

BUY

TP: Rs 250 | ▲ 23%

PNC INFRATECH

Infrastructure

14 August 2019

Execution par excellence; momentum to pick up further in H2

PNC Infratech's (PNCL) Q1FY20 revenue surpassed expectations, scaling a new high of Rs 13.2bn (+86% YoY) fuelled by strong execution. EBITDA margin declined 110bps YoY to 13.6% (14.1% est.), in line with guidance, and adj. PAT grew 32% YoY to Rs 1bn. PNCL's Jun'19 order backlog stood at Rs 118.9bn and is ~91% executable. AD for the Challakere-Hariyur HAM project is expected by Nov'19, making the order backlog 100% executable by Q3. We adjust estimates and roll over to a new Jun'20 TP of Rs 250 (vs. Rs 235).

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Execution accelerates: A strong order backlog aided an 86% YoY upswing in Q1FY20 revenue to Rs 13.2bn (Rs 11.9bn est.). EBITDA rose 73% YoY to Rs 1.8bn and margins stood at 13.6% (14.1% est.). The order backlog was at Rs 118.9bn as on Jun'19, 3.2x FY19 revenues (incl. L1 of Rs 9.4bn).

Overall execution has slowed in Q2 as the heavy monsoons affected key projects, viz. Mumbai-Nagpur Expressway and Chitradurga-Davanagere. Post monsoon, these revenues are likely to be recouped. Led by a robust order book, we forecast a 30% revenue CAGR over FY19-FY22.

FY20 revenue guidance maintained: Management maintained its guidance of 45-50% revenue growth (our estimate at 56.9%) and EBITDA margins at 13.5-14%. Capex is guided at Rs 1.25bn-1.5bn, gross debt at Rs 4.8bn-5.3bn, cash balance at ~Rs 1bn as on Mar'20, and order inflows at Rs 60bn-70bn.

Maintain BUY: We upgrade our FY20/FY21 EPS estimates by 1%/6% to factor in higher revenues and reduction in interest cost/depreciation. On rolling valuations forward, we have a revised Jun'20 TP of Rs 250.

Ticker/Price PNCL IN/Rs 204

Market cap US\$ 733.5mn

Shares o/s 257mn

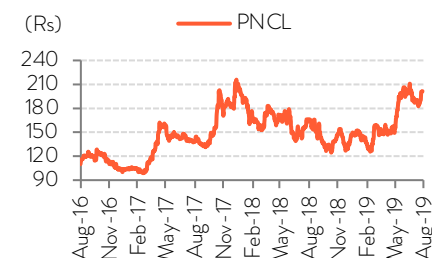
3M ADV US\$ 0.7mn

52wk high/low Rs 219/Rs 122

Promoter/FPI/DII 56%/6%/21%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS (STANDALONE)

| Y/E 31 Mar | FY18A | FY19A | FY20E | FY21E | FY22E |
|-------------------------|--------|-------|-------|-------|-------|
| Adj. net profit (Rs mn) | 1,604 | 2,326 | 3,480 | 4,325 | 4,716 |
| Adj. EPS (Rs) | 6.3 | 9.1 | 13.6 | 16.9 | 18.4 |
| Adj. EPS growth (%) | (13.0) | 45.0 | 49.6 | 24.3 | 9.0 |
| Adj. ROAE (%) | 9.5 | 11.9 | 14.9 | 15.7 | 14.7 |
| Adj. P/E (x) | 32.6 | 22.5 | 15.0 | 12.1 | 11.1 |
| EV/EBITDA (x) | 20.5 | 12.2 | 7.9 | 6.7 | 6.3 |

Source: Company, BOBCAPS Research

BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda

Important disclosures, including any required research certifications, are provided at the end of this report.



