

PNC Infratech

In-line quarter

PNC Infratech (PNC) delivered an in-line 3QFY21 financial performance. Management commentary was upbeat on (1) FY21/22E order inflows pegged at Rs 100bn, (2) revenue guidance maintained at flattish YoY, (3) NWC improvement in 3QFY21, (4) initiation of talks on BOT/HAM asset part monetisation over next few quarters, (5) healthy NHAI bid-pipeline for FY22E/FY23E, and (6) growth backed by low peak debt levels of Rs 4.5bn. Valuations are supportive at 9.2/7.7x FY22/23E (core EPC EPS). Maintain BUY on PNC, with an unchanged target price of Rs 338/sh, given a strong order book and robust balance sheet. Key risks: (1) slowdown in NHAI ordering and (2) delay in the monetisation of HAM projects. Successful diversification, away from the roads sector, could expand the multiple further.

- Results in line, execution picking up, guidance maintained:** Revenues: Rs 13.2bn (+9%/+26% YoY/QoQ, in-line). EBITDA: Rs 1.79bn (+4% YoY, +26% QoQ, in-line). EBITDA margins: 13.5% (-56/+1 bps YoY/QoQ, in-line). Interest cost came in at Rs 153mn, (-62% YoY, -30% QoQ). No exceptional item during the quarter. APAT: Rs 1,032mn (+45% YoY, +49% QoQ, 11% beat). NWC improved to 67 days from 85days QoQ. Appointed Date (AD) is expected by 4QFY21E for four recently-awarded HAMs, as well as 2 Delhi-Vadodara packages. Land 3G status in these four HAMs and two Delhi Vadodara EPC packages is ~90%. AP Irrigation project will too come under execution from Mar-21. PNC has maintained FY21 revenue guidance to flattish, with decent growth in FY22E.
- Strong OB lends revenue visibility; diversification efforts on:** Order book (OB) stands at 180bn (~3.7x FY20 revenue, vs Rs 158bn QoQ). While PNC has diversified into irrigation and rural water supply projects, roads will remain the focused sector and contribute ~80% to the OB. PNC expects to close FY21 with ~100bn inflows (secured Rs ~77bn FYTD21). To diversify away from the road segment, PNC is looking at water, metro and railways sector. Focus will be execution of existing non-roads orders before further diversification. Eight projects (6HAM+1Annuity+1BOT) are up for monetisation (~Rs 9.4bn equity invested). PNC has won Rs ~38bn of water-related orders in FYTD21.
- Balance sheet robust; monetisation of HAM projects key to watch:** NWC improved to 67 days vs 85 days QoQ (57 days on FY20 end). PNC maintained net cash at the standalone level, with gross debt of Rs 3.65bn (D/E 0.13x) and cash of Rs 8.3bn. Consolidated gross debt stood at Rs 38.1bn (1.31x D/E) and cash of Rs 15bn. PNC would require to infuse Rs ~10bn equity in under construction and recently-won HAM projects by FY24E. While PNC could fund the equity requirement from internal accruals, we believe monetisation of HAM projects would be key to churn capital and unlock the value. Capex budgeted for FY21 is Rs 1.25bn, with no loss funding envisaged for any SPV.

Quarterly/annual financial summary

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	13,224	12,180	8.6	10,535	25.5	48,779	47,211	59,706	68,972
EBITDA	1,785.2	1,712	4.3	1,421	25.6	7,643	6,343	8,283	9,722
APAT	1,032	709	45.5	693	48.9	3,243	3,138	4,893	5,882
Diluted EPS (Rs)	4.0	2.8	45.5	2.7	48.9	12.6	12.2	19.1	22.9
P/E (x)						19.8	20.5	13.1	10.9
EV / EBITDA (x)						7.9	9.1	7.1	6.2
RoE (%)						13.9	11.7	16.0	16.6

Source: Company, HSIE Research, Standalone financials

BUY

CMP (as on 5 Feb 2021)	Rs 245
Target Price	Rs 338
NIFTY	14,924

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 338	Rs 338	
EPS	FY21E	FY22E	FY23E
change %	-	-	-

KEY STOCK DATA

Bloomberg code	PNCL IN
No. of Shares (mn)	257
MCap (Rs bn) / (\$ mn)	63/862
6m avg traded value (Rs mn)	164
52 Week high / low	Rs 268/80

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	49.9	91.3	23.8
Relative (%)	27.1	56.6	0.5

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	56.07	56.07
FIs & Local MFs	24.29	23.81
FPIs	6.06	5.82
Public & Others	13.58	14.30
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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