

Retail Equity Research (South India Focus)
PNC Infratech Ltd
Construction & Engineering

BUY

BSE CODE : 539150 NSE CODE: PNCINFRA
BLOOMBERG CODE: PNCL:IN SENSEX : 51,329

12M Investment Period Rating as per Small Cap
CMP Rs.260 TARGET Rs.339 RETURN 30% ↑
(Closing: 09-02-21)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Execution is gaining momentum...

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 reported a revenue growth of 8.6% YoY in Q3FY21 (in-line with estimate) due to strong execution with labour availability at 100% pre-Covid level.
- EBITDA margins marginally declined by 56bps to 13.5% due to increase in commodity prices and higher other expenses at 11% YoY.
- Order book (incl. L1) remains healthy at Rs18,000cr which is 3.7x TTM revenue, provides revenue visibility.
- PAT increased by 34% YoY, due to fall in interest costs and higher other income.
- We increase FY21E/FY22E EPS estimate by 33%/20% respectively as execution is gaining momentum.
- We maintain our Buy rating based on a P/E of 14x on FY23E EPS and BOT/HAM projects at 0.5xP/B with a TP of Rs339.

Execution to pick up...

Q3FY21 revenue increased by 8.6% YoY (in-line with estimate) to Rs1,322cr supported by strong execution with labour availability at 100% pre-Covid level. The management expect execution to be strong in the coming quarters on account of strong order inflows and expectation of appointed date for balance orders in March-April 2021. The management expects FY21 revenue will be equal to last year revenue and expect FY22 revenue growth to be at 20% YoY. We expect execution will pick up in the coming quarters as most of the HAM projects are under execution stage with average ~90% land availability. PNC has already infused equity of Rs493cr for HAM projects and the balance of Rs306cr will be invested over the next two to three years.

Order book provides visibility...

Q3FY21 executable order book stood at Rs18,000 (incl. projects in L1 and waiting for approvals) which is 3.7x Trailing twelve months revenue and provides strong revenue visibility in the coming years. PNC is now entering into irrigation and water supply projects, which comprises 21% of the total order book. The margin profile of irrigation/water supply projects is at 13-14%. NHAI is expected to award 4,800 to 5,200km of roads projects in FY21E, which implies awarding activity would gain traction in Q4FY21. The management is targeting order inflows of Rs.9,000 to 10,000cr in FY21 and has secured Rs. 7,700cr of orders in 9MFY21.

EPS to grow at 15% CAGR over FY21E-FY23E...

EBITDA margins declined marginally by 56bps YoY at 13.5% due to increase in commodity prices, higher employee cost (8.2% YoY) and other expenses (11.3% YoY). While increase in other income (69% YoY) and fall in interest cost by 62% YoY due to drop in mobilization advances led earnings to grow by 33.6% YoY to Rs103cr. Strong order book and pick-up in execution, we expect EPS to grow at 15% CAGR over FY21E-FY23E.

Valuations

Strong order book of PNC is providing revenue visibility for the coming years. We expect execution to pick up in the coming quarters as most of the HAM projects are under execution stage. We value EPC business at a P/E of 14x on FY23E EPS & BOT/HAM projects at 0.5x P/B and maintain our Buy rating.

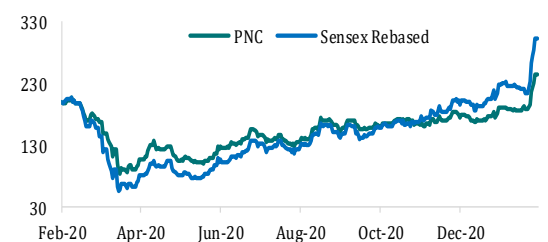
Company Data

Market Cap (cr)	₹ 7,157
Enterprise Value (cr)	₹ 6,668
Outstanding Shares (cr)	25.7
Free Float	43.93%
Dividend Yield	0.19%
52 week high	₹ 284
52 week low	₹ 81
6m average volume (cr)	0.01
Beta	0.67
Face value	₹ 2

Shareholding (%)	Q1FY21	Q2FY21	Q3FY21
Promoters	56.07	56.07	56.07
FII's	6.42	6.06	5.82
MFs/Insti	24.23	24.29	23.82
Public	13.28	13.58	14.29
Total	100.0	100.0	100.0
Promoter Pledge%	Nil	Nil	Nil

Price Performance	3 month	6 Month	1 Year
Absolute Return	61%	90%	34%
Absolute Sensex	19%	34%	25%
Relative Return*	42%	56%	9%

