

BUY

TP: Rs 245 | ▲ 30%

PNC INFRATECH

Infrastructure

17 November 2019

Strong quarter, momentum to continue

PNC Infratech's (PNCL) Q2FY20 core revenue ex-arbitral awards grew 92% YoY. Core EBITDA margin was in line at 13.8% (+45bps YoY) while core recurring PAT at Rs 619mn was below our estimate of Rs 688mn due to a higher tax rate, but was up 76% YoY. The Sep'19 order backlog totaled Rs 119bn or 2.8x TTM revenues (incl. L1 projects). Gross debt declined QoQ to Rs 3.8bn led by improved recoveries, mobilisation advances and claim proceeds. We trim FY20/FY21 earnings by 7%/6% and roll to a new Mar'21 TP of Rs 245 (vs. Rs 250). BUY.

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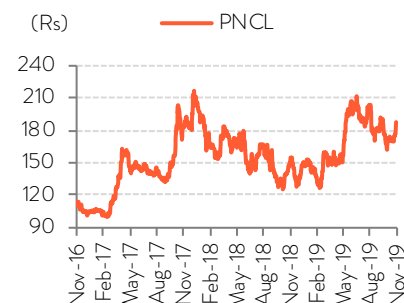
Healthy pace of execution: Core revenue grew 92% YoY to Rs 10.7bn (Rs 9.5bn est.) as execution proceeded apace on HAM projects and the Mumbai Nagpur Expressway EPC contract. Favourable arbitration awards of Rs 1.1bn drove a 110% YoY rise in reported revenue to Rs 11.8bn. An improved revenue mix aided core EBITDA margin expansion of 45bps YoY to 13.8% (+845bps YoY to 21.8% incl. arbitral awards). Reported PAT surged 5.9x YoY to Rs 2.1bn after including the impact of claims and interest on claims.

Leverage at comfortable levels: Led by improved recoveries, receipt of mobilisation advances and proceeds from claims, PNCL's gross debt position improved to Rs 3.8bn vs. Rs 4.5bn as on Jun'19 (net D/E at 0.03x vs. 0.2x). Management has guided for gross debt of ~Rs 5bn as on Mar'20.

FY20 revenue guidance upgraded: Management has revised its revenue growth guidance to 50-60% as against ~45% earlier (our estimate at 65%). Guidance for EBITDA margins stands at 13.5-14%, capex at Rs 1.25bn-1.5bn and order inflows at Rs 60bn-70bn. Management expects the debtor cycle at 90 days and working capital at 100 days as on Mar'20.

Ticker/Price	PNCL IN/Rs 188
Market cap	US\$ 671.5mn
Shares o/s	257mn
3M ADV	US\$ 0.6mn
52wk high/low	Rs 219/Rs 126
Promoter/FPI/DII	56%/6%/21%

Source: NSE

STOCK PERFORMANCE

Source: NSE

KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	17,983	30,716	50,593	61,241	63,870
EBITDA (Rs mn)	2,606	4,320	6,956	8,453	8,816
Adj. net profit (Rs mn)	1,604	2,326	3,447	4,389	4,548
Adj. EPS (Rs)	6.3	9.1	13.4	17.1	17.7
Adj. EPS growth (%)	(13.0)	45.0	48.2	27.3	3.6
Adj. ROAE (%)	9.5	11.9	14.6	15.6	14.0
Adj. P/E (x)	30.1	20.7	14.0	11.0	10.6
EV/EBITDA (x)	18.9	11.2	7.0	6.4	6.2

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 AND HALF-YEARLY PERFORMANCE