FIG 1 – STANDALONE QUARTERLY PERFORMANCE

AD received for Chakeri-Allahabad on 12 Jan and for Aligarh-Kanpur on 29 Jan; projects well underway and works of Rs 2bn and Rs 1.4bn resp. completed in Q4FY19, but revenues booked in Q1 – leading to a QoQ spike (AD announced in Q1FY20 but awarded back dated)

Higher EBITDA margin last year due to better operating efficiencies and favourable revenue mix

Capex for the quarter at Rs 500mn

Gross debt grew by ~Rs 2bn YoY to Rs 4.5bn as on Jun'19

Q1FY19 includes early completion bonus of Rs 253mn, and Rs 126mn on profit from sale of fixed assets; Q4FY19 includes adjustments for prior period tax

| Particulars (Rs mn) | Q1FY20 | Q1FY19 | YoY (%) | Q4FY19 | QoQ (%) |
|-------------------------|---------------|--------------|--------------|---------------|---------------|
| Revenue | 13,218 | 7,102 | 86.1 | 10,757 | 22.9 |
| Total Expenses | 11,422 | 6,061 | 88.5 | 9,245 | 23.5 |
| EBITDA | 1,796 | 1,041 | 72.5 | 1,512 | 18.8 |
| EBITDA margin (%) | 13.6 | 14.7 | (108bps) | 14.1 | (47bps) |
| Other income | 135 | 53 | 153.5 | 123 | 10.2 |
| Depreciation | 305 | 193 | 58.1 | 282 | 8.0 |
| EBIT | 1,626 | 902 | 80.3 | 1,352 | 20.2 |
| EBIT margin (%) | 12.3 | 12.7 | (40bps) | 12.6 | (27bps) |
| Interest | 179 | 107 | 68.2 | 194 | (7.6) |
| PBT | 1,447 | 795 | 81.9 | 1,158 | 24.9 |
| Tax provision | 445 | 35 | 1,171.5 | 417 | 6.9 |
| Current tax | 433 | 45 | 855.9 | 389 | 11.3 |
| Deferred tax | 12 | (10) | (218.1) | 28 | nm |
| Effective tax rate (%) | 30.8 | 4.4 | (2,637bps) | 36.0 | (520bps) |
| Adjusted PAT | 1,001 | 760 | 31.7 | 741 | 35.1 |
| Exceptional | - | 265 * | NM | 658 | NM |
| Reported PAT | 1,001 | 1,025 | (2.3) | 1,399 | (28.4) |
| Adjusted PAT margin (%) | 7.6 | 10.7 | (437bps) | 6.9 | 68bps |
| EPS (Rs) | 3.9 | 3.0 | 31.7 | 2.9 | 35.1 |
| % growth YoY | | | | | |
| Revenue | 86.1 | 99.1 | - | 53.5 | - |
| EBIDTA | 72.5 | 100.4 | - | 47.2 | - |
| Other income | 153.5 | (3.2) | - | 84.5 | - |
| Interest | 68.2 | 33.1 | - | 127.2 | - |
| Depreciation | 58.1 | 10.0 | - | 30.1 | - |
| PBT | 81.9 | 149.0 | - | 46.4 | - |
| Adjusted PAT | 31.7 | 155.0 | - | 4.8 | - |
| Reported PAT | (2.3) | 243.9 | - | 25.5 | - |
| EPS | 31.7 | 155.0 | - | 4.8 | - |

Source: Company, BOBCAPS Research | *On net basis after adjusting for tax

FIG 2 – EXECUTABLE ORDER BACKLOG SHARE OF 91% AS ON JUN'19

| (Rs mn) | Q1FY18 | Q2FY18 | Q3FY18 | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 |
|--|---------------|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Order inflow | - | - | 36,001 | - | - | - | 25,200 | 48,985 | - |
| Order backlog | 50,650 | 48,350 | 79,760 | 73,180 | 66,170 | 61,190 | 79,650 | 1,22,100 | 1,09,500 |
| Book to bill (x) | 3.3 | 3.4 | 5.5 | 4.1 | 3.1 | 2.5 | 3.0 | 4.0 | 3.0 |
| Order backlog including L1 projects | 86,651 | 1,03,011 | 98,420 | 1,02,170 | 1,24,505 | 1,19,525 | 1,37,985 | 1,31,450 | 1,18,850 |
| Book to bill (x) | 5.7 | 7.2 | 6.8 | 5.7 | 5.8 | 4.9 | 5.1 | 4.3 | 3.2 |

Source: Company, BOBCAPS Research

Earnings call highlights

Q1 GROSS TOLL COLLECTION GREW 7.3% YOY

| Project | Collections (Rs mn) |
|--------------------|------------------------|
| Gwalior-Bhind | 131.3 |
| Kanpur-Ayodhya | 1,023.6 |
| Kanpur-Kabrai | 243.2 |
| Narela Indl Estate | 114 |
| Bareilly-Almora | 99 |
| Raibareli-Jaunpur | 321.3* |
| Ghaziabad-Aligarh | 550 |

