

# PNC Infratech Limited

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

## Execution remained in Top Gear

|                         |            |
|-------------------------|------------|
| <b>RATING</b>           | <b>BUY</b> |
| <b>CMP</b>              | <b>188</b> |
| <b>Price Target</b>     | <b>227</b> |
| <b>Potential Upside</b> | <b>21%</b> |

|                        |  |
|------------------------|--|
| <b>Rating Change</b>   |  |
| <b>Estimate Change</b> |  |
| <b>Target Change</b>   |  |

### Stock Info

|                       |           |
|-----------------------|-----------|
| 52wk Range H/L        | 219/124.8 |
| Mkt Capital (Rs Cr)   | 4822      |
| Free float (%)        | 34%       |
| Avg. Vol 1M (,000)    | 219       |
| No. of Shares (Crore) | 26        |
| Promoters Pledged %   | 0         |

Fig in Rs Cr

| FINANCIAL | FY19 | FY20E | FY21E |
|-----------|------|-------|-------|
| Net Sales | 3097 | 5316  | 6893  |
| EBITDA    | 457  | 839   | 951   |
| PAT       | 325  | 476   | 531   |
| EPS (Rs)  | 13   | 19    | 21    |
| EPS gr %  | 30%  | 47%   | 11%   |
| ROE (%)   | 15%  | 19%   | 17%   |
| ROCE (%)  | 15%  | 24%   | 23%   |
| BVPS      | 82   | 100   | 119   |
| P/B (X)   | 2    | 2     | 1     |
| P/E (X)   | 14   | 9     | 9     |
| EV/EBITDA | 10   | 6     | 5     |

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### 2QFY20 Result Update

- ❑ Company reported robust revenue growth of 111% YoY to Rs 1180 Cr backed by the strong execution. It includes an arbitration claim of Rs 109 Cr. Adjusted to claim revenue was up by 92% YoY to Rs 1071 Cr.
- ❑ EBITDA grew by 245% with margin remained strong at 21.8%. The core EBITDA margin remained stable at 13.8%
- ❑ Lower tax and higher other income further improved bottom-line growth at 489% YoY. The Tax rate was lower due to one project had 80 IA benefited projects. Other income includes Rs 36 Cr of interest on arbitration claim.
- ❑ During the quarter company has bagged new order form NHAI of worth Rs 1062 Cr for the construction of Lucknow ring road on EPC basis.
- ❑ Company has not opted the new tax rate regime and will continue on the old rate to utilize MAT credit of Rs 150 Cr. Post the utilization of MAT credit, the company will shift on the new tax rate regime.

### Robust Growth backed by Strong Execution

Company reported revenue growth of 111% YoY of Rs 1180 Cr supported by strong execution. The two large HAM projects Chakeri to Allahabad and Aligarh-Kanpur are in early stage of execution and contributed around Rs 330 Cr (31% of the revenue). Also two EPC projects Nagpur Mumbai pkg-4 and Purvanchal Expressway contributed Rs 276 Cr (26% of the revenue). The operating margin remained strong at 21.8% increase of 844 bps. Core EBITDA margin remained stable at 13.8% Lower tax and higher other income further improved bottom line growth at 489% YoY. The Tax rate was lower due one project had 80 IA benefited projects.

### Strong Order books to lead Robust Revenue Growth

The company has order book of Rs 11874 Cr and most of the all the projects are contributing in revenue except for two project of Rs 935 Cr Challakere to Hariyur and newly awarded Rs 1062 Cr of Lucknow rinf road. The land availability on the Lucknow project is 100% and likely to start contributing in revenue in 15 days' time. Appointment date on Challakere will be received in December 2019 and will start from next year. Execution on big HAM projects has picked up and will maintain the pace. Awarding activity from NHAI is likely to start from December or January and company will target to get Rs 6000-7000 Cr worth of projects. Company has also submitted the bids worth Rs 2000 Cr for the metro projects in Delhi and bids are expected to open next month.

