

Pick of the Week

15th January 2022

PNC Infratech Ltd

Infra-Road



Buy
Target Price
350

About the Company

PNC Infratech Limited was incorporated on August 09, 1999, as PNC Construction Company Private Limited. It has played a crucial role in India's infrastructural growth, particularly in the Highway and Airport sectors. The company was converted into a limited company in 2001 and was renamed PNC Infratech limited in 2007. Over the past 20 years, PNC Infratech has emerged as one of the most efficient players across several infra-segments such as roads and highways, bridges, and airport runways. Today, it is one of the leading highway development, construction and management companies in the country.

Investment Rationale

A. Robust and Diversified order book: As of Sep'21-end, PNCIL's order book stands robust at Rs 13,178 Cr (2.67x of FY21 revenue) and comprises road projects both EPC and HAM. Furthermore, the company has recently diversified into water infrastructure projects and has received supply projects totaling Rs 4,757 Cr. The order book gives revenue visibility for the next 2-3 years. We expect the company to deliver healthy revenue growth of 17% CAGR over FY21-24E

B. Favourable Industry tailwind: The road construction industry in India is undergoing a paradigm shift with notable investments in the segment and proactive policy support of the government. NHAI asset monetization plan, National Infrastructure Pipeline, and unveiling of the Gati Shakti Plan will provide further momentum to the execution and avoid unnecessary delays. Various initiatives undertaken by the Central government are expected to significantly support the overall development of the road sector moving ahead, thereby creating massive growth opportunities for the company.

C. Established track record: PNCIL is one of the leading EPC contractors in India having a demonstrated project execution experience of more than three decades. Leveraging this, it has efficiently and timely delivered complex and prestigious projects including highways, bridges, flyovers, power transmission lines, airport runways, and development of industrial areas, amongst other. Factoring in better order inflows, we expect the company to maintain its margin profile between 13%-14% over FY21-24E

Outlook & Valuation: Considering strong and diversified order book position, healthy bidding pipeline, new order inflows, emerging opportunities in the construction space, and the company's efficient and timely execution, we expect PNCIL to report Revenue/EBITDA/APAT CAGR of 17%/18%/28% respectively over FY21-FY24E. Stock is currently trading at 12x and 10x FY23E/FY24E EPS which is attractive.

Recommendation: We recommend a Buy the stock for a target price of Rs 350 implying an upside of 15% from CMP

Financial Summary (Standalone)

Y/E	Net Sales	EBITDA	Net Profit	EPS	PER	EV/EBIDTA	P/BV	RoE
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(x)	(x)	(x)	(%)
FY21	4925	673	362	14	20	11	2.5	13
FY22E	6107	847	510	20	14	9	2.2	16
FY23E	7024	969	655	26	11	7	1.8	18
FY24E	7972	1100	757	30	10	6	1.5	17

Source: Axis Securities; CMP as on 14th Jan, 2022

CMP (Rs)	Target (Rs)	Potential Upside (%)
304	350	15%

MARKET DATA

No. of Shares 25.6 Cr

Market Cap 7,777

52-week High / Low 395/157

BSE Code 539150

NSE Code PNCINFRA

Why PNC Infratech Ltd

- ✓ **Attractive Valuations**
- ✓ **Macro-economic Tailwinds**
- ✓ **Encouraging Growth Opportunities**
- ✓ **Company-specific Triggers**
- ✓ **Sector-specific Attributes**

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