Source: Company, BOBCAPS Research |

*Annuity project

- HAM projects:** AD for the final HAM project of Challakere-Hariyur is expected by Nov'19 (~80% land available; delayed due to local issues). The balance equity requirement for HAM contracts totals Rs 5.5bn, to be invested over 2.5 years (Rs 2.4bn in FY20/Rs 2.2bn in FY21/balance in FY22).
- Gross toll collection:** Gross toll collection totaled Rs 2.5bn in Q1FY20 (including annuity projects), as illustrated in the table alongside.
- Identified bids:** Management pegs the NHAI bid pipeline in FY20 at 6,000km and expects awarding to pick up from Sep'19. The company has also submitted bids for select project packages from Uttar Pradesh roads authority UPEIDA, viz.: (i) Rs 90bn Bundelkhand Expressway and (ii) Rs 30bn Gorakhpur Link Expressway. These bids are expected to be opened by end-Aug'19.
- Ghaziabad-Aligarh BOT stake divestment:** In May, PNCL entered into a share purchase agreement (SPA) with Cube Highways for a full stake sale in the Ghaziabad-Aligarh BOT toll road project (PNCL's stake at 35%, BRNL at 39% and Galfar at 26%); this was set at an enterprise value of Rs 18.3bn, of which the outstanding debt component stood at Rs 10.6bn. Concluded at ~1x P/BV, the deal is expected to fetch cash of over Rs 3bn.

PNCL's investments of ~Rs 3.2bn in the project are as follows: equity investment at Rs 680mn, total of warrants and loans & advances at ~Rs 1.9bn, and outstanding receivables at Rs 620mn. According to management, the deal is likely to be concluded by Dec'19 upon receipt of NOC from NHAI and lenders (received approval from 13 bankers out of 14).

Divestment proceeds would augment PNCL's financial resources to fund present and future projects. We continue to include the value of Rs 7/sh for Ghaziabad-Aligarh in our estimates pending final conclusion of the deal.

- Early completion bonus:** On 13 May, PNCL received a provisional completion certificate (PCC) for the Aligarh-Moradabad contract executed on EPC mode, with completion 73 days ahead of schedule. This entitles the company to an early completion bonus of Rs 141.1mn (at 0.03% of the Rs 6.4bn contract price for each day of early completion), which is likely to be realised in H2FY20.
- Arbitration award:** On 3 Aug 2019, PNCL received a Rs 1.5bn arbitration award for the NHAI EPC road project of Garh Mukteshwar-Moradabad. The award was announced on Sep'18, but received in Q2FY20 and will be accounted for in Q2 revenue.

- **Project completion:** PNCL expects completion of the Varanasi-Goakhpur, Dausa-Lalsot, Etah-Kasganj, Nanau-Dadau, Sharda Sahayak Feeder Canal and Chakeri Airport projects in FY20.
- **FY20 guidance:** Management has guided for revenue growth of 45-50%, EBITDA margins in the range of 13.5-14%, order inflows of Rs 60bn-70bn (equal mix of HAM and EPC projects) and equity investment of ~Rs 2.2bn in HAM projects. Tax rate is guided at ~30%, capex at Rs 1.25bn-Rs 1.5bn, cash and bank balance at ~Rs 1bn, gross debt at Rs 4.8bn-Rs 5bn, receivables at 95 days and working capital at 105-110 days.

MAT credit utilised during the quarter remained nil and unutilised MAT credit as on Jun'19 stands at Rs 1.7bn. The company plans to bid for projects in the roads and airport EPC segments during the year.

- **Jun'19 standalone balance sheet highlights:** Net worth stood at Rs 22.2bn, gross debt at Rs 4.5bn, gross block at Rs 10.7bn, cash balance at ~Rs 100mn and net D/E at 0.2x.
- **Bank limits:** In FY20, PNCL plans to increase its fund/non-fund-based limits from the current Rs 7.5bn/Rs 33.5bn to Rs 10bn/Rs 50bn.

