

PNC Infratech Limited

Industry Eng. & Cons.
Bloomberg PNCL IN
BSE CODE 539150

Revenue remain strong while higher tax rate dented the bottom line

RATING	HOLD
CMP	137
Price Target	154
Potential Upside	12%

Rating Change	↓
Estimate Change	↓
Target Change	↓

Stock Info

52wk Range H/L	199.90/122.70
Mkt Capital (Rs Cr)	3516
Free float (%)	34%
Avg. Vol 1M (,000)	531
No. of Shares (Crs)	26
Promoters Pledged %	0

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3QFY19 Result Update

- The Revenue during the quarter was above our expectation at Rs.727 Cr, up by 54% YoY on account of healthy contribution by newly started HAM projects. HAM projects contribution in revenue is Rs.307 Cr compared to Rs. 82 Cr in Q3FY18.
- EBITDA during the quarter went up by 54% which is in line with revenue. The EBITDA margins were on PAR with its levels in 3QFY18 standing at 14%.
- PAT during the quarter was down by 49.5% at Rs 47 Cr mainly on account of higher tax rate while PAT margins during the quarter stood at 6.5%.
- Company has achieved the financial closure for all of its HAM projects while the appointment date is awaited.
- Company has received the appointment date for Nagpur-Mumbai Six Lane Access Controlled Super Communication Expressway
- The Order Book of contracts under completion Stood at Rs 7965 Cr. The top six projects contribute 75% to the total Order Book.

View and Valuation

PNCINFRA reported 54% YoY growth in revenue mainly driven by execution of HAM projects. However, bottom line was down by 50% YoY on account of higher tax rate as the revenue from 80 IA benefited projects gets over. Appointment date of 3 HAM projects and 1 EPC project is delayed due to some projects specific issue though the land on these projects is excess of 80% and management expect appointment date by the year end. Current equity requirement is Rs.600 Cr over next 2-3 years and company is investing heavily on equipment (Rs.250 Cr in FY19 and Rs.150 Cr in FY20). Additionally company is also looking to diversify its business into Airport development and that will require additional capital. Though the nothing has finalised on capital structure but the move will likely to increase burden on capital requirement. Going ahead revenue growth momentum will remain strong as all the projects are expected to start contributing in revenue from next year onward

We have reduced our Revenue/PAT estimate of FY20E by 5/12% considering delay in appointment date. We value the stock at Rs.154 (EPC business at 13x FY20E EPS and Rs.35 per share for BoT/HAM business) and change our rating from BUY to HOLD.

Key Risks to our rating and target

- Appointment Date of HAM projects
- Order inflow during FY20 (Mainly in regards to airport projects bidding)

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	2014	1689	1857	2925	4082
EBITDA	266	221	319	425	535
PAT	235	210	251	241	244
EPS (Rs)	46	8	10	9	9
EPS growth (%)	81%	-82%	20%	-4%	-2%
ROE	17%	13%	14%	12%	11%
ROCE	15%	10%	12%	14%	15%
BV per share	269	61	70	79	87
P/B (x)	1.4	1.5	2.2	1.7	1.6
P/E (x)	8.5	11.4	15.9	14.6	15.0
EV/EBITDA (x)	7.3	11.0	12.6	9.2	7.6

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3QFY19 Results

Financials	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY %	QoQ	9MFY18	9MFY19	YoY %
Net Sales	472	759	736	559	727	54%	30%	1,098	2,021	84.1%
Other Income	6	7	18	6	7	20%	12%	16	31	88.0%
COGS	320	490	500	381	498	56%	31%	735	1,380	87.8%
Employee	36	38	41	42	55	52%	31%	86	138	59.7%
Other Exp.	50	71	65	60	71	42%	18%	119	197	66.2%
Total Exp.	406	598	606	484	625	54%	29%	940	1,715	82.5%
EBITDA	66	161	129	75	102	54%	37%	158	306	93.9%
Depreciation	20	22	19	21	24	23%	17%	56	64	15.3%
EBIT	47	139	110	54	78	67%	44%	102	242	136.5%
Intreset	7	9	11	15	19	188%	22%	22	45	101.5%
PBT	46	137	117	45	66	0%	0%	97	228	136.3%
Tax	(47)	26	15	10	19	-140%	98%	(43)	44	-201.5%
PAT	93	112	103	35	47	-49%	34%	140	185	32.3%

Revenue remain strong while higher tax dented the bottom line

Q3FY19 was a strong quarter for the company it registered an healthy revenue growth of 54% mainly on account sizeable contribution from the new HAM projects which is Jhansi-Khajuraho (Package II), Jhansi-Khajuraho (Package I) and Chitradurga – Devanagere contributing Rs 295 Cr to the total revenue of Rs 727 Cr. The EBITDA during the quarter was in line with revenue growth at 54% YoY while the EBITDA margins were stable at 14% YoY. PAT during the quarter was down by 49.5% at Rs 47 Cr mainly on account of higher tax rate. Tax rate for the quarter was 28% v/s 5% as the revenue from 80 IA benefited projects gets over. The Order Book value of orders under execution stood at Rs 7965 Cr with Rs.8300 Cr of projects yet to start contribution in revenue.