### View and Valuation:

PNCINFRA continue to report better than expected numbers backed by the robust execution of the on-going projects. The assets monetization transaction is likely to complete by the calendar year-end and the procedure for the sales will use to fund future growth. The cash receipt from the arbitration claim will further strengthen the company's position. Execution of the on-going projects is likely to remain strong and we believe the growth continues to be robust going ahead. We largely maintain our estimates and value the stock at Rs 227 (9x FY21E EPS and Rs 41/share for the investment into BoT and HAM).

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## 2QFY20 Results Continues Strong Execution Momentum

| Financials   | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | YoY % | QoQ% | H1FY19 | H1FY20 | Fig in Rs cr |
|--------------|--------|--------|--------|--------|--------|-------|------|--------|--------|--------------|
|              |        |        |        |        |        |       |      |        |        | YoY %        |
| Net Sales    | 559    | 727    | 1,076  | 1,322  | 1,180  | 111%  | -11% | 1,294  | 2,502  | 93.3%        |
| Other Income | 6      | 7      | 12     | 14     | 45     | 635%  | 231% | 24     | 58     | 142.7%       |
| COGS         | 381    | 498    | 734    | 943    | 760    | 99%   | -19% | 881    | 1,702  | 93.1%        |
| Employee     | 42     | 55     | 54     | 59     | 58     | 38%   | -1%  | 83     | 117    | 41.9%        |
| Other Exp.   | 60     | 71     | 136    | 140    | 105    | 74%   | -25% | 126    | 245    | 95.0%        |
| Total Exp.   | 484    | 625    | 925    | 1,142  | 923    | 91%   | -19% | 1,090  | 2,065  | 89.4%        |
| EBITDA       | 75     | 102    | 151    | 180    | 257    | 245%  | 43%  | 179    | 437    | 144.0%       |
| Depreciation | 21     | 24     | 28     | 30     | 31     | 50%   | 1%   | 40     | 61     | 53.9%        |
| EBIT         | 54     | 78     | 123    | 149    | 226    | 319%  | 52%  | 139    | 375    | 169.8%       |
| Intreset     | 15     | 19     | 19     | 18     | 25     | 61%   | 38%  | 26     | 43     | 64.1%        |
| PBT          | 45     | 66     | 116    | 145    | 246    | 0%    | 0%   | 137    | 391    | 185.1%       |
| Tax          | 10     | 19     | (24)   | 45     | 39     | 308%  | NA   | 25     | 84     | 242.3%       |
| PAT          | 35     | 47     | 140    | 100    | 207    | 489%  | 107% | 113    | 307    | 172.7%       |

### Concall Highlights

- Increase guidance from 45-50% growth in revenue to 50-60% growth. FY21 revenue is expected grow by 25-30%.
- Other income includes 35.56 Cr of interest on arbitration claim. Tax on this will be paid in 3QFY20 at full rate.
- Tax rate for FY20 will be 30%. MAT credit with company is Rs 150 Cr as on 30th Sept 2019.
- Of the total 14 projects 7 fully operational and balance 7 are HAM projects which are at various stage of development. Out of 7 HAM projects 6 are already under construction and appointment date of 1 HAM project is yet to receive.
- Total equity invested in HAM project is Rs 403 Cr balance Rs 429 Cr will be invested over 2-3 years.
- Arbitration award of Rs 145 Cr has been received in the state of UP for Garh Mukteshwar to Moradabad project.
- Company is eligible to receive early completion bonus of Rs 14.11 Cr for Aligarh - Moradabad Highway Project and expected to be realised before end of FY20.
- In Chakeri project 80% of land is available with NHAI and NHAI will be declaring appointment date post 100% land available.
- Working Capital days are expected to be 100 days in FY20 as maximum of the projects will be executed in Feb 2020 and payments will not be received.
- Gross Debt is expected to be Rs 500 Cr including term loan of Rs 325 Cr for FY20.
- During H1FY20 Capex was Rs 60 Cr for replacement of old machinery and will be Rs 125 Cr for FY20.
- Company has signed share purchase agreement with Cube Highways for sale of entire 35% stake in Ghaziabad Aligarh Road Project. Approvals from the entire lender have been received. Expect to receive approval from NHAI by Dec 2019. Management expects cash to receive before March 2020.
- Maintained order inflow of Rs 6000-7000 Cr for FY20. Company is targeting 10-12 HAM and 20 EPC projects. EPC and HAM will be 50:50 in value.
- Revenue of Rs 200 Cr is expected from Purvanchal Expressway and Rs 100-120 Cr Nagpur Mumbai pkg-4 going ahead.
- Company has submitted bids 1) Rs 2000 Cr for Delhi Metro Rail phase 4 (DC02 & DC03) along with partner and 2) Noida Development authority for Rs 500 Cr 5.5 km 6 lane elevated road.
- Company will also pursue EPC Airport projects.
- Kanpur and Agra Metro are in initial stages of DPR preparation.
- Mobilisation advance outstanding Rs 600-650 Cr.