FIG 3 – PENDING EQUITY COMMITMENT OF ~RS 5.5BN IN 7 HAM PROJECTS TO BE INVESTED OVER ~2.5 YEARS *

| Projects (Rs mn) | Length (km) | Lane | BPC | TPC | EPC cost | Debt | Equity | Equity up to Jun-19 | Debt up to Jun-19 | FC date | Appointed date | Construction period (years) | Concession period (years) |
|------------------------------------|-------------|------|---------------|---------------|---------------|---------------|--------------|---------------------|-------------------|-----------|---------------------------|-----------------------------|---------------------------|
| Dausa-Lalsot, Rajasthan | 83 | 4 | 8,810 | 8,200 | 7,120 | 3,710 | 660 | 650 | 2,610 | 03-Apr-17 | 31-May-17 | 2.5 | 17.5 |
| Chitradurga-Davanagere, Karnataka | 73 | 6 | 14,340 | 13,380 | 12,500 | 6,060 | 1,070 | 550 | 2,450 | 12-Dec-17 | 27-Dec-17 | 2.5 | 17.5 |
| Jhansi-Khajuraho (Pkg I), UP & MP | 77 | 4 | 14,100 | 13,420 | 12,182 | 6,040 | 1,280 | 740 | 1,910 | 01-Nov-17 | 18-May-18 | 2.0 | 17.0 |
| Jhansi-Khajuraho (Pkg II), UP & MP | 85 | 4 | 13,100 | 12,620 | 11,318 | 5,900 | 1,040 | 580 | 2,330 | 02-Nov-17 | 13-Feb-18 | 2.0 | 17.0 |
| Chakeri-Allahabad, UP | 145 | 6 | 21,590 | 20,180 | 18,660 | 8,730 | 1,920 | 110 | - | 20-Sep-18 | 12-Jan-19 | 2.5 | 17.5 |
| Aligarh-Kanpur (Pkg II) UP | 43 | 4 | 11,970 | 11,040 | 10,330 | 5,000 | 1,250 | 100 | - | 05-Nov-18 | 29-Jan-19 | 2.5 | 17.0 |
| Challakere-Hariyur, Karnataka | 56 | 4 | 11,570 | 10,130 | 9,350 | 4,400 | 1,100 | 80 | - | 07-Dec-18 | Pending; likely by Nov'19 | 2.0 | 17.0 |
| Total | | | 95,480 | 88,970 | 81,461 | 39,840 | 8,320 | 2,810 | 9,300 | | | | |

Source: Company, BOBCAPS Research | *100% stake held | Note: BPC – Bid Project Cost; FC – Financial Closure; TPC – Total Project Cost; EPC – Engineering Procurement & Construction

FIG 4 – OPERATIONAL ASSETS

| Project stretch (Rs mn) | Length (km) | Type | Authority | Project cost | Equity | PNC share of invested equity + Sub-debt | Grant | Debt | O/s Debt as on Jun'19 | COD | Concession period (years) |
|-------------------------------|-------------|---------|-----------|---------------|--------------|---|--------------|---------------|-----------------------|--------|---------------------------|
| Raibareilly-Jaunpur, UP | 166 | Annuity | NHAI | 8,364 | 1,396 | 1,396 | - | 6,978 | 6,050 | Feb-16 | 17 |
| Bareilly-Almora, UP | 54 | Toll | UPSHA | 6,045 | 746 | 746 | 700 | 4,600 | 4,300 | Oct-15 | 25 |
| Ghaziabad-Aligarh, UP * | 125 | Toll | NHAI | 20,190 | 1,940 | 1,860 | 3,110 | 15,140 | 9,980 | Jul-15 | 24 |
| Kanpur-Ayodhya, UP | 217 | OMT | NHAI | - | 1 | 1 | - | - | - | Aug-13 | 9 |
| Kanpur-Kabrai, UP | 123 | Toll | NHAI | 4,585 | 675 | 675 | 1,230 | 2,680 | 1,850 | May-15 | 12 |
| Gwalior-Bhind, UP | 108 | Toll | MPRDC | 3,403 | 783 | 783 | 270 | 2,350 | 1,850 | Mar-13 | 14 |
| Narela Industrial area, Delhi | 33 | Mix | DSIIDC | 1,750 | 350 | 350 | - | 1,400 | 780 | Oct-13 | 15 |
| Total | | | | 44,337 | 5,891 | 5,811 | 5,310 | 33,148 | 24,810 | | |