Land Financial closure achieved for all HAM project

Company has achieved financial closure for of its reaming 3 HAM projects. The appointment date is received for the 4 projects Dausa-Lalsot-Kathun, Chitradurga-Davanagere, Jhansi-Khajuraho (Package I), Jhansi-Khajuraho (Package II) and the projects are under various stage of construction while the 3 projects Chakeri to Allahabad , Aligarh-Kanpur Package-II, Challakere to Hariyur section await the appointment date. The company expects to receive the appointment date for the 3 projects before end of FY19. Revenue growth momentum is likely to remain strong as we expect all the projects start contributing in revenue from next financial year

Funding Equity Requirement a Vital issue

The Currently PNCINFRA is executing 7 HAM projects and equity requirement on these projects is Rs.600 Cr over next 2-3 years. Company is investing heavily on equipment to build its capability to executing projects. Company has planned to spend Rs.250 Cr in FY19 and Rs.150 Cr in FY20, which may increase further depending on new orders secured by the company. Additionally, Management is looking to diversify its business into Airport development and that will require additional capital. Though the nothing has finalised on capital structure but the move will likely to increase burden on capital requirement. PNCINFRA has submitted bids for 4 airport projects which are currently under technical evaluation stage and likely to bid before general election.

Concall Highlights

- The Company has been able to put forward strong execution on account of backward integration supported by strong end to end in house execution.
- The Capex guidance for FY19 stands at Rs 250 Cr. The company's current gross block is Rs 975 Cr with it company can execute order worth value of Rs 6000 Cr in a year.
- The total equity requirement to be infused in the HAM projects over 2-3 years is Rs 832 Cr out which company has already invested Rs 229 Cr till DEC 2018.
- The execution period of current Order Book is 2-3 years which give revenue visibility for 2-3 years.
- The Availability of land for the project for which appointment date was received boosted the revenue growth.
- The Net worth is Rs 1980 Cr; total debt is Rs 452 Cr which include Rs 130 Cr for working capital and Rs 332 Cr for equipment finance. The total cash on standalone basis is Rs 61 Cr. The net debt to equity stands at .23x
- The land status is Jhansi package 1 is around 90% but has some tree cutting problem while Challakere to Hariyur has 80%.
- The Outstanding Order Book of Koilwar bhojpur is Rs 393 Cr, Varanasi-Gorakhpur Rs 445 Cr, bhojpur buxar is Rs Rs 467 Cr, Dausa lalsot Rs 225 Cr, Aligarh Moradabad Rs 27 Cr, Etah kasganj Rs 150 Cr.
- The toll collection at is MP HIGHWAY is Rs 12.8 Cr, OMT Kanpur is 96.3 CR, Kanpur highway is Rs 25 Cr, Narela is Rs 10 Cr, Bareilly-Almora is Rs 9.9 Cr, Raibareli Jaunpur is Rs 32.16 Cr. The revenue guidance of Rs 2800 Cr stands for FY20.
- On the Revenue front management expect Run rate of 1000 per quarter in FY20.
- The Company has received the mobilization advance of Rs 540 Cr till now and expects Rs 1000 Cr going forward.
- The company has maintained EBITDA margin guidance of 13-14% For FY20.
- The net debt expected at the end of FY19 is 500-525 Cr and for FY20 it is expected to be Rs 400-500 Cr.
- The Company is looking for both some HAM and EPC projects going forward. The company has submitted a package for delhi Vadodara expressway which is due to be open.
- The company has submitted bids for 4 airports, the capital outlay regarding the projects will be decided on completion of technical evaluation. The bids on the airports projects are yet to open .
- The tax guidance for FY19 stands at 21-22% and for FY20 26-28%.
- In regards to Bihar Projects Company expects to receive 70-75 Cr of revenue from these projects in Q4FY19 and in FY20 200-250 Cr each project.

