




Industry
Bloomberg
BSE CODE

Eng. & Cons.
PNCL IN
539150

Continued Strong Performance

RATING	BUY
CMP	195
Price Target	219
Potential Upside	12%
Rating Change	
Estimate Change	
Target Change	

STOCK INFO	
52wk Range H/L	219/126
Mkt Capital (Rs Cr)	5002
Free float (%)	34%
Avg. Vol 1M (,000)	297
No. of Shares (CrS)	26
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	3097	5233	6946
EBITDA	457	831	958
PAT	325	496	508
EPS (Rs)	13	19	20
EPS gr %	30%	53%	2%
ROE (%)	15%	19%	17%
ROCE (%)	15%	24%	23%
BVPS	82	101	119
P/B (X)	2	2	2
P/E (X)	14	10	10
EV/EBITDA (x)	10	6	5

3QFY20 Result Update

- PNCINFRA continue to post strong revenue growth of 68% YoY to Rs 1218 Cr driven by the execution of both the HAM and EPC projects. Revenue growth in 9MFY20 is 85% YoY.
- During the quarter company has given the annual increment to all the employees around 10% which was due from January 2019. Employee cost was higher by Rs 22-23 Cr on account of the same.
- Despite the higher employee cost, Company has managed to maintain the EBITDA margin at 14.1% on account of strong sales growth.
- Interest cost has increased more than double on account of higher utilization of mobilization advances.
- During the quarter company has received one new order of Rs 640 Cr but later on NHAI has terminated the projects as one of the bidder has protested the outcome. To avoid any execution delay NHAI has terminated the project and will re invite the bids.
- Appointment date of Challakere to Hariyur is continue to delay despite 80% land and now expected to receive by March-20.

Maintained Execution Momentum

PNCINFRA continue to maintained strong execution momentum and posted strong 67% revenue growth YoY. Revenue growth in last eight quarter remained above 50%. Revenue from the key EPC projects like Mumbai Nagpur is Rs 175 Cr and Rs 206 Cr from Purvanchal Expressway projects. Large HAM projects like Aligarh-Kanpur and Jhansi-Khajuraho has contributed around Rs 345 Cr. Despite the higher employee cost (up by 55% YoY) operating margin continue to remain stable at 13.1%. Interest cost was up by 114% YoY on account of higher mobilization advances utilization. O/s mobilization advances is Rs 850 Cr at the end of the Q3FY20 and will reduce going ahead. Though, the PAT margin remained stable at 6.3%.

Submitted bids worth Rs 15000 Cr

During October-19 to January-20 company has submitted bids worth Rs 15000 Cr which includes 8 bids in EPC and 6 bids in HAM projects. Till the Q3FY20 company has managed to secured order inflow of Rs 1000 Cr and has maintained order inflow guidance of Rs 6000-7000 Cr in FY20. Current order book of Rs 8696 Cr is providing strong visibility for the FY21 but onwards FY21, company need strong order inflow in the near term to sustain revenue growth beyond FY21. Couple of projects are waiting for the appointment date and Lucknow Ring Road is expected to receive appointment date short period. Appointment date of Challakere to Hariyur is continue to delay despite 80% land and now expected to receive by March-20. NHAI want to make sure 100% land availability in order to avoid any delay in the execution once the appointment date is declared.

View and Valuation

Revenue growth is likely to remain strong as the current on-going large EPC and HAM projects are at advance stage of execution and another 2 projects which is waiting for the appointment date are likely to start contributing in the revenue from March-20. Additionally company has submitted the bids for the Rs 15000 Cr and will received some orders before the end of the year. **We largely keep our revenue estimates unchanged. But considering the higher utilization of the mobilization advances and higher tax we have reduce our FY21E EPS estimates by 4%. We maintain our BUY rating on the stock with the target price of Rs 219 (Std EPC business at 9x FY21 EPS and Rs 41 per share for the investment into BoT/HAM).**

RESEARCH ANALYST

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3QFY20 Results

Continues Strong Execution Momentum

Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY%	QoQ%	9MFY19	9MFY20	YoY%
Net Sales	727	1,076	1,322	1,180	1,218	68%	3%	2,021	3,720	84.1%
Other Income	7	12	14	45	14	111%	-68%	31	73	135.7%
COGS	498	734	943	760	846	70%	11%	1,380	2,548	84.7%
Employee Exp.	55	54	59	58	85	55%	46%	138	203	47.0%
Other Exp.	71	136	140	105	115	62%	10%	197	361	82.9%
Total Exp.	625	925	1,142	923	1,047	68%	13%	1,715	3,112	81.5%
EBITDA	102	151	180	257	171	68%	-33%	306	608	98.6%
Depreciation	24	28	30	31	33	35%	6%	64	94	46.8%
EBIT	78	123	149	226	139	78%	-39%	242	514	112.3%
Intreset	19	19	18	25	40	114%	62%	45	83	85.2%
PBT	66	116	145	246	113	0%	0%	228	504	120.7%
Tax	19	(24)	45	39	36	87%	NA	44	120	174.3%
PAT	47	140	100	207	77	64%	-63%	185	384	108.1%