Source: Company, BOBCAPS Research | Note: COD – Commercial Operation Date

FIG 5 – GROSS TOLL COLLECTION TREND

| Projects (Rs mn) | Q1FY18 | Q2FY18 | Q3FY18 | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Raibareilly-Jaunpur | 322 | 322 | 322 | 322 | 322 | 322 | 322 | 321 | 321 |
| Bareilly-Almora | 110 | 100 | 110 | 105 | 105 | 90 | 99 | 95 | 99 |
| Ghaziabad-Aligarh | 478 | 440 | 510 | 510 | 524 | 504 | 540 | 530 | 550 |
| Kanpur-Ayodhya | 671 | 660 | 810 | 774 | 860 | 780 | 963 | 998 | 1,024 |
| Kanpur-Kabrai | 191 | 173 | 210 | 299 | 290 | 170 | 250 | 239 | 243 |
| Gwalior-Bhind | 154 | 116 | 172 | 173 | 115 | 95 | 128 | 143 | 131 |
| Narela Industrial area | 100 | 95 | 108 | 97 | 98 | 100 | 100 | 105 | 114 |
| Total | 2,026 | 1,906 | 2,242 | 2,279 | 2,314 | 2,061 | 2,402 | 2,431 | 2,482 |
| Like-to-Like (ex Raibareilly Jaunpur and Narela) | 1,604 | 1,489 | 1,812 | 1,861 | 1,895 | 1,639 | 1,980 | 2,005 | 2,047 |
| % growth YoY (like-to-like) | 2.4 | 18.9 | (7.7) | 12.5 | 18.1 | 10.1 | 9.3 | 7.7 | 8.0 |
| % growth YoY (toll projects) | | | | | | | | | |
| Bareilly-Almora | 14.9 | 13.6 | (11.4) | 4.0 | (4.8) | (10.0) | (10.0) | (9.5) | (5.7) |
| Ghaziabad-Aligarh | 29.2 | 33.3 | (5.2) | (3.4) | 9.7 | 14.5 | 5.9 | 3.9 | 4.9 |
| Kanpur-Ayodhya | (3.8) | 17.5 | (6.8) | 22.1 | 28.2 | 18.2 | 18.9 | 29.0 | 19.0 |
| Kanpur-Kabrai | (22.7) | 25.9 | (28.7) | 30.0 | 51.8 | (1.7) | 19.0 | (20.1) | (16.1) |
| Gwalior-Bhind | (1.0) | (13.8) | 24.6 | 7.5 | (25.1) | (18.1) | (25.6) | (17.4) | 14.2 |

Source: Company, BOBCAPS Research

Valuation methodology

PNCL, with its strong execution record and lean balance sheet, is well placed to benefit from the growth opportunities offered by India's roads sector. ADs for all the company's third-party EPC projects and for six HAM projects out of seven have come through, which should support strong growth. We upgrade our FY20/FY21 EPS estimates by 0.8%/5.7% to factor in higher revenue and lower interest cost/depreciation in Q1. We now expect a robust 30% revenue CAGR and 31% PBT CAGR over FY19-FY22 on a standalone basis.

FIG 6 – REVISED ESTIMATES

| (Rs mn) | FY20E | | | FY21E | | |
|-------------------|--------|--------|------------|--------|--------|------------|
| | Old | New | Change (%) | Old | New | Change (%) |
| Revenue | 48,795 | 48,199 | (1.2) | 60,663 | 60,855 | 0.3 |
| EBITDA | 6,843 | 6,674 | (2.5) | 8,484 | 8,527 | 0.5 |
| EBITDA margin (%) | 14.0 | 13.8 | (17.7bps) | 14.0 | 14.0 | 0bps |
| Adjusted PAT | 3,452 | 3,480 | 0.8 | 4,090 | 4,325 | 5.7 |
| PAT margin (%) | 7.1 | 7.2 | 14.6bps | 6.7 | 7.1 | 36.5bps |