Particulars (Rs mn)	Q2FY20 (Reported)	Q2FY20 (Adjusted – core business)	Adjustment	Q2FY19	Adj. Growth YoY (%)	Q1FY20	Adj. Growth QoQ (%)	H1FY20	H1FY19	Adj. Growth YoY (%)
Revenue	11,802	10,707*	1,095	5,586	91.7	13,218	(19.0)	23,925	12,688	88.6
RM cost/contract paid	7,595	7,595	-	3,813	99.2	9,429	(19.4)	17,024	8,815	93.1
Change in inventories	-	-	-	-	-	-	-	-	-	-
Employee benefit expenses	583	583	-	422	38.1	591	(1.3)	1,174	828	41.9
Other expenses	1,051	1,051	-	605	73.8	1,402	(25.0)	2,453	1,258	95.0
Total Expenses	9,230	9,230	-	4,840	90.7	11,422	(19.2)	20,652	10,901	89.4
EBITDA	2,572	1,477	1,095	746	98.0	1,796	(17.7)	3,273	1,787	83.1
EBITDA margin (%)	21.8	13.8	-	13.4	40bps	13.6	20bps	13.7	14.1	(40bps)
Other income	447	91*	356	61	50.0	135	(32.5)	226	113	99.8
Depreciation	309	309	-	206	49.9	305	1.3	614	399	53.9
EBIT	2,710	1,260	1,450	601	109.7	1,626	(22.5)	2,886	1,502	92.2
EBIT margin (%)	23.0	11.8	-	10.8	100bps	12.3	(50bps)	12.1	11.8	230bps
Interest	247	247	-	153	61.3	179	37.9	426	260	64.1
PBT	2,463	1,013	1,450	448	126.2	1,447	(30.0)	2,459	1,242	98.0
Tax provision	394	394	-	96	307.9	445	(11.6)	839	131	539.1
Current tax	414	414	-	94	342.3	433	(4.4)	847	139	511.0
Deferred tax	(20)	(20)	-	3	(797.5)	12	nm	(8)	(7)	10.5
Effective tax rate (%)	16.0	38.9	-	21.6	1,700bps	30.8	90bps	34.1	10.6	2,350bps
Adjusted PAT	2,069	619	1,450	351	76.3	1,001	(38.2)	1,620	1,111	45.9
Exceptional	-	1,450	(1,450)	-	NM	-	NM	1,450	266	446.1
Reported PAT	2,069	2,069	-	351	489.4	1,001	106.6	3,071	1,376	123.1
Adjusted PAT margin (%)	17.5	5.8	-	6.3	50bps	7.6	(180bps)	12.8	10.8	200bps
Adjusted EPS (Rs)	8.1	2.4	-	1.4	76.3	3.9	(38.2)	6.3	4.3	45.9

Source: Company, BOBCAPS Research | *Revenue adjusted for claim amount of Rs 1.1bn and other income adjusted for interest on claim at Rs 356mn and both the line item restated in exceptions

FIG 2 – EXECUTABLE ORDER BACKLOG SHARE OF 83% AS ON SEP'19

(Rs mn)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q1FY20
Order inflow	-	36,001	-	-	-	25,200	48,985	-	10,620
Order backlog	48,350	79,760	73,180	66,170	61,190	79,650	1,22,100	1,09,500	98,770
Book to bill (x)	3.4	5.5	4.1	3.1	2.5	3.0	4.0	3.0	2.4
Order backlog including L1 projects	1,03,011	98,420	1,02,170	1,24,505	1,19,525	1,37,985	1,31,450	1,18,850	1,18,740
Book to bill (x)	7.2	6.8	5.7	5.8	4.9	5.1	4.3	3.2	2.8

Source: Company, BOBCAPS Research

Earnings call highlights

- HAM projects:** Appointed date (AD) for the final HAM project of Challakere-Hariyur is expected by Jan'20 (~80% land available; delayed due to locals' issues - seeking higher compensation). The balance equity requirement for seven HAM contracts totals Rs 4.3bn, to be invested over 2.5 years (Rs 1.7bn in H2FY20/Rs 2.2bn in FY21/balance in FY22).

- **Gross toll collection:** Gross toll collection totaled Rs 2.1bn in Q2FY20 (including annuity projects). Ex-annuity projects, toll collection stood at Rs 1.6bn, a marginal decline of 0.4% YoY (due to the heavy rains).
- **Project completion:** In FY20, PNCL expects to complete the Varanasi-Gorakhpur, Dausa-Lalsot, Etah-Kasganj, Nanau-Dadau, Sharda Sahayak Feeder Canal and Chakeri Airport projects.
- **Identified bids:** Management pegs the NHAI bid pipeline in FY20 at 6,000km (our expectation is 4,000-4,500km) and expects awarding to pick up from Dec'19 (40 EPC & 32 HAM projects). PNC will participate in 30 projects with a mix of 10-12 HAM and the balance EPC.