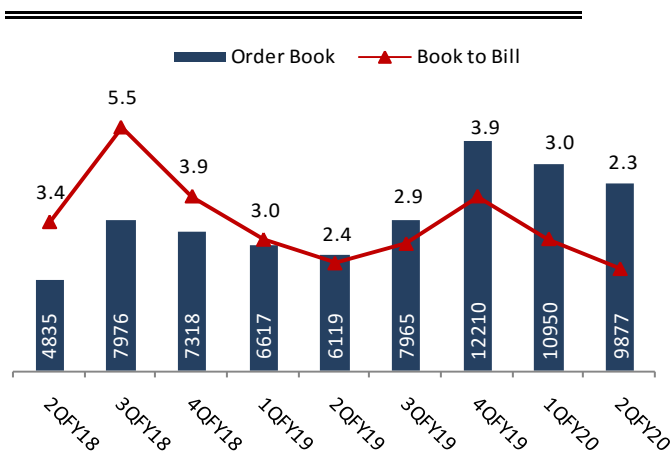
## O/S orderbook of Key Projects

|                          | 3QFY18       | 4QFY18       | 1QFY19       | 2QFY19       | 3QFY19       | 4QFY19        | 1QFY20        | 2QFY20       |
|--------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| Nagina-Kashipur          | 1,132        | 1,094        | 1,000        | 949          | 866          | 820           | 750           | 704          |
| Varanasi-Gorakhpur       | 745          | 654          | 574          | 538          | 445          | 377           | 333           | 301          |
| Dausa-Lalsot             | 485          | 352          | 289          | 240          | 225          | 174           | 143           | 90           |
| Aligarh-Moradabad        | 374          | 271          | 148          | 110          | 27           | 8             | -             | -            |
| Bhojpur-Buxar            | 477          | 477          | 474          | 474          | 474          | 424           | 381           | 363          |
| Koilwar-Bhopur           | 438          | 425          | 398          | 398          | 398          | 372           | 337           | 301          |
| Chitradurga - Davanagere | 1,207        | 1,157        | 1,073        | 930          | 818          | 768           | 680           | 590          |
| Jhansi-Khajuraho pkg-I   | 1,213        | 1,162        | 1,090        | 1,031        | 954          | 825           | 710           | 630          |
| <i>Etha Kashganj</i>     | 217          | 201          | 175          | 150          | 117          | 84            | 62            | 44           |
| Nanau-Dadon              | 120          | 119          | 116          | 102          | 87           | 72            | 37            | 30           |
| Jhansi-Khajuraho pkg-II  | 1,118        | 1,072        | 985          | 939          | 836          | 678           | 581           | 516          |
| Chakeri to Allahabad     | -            | -            | -            | -            | -            | 1,866         | 1,665         | 1,469        |
| Aligarh-Kanpur           | -            | -            | -            | -            | -            | 1,033         | 915           | 781          |
| Nagpur mumbai            | -            | -            | -            | -            | -            | 1,999         | 1,909         | 1,743        |
| Lucknow - Ghazipur       | -            | -            | -            | -            | 1,566        | 1,467         | 1,325         | 1,251        |
| Lucknow - Ghazipur pkg-6 | -            | -            | -            | -            | 954          | 930           | 847           | 811          |
| Other Projects           | 353          | 281          | 265          | 244          | 198          | 313           | 275           | 253          |
| <b>Total Order Book</b>  | <b>7,976</b> | <b>7,318</b> | <b>6,617</b> | <b>6,119</b> | <b>7,965</b> | <b>12,210</b> | <b>10,950</b> | <b>9,877</b> |