Source: Company, BOBCAPS Research

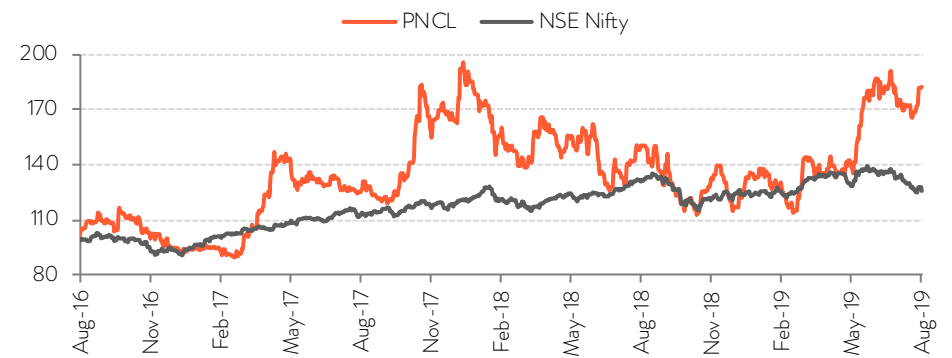
The stock is trading at 11.9x/9.6x FY20E/FY21E standalone earnings adjusted for Rs 43/sh of BOT/HAM asset value. We reiterate BUY and roll over to a revised Jun'20 SOTP-based target price of Rs 250 (from Rs 235).

Within our SOTP model, we value (a) the standalone EPC business at Rs 207/sh based on 12x Jun'21E earnings, (b) the BOT business at Rs 24/sh using the discount rates of 11-15% for BOT toll/annuity-based projects to arrive at the Mar'20E NPV of FCFE, and (c) HAM projects at Rs 18/sh on P/BV basis (implied P/BV of 1x for equity investment in seven projects as on Mar'20).

FIG 7 – JUN'20 SOTP-BASED TARGET PRICE OF RS 250

| Business | Basis of valuation | Value (Rs mn) | Multiple (x) | Valuation (Rs mn) | Per share (Rs) |
|----------------------------------|--|---------------|--------------|-------------------|----------------|
| Standalone business (EPC) | P/E on Jun'21E earnings | 4,423 | 12 | 53,070 | 207 |
| Value of subsidiaries/associates | | - | - | - | 43 |
| - BOT (operational assets) | NPV of FCFE as on Mar'20E | 6,221 | - | 6,221 | 24 |
| - 7 HAM projects | P/BV - Equity investment as on Mar'20E | 4,719 | 1 | 4,719 | 18 |
| Total | | | | 64,010 | 250 |
| Shares outstanding (mn) | | | | 257 | |

Source: Company, BOBCAPS Research

FIG 8 – RELATIVE STOCK PERFORMANCE

Source: NSE

Key risks

- **Political risk:** PNCL has a strong presence in its home state of Uttar Pradesh. Any slowdown in state government spending may affect the company's growth prospects.
- **Downturn in road sector capex:** Capex in the road sector has witnessed some revival over the last two years. Any slowdown in project awarding would impact the company's growth and our estimates.
- **Concentrated order backlog:** Close to ~66% of PNCL's current order backlog (including L1 positions) is from Uttar Pradesh. Any delay or execution constraints on these projects will significantly affect our revenue and profit estimates.

FINANCIALS (STANDALONE)

Income Statement

| Y/E 31 Mar (Rs mn) | FY18A | FY19A | FY20E | FY21E | FY22E |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total revenue | 17,983 | 30,716 | 48,199 | 60,855 | 66,931 |
| EBITDA | 2,606 | 4,320 | 6,674 | 8,527 | 9,378 |
| EBIT | 1,834 | 3,398 | 5,406 | 7,087 | 7,757 |
| Net interest income/(expenses) | (307) | (641) | (839) | (1,136) | (1,241) |
| Other income/(expenses) | 230 | 305 | 405 | 408 | 419 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| EBT | 1,757 | 3,062 | 4,972 | 6,360 | 6,935 |
| Income taxes | 153 | 736 | 1,492 | 2,035 | 2,219 |
| Extraordinary items | 906 | 923 | 1,068 | 0 | 0 |
| Min. int./Inc. from associates | 0 | 0 | 0 | 0 | 0 |
| Reported net profit | 2,510 | 3,249 | 4,548 | 4,325 | 4,716 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 1,604 | 2,326 | 3,480 | 4,325 | 4,716 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY18A | FY19A | FY20E | FY21E | FY22E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Accounts payables | 4,628 | 4,737 | 7,923 | 10,004 | 11,002 |
| Other current liabilities | 0 | 0 | 0 | 0 | 0 |
| Provisions | 176 | 117 | 528 | 667 | 733 |
| Debt funds | 1,697 | 3,750 | 6,125 | 8,000 | 7,250 |
| Other liabilities | 3,296 | 7,399 | 11,224 | 13,338 | 14,670 |
| Equity capital | 513 | 513 | 513 | 513 | 513 |
| Reserves & surplus | 17,554 | 20,639 | 25,033 | 29,203 | 33,765 |
| Shareholders' fund | 18,067 | 21,152 | 25,546 | 29,716 | 34,278 |
| Total liabilities and equities | 27,864 | 37,155 | 51,347 | 61,725 | 67,933 |
| Cash and cash eq. | 1,473 | 3,094 | 983 | 1,133 | 1,348 |
| Accounts receivables | 7,632 | 6,154 | 15,179 | 19,174 | 21,088 |
| Inventories | 1,758 | 4,036 | 5,942 | 7,503 | 8,252 |
| Other current assets | 0 | 0 | 0 | 0 | 0 |
| Investments | 4,948 | 5,730 | 8,136 | 10,340 | 11,737 |
| Net fixed assets | 4,064 | 6,155 | 6,387 | 6,447 | 6,625 |
| CWIP | 111 | 62 | 62 | 62 | 62 |
| Intangible assets | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets, net | 20 | 5 | (45) | (108) | (178) |
| Other assets | 7,858 | 11,919 | 14,702 | 17,175 | 18,998 |
| Total assets | 27,864 | 37,155 | 51,347 | 61,725 | 67,933 |