*over or under performance to benchmark index



Standalone (cr)	FY21E	FY22E	FY23E
Sales	4,848	5,895	7,355
Growth (%)	-0.6	21.6	24.8
EBITDA	737	796	1,008
EBITDA Margin(%)	15.2	13.5	13.7
PAT Adj.	448	471	593
Growth (%)	-2.6	4.9	26.0
Adj.EPS	17.5	18.3	23.1
Growth (%)	-2.6	4.9	26.0
P/E	16.0	15.2	12.1
P/B	2.4	2.1	1.8
EV/EBITDA	9.0	8.4	6.6
ROE (%)	16.2	14.7	15.9
D/E	0.10	0.11	0.11

Antu Eapen Thomas
Research Analyst

SOTP Valuation

Particulars	Value (Rs Cr)	Value/Share (Rs)	Rationale
Standalone EPC		323	PE 14x FY22E EPS
Road BOTs	463	9	0.5x P/BV
HAM	493	7	0.5x P/BV
Total Value per share		331	

Quarterly Financials (Standalone)

Profit & Loss

Rs (cr)	Q3FY21	Q3FY20	YoY Growth %	Q2FY21	QoQ Growth %	9MFY21	9MFY20	YoY Growth %
Sales	1322	1218.0	8.6	1053.5	25.5	3281	3720	-11.8
EBITDA	179	171.2	4.3	142.1	25.6	440	608	-27.6
EBITDA margins %	13.5	14.1	-0.56	13.5	0.01	13.4	16.3	-2.92
Depreciation	28.2	32.6	-13.7	27.2	3.5	82	94	-12.4
EBIT	150.4	138.6	8.5	114.9	30.9	358	514	-30.4
Interest	15.3	40.1	-62.0	21.8	-30.0	62	83	-24.7
Other Income	24.3	14.4	69.0	14.8	63.9	58	73	-19.8
Exceptional Items						0	0	
PBT	159.4	112.8	41.3	107.9	47.7	354	504	-29.8
Tax	56.2	35.6	57.6	38.6	45.6	121	120	1.5
Share of profit from Associate								
Minority Interest	0.0	0.0		0.0		0	0	
Reported PAT	103.2	77.1	33.7	69.3	48.9	233	384	-39.5
Adjustments	0.0	-0.1		0.0		0	109	
Adj PAT	103.2	77.2	33.6	69.3	48.9	233	275	-15.4
No. of Shares	25.7	25.7		25.7		25.7	25.7	
EPS (Rs)	4.0	3.0	33.6	2.7	48.9	9	11	-15.4

Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change %	
	FY21E	FY22E	FY21E	FY22E	FY23E	FY21E	FY22E
Revenue	4,848	5,659	4,848	5,895	7,355	-	4.2
EBITDA	654	792	737	796	1008	12.7	0.5
Margins (%)	13.5%	14.0%	15.2	13.5	13.7	171bps	-50bps
Adj. PAT	336	391	448	471	593	33	20.4
EPS	13.1	15.3	17.5	18.3	23.1	33	20.4

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Sales	3,097	4,878	4,848	5,895	7,355
% change	67	58	-1	22	25
EBITDA	457	764	737	796	1,008
% change	43	67	-4	8	27
Depreciation	92	126	119	142	173
EBIT	365	638	618	654	834
Interest	64	114	94	113	134
Other Income	43	88	85	90	95
PBT	344	612	608	632	796
% change	47	78	-1	4	26
Tax	19	152	160	161	203
Tax Rate (%)	6	25	0	0	0
Reported PAT	325	460	448	471	593
Adj.*	(66)	0	0	0	0
Adj. PAT	259	460	448	471	593
% change	28.8	77.7	-2.6	4.9	26.0
No. of shares (cr)	25.7	25.7	25.7	25.7	25.7
Adj EPS (Rs)	10.1	17.9	17.5	18.3	23.1
% change	28.8	77.7	-3%	5%	26%
DPS (Rs)	0.6	0.9	0.9	0.9	0.9

BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	309	682	788	884	955
Accounts Receivable	615	804	996	1,211	1,511
Inventories	404	267	457	510	642
Other Cur. Assets	991	1,275	1,195	1,486	1,854
Investments	774	673	774	890	1,024
Gross Fixed Assets	917	1,037	1,237	1,337	1,437
Net Fixed Assets	614	587	546	504	431
CWIP	6	0	5	5	5
Intangible Assets	2	2	2	2	2
Def. Tax (Net)	1	121	0	-3	-7
Other Assets	0	0	0	0	0
Total Assets	3,716	4,410	4,764	5,490	6,417
Current Liabilities	647	748	868	1,066	1,341
Provisions	12	11	24	29	36
Debt Funds	284	224	299	374	449
Other Liabilities	658	881	600	600	600
Equity Capital	51	51	51	51	51
Reserves & Surplus	2,064	2,495	2,922	3,370	3,939
Shareholder's Fund	2,115	2,547	2,973	3,422	3,991
Total Liabilities	3,716	4,410	4,764	5,490	6,417
BVPS	82	99	116	133	156

CASH FLOW

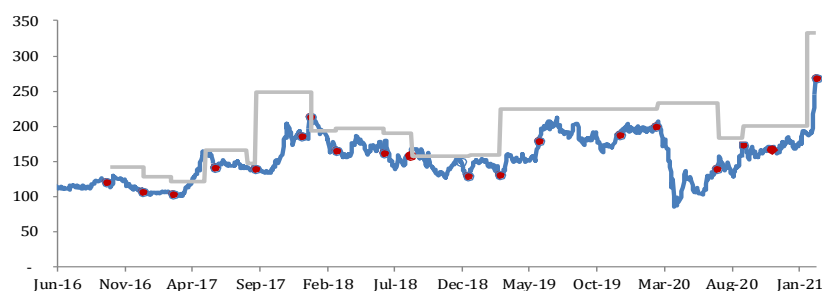
Y.E March (Rs Cr)	FY19A	FY20E	FY21E	FY22E	FY23E
Net inc. + Depn.	436	738	728	773	969
Non(cash adj.	46	(158)	56	-45	-65
Changes in W.C	(340)	(235)	-170	-356	-517
C.F. Operation	186	433	699	462	482
Capital exp.	(295)	(126)	-195	-100	-100
Change in inv.	(111)	101	-101	-116	-134
Other invest.CF	0	0	0	0	0
C.F - Investment	(449)	(114)	-381	-306	-329
Issue of equity	0	0	0	0	0
Issue/repay debt	155	(60)	75	75	75
Dividends paid	(15)	(22)	-22	-22	-23
Other finance.CF	352	223	-281	0	0
C.F - Finance	425	53	-211	-60	-82
Chg. in cash	162	373	106	96	71
Closing cash	309	682	788	884	955

RATIOS

Y.E March	FY19A	FY20A	FY21E	FY22E	FY23E
Profitab & Return					
EBITDA margin (%)	14.8	15.7	15.2	13.5	13.7
EBIT margin (%)	11.8	13.1	12.7	11.1	11.3
Net profit mgn.(%)	8.4	9.4	9.2	8.0	8.1
ROE (%)	13.2	19.8	16.2	14.7	16.0
ROCE (%)	11.3	16.4	13.1	12.2	13.1
W.C & Liquidity					
Receivables (days)	76.9	53.1	67.7	68.3	67.6
Inventory (days)	50.0	36.3	39.6	42.6	40.4
Payables (days)	80.9	51.0	58.8	61.6	63.7
Current ratio (x)	3.5	4.0	3.9	3.7	3.6
Quick ratio (x)	1.4	2.0	2.1	2.0	1.8
Turnover & Leverage					
Gross asset T.O (x)	4.0	5.0	4.3	4.6	5.3
Total asset T.O (x)	1.0	1.2	1.1	1.1	1.2
Int. covge. ratio (x)	5.7	5.6	6.6	5.8	6.2
Adj. debt/equity (x)	0.13	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	1.4	0.8	1.4	1.1	0.9
EV/EBITDA (x)	9.3	5.0	9.0	8.4	6.6
P/E (x)	16.5	9.3	16.0	15.2	12.1
P/BV (x)	2.0	1.7	2.4	2.1	1.8



Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
29-Sept-2016	*BUY	142
15-Dec-2016	BUY	127
22-Feb-2017	BUY	121
31-May-2017	BUY	166
23-Aug-2017	HOLD	147
12-Dec-2017	BUY	214
26-Feb-2018	BUY	193
07-June-2018	BUY	197
13-Aug-2018	BUY	190
19-Dec-2018	BUY	157
25-Feb-2019	BUY	158
29-May-2019	BUY	223
25-Nov-2019	BUY	223
17-Feb-2020	Accumulate	233
02-July-2020	BUY	182
31-Aug-2020	Buy	199
04-Nov-2020	BUY	199
10-Feb-2021	Buy	339

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			

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: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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