The company has also submitted bids for select packages of (i) the elevated metro in Delhi: DMRC package 4 (two projects) worth Rs 20bn in joint venture – bids expected to open in a month's time, and (ii) the 5.5km, 6-lane elevated road from Nodia Development Authority worth Rs 5bn. PNCL will also actively participate in airport EPC, railway (RVNL) and state road projects.

- **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. The company has received approval from all 14 lenders. The proceeds from monetisation of the asset is expected to come in by Mar'20.

Divestment proceeds would augment PNCL's financial resources to fund present and future projects. We continue to include the value of Rs 6/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 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 1.45bn arbitration award for the NHAI EPC road project of Garh Mukteshwar-Moradabad. The award was announced on Sep'18, but received in Q2FY20. The company has booked Rs 1.1bn in revenue and Rs 360mn in other income. The claims and interest on claims have been adjusted accordingly and restated under exceptions. As per management, the full tax rate is applicable on interest income which is to be paid in the coming quarter, while the actual claim amount is exempt from tax u/s 80IA.
- **FY20 guidance:** Management has guided for revenue growth of 50-60% (quarterly revenue run-rate for Mumbai-Nagpur Expressway at Rs 1bn-1.2bn and for Purvanchal packages Rs 2bn), 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 1.7bn in HAM projects (in H2FY20). Tax rate is guided at ~30%, capex at Rs 1.25bn-Rs 1.5bn, gross debt at ~Rs 5bn, receivables at 90 days, and working capital at 100 days.
- **FY21 guidance:** Revenue growth is guided at 25-30%, capex at Rs 500mn-600mn, and equity investment in HAM projects at Rs 2.2bn.
- **Lucknow ring road (Pkg 1):** The company has submitted a performance guarantee for the project and expects the AD by end of Nov'19.
- **Monsoon-led revenue loss:** According to management, execution on key projects of Varanasi-Gorakhpur, Chitradurga and contracts in Bihar/Karnataka was slowed by the heavy monsoons, resulting in revenue loss of Rs 2.5bn-3bn. The monsoon was also protracted, continuing up to mid-October.
- **Tax regime:** As on Sep'19, unutilised MAT credit stands at Rs 1.5bn and hence the company has not shifted to the new tax regime. Management expects to move to the new tax rate from FY23.
- **Sep'19 standalone balance sheet highlights:** Net worth stood at Rs 24.1bn, gross debt at Rs 3.8bn, gross block at Rs 10.8bn, cash balance at ~Rs 2.4bn and mobilisation advances at Rs 6bn-6.5bn (received ~Rs 2bn in Q2 for Mumba-Nagpur Expressway).
- **Bank limits:** As on Sep'19, PNCL's fund/non-fund-based limits stand at Rs 10bn/Rs 50bn.
- **Interest cost:** Interest costs were high during the quarter due to the rise in interest-bearing mobilisation advances, increase in term loans and higher bank guarantee charges. Going forward, the run-rate for finance cost would remain similar.

FIG 3 – PENDING EQUITY COMMITMENT OF ~RS 4.3BN 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 Sep-19	Debt up to Sep-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	3,080	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	2,850	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	3,090	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	770	260	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	660	-	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 Jan'20	2.0	17.0
Total			95,480	88,970	81,461	39,840	8,320	4,030	11,890				

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 Sep'19	COD	Concession period (years)
Raibareilly-Jaunpur, UP	166	Annuity	NHAI	8,364	1,396	1,396	-	6,978	5,770	Feb-16	17
Bareilly-Almora, UP	54	Toll	UPSHA	6,045	746	746	700	4,600	4,250	Oct-15	25
Ghaziabad-Aligarh, UP*	125	Toll	NHAI	20,190	1,940	1,860	3,110	15,140	9,470	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	1,760	May-15	12
Gwalior-Bhind, UP	108	Toll	MPRDC	3,403	783	783	270	2,350	1,800	Mar-13	14
Narela Industrial area, Delhi	33	Mix	DSIIDC	1,750	350	350	-	1,400	740	Oct-13	15
Total				44,337	5,891	5,811	5,310	33,148	2,3790		