O/S orderbook of Key Projects

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Nagina-Kashipur	1,156	1,156	1,132	1,094	1,000	949	866
Varanasi-Gorakhpur	810	785	745	654	574	538	445
Dausa-Lalsot	655	567	485	352	289	240	225
Aligarh-Moradabad	531	468	374	271	148	110	27
Bhojpur-Buxar	477	477	477	477	474	474	474
Koilwar-Bhopur	453	454	438	425	398	398	398
Chitradurga - Davanagere	1,207	1,207	1,207	1,157	1,073	930	818
Jhansi-Khajuraho pkg-I	1,184	1,184	1,184	1,162	1,090	1,031	954
Agra-Firozabad (UPEIDA)	-	-	-	-	-	-	-
Challakere to Hariyur					935	935	935
Jhansi-Khajuraho pkg-II	1,100	1,100	1,100	1,072	985	939	836
Chakeri to Allahabad	-	1,866	1,866	1,866	1,866	1,866	1,866
Aligarh-Kanpur	-	-	-	1,033	1,033	1,033	1,033
Nagpur mumbai	0	0	0	0	1999.52	1999.52	1999.52
Lucknow - Ghazipur	-	-	-	-	1,566	1,566	1,566
Lucknow - Ghazipur pkg-6	-	-	-	-	954	954	954
Other Projects	983	928	787	654	586	510	402
Total Order Book	8,556	10,192	9,795	10,217	14,971	14,473	13,799

Toll Collection

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY (+/-)	QoQ (+/-)
Kanpur - Kabrai	19	17	21	30	29	17	25	19%	47%
Gwalior - Bhind	15	12	17	17	12	19	13	-26%	-34%
Kanpur - Lucknow	67	66	81	77	86	78	96	19%	23%
Narela Industrial	10	10	11	10	10	10	10	-9%	0%
Bareilly-Almora	11	10	11	11	11	9	9	-16%	2%
Ghaziabad Aligarh	48	44	51	51	52	51	54	6%	6%
Raibareli Jaunpur	32	32	30	32	32	32	32	7%	0%
Total	203	191	222	228	232	216	239	8%	11%

Exhibit: Order book and book to bill trend

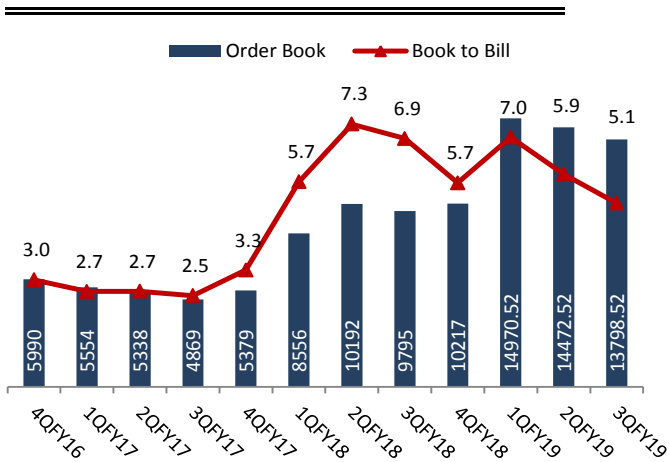
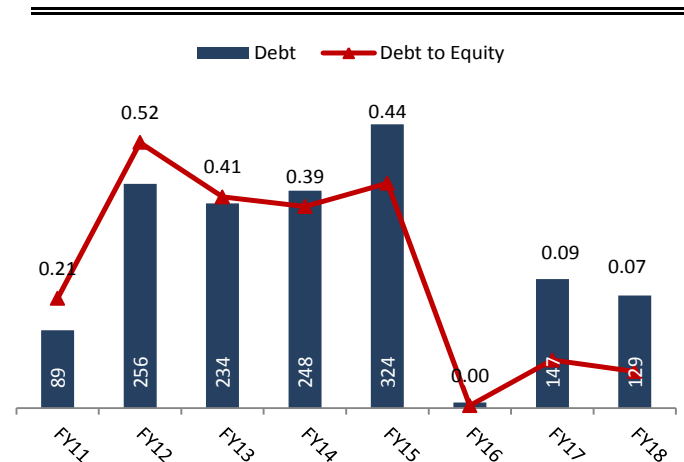