Source: Company, BOBCAPS Research

Cash Flows

| Y/E 31 Mar (Rs mn) | FY18A | FY19A | FY20E | FY21E | FY22E |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net income + Depreciation | 3,282 | 4,171 | 5,816 | 5,765 | 6,337 |
| Interest expenses | 307 | 641 | 839 | 1,136 | 1,241 |
| Non-cash adjustments | (498) | (658) | 0 | 0 | 0 |
| Changes in working capital | (560) | (693) | (6,241) | (3,632) | (2,020) |
| Other operating cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from operations | 2,531 | 3,461 | 414 | 3,268 | 5,558 |
| Capital expenditures | (1,391) | (2,964) | (1,500) | (1,500) | (1,800) |
| Change in investments | (272) | (782) | (2,407) | (2,204) | (1,397) |
| Other investing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from investing | (1,663) | (3,746) | (3,907) | (3,704) | (3,197) |
| Equities issued/Others | 0 | 0 | 0 | 0 | 0 |
| Debt raised/repaid | 224 | 2,053 | 2,375 | 1,875 | (750) |
| Interest expenses | (307) | (641) | (839) | (1,136) | (1,241) |
| Dividends paid | (150) | (154) | (154) | (154) | (154) |
| Other financing cash flows | 483 | 649 | 0 | 0 | 0 |
| Cash flow from financing | 250 | 1,906 | 1,382 | 585 | (2,145) |
| Changes in cash and cash eq. | 1,118 | 1,621 | (2,111) | 149 | 216 |
| Closing cash and cash eq. | 1,473 | 3,094 | 983 | 1,133 | 1,348 |

Per Share

| Y/E 31 Mar (Rs) | FY18A | FY19A | FY20E | FY21E | FY22E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS | 9.8 | 12.7 | 17.7 | 16.9 | 18.4 |
| Adjusted EPS | 6.3 | 9.1 | 13.6 | 16.9 | 18.4 |
| Dividend per share | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Book value per share | 70.4 | 82.4 | 99.6 | 115.8 | 133.6 |

Valuations Ratios

| Y/E 31 Mar (x) | FY18A | FY19A | FY20E | FY21E | FY22E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales | 3.0 | 1.7 | 1.1 | 0.9 | 0.9 |
| EV/EBITDA | 20.5 | 12.2 | 7.9 | 6.7 | 6.3 |
| Adjusted P/E | 32.6 | 22.5 | 15.0 | 12.1 | 11.1 |
| P/BV | 2.9 | 2.5 | 2.0 | 1.8 | 1.5 |