Source: Company, BOBCAPS Research | *Signed share purchase agreement for sale of 35% stake with Cube Highways and Infrastructure Pte. Ltd. on May 04, 2019 | Note: COD – Commercial Operation Date

FIG 5 – GROSS TOLL COLLECTION TREND

Projects (Rs mn)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Raibareilly Jaunpur	322	322	322	322	322	322	321	321	322
Bareilly Almora	100	110	105	105	90	99	95	99	90
Ghaziabad Aligarh	440	510	510	524	504	540	530	550	505
Kanpur Ayodhya	660	810	774	860	780	963	998	1,024	827
Kanpur Kabrai	173	210	299	290	170	250	239	243	105
Gwalior Bhind	116	172	173	115	95	128	143	131	105
Narela Industrial area	95	108	97	98	100	100	105	114	105
Total	1,906	2,242	2,279	2,314	2,061	2,402	2,431	2,482	2,059
Like-to-Like (ex Raibareilly Jaunpur and Narela)	1,489	1,812	1,861	1,895	1,639	1,980	2,005	2,047	1,633
% growth YoY	18.9	(7.7)	12.5	18.1	10.1	9.3	7.7	8.0	(0.4)
% growth YoY (toll projects)									
Bareilly Almora	13.6	(11.4)	4.0	(4.8)	(10.0)	(10.0)	(9.5)	(5.7)	0.4
Ghaziabad Aligarh	33.3	(5.2)	(3.4)	9.7	14.5	5.9	3.9	4.9	0.2
Kanpur Ayodhya	17.5	(6.8)	22.1	28.2	18.2	18.9	29.0	19.0	6.0
Kanpur Kabrai	25.9	(28.7)	30.0	51.8	(1.7)	19.0	(20.1)	(16.1)	(38.2)
Gwalior Bhind	(13.8)	24.6	7.5	(25.1)	(18.1)	(25.6)	(17.4)	14.2	10.6

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 of its seven HAM projects have come through, which should support strong growth. Post the Q2FY20 results, we lower FY20/FY21 EPS estimates by 6.6%/5.8% to factor in higher interest cost and a higher effective tax rate. We now expect a robust 28% revenue CAGR and 29% PBT CAGR over FY19-FY22 on a standalone basis.

The stock is trading at 10.3x/8.1x FY20E/FY21E standalone earnings, adjusted for Rs 50/sh of BOT/HAM asset value. We reiterate BUY and roll over to a revised Mar'21 SOTP-based target price of Rs 245 (from Rs 250).

FIG 6 – REVISED ESTIMATES

(Rs mn)	FY20E			FY21E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	48,199	50,593	5.0	60,855	61,241	0.6
EBITDA	6,636	6,956	4.8	8,382	8,453	0.8
EBITDA margin (%)	13.8	13.7	(2bps)	13.8	13.8	3bps
Adjusted PAT	3,689	3,447	(6.6)	4,658	4,389	(5.8)
PAT margin (%)	7.7	6.8	(84bps)	7.7	7.2	(49bps)

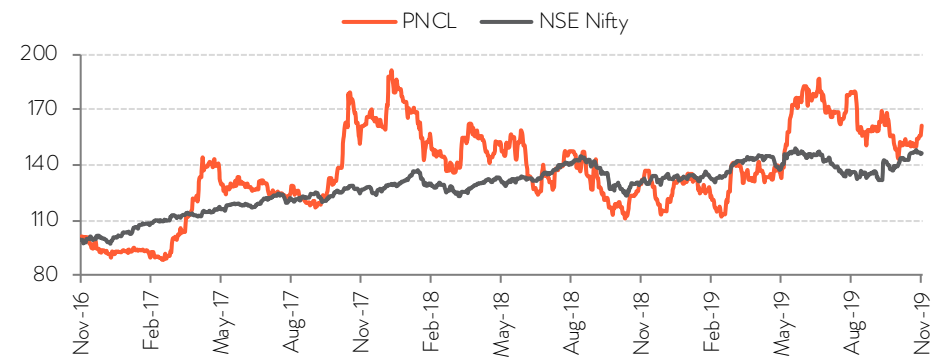
Source: Company, BOBCAPS Research

Within our SOTP model, we value (a) the standalone EPC business at Rs 195/sh based on 11x Mar'22E earnings, (b) the BOT business at Rs 19/sh using the discount rates of 11-16% for BOT toll/annuity-based projects to arrive at the Mar'21E NPV of FCFE, and (c) HAM projects at Rs 31/sh on P/BV basis (implied P/BV of 1x for equity investment in seven projects as on Mar'21).