Exhibit: Project Debt and Intreset Coverage



Financial Details

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	1,304	1,152	1,561	2,014	1,689	1,857	2,925	4,082
Change (%)	2%	-12%	35%	29%	-16%	10%	58%	40%
EBITDA	156	142	217	266	221	319	425	535
Change (%)	2%	-9%	53%	23%	-17%	44%	33%	26%
Margin (%)	12%	12%	14%	13%	13%	17%	15%	13%
Depr & Amor.	23	25	36	57	53	77	89	124
EBIT	133	117	180	209	168	242	336	410
Int. & other fin. Cost	23	23	46	40	20	31	67	85
Other Income	4	11	14	25	47	23	38	13
EBT	114	104	148	194	194	234	306	339
Exp Item	-	-	-	-	-	-	-	-
Tax	37	34	47	(40)	(16)	(17)	65	95
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	77	70	100	235	210	251	241	244
Adjusted PAT	77	70	100	235	210	251	241	244
Change (%)		-8%	43%	134%	-11%	20%	-4%	1%
Margin(%)	6%	6%	6%	12%	12%	13%	8%	6%

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	40	40	40	51	51	51	51	51
Reserves	526	589	696	1,327	1,521	1,755	1,974	2,195
Networth	566	629	736	1,378	1,572	1,807	2,025	2,247
Debt	234	248	324	6	147	129	561	705
Other Non Cur Liab	99	180	250	160	167	170	170	170
Total Capital Employed	799	877	1,060	1,385	1,720	1,935	2,586	2,951
Net Fixed Assets (incl CWIP)	126	154	217	214	356	418	578	602
Non Cur Investments	271	351	430	464	468	495	632	889
Other Non Cur Asst	76	98	112	243	432	468	468	468
Non Curr Assets	473	604	759	921	1,255	1,381	1,679	1,960
Inventory	105	105	223	236	153	176	277	358
Debtors	398	344	367	376	631	690	962	1,230
Cash & Bank	38	100	21	97	35	147	157	129
Other Curr Assets	102	128	124	119	123	148	305	435
Curr Assets	643	676	826	969	1,139	1,406	1,934	2,438
Creditors	144	70	101	94	237	463	441	615
Provisions	4	5	18	20	21	13	20	28
Other Curr Liab	69	148	157	231	249	206	397	636
Curr Liabilities	218	222	275	345	507	681	858	1,279
Net Curr Assets	425	454	551	623	632	724	1,076	1,159
Total Assets	1,117	1,280	1,585	1,890	2,394	2,786	3,613	4,398

Financial Details

Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
PBT	114	103	148	194	194	234	306	339
(inc)/Dec in Working Capital	59	74	(109)	(220)	(260)	19	(242)	(61)
Non Cash Op Exp	23	33	37	57	53	77	89	124
Int Paid (+)	23	23	46	33	15	31	67	85
Tax Paid	39	33	50	(39)	(16)	(17)	65	95
others	(1)	(5)	(8)	(12)	(29)	-	-	-
CF from Op. Activities	179	195	63	91	(9)	378	155	392
(inc)/Dec in FA & CWIP	(40)	(57)	(102)	(55)	(192)	(138)	(250)	(149)
Free Cashflow	139	138	(39)	36	(201)	240	(95)	243
(Pur)/Sale of Inv	(104)	(80)	(73)	(65)	(3)	(27)	(138)	(257)
others	7	3	9	48	33	-	-	-
CF from Inv. Activities	(137)	(133)	(165)	(79)	(171)	(165)	(387)	(406)
inc/(dec) in NW	-	-	-	417	-	-	-	-
inc/(dec) in Debt	(17)	21	78	(318)	141	(19)	432	144
Int. Paid	23	23	46	-	-	31	67	85
Div Paid (inc tax)	3	3	9	9	16	(16)	22	23
others	2	6	-	(33)	(15)	-	-	-
CF from Fin. Activities	(42)	0	23	57	110	-	343	37
Inc(Dec) in Cash	0	62	(79)	68	(70)	213	110	23
Add: Opening Balance	38	38	100	6	74	35	147	157
Closing Balance	38	100	21	74	4	248	257	180

Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	14%	11%	14%	17%	13%	14%	12%	11%
ROCE	23%	18%	24%	15%	10%	12%	14%	15%
Asset Turnover	1.17	0.90	0.98	1.07	0.71	0.67	0.81	0.93
Debtor Days	111	109	86	68	136	136	120	110
Inv Days	29	33	52	43	33	35	35	32
Payable Days	40	22	24	17	51	91	55	55
Int Coverage	6	5	4	5	8	8	5	5
P/E	NA	-	-	9	11	16	15	14
Price / Book Value	NA	-	-	1	2	2	2	2
EV/EBITDA	(0)	(1)	0	7	11	13	9	7
FCF per Share	7	35	(10)	7	(8)	9	(4)	9
Div Yield	NA	NA	NA	#REF!	-0.7%	-0.4%	0.5%	0.5%

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