

Asset monetisation proceed to drive scalability...

About the stock: PNC Infratech has established itself as a strong executor in roads and water infra segments. Additionally, superior execution capabilities via ownership of modern equipment and in-house teams enables PNC to deliver projects on-time.

- Reported 30.6% revenue CAGR in FY18-23; operating margin has largely been in the range of 13-14% and reported robust return ratios (RoCE: ~20%)

Investment Rationale:

- Consummation of Asset monetisation to drive scalability:** PNC has signed a definitive agreement to sell its portfolio of 12 road projects (Eleven HAM and one BOT project (Bareilly Almora)) for an enterprise value of about ₹9,006 crore to KKR. The company highlighted that equity value of the transaction, including cash and earnouts, stands at ₹2,902 crore on an invested equity of ₹1,740 crore (and further requirement of ₹ 238 crore). This implies price to book of 1.5x. We believe this inflow along with claims of ₹ 766 crore under Vivad se Vishwas scheme would provide strong cash ammunition for growth ahead.
- Order book Decent; provides healthy revenues visibility:** The orderbook as of Q3FY24 stood at ₹ 17380 crore, 2.3x TTM book to bill. Barring ₹ 1174 crore HAM project, the company has not won any orders in FY24. With NHAI ordering slow in FY24, we expect the ordering to pick up post-election in FY25. PNC is targeting order inflows of ₹ 12000 crore in FY25. With ~10% revenue growth in FY24 and FY25, we expect accelerated growth of ~15% in FY26 for PNC. We expect margins to remain stable at 13.5%, given the stable raw material regime and decent topline growth
- Well placed to fund HAM projects:** As of Q3FY24, the company has infused ₹ 1,881 crore into its road assets and the remaining equity of ₹ 1,062 crores is to be invested over the next 2 to 3 years. The equity requirement will largely be met through internal generation given the healthy operating cash flow, net debt free status on standalone basis and proceeds from the asset monetisation

Rating and Target Price

- PNC has exhibited healthy execution along with a stable margin trajectory. With asset monetisation done, the resultant cash will free up capital and drive scalability. We expect PNC to be key beneficiary post ordering resumption in FY25.
- We value PNC at ₹ 550 on SoTP basis and assign BUY rating



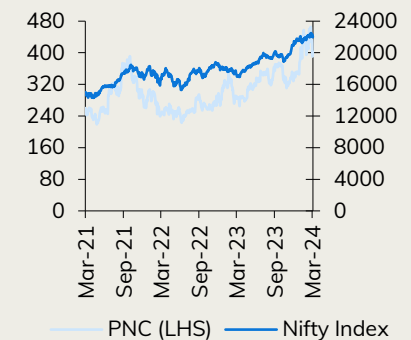
Particulars

Particular	Amount (₹ crore)
Market Cap	11,029
Debt (₹ crore) FY23	450
Cash (₹ crore) FY23	373
EV (₹ crore)	11,105
52 week H/L (₹)	475/ 261
Equity capital	51.3
Face value	2.0

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoters	56.1	56.1	56.1	56.1
DII	29.4	28.5	28.1	27.2
FII	9.5	10.3	10.6	11.0
Other	5.0	5.2	5.3	5.7

Price Chart



Key risks

- Lower order inflows
- Delay in any major projects including HAM

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Key Financial Summary

₹ crore	FY21	FY22	FY23	5 yr CAGR (FY18-23)	FY24E	FY25E	FY26E	3 yr CAGR (FY23-26E)
Net Sales	4,925	6,306	7,061	30.6%	7,709	8,507	9,760	11.4%
EBITDA	677	787	954	24.5%	1,025	1,149	1,318	11.4%
EBITDA Margin (%)	13.7	12.5	13.5		13.3	13.5	13.5	
Adjusted PAT	362	448	611	19.5%	654	742	886	13.2%
EPS (₹)	14.1	17.5	23.8		25.5	28.9	34.5	
P/E (x)	30.5	24.6	18.0		16.9	14.9	12.4	
EV/EBITDA (x)	15.6	13.6	11.6		10.5	9.3	8.1	
RoNW (%)	12.4	13.4	15.5		14.3	14.0	14.3	
RoCE (%)	19.2	20.0	20.1		18.8	19.2	20.1	

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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