DuPont Analysis

| Y/E 31 Mar (%) | FY18A | FY19A | FY20E | FY21E | FY22E |
|---------------------------------|-------|-------|-------|-------|-------|
| Tax burden (Net profit/PBT) | 91.3 | 76.0 | 70.0 | 68.0 | 68.0 |
| Interest burden (PBT/EBIT) | 95.8 | 90.1 | 92.0 | 89.7 | 89.4 |
| EBIT margin (EBIT/Revenue) | 10.2 | 11.1 | 11.2 | 11.6 | 11.6 |
| Asset turnover (Revenue/Avg TA) | 69.4 | 94.5 | 108.9 | 107.6 | 103.2 |
| Leverage (Avg TA/Avg Equity) | 1.5 | 1.7 | 1.9 | 2.0 | 2.0 |
| Adjusted ROAE | 9.5 | 11.9 | 14.9 | 15.7 | 14.7 |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

| Y/E 31 Mar | FY18A | FY19A | FY20E | FY21E | FY22E |
|--|--------|-------|-------|-------|-------|
| YoY growth (%) | | | | | |
| Revenue | 6.5 | 70.8 | 56.9 | 26.3 | 10.0 |
| EBITDA | 17.9 | 65.8 | 54.5 | 27.8 | 10.0 |
| Adjusted EPS | (13.0) | 45.0 | 49.6 | 24.3 | 9.0 |
| Profitability & Return ratios (%) | | | | | |
| EBITDA margin | 14.5 | 14.1 | 13.8 | 14.0 | 14.0 |
| EBIT margin | 10.2 | 11.1 | 11.2 | 11.6 | 11.6 |
| Adjusted profit margin | 8.9 | 7.6 | 7.2 | 7.1 | 7.0 |
| Adjusted ROAE | 9.5 | 11.9 | 14.9 | 15.7 | 14.7 |
| ROCE | 9.9 | 15.2 | 19.1 | 20.4 | 19.5 |
| Working capital days (days) | | | | | |
| Receivables | 155 | 73 | 115 | 115 | 115 |
| Inventory | 36 | 48 | 45 | 45 | 45 |
| Payables | 94 | 56 | 60 | 60 | 60 |
| Ratios (x) | | | | | |
| Gross asset turnover | 2.7 | 3.5 | 4.4 | 4.8 | 4.7 |
| Current ratio | 2.3 | 2.1 | 1.9 | 1.9 | 1.9 |
| Net interest coverage ratio | 6.0 | 5.3 | 6.4 | 6.2 | 6.3 |
| Adjusted debt/equity | 0.0 | 0.0 | 0.2 | 0.2 | 0.2 |

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

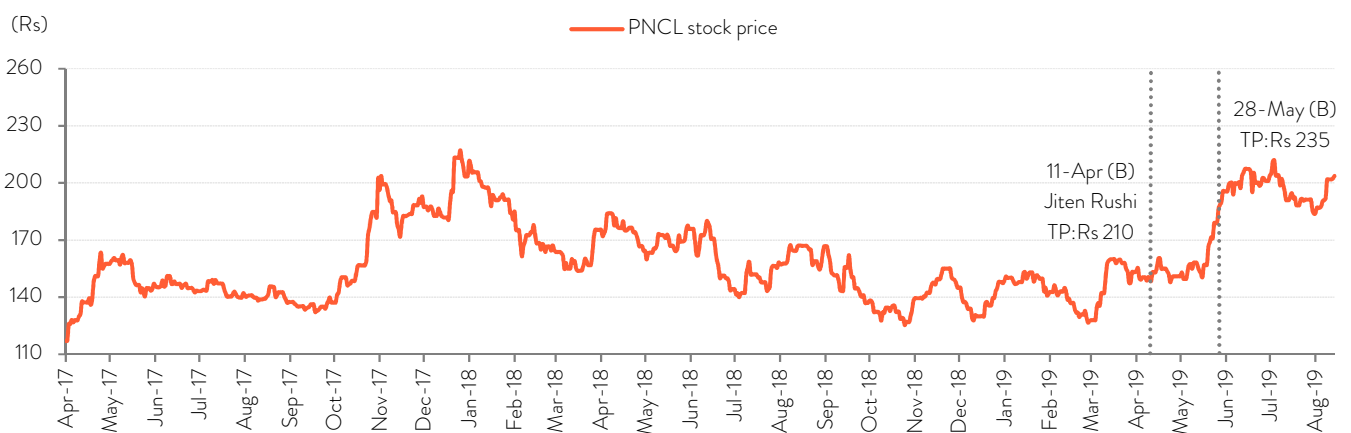
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

HISTORICAL RATINGS AND TARGET PRICE: PNC INFRA TECH (PNCL IN)



B – Buy, A – Add, R – Reduce, S – Sell

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