

**PNC Infratech Limited.**

**Price Target : Rs. 262**

**Company Details**

CMP	202.00
Face Value	2.00
Market Cap (Cr)	5198.77
EPS ( TTM )	20.43
52 Week High	219.40
52 Week Low	126.00
BSE Code	539150
Sector	<b>Roads &amp; Highways</b>

**YOY - Financial Highlights [INR – Crore]**

Description	Mar-19	Mar-18	Var %
Net Sales	3774.36	2411.39	56.52
Total Expenditure	3114.01	1904.11	63.54
PBIDT	706.96	531.64	32.98
Operating Profit	358.98	222.33	61.46
OPM (%)	18.73	22.04	-15.02
PBT	358.98	222.33	61.46
Profit After Tax	350.67	248.98	40.84
EPS	13.70	9.47	44.67
Equity Capital	51.31	51.31	-

**9M - Financial Highlights [INR – Crore]**

Description	Dec-19	Dec-18	Var %
Net Sales	4255.87	2503.94	69.97
Total Expenditure	3498.85	2076.78	68.47
PBIDT	757.02	427.16	77.22
Operating Profit	902.53	459.27	96.51
OPM (%)	20.13	18.34	9.76
PBT	581.51	199.61	191.32
Profit After Tax	454.58	182.91	148.53
EPS	14.98	7.21	107.77
Equity Capital	51.31	51.31	-

**Company Background**

**PNC Infratech Limited** established in 1999 is an Indian infrastructure company engaged in execution of major infrastructure projects, including highways, bridges, flyovers, power transmission lines, airport runways, development of industrial areas and other infrastructure activities.

It provides EPC services on a fixed-sum turnkey basis as well as on an item rate basis for various infrastructure projects. It also executes projects on a BOT (including on a DBFOT basis), operate them during the concession period on toll or annuity basis and subsequently transfer the projects. In 2013, it entered into a project on an operate maintain transfer (OMT) model as well.

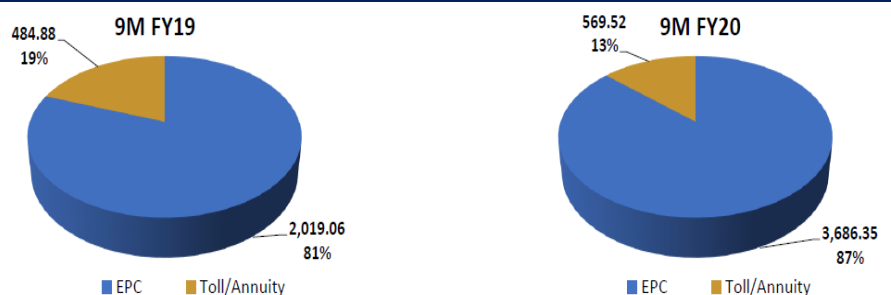
The company's major clients include the NHAI, Airports Authority of India, Delhi State Industrial and Infrastructure Development Corporation, Uttar Pradesh Power Corporation, RITES, Military Engineering Services, Uttar Pradesh State Highway Authority, Uttar Pradesh Expressway Industrial Development Authority, Haryana State Road Development Corporation, Dedicated Freight Corridor Corporation of India, MPRDCL and Public Works Department, State Government of Uttar Pradesh.

**Financial Performance**

The net sales and PAT of the company at Rs 3774.36 cr and Rs. 350.67 cr were higher by 56.5% and 40.8 % respectively compared to those in FY18.

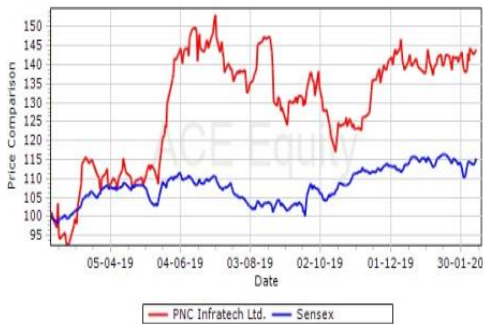
The Net Sales of the company during 9MFY20 are higher by 69.97% at Rs. 4255.87 cr compared to those at Rs. 2503.94 cr during 9MFY19. PAT at Rs. 454.58 cr is higher by 148.5% against that of Rs 182.91 cr in the corresponding period last year. Its Operating Margin is up by 9.7% in 9MFY20.

**Segmental Revenue Break - up**



**Investment Rationale**

- India's infrastructure sector is poised for strong growth over the coming years as the government proposes to provide Rs. 1.7 lakh crore in FY20-21 Budget for transport infrastructure which creates huge opportunities to the company.
- The government proposes to monetise 12 lots of national highways by 2024 & planning 100 more airports to be developed by 2024 to support UDAN. This will also benefit the company.
- With robust **order-book of over Rs. 13,784 crores** the company is expected to provide visibility in the revenue of the company.



- The company has proposed disinvestment which are expected to augment financial resources to fund current and future projects.
- The company is having **strong credit rating in the industry ( CARE AA- for Long Term & CARE A1+ for Short Term Loans )**, hence it enjoys better terms on various loans for financing construction equipment, debt for projects and working capital facilities.
- The company has **expanded its presence in development of industrial areas and dedicated freight corridor projects.**
- The company is **diversifying into waste management , water-related infrastructure projects** such as river-connecting.
- The company's debt to equity ratio is 0.13 to 1.
- The company has declared dividend of 25% for FY19.

### Shareholding Pattern

The Promoters hold 56.07% equity shares of the company while FIIs holds 6.45%, Mutual Funds holds 21.25%, Other DIIs hold 1.83% and the balance 14.40% shares are held by public.

### Concern

**The slowdown in economy and competition from peers are some of the main concerns.**

### Valuation

The share of the company is trading at TTM PE of 8.26x. based on TTM EPS of Rs 24.5. Keeping in view the positive outlook for infrastructure sector, company's strong execution capacity, strong balance sheet and strong order book position, we feel the company will report better numbers in the coming quarters.

We expect the company to report an EPS of Rs 26 for FY20 and applying PE of 10x, we estimate the share price of the company to appreciate to about Rs 262.00 ( an appreciation of 30% ) over the next 12 months.

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