FIG 7 – MAR'21 SOTP-BASED TARGET PRICE OF RS 245

Business	Basis of valuation	Value (Rs mn)	Multiple (x)	Valuation (Rs mn)	Per share (Rs)
Standalone business (EPC)	P/E on Mar'22E earnings	4,558	11	50,143	195
Value of subsidiaries/associates					50
- BOT (operational assets)	NPV of FCFE as on Mar'21E	4,577	-	4,839	19
- 7 HAM projects	P/Bv - Equity investment as on Mar'21E	7,930	1	7,930	31
Total				62,912	245
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	50,593	61,241	63,870
EBITDA	2,606	4,320	6,956	8,453	8,816
Depreciation	(772)	(922)	(1,261)	(1,405)	(1,535)
EBIT	1,834	3,398	5,694	7,048	7,282
Net interest income/(expenses)	(307)	(641)	(969)	(1,190)	(1,204)
Other income/(expenses)	230	304	408	412	420
Exceptional items	0	0	0	0	0
EBT	1,757	3,061	5,133	6,270	6,498
Income taxes	153	735	1,686	1,881	1,949
Extraordinary items	906	923	1,545	0	0
Min. int./Inc. from associates	0	0	0	0	0
Reported net profit	2,510	3,249	4,992	4,389	4,548
Adjustments	0	0	0	0	0
Adjusted net profit	1,604	2,326	3,447	4,389	4,548

Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	4,628	4,737	7,624	9,228	9,624
Other current liabilities	0	0	0	0	0
Provisions	176	117	277	336	350
Debt funds	1,697	3,747	6,554	7,554	5,054
Other liabilities	1,680	5,734	9,010	10,067	10,499
Equity capital	513	513	513	513	513
Reserves & surplus	17,554	20,639	25,477	29,712	34,106
Shareholders' fund	18,067	21,152	25,990	30,225	34,619
Total liabilities and equities	26,248	35,487	49,455	57,409	60,146
Cash and cash eq.	1,473	3,094	639	997	1,552
Accounts receivables	7,784	7,308	14,963	18,456	19,248
Inventories	1,758	4,036	5,544	6,711	6,999
Other current assets	0	0	0	0	0
Investments	4,948	5,730	9,146	11,347	11,738
Net fixed assets	4,064	6,155	6,393	5,988	5,704
CWIP	111	62	62	62	62
Intangible assets	0	0	0	0	0
Deferred tax assets, net	20	5	13	13	13
Other assets	6,090	9,097	12,693	13,834	14,829
Total assets	26,248	35,487	49,454	57,409	60,146

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	3,282	4,172	6,254	5,794	6,083
Interest expenses	307	641	969	1,190	1,204
Non-cash adjustments	(498)	(658)	0	0	0
Changes in working capital	(560)	(690)	(6,445)	(3,080)	(1,233)
Other operating cash flows	0	0	0	0	0
Cash flow from operations	2,531	3,465	777	3,904	6,054
Capital expenditures	(1,391)	(2,964)	(1,500)	(1,000)	(1,250)
Change in investments	(272)	(782)	(3,416)	(2,201)	(391)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(1,663)	(3,746)	(4,916)	(3,201)	(1,641)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	224	2,050	2,807	1,000	(2,500)
Interest expenses	(307)	(641)	(969)	(1,190)	(1,204)
Dividends paid	(150)	(154)	(154)	(154)	(154)
Other financing cash flows	483	648	0	0	0
Cash flow from financing	250	1,903	1,683	(344)	(3,858)
Changes in cash and cash eq.	1,118	1,621	(2,455)	358	555
Closing cash and cash eq.	1,473	3,094	639	997	1,552

