth of 15% for FY24.

Margins to be in the range of 13.5%...

Adj. EBITDA margin (excluding the bonus of Rs 37.02cr received in Q1FY23) improved by 56bps YoY to 13.2% due to a better mix and a fall in other expenses. The company expects margins to be in the range of 13% to 13.5% in FY24, aided by strong execution. Despite fall in depreciation (7.3%) and interest expenses (-6.4%) adj. PAT declined by 6% YoY to Rs157cr, led by higher tax rate of 26% vs 24.6% in Q1FY24.

Valuations

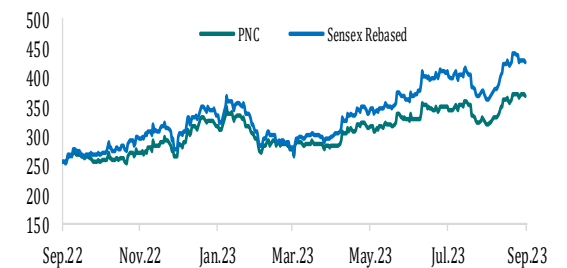
We expect execution to pick up pace as most of the HAM projects are under execution. The robust order book and strong execution capability will keep the outlook intact. We reiterate our Buy rating on the stock and value the EPC business at a P/E of 12x on FY25E EPS & BOT/HAM on P/B basis with a TP of Rs 438.

Company Data	
Market Cap (cr)	₹ 9,375
Enterprise Value (cr)	₹ 9,532
Outstanding Shares (cr)	25.7
Free Float	43.9%
Dividend Yield	0.2%
52 week high	₹ 387
52 week low	₹ 251
6m average volume (cr)	0.01
Beta	0.67
Face value	₹ 2

Shareholding (%)	Q3FY23	Q4FY23	Q1FY24
Promoters	56.1	56.1	56.1
FII's	9.3	9.5	10.3
MFs/Insti	29.6	29.4	28.5
Public	5.0	5.0	5.2
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	13%	28%	44%
Absolute Sensex	3%	14%	15%
Relative Return*	9%	14%	29%

*over or under performance to benchmark index



Standalone (cr)	FY23A	FY24E	FY25E
Sales	7,061	7,960	9,146
Growth (%)	12.0	12.7	14.9
EBITDA	954	1,067	1,235
EBITDA Margin(%)	13.5	13.4	13.5
PAT Adj.	612	689	819
Growth (%)	36.6	12.7	18.8
Adj.EPS	23.8	26.9	31.9
Growth (%)	36.6	12.7	18.8
P/E	15.3	13.6	11.4
P/B	2.4	2.0	1.7
EV/EBITDA	10.0	9.1	7.8
ROE (%)	16.8	16.1	16.4
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		383	P/E12x FY25E EPS
BOT Projects	395	15	1.0x P/BV
HAM	1,270	40	0.8x P/BV
Total Value per share		438	

Quarterly Financials (Standalone)

Profit & Loss

Rs (cr)	Q1FY24	Q1FY23	(%) YoY Growth	Q4FY23	(%) QoQ Growth
Sales	1,861	1,758	5.9	2,115	-12.0
EBITDA	245	258	-4.9	281	-12.8
EBITDA margins (%)	13.2	14.7	-150bps	13.3	-12bps
Depreciation	25	27	-7.3	28	-10.5
EBIT	220	231	-4.7	264	-16.5
Interest	16	17	-6.4	15	11.4
Other Income	8	8	3.6	11	-26.1
Exceptional Items	-	-	0.0	-	0.0
PBT	212	221	-4.2	249	-15.0
Tax	55	54	1.1	65	-14.9
Reported PAT	157	167	-6.0	184	-15.1
Adjustments	0.0	0.0	0.0	0.0	0.0
Adj PAT	157	167	-6.0	184	-15.1
No. of Shares	26	26		26	
EPS (Rs)	6.1	6.5	-6.0	7.2	-15.1

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	7,888	8,884	7,960	9,146	0.9	3.0
EBITDA	1,049	1,199	1,067	1,235	1.7	3.0
Margins (%)	13.3	13.5	13.4	13.5	10bps	0bps
Adj. PAT	684	801	689	819	0.8	2.3
EPS	27	31	27	32	0.8	2.3

Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	4,925	6,306	7,061	7,960	9,146
% change	1.0	28.0	12.0	12.7	14.9
EBITDA	673	787	954	1,067	1,235
% change	-12.0	17.0	21.2	11.8	15.8
Depreciation	112	130	110	120	129
EBIT	560	657	844	947	1,106
Interest	77	80	64	62	57
Other Income	75	54	38	40	50
PBT	559	631	818	925	1,099
% change	-8.7	13.1	29.6	13.1	18.8
Tax	197	184	207	236	280
Tax Rate (%)	35.2	29.1	25.3	25.5	25.5
Reported PAT	362	448	611	689	819
Adj*	-1	0	0	0	0
Adj PAT	361	448	612	689	819
% change	-22	24	37	13	19
No. of shares (cr)	26	26	26	26	26
Adj EPS (Rs.)	14	17	24	27	32
% change	-21.6	24.0	36.6	12.7	18.8
DPS (Rs.)	0.9	0.9	0.9	0.9	0.9

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	671	761	928	1,045	1,228
Non-cash adj.	-21	-96	-152	-166	-218
Changes in W.C	-297	-728	-730	-424	-498
C.F. Operation	428	-9	85	495	562
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	31
Closing cash	688	407	293	109	140

BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	688	407	293	109	140
Accounts Receivable	839	1,273	1,906	2,181	2,506
Inventories	354	481	764	891	1,020
Other Cur. Assets	1,548	1,666	1,515	1,592	1,729
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	7,324
Current Liabilities	833	787	808	859	946
Provisions	24	21	35	39	45
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	5,352
Shareholder's Fund	2,908	3,340	3,942	4,607	5,403
Total Liabilities	4,857	5,302	6,070	6,545	7,324
BVPS (Rs.)	113	130	154	180	211

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	12.1
Net profit mgn.(%)	7.3	7.1	8.7	8.7	9.0
ROE (%)	13.2	14.3	16.8	16.1	16.4
ROCE (%)	9.5	11.3	12.5	11.8	11.9
W.C & Liquidity					
Receivables (days)	60.9	61.1	82.1	93.7	93.5
Inventory (days)	32.4	34.2	43.2	51.1	51.5
Payables (days)	61.9	50.3	41.2	48.2	52.4
Current ratio (x)	4.0	4.7	5.3	5.3	5.4
Quick ratio (x)	1.8	2.1	2.7	2.7	2.8
Turnover & Leverage					
Gross asset T.O (x)	4.3	4.9	4.9	5.0	5.3
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	19.6
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	1.8	1.5	1.4	1.2	1.1
EV/EBITDA (x)	13.3	11.7	10.0	9.1	7.8
P/E (x)	26.0	20.9	15.3	13.6	11.4
P/BV (x)	3.2	2.8	2.4	2.0	1.7

Recommendation Summary (Last 3 years)



Dates	Rating	Target
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	379
03-Oct-2023	Buy	438

Source: Bloomberg, Geojit Research.

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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

CERTIFICATION

I, Antu Eapen Thomas, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd(P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Antu Eapen Thomas, Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

6. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

7. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd., Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, Compliance officer: Ms. Indu K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024, Phone: +91 484-2901367, Email: compliance@geojit.com. For grievances: Grievance officer: Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024, Phone: +91 484-2901363, Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