Concall Highlights

- Submitted bids for 8 EPC and 6 HAM projects of Rs 15000 Cr value during the October and January and maintained the order inflow target of Rs 6000-7000 Cr in FY20. Till date order inflow is Rs 1000 Cr. Order inflow for the FY21 will be Rs 8000-9000 Cr.
- Expect Revenue growth of 60% in FY20 and 20% in FY21.
- Management expect execution of Rs 250 Cr from Nagpur Mumbai, 180-200 Cr from Purvanchal projects, Rs 150 Cr each from Aligar Kanpur, Chakeri to Allahabad, Jhansi Pkg-1 and Pkg-2 and Rs 120-150 Cr from Chitradurg in Q4FY20.
- Appointment date of Challakere to Hariyur will receive by March and Lucknow Ring Road Package I in next 2-3 days.
- Authority has given the permission to operate another toll plaza on Bareli Almora toll project to compensate some traffic leakage. So the collection is likely to improve in the next quarter.
- Employees Cost was higher during the quarter due to annual increment along with the arrear from January 19 to November. The total provision towards increment is Rs 20-22 Cr. Going ahead employee cost will be Rs 19-20 Cr per month. Interest cost was higher due to higher utilization of mobilization advances. O/S mobilization advances is Rs 850 Cr at the end of the Q3FY20.
- Interest cost will be come down in Q4FY20 as the mobilization advances will be set off against monthly bills.
- Equity requirement is Rs 46 Cr in Q4FY20 and Rs 250 Cr in FY21.
- Tax rate will be 25-26% in FY20 and around 31% in FY21.
- Company is having dialog with 2-3 investors for the assets divestment but could not comment on the timeline and valuation as of now.
- Working capital days will be 62-65 days in FY20.
- Capex requirement for FY20 is 125-150 Cr and Rs 100-150 Cr in FY21.
- Bonus on the Aligarh project is expected to receive in Q4FY20 of Rs. 16 Cr.
- Debt will be 390 Cr by the year end.
- NHAI has received total 5 bids for the Bridge over Yamuna river and 3 bids out of get rejected due to non-responsiveness. 1 bidder out of it is protesting the outcome and to avoid the delay, NHAI has terminated the project and will be invite the bids again.

O/S orderbook of Key Projects

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Nagina-Kashipur	1,094	1,000	949	866	820	750	704	599
Varanasi-Gorakhpur	654	574	538	445	377	333	301	230
Bhojpur-Buxar	477	474	474	474	424	381	363	338
Koilwar-Bhopur	425	398	398	398	372	337	301	288
Nagpur mumbai					1,999	1,909	1,743	1,568
Lucknow - Ghazipur				1,566	1,467	1,325	1,251	1,111
Lucknow - Ghazipur pkg-6				954	930	847	811	745
Dausa-Lalsot	352	289	240	225	174	143	90	15
Aligarh-Moradabad	271	148	110	27	8			
Chitradurga - Davanagere	1,157	1,073	930	818	768	680	593	543
Jhansi-Khajuraho pkg-I	1,162	1,090	1,031	954	825	710	632	519
Jhansi-Khajuraho pkg-II	1,072	985	939	836	678	581	516	456
Chakeri to Allahabad	1,072	985	939	836	678	581	516	456
Aligarh-Kanpur					1,033	915	781	609
Other Projects	281	265	244	198	313	275	248	239
Total Order Book	7,318	6,617	6,119	7,965	12,210	10,950	9,877	8,696

Toll Collection

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Kanpur - Kabrai	17	25	24	24	11	17	-32%	63%
Gwalior - Bhind	19	13	14	13	11	8	-37%	-23%
Kanpur - Lucknow	78	96	100	102	83	98	2%	19%
Narela Industrial	10	10	10	11	10	11	5%	0%
Bareilly-Almora	9	9	10	10	9	10	7%	14%
Ghaziabad Aligarh	51	54	53	55	51	54	0%	7%
Raibareli Jaunpur	32	32	32	32	32	32	0%	0%
Total	217	239	243	248	205	230	-4%	12%

Exhibit: Order book and book to bill trend

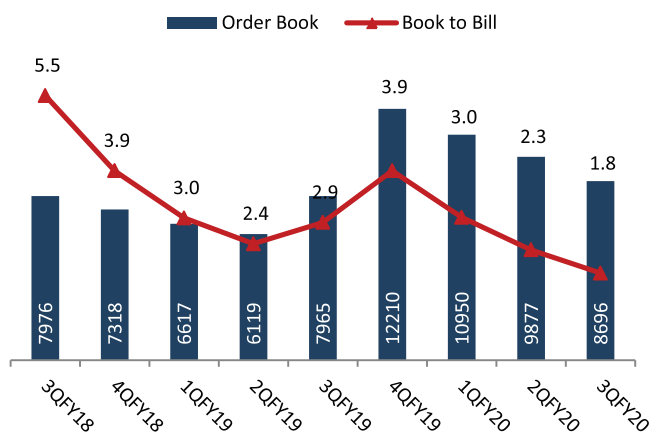
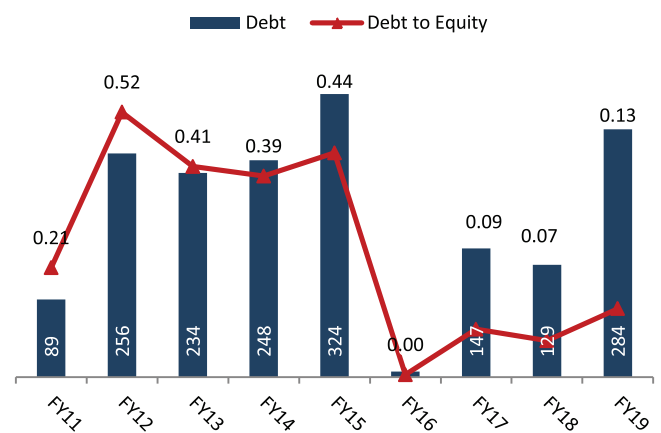


