



|               |                                 |
|---------------|---------------------------------|
| Company Name  | : PNC INFRA TECH LTD.           |
| BSE Code      | : 539150                        |
| Time Duration | : 2 years                       |
| CMP           | : ₹149.05 (as on 02 July, 2020) |
| Target Price  | : ₹210                          |

Our Upstream Pick for this month is PNC Infratech. It is infrastructure construction, development, and management company. The company is primarily engaged in the areas of infrastructure projects, including highways, bridges, flyovers, power transmission lines, airport runways, and other infrastructure activities.

The company has executed 66 major infrastructure projects spread across 13 states, of which, 43 are road engineering, procurement, construction (EPC) projects and is currently executing 20 projects. The company's segmental revenue break-up stood at EPC-86 per cent and toll/annuity-14 per cent as of FY20.

### Sturdy order book and strong order inflow prospects

The company's order book as on March 31, 2020 stood at Rs 8,629 crore. This does not include Challakere-Hiriyur project under Bharatmala Pariyojna on the hybrid annuity model (HAM) for a bid project worth Rs 1,157 crore with EPC cost of Rs 935 crore and four new HAM project that it won over the last four months. If we consider all these projects, the total order book stood above Rs 15,000 crore. This strong order book delivers healthy revenue visibility over the next three years. Looking at the solid bid pipeline, the company believes order inflows of Rs 7,000 crore mainly in EPC mode in FY21E.

Looking at the impact of COVID-19, the project execution in Q4FY20 has been impacted due to the lockdown during the last ten days of March 2020.

### Enhanced working capital limits

The company has enhanced fund-based limits from Rs 750 crore to Rs 1,000 crore, which will enable the company to execute projects without financial constraints. Also, enhanced non-fund based limits from Rs 3,350 crore to Rs 5,000 crore will enable the company to bid for a higher number of projects, which are larger in size. The company has indicated that working capital days are likely to remain steady at 65-70 days in FY21E as against 57 days in FY20.

### Sizeable project portfolio: HAM projects

Till Q4FY20, the company had invested equity of Rs 443 crore. Going ahead, there is an equity requirement of around Rs 404 crore over the next 2-3 years. This requirement is for six HAM projects that are under construction. Overall, with healthy internal cash accruals and healthy cash balance, the company can easily fund its remaining equity requirement.

### Update on Cube Highways deal

The company has entered into a share purchase agreement (SPA) with Cube Highways and Infrastructure Pte Ltd for the sale of 35 per cent stake jointly held by the company along with its wholly-owned subsidiary, PNC Infra Holdings Limited in Ghaziabad Aligarh Expressway Private Limited on May 04, 2019. However, this deal has been cancelled but discussions with other prospective investors are at an advanced stage. This disinvestment is expected to augment financial resources for funding present and future projects of the company.

### Capex updates

In FY20, the company had incurred capex of Rs 78 crore. For FY21E, the company has guided capex of Rs 75-80 crore. This will be majorly funded via internal accruals as the company enjoys cash of Rs 740 crore on its books.

**CONFIDENTIALITY NOTICE** : Information contained in this report is intended for the subscribers of this product only. Unauthorized forwarding, printing, copying, distribution, or using the information in a searchable, machine-readable database is strictly prohibited and may be unlawful. **Disclaimer**: The recommendations are purely a view point and there is no guarantee on the returns. Hence all the clients (paid or unpaid) are requested to apply their prudence before acting on any of the recommendations. Neither DSJ Pvt Ltd nor any of its promoters, members, or employees shall be held responsible for any losses incurred (if any) by acting on the recommendations. Disclosure : Kindly refer to the detailed disclosures as per SEBI (investment advisors) regulations, 2013 placed at www.DSJ.in

## Financial performance

The company's consolidated revenue for the quarter Q4FY20 came in at Rs 1,346.7 crore as against Rs 1,270.42 crore in the corresponding quarter last year, registering 6 per cent YoY increase. EBITDA for the quarter fell by 7.6 per cent YoY to Rs 295.04 crore as against Rs 319.4 crore in the corresponding quarter last year, with a corresponding margin contraction of 323 bps. EBITDA margin for the quarter stood at 21.9 per cent. PAT for the quarter came in at Rs 88.82 crore as against Rs 167.75 crore in the corresponding quarter last year, with YoY decline of 47.1 per cent. Looking at the full-year numbers i.e. for FY20, the revenue jumped by 48 per cent YoY to Rs 5,602.57 crore while, EBITDA grew by 32 per cent YoY to Rs 1,327.18 crore. Further, the company reported a net profit of Rs 543.4 crore, up by 55 per cent YoY.

Historically, the company's revenue has grown at 23 per cent CAGR over the last five years. Also, net profit has grown at 43 per cent CAGR over the past five years.

## Valuation and outlook

The stock is trading at TTM P/E of 6.69x and TTM EPS of Rs 21.43. The company's return ratios, viz. ROCE and ROE, stand at comfortable levels of 16 per cent and 18 per cent, respectively. Going ahead, a strong order book and healthy order inflows provide a healthy sign. Also, improving the working capital cycle and lean balance sheet work acts as a cushion. Considering the above-mentioned factors, we see a potential upside of 41 per cent with a target price of Rs 210 over a period of two years.

### Inc/Exp Statement (Consolidated)

| Description       | 202003  | 201903  | 201803  | 201703  | 201603  |
|-------------------|---------|---------|---------|---------|---------|
| Net Sales         | 5602.57 | 3774.36 | 2411.39 | 2252.33 | 2836.78 |
| Total Income      | 5778.20 | 3820.97 | 2435.74 | 2292.93 | 2861.53 |
| Total Expenditure | 4275.39 | 2767.55 | 1642.30 | 1628.26 | 2214.45 |
| PBIDT             | 1502.81 | 1053.42 | 793.45  | 664.67  | 647.08  |
| PAT               | 543.40  | 350.66  | 248.98  | 139.00  | 221.23  |
| Dividend %        | 0.00    | 25.00   | 25.00   | 25.00   | 25.00   |
| Adj. EPS(Rs)      | 21.43   | 13.70   | 9.47    | 4.61    | 8.13    |

### Quarter On Quarter (Consolidated)

| Particulars       | 202003  | 201912  | Q on Q Var % | 201903  | Y on Y Var % |
|-------------------|---------|---------|--------------|---------|--------------|
| Net Sales         | 1346.70 | 1390.41 | -3.14        | 1270.42 | 6.00         |
| Total Expenditure | 1051.66 | 1093.00 | -3.78        | 951.02  | 10.58        |
| PBIDT (Excl OI)   | 295.04  | 297.41  | -0.80        | 319.41  | -7.63        |
| PAT               | 88.82   | 64.71   | 37.27        | 167.75  | -47.05       |
| PBIDTM% (Excl OI) | 21.91   | 21.39   | 2.43         | 25.14   | -12.85       |
| PBIDTM%           | 24.14   | 22.77   | 6.02         | 26.28   | -8.14        |
| PATM%             | 6.60    | 4.65    | 41.94        | 13.20   | -50.00       |
| Adj. EPS(Rs)      | 3.52    | 2.61    | 34.87        | 6.59    | -46.59       |



\*\*Track calls using our new investor app