Per Share

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	9.8	12.7	19.5	17.1	17.7
Adjusted EPS	6.3	9.1	13.4	17.1	17.7
Dividend per share	0.5	0.5	0.5	0.5	0.5
Book value per share	70.4	82.4	101.3	117.8	134.9

Valuations Ratios

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	2.7	1.6	1.0	0.9	0.9
EV/EBITDA	18.9	11.2	7.0	6.4	6.2
Adjusted P/E	30.1	20.7	14.0	11.0	10.6
P/BV	2.7	2.3	1.9	1.6	1.4

DuPont Analysis

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	91.3	76.0	67.2	70.0	70.0
Interest burden (PBT/EBIT)	95.8	90.1	90.1	89.0	89.2
EBIT margin (EBIT/Revenue)	10.2	11.1	11.3	11.5	11.4
Asset turnover (Revenue/Avg TA)	71.7	99.5	119.1	114.6	108.7
Leverage (Avg TA/Avg Equity)	1.5	1.6	1.8	1.9	1.8
Adjusted ROAE	9.5	11.9	14.6	15.6	14.0

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	64.7	21.0	4.3
EBITDA	17.9	65.8	61.0	21.5	4.3
Adjusted EPS	(13.0)	45.0	48.2	27.3	3.6
Profitability & Return ratios (%)					
EBITDA margin	14.5	14.1	13.7	13.8	13.8
EBIT margin	10.2	11.1	11.3	11.5	11.4
Adjusted profit margin	8.9	7.6	6.8	7.2	7.1
Adjusted ROAE	9.5	11.9	14.6	15.6	14.0
ROCE	9.9	15.2	19.8	20.1	18.8
Working capital days (days)					
Receivables	158	91	108	110	110
Inventory	36	48	40	40	40
Payables	94	56	55	55	55
Ratios (x)					
Gross asset turnover	2.7	3.5	4.6	5.0	4.8
Current ratio	2.6	2.2	2.0	2.0	2.1
Net interest coverage ratio	6.0	5.3	5.9	5.9	6.0
Adjusted debt/equity	0.0	0.0	0.2	0.2	0.1

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

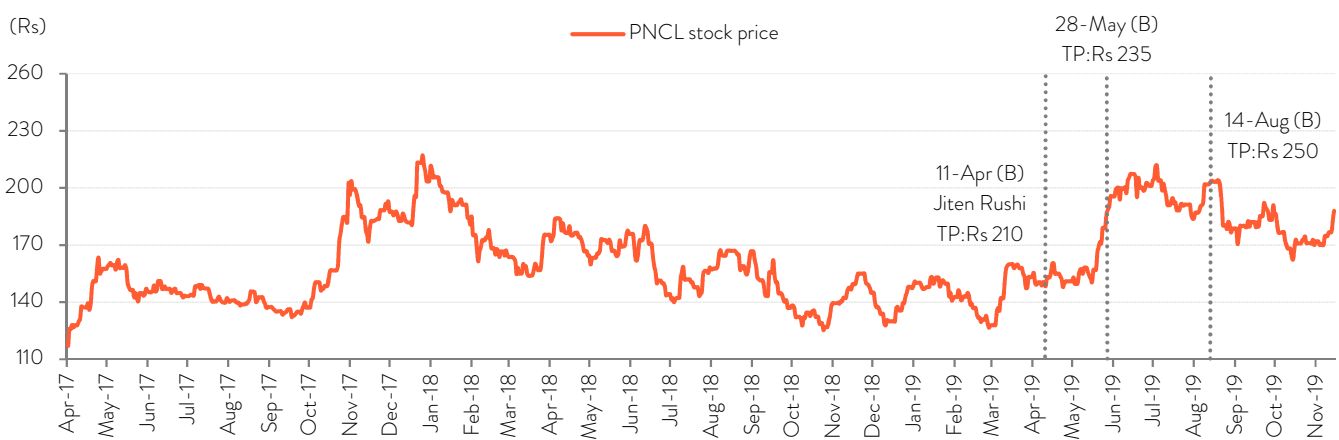
ADD – Expected return from >+5% to +15%

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 INFRATECH (PNCL IN)



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

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