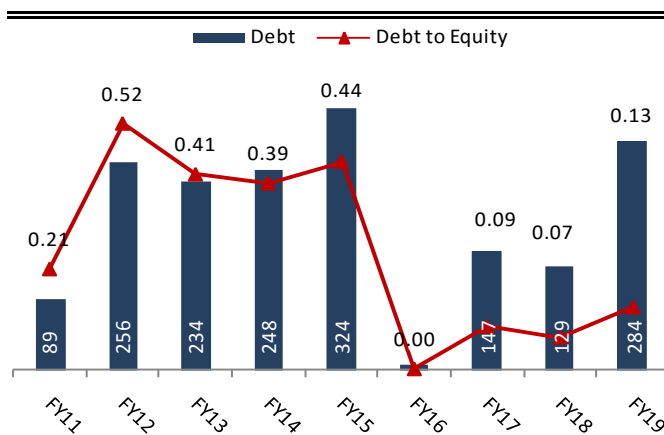
## Toll Collection

|                   | 1QFY19     | 2QFY19     | 3QFY19     | 4QFY19     | 1QFY20     | 2QFY20     | YoY (+/-)   | QoQ (+/-)   |
|-------------------|------------|------------|------------|------------|------------|------------|-------------|-------------|
| Kanpur - Kabrai   | 29         | 17         | 25         | 24         | 24         | -          | -100%       | -100%       |
| Gwalior - Bhind   | 12         | 19         | 13         | 14         | 13         | 11         | -46%        | -20%        |
| Kanpur - Lucknow  | 86         | 78         | 96         | 100        | 102        | 83         | 6%          | -19%        |
| Narela Industrial | 10         | 10         | 10         | 10         | 11         | 10         | 5%          | -8%         |
| Bareilly-Almora   | 11         | 9          | 9          | 10         | 10         | 9          | 0%          | -9%         |
| Ghaziabad Aligarh | 52         | 51         | 54         | 53         | 55         | 51         | -1%         | -8%         |
| Raibareli Jaunpur | 32         | 32         | 32         | 32         | 32         | 32         | 0%          | 0%          |
| <b>Total</b>      | <b>232</b> | <b>217</b> | <b>239</b> | <b>243</b> | <b>248</b> | <b>195</b> | <b>-10%</b> | <b>-21%</b> |