Exhibit: Debt and Debt to Equity



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	5,233	6,946
Change (%)	-12%	35%	29%	-16%	10%	67%	69%	33%
EBITDA	142	217	266	221	319	457	831	958
Change (%)	-9%	53%	23%	-17%	44%	43%	82%	15%
Margin (%)	12%	14%	13%	13%	17%	15%	16%	14%
Depr & Amor.	25	36	57	53	77	92	123	127
EBIT	117	180	209	168	242	365	708	831
Int. & other fin. Cost	23	46	40	20	31	64	117	117
Other Income	11	14	25	47	23	43	78	22
EBT	104	148	194	194	234	344	669	736
Exp Item	-	-	-	-	-	-	-	-
Tax	34	47	(40)	(16)	(17)	19	173	228
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	70	100	235	210	251	325	496	508
Adjusted PAT	70	100	235	210	251	325	496	508
Change (%)	-8%	43%	134%	-11%	20%	30%	53%	2%
Margin(%)	6%	6%	12%	12%	13%	10%	9%	7%

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	2,532	2,991
Networth	629	736	1,378	1,572	1,807	2,115	2,583	3,042
Debt	248	324	6	147	129	284	653	834
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	3,236	3,876
Net Fixed Assets (incl CWIP)	154	217	214	356	418	622	624	646
Non Cur Investments	351	430	464	468	495	573	817	1,040
Other Non Cur Asst	98	112	243	432	468	545	545	545
Non Curr Assets	604	759	921	1,255	1,381	1,739	1,986	2,231
Inventory	105	223	236	153	176	404	682	905
Debtors	344	367	376	631	690	615	1,040	1,380
Cash & Bank	100	21	97	35	147	309	385	323
Other Curr Assets	128	124	119	123	148	188	317	471
Curr Assets	676	826	969	1,139	1,406	1,976	3,202	4,111
Creditors	70	101	94	237	463	474	789	1,047
Provisons	5	18	20	21	13	3	5	6
Other Curr Liab	148	157	231	249	206	461	779	1,034
Curr Liabilities	222	275	345	507	681	938	1,572	2,087
Net Curr Assets	454	551	623	632	724	1,039	1,629	2,024
Total Assets	1,280	1,585	1,890	2,394	2,786	3,716	5,187	6,342

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	669	736
(inc)/Dec in Working Capital	74	(109)	(220)	(260)	(25)	(84)	(515)	(407)
Non Cash Op Exp	33	37	57	53	77	96	123	127
Int Paid (+)	23	46	33	15	30	63	117	117
Tax Paid	33	50	(39)	(16)	(18)	17	173	228
others	(5)	(8)	(12)	(29)	(15)	(36)	-	-
CF from Op. Activities	195	63	91	(9)	321	370	221	345
(inc)/Dec in FA & CWIP	(57)	(102)	(55)	(192)	(133)	(293)	(125)	(150)
Free Cashflow	138	(39)	36	(201)	188	77	97	195
(Pur)/Sale of Inv	(80)	(73)	(65)	(3)	(27)	(78)	(244)	(223)
others	3	9	48	33	(9)	(3)	-	-
CF from Inv. Activities	(133)	(165)	(79)	(171)	(155)	(351)	(369)	(423)
inc/(dec) in NW	-	-	417	-	-	-	-	-
inc/(dec) in Debt	21	78	(318)	141	(19)	205	369	181
Int. Paid	23	46	-	-	-	-	117	117
Div Paid (inc tax)	3	9	9	16	16	15	28	49
others	6	-	(33)	(15)	(30)	(63)	-	-
CF from Fin. Activities	0	23	57	110	(65)	127	223	16
Inc(Dec) in Cash	62	(79)	68	(70)	102	146	76	(62)
Add: Opening Balance	38	100	6	74	4	106	309	385
Closing Balance	100	21	74	4	106	252	385	323

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	1.01	1.10
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	6	7
P/E	-	-	10	14	18	14	10	10
Price / Book Value	-	-	2	2	2	2	2	2
EV/EBITDA	(1)	0	9	13	14	10	6	5
FCF per Share	35	(10)	7	(8)	7	(0)	4	8
Div Yield	NA	NA	NA	0.6%	0.4%	0.0%	0.5%	0.8%

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