## Exhibit: Order book and book to bill trend



## Exhibit: Project Debt and Interest Coverage



Financial Details

Income Statement

Fig in Rs Cr

| Y/E March                        | FY14       | FY15       | FY16       | FY17       | FY18       | FY19       | FY20E      | FY21E      |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Revenue from Operation           | 1,152      | 1,561      | 2,014      | 1,689      | 1,857      | 3,097      | 5,316      | 6,893      |
| Change (%)                       | -12%       | 35%        | 29%        | -16%       | 10%        | 67%        | 72%        | 30%        |
| <b>EBITDA</b>                    | <b>142</b> | <b>217</b> | <b>266</b> | <b>221</b> | <b>319</b> | <b>457</b> | <b>839</b> | <b>951</b> |
| Change (%)                       | -9%        | 53%        | 23%        | -17%       | 44%        | 43%        | 83%        | 13%        |
| Margin (%)                       | 12%        | 14%        | 13%        | 13%        | 17%        | 15%        | 16%        | 14%        |
| Depr & Amor.                     | 25         | 36         | 57         | 53         | 77         | 92         | 123        | 123        |
| <b>EBIT</b>                      | <b>117</b> | <b>180</b> | <b>209</b> | <b>168</b> | <b>242</b> | <b>365</b> | <b>716</b> | <b>828</b> |
| Int. & other fin. Cost           | 23         | 46         | 40         | 20         | 31         | 64         | 92         | 116        |
| Other Income                     | 11         | 14         | 25         | 47         | 23         | 43         | 24         | 26         |
| <b>EBT</b>                       | <b>104</b> | <b>148</b> | <b>194</b> | <b>194</b> | <b>234</b> | <b>344</b> | <b>649</b> | <b>738</b> |
| Exp Item                         | -          | -          | -          | -          | -          | -          | -          | -          |
| Tax                              | 34         | 47         | (40)       | (16)       | (17)       | 19         | 172        | 207        |
| Minority Int & P/L share of Ass. | -          | -          | -          | -          | -          | -          | -          | -          |
| <b>Reported PAT</b>              | <b>70</b>  | <b>100</b> | <b>235</b> | <b>210</b> | <b>251</b> | <b>325</b> | <b>476</b> | <b>531</b> |
| <b>Adjusted PAT</b>              | <b>70</b>  | <b>100</b> | <b>235</b> | <b>210</b> | <b>251</b> | <b>325</b> | <b>476</b> | <b>531</b> |
| Change (%)                       | -8%        | 43%        | 134%       | -11%       | 20%        | 30%        | 47%        | 11%        |
| Margin(%)                        | 6%         | 6%         | 12%        | 12%        | 13%        | 10%        | 9%         | 8%         |

Balance Sheet

Fig in Rs Cr

| Y/E March                    | FY14  | FY15  | FY16  | FY17  | FY18  | FY19  | FY20E | FY21E |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Share Capital                | 40    | 40    | 51    | 51    | 51    | 51    | 51    | 51    |
| Reserves                     | 589   | 696   | 1,327 | 1,521 | 1,755 | 2,064 | 2,513 | 2,993 |
| Networth                     | 629   | 736   | 1,378 | 1,572 | 1,807 | 2,115 | 2,564 | 3,045 |
| Debt                         | 248   | 324   | 6     | 147   | 129   | 284   | 656   | 831   |
| Other Non Cur Liab           | 180   | 250   | 160   | 167   | 170   | 379   | 379   | 379   |
| Total Capital Employed       | 877   | 1,060 | 1,385 | 1,720 | 1,935 | 2,399 | 3,221 | 3,876 |
| Net Fixed Assets (incl CWIP) | 154   | 217   | 214   | 356   | 418   | 622   | 624   | 650   |
| Non Cur Investments          | 351   | 430   | 464   | 468   | 495   | 573   | 849   | 1,047 |
| Other Non Cur Asst           | 98    | 112   | 243   | 432   | 468   | 545   | 545   | 545   |
| Non Curr Assets              | 604   | 759   | 921   | 1,255 | 1,381 | 1,739 | 2,018 | 2,242 |
| Inventory                    | 105   | 223   | 236   | 153   | 176   | 404   | 693   | 898   |
| Debtors                      | 344   | 367   | 376   | 631   | 690   | 615   | 1,057 | 1,370 |
| Cash & Bank                  | 100   | 21    | 97    | 35    | 147   | 309   | 328   | 367   |
| Other Curr Assets            | 128   | 124   | 119   | 123   | 148   | 188   | 322   | 468   |
| Curr Assets                  | 676   | 826   | 969   | 1,139 | 1,406 | 1,976 | 3,189 | 4,127 |
| Creditors                    | 70    | 101   | 94    | 237   | 463   | 474   | 801   | 1,039 |
| Provisions                   | 5     | 18    | 20    | 21    | 13    | 3     | 5     | 6     |
| Other Curr Liab              | 148   | 157   | 231   | 249   | 206   | 461   | 791   | 1,026 |
| Curr Liabilities             | 222   | 275   | 345   | 507   | 681   | 938   | 1,597 | 2,071 |
| Net Curr Assets              | 454   | 551   | 623   | 632   | 724   | 1,039 | 1,592 | 2,056 |
| Total Assets                 | 1,280 | 1,585 | 1,890 | 2,394 | 2,786 | 3,716 | 5,207 | 6,369 |

Financial Details

Cash Flow

Fig in Rs Cr

| Y/E March                    | FY14  | FY15  | FY16  | FY17  | FY18  | FY19  | FY20E | FY21E |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| PBT                          | 103   | 148   | 194   | 194   | 234   | 344   | 649   | 738   |
| (inc)/Dec in Working Capital | 74    | (109) | (220) | (260) | 19    | (84)  | (535) | (375) |
| Non Cash Op Exp              | 33    | 37    | 57    | 53    | 77    | 96    | 123   | 123   |
| Int Paid (+)                 | 23    | 46    | 33    | 15    | 31    | 63    | 92    | 116   |
| Tax Paid                     | 33    | 50    | (39)  | (16)  | (17)  | 17    | 172   | 207   |
| others                       | (5)   | (8)   | (12)  | (29)  | -     | (36)  | -     | -     |
| CF from Op. Activities       | 195   | 63    | 91    | (9)   | 378   | 370   | 156   | 396   |
| (inc)/Dec in FA & CWIP       | (57)  | (102) | (55)  | (192) | (138) | (293) | (125) | (150) |
| Free Cashflow                | 138   | (39)  | 36    | (201) | 240   | 77    | 32    | 246   |
| (Pur)/Sale of Inv            | (80)  | (73)  | (65)  | (3)   | (27)  | (78)  | (276) | (198) |
| others                       | 3     | 9     | 48    | 33    | -     | (3)   | -     | -     |
| CF from Inv. Activities      | (133) | (165) | (79)  | (171) | (165) | (351) | (401) | (397) |
| inc/(dec) in NW              | -     | -     | 417   | -     | -     | -     | -     | -     |
| inc/(dec) in Debt            | 21    | 78    | (318) | 141   | (19)  | 205   | 373   | 175   |
| Int. Paid                    | 23    | 46    | -     | -     | 31    | -     | 92    | 116   |
| Div Paid (inc tax)           | 3     | 9     | 9     | 16    | (16)  | 15    | 27    | 51    |
| others                       | 6     | -     | (33)  | (15)  | -     | (63)  | -     | -     |
| CF from Fin. Activities      | 0     | 23    | 57    | 110   | -     | 127   | 254   | 8     |
| Inc(Dec) in Cash             | 62    | (79)  | 68    | (70)  | 213   | 146   | 9     | 6     |
| Add: Opening Balance         | 38    | 100   | 6     | 74    | 35    | 106   | 309   | 328   |
| Closing Balance              | 100   | 21    | 74    | 4     | 248   | 252   | 319   | 334   |

Key Ratio

| Y/E March          | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|--------------------|------|------|------|------|------|------|-------|-------|
| ROE                | 11%  | 14%  | 17%  | 13%  | 14%  | 15%  | 19%   | 17%   |
| ROCE               | 18%  | 24%  | 15%  | 10%  | 12%  | 15%  | 24%   | 23%   |
| Asset Turnover     | 0.90 | 0.98 | 1.07 | 0.71 | 0.67 | 0.83 | 1.02  | 1.08  |
| Debtor Days        | 109  | 86   | 68   | 136  | 136  | 73   | 73    | 73    |
| Inv Days           | 33   | 52   | 43   | 33   | 35   | 48   | 48    | 48    |
| Payable Days       | 22   | 24   | 17   | 51   | 91   | 56   | 55    | 55    |
| Int Coverage       | 5    | 4    | 5    | 8    | 8    | 6    | 8     | 7     |
| P/E                | -    | -    | 10   | 14   | 18   | 14   | 9     | 9     |
| Price / Book Value | -    | -    | 2    | 2    | 2    | 2    | 2     | 1     |
| EV/EBITDA          | (1)  | 0    | 9    | 13   | 14   | 10   | 6     | 5     |
| FCF per Share      | 35   | (10) | 7    | (8)  | 7    | 3    | 1     | 10    |
| Div Yield          | NA   | NA   | NA   | 0.6% | 0.4% | 0.3% | 0.5%  | 0.9%  |

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