

# PNC INFRATECH

## RESULT UPDATE

### KEY DATA

<b>Rating</b>	<b>HOLD</b>
Sector relative	Underperformer
Price (INR)	285
12 month price target (INR)	286
52 Week High/Low	552/236
Market cap (INR bn/USD bn)	73/0.9
Free float (%)	43.9
Avg. daily value traded (INR mn)	164.1

### SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	56.07%	56.07%	56.07%
FII	7.10%	6.95%	10.05%
DII	26.26%	26.60%	25.50%
Pledge	0%	0%	0%

### FINANCIALS

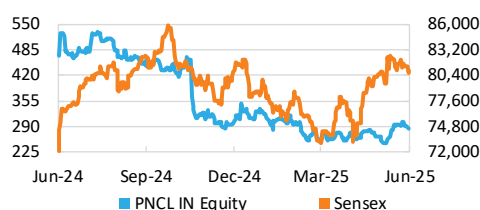
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	74,024	55,131	65,734	76,373
EBITDA	9,806	10,489	8,128	9,596
Adjusted profit	6,310	6,669	5,800	6,821
Diluted EPS (INR)	24.6	26.0	22.6	26.6
EPS growth (%)	3.2	5.7	(13.0)	17.6
RoAE (%)	19.5	13.8	10.1	10.7
P/E (x)	11.6	11.0	12.6	10.7
EV/EBITDA (x)	5.2	4.8	4.4	3.8
Dividend yield (%)	0.2	0.2	0.2	0.2

### CHANGE IN ESTIMATES

Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	65,734	76,373	0%	0%
EBITDA	8,128	9,596	0%	0%
Adjusted profit	5,800	6,821	14%	12%
Diluted EPS (INR)	22.6	26.6	14%	12%

### PRICE PERFORMANCE



## Asset monetisation brings cheer

PNC Infratech (PNC) reported a 31% YoY contraction in Q4FY25 revenue to INR14.1bn while EBITDA margins fell ~70bp YoY to 12.4%. Adjusted PAT too plunged 34% YoY. Including L1 orders, order book at the end of FY25 came in at ~INR178bn (book-to-bill of 3.5x). PNC has completed the sale of ten HAM projects for ~INR18.3bn; sale of two more projects for ~INR6.3bn is likely to get concluded in H1FY26.

While PNC's operating performance has remained soft, improving balance sheet health and higher other income compel us to revise FY26E/27E EPS upwards by 14%/12% and P/E multiple to 8x from 7x earlier. Retain 'HOLD' with an SotP-based TP of INR286 (INR281 earlier) while we rollover valuation to Q4FY27E.

### Weak operating performance overall

While the Q4FY25 top line slid 31% YoY (up 17% QoQ), EBITDA margin fell 70bp YoY (up 30bp QoQ) to 12.4% dragging adjusted PAT down 34% YoY (up 46% QoQ). The company ended the quarter with an order book of ~INR178bn (book-to-bill of 3.5x); while revenue visibility looks healthy, it is more due to a fall in top line in FY25 rather than strong order intake. PNC won orders worth ~INR67bn in FY25 and is targeting INR150bn new orders in FY25E. It has guided for a 20% YoY increase in top line for FY26E with 13% EBITDA margins.

### Asset monetisation a positive

In Jan-24, the company had signed an SPA with Highways Infrastructure Trust (HIT) InvIT, an affiliate of KKR, to divest 12 projects (11 HAM and one BOT-toll asset) for an aggregate enterprise value of INR90bn (equity value of ~INR29bn). The total equity value was likely to be INR29bn (including cash) on an investment of INR17.4bn, which translates to a P/BV of 1.7x.

The company has completed the divestment of ten HAM projects for an equity value of ~INR18.3bn in May-25 (on an investment of INR13.7bn, which translates to a P/BV of ~1.3x). Of the sale consideration of ~INR18.3bn, it has already received ~INR16.7bn funds while the balance will be received after completion of certain contractual conditions. PNC would book INR4.6bn capital gains (pre-tax) and ~INR4bn (post-tax) in its consolidated financial statements on account of this sale. There are certain other receivables of ~INR2bn that the company would receive as stipulated in the definitive agreements, upon realisation of the same by the SPVs. PNC expects to complete the sale of two more projects in H1FY26 for an equity value of ~INR6.3bn (on an investment of ~INR4.1bn, which translates to a P/BV of ~1.5x).

### Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	14,146	20,452	(30.8)	12,051	17.4
EBITDA	1,758	2,684	(34.5)	1,460	20.5
Adjusted Profit	1,210	1,836	(34.1)	826	46.4
Diluted EPS (INR)	4.7	7.2	(34.1)	3.2	46.4

## Financial Statements

### Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	74,024	55,131	65,734	76,373
Gross profit	17,110	17,210	15,919	18,571
Employee costs	3,557	3,495	3,944	4,506
Other expenses	3,747	3,226	3,847	4,470
EBITDA	9,806	10,489	8,128	9,596
Depreciation	1,033	900	941	1,031
Less: Interest expense	658	763	750	800
Add: Other income	278	663	1,317	1,354
Profit before tax	8,393	9,457	7,754	9,119
Prov for tax	2,863	2,401	1,954	2,298
Less: Other adj	2,968	0	0	0
Reported profit	8,498	7,056	5,800	6,821
Less: Excp.item (net)	(2,187)	(387)	0	0
Adjusted profit	6,310	6,669	5,800	6,821
Diluted shares o/s	257	257	257	257
Adjusted diluted EPS	24.6	26.0	22.6	26.6
DPS (INR)	0.6	0.6	0.6	0.6
Tax rate (%)	34.1	25.4	25.2	25.2

### Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Book-to-bill ratio (x)	2.1	2.5	2.0	1.6
Orderbook (INR bn)	154.9	137.0	128.4	124.2
Gross margin (%)	23.1	31.2	24.2	24.3
EBITDA margin (%)	13.2	19.0	12.4	12.6
Net profit margin (%)	8.5	12.1	8.8	8.9
Revenue growth (% YoY)	4.8	(25.5)	19.2	16.2
EBITDA growth (% YoY)	2.8	7.0	(22.5)	18.1
Adj. profit growth (%)	3.2	5.7	(13.0)	17.6

### Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.5	6.3	6.5	6.5
Repo rate (%)	6.5	5.3	5.3	5.3
USD/INR (average)	84.0	82.0	82.0	82.0
Interest cost (%)	0.9	1.4	1.1	1.0
Employee cost (%)	4.8	6.3	6.0	5.9
Other exp. (%)	5.1	5.9	5.9	5.9
Other inc. (%)	0.4	1.2	2.0	1.8
Dep. (% gr. block)	8.4	7.2	6.8	6.9
Effect. tax rate (%)	34.1	25.4	25.2	25.2

### Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	11.6	11.0	12.6	10.6
Price/BV (x)	1.5	1.3	1.2	1.1
EV/EBITDA (x)	5.2	4.8	4.4	3.8
Dividend yield (%)	0.2	0.2	0.2	0.2

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	513	513	513	513
Reserves	47,300	54,237	59,883	66,550
Shareholders funds	47,813	54,750	60,396	67,064
Minority interest	0	0	0	0
Borrowings	3,821	3,998	3,998	5,998
Trade payables	9,334	9,083	11,389	12,365
Other liabs & prov	4,789	5,655	63	122
Total liabilities	72,467	81,015	88,950	1,01,289
Net block	4,712	4,054	4,363	4,583
Intangible assets	27	25	0	0
Capital WIP	0	3	3	3
Total fixed assets	4,739	4,082	4,366	4,586
Non current inv	16,638	20,166	6,386	9,836
Cash/cash equivalent	7,126	8,368	22,353	23,806
Sundry debtors	19,505	17,292	20,528	23,413
Loans & advances	1,085	1,130	1,347	1,565
Other assets	19,269	25,176	28,687	32,009
Total assets	72,467	81,015	88,950	1,01,289

### Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	8,498	7,056	5,800	6,821
Add: Depreciation	1,033	900	941	1,031
Interest (net of tax)	434	569	561	598
Others	(1,196)	226	285	248
Less: Changes in WC	5,161	2,963	5,156	3,545
Operating cash flow	3,607	5,788	2,431	5,153
Less: Capex	432	244	1,250	1,250
Free cash flow	3,175	5,544	1,181	3,903

### Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	19.5	13.8	10.1	10.7
RoCE (%)	18.9	18.6	13.8	14.4
Inventory days	49	78	70	70
Receivable days	95	122	105	105
Payable days	52	89	75	75
Working cap (% sales)	44.0	66.9	93.0	89.0
Gross debt/equity (x)	0.1	0.1	0.1	0.1
Net debt/equity (x)	(0.1)	(0.1)	(0.3)	(0.3)
Interest coverage (x)	13.3	12.6	9.6	10.7

### Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	3.2	5.7	(13.0)	17.6
RoE (%)	19.5	13.8	10.1	10.7
EBITDA growth (%)	2.8	7.0	(22.5)	18.1
Payout ratio (%)	1.8	2.2	2.7	2.3

## Exhibit 1: Financial snapshot

Standalone (INR mn)	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ	FY24	FY25	FY26E	FY27E
Revenue	14,146	20,452	(30.8)	12,051	17.4	74,024	55,131	65,734	76,373
Direct cost	10,715	15,392	(30.4)	8,947	19.8	56,914	37,921	49,815	57,802
Staff cost	911	984	(7.5)	853	6.9	3,557	3,495	3,944	4,506
Other expenditure	761	1,391	(45.3)	791	(3.7)	3,747	3,226	3,847	4,470
Total expenditure	12,387	17,768	(30.3)	10,591	17.0	64,218	44,643	57,606	66,777
EBITDA	1,758	2,684	(34.5)	1,460	20.5	9,806	10,489	8,128	9,596
Depreciation	223	266	(16.1)	226	(1.4)	1,033	900	941	1,031
EBIT	1,535	2,419	(36.5)	1,233	24.5	8,773	9,589	7,187	8,565
Less: Interest Expense	266	135	96.1	217	22.4	658	763	750	800
Add: Other income	289	100	188.2	159	81.2	278	663	1,317	1,354
Add: Prior period items	0	0	nm	0	nm	0	-32	0	0
Add: Exceptional items	0	2,968	nm	0	nm	2,968	0	0	0
PBT	1,558	5,351	(70.9)	1,176	32.5	11,361	9,457	7,754	9,119
Tax	348	1,328	nm	349	(0.2)	2,863	2,401	1,954	2,298
Reported profit	1,210	4,023	(69.9)	826	46.4	8,498	7,056	5,800	6,821
Adjusted profit	1,210	1,836	(34.1)	826	46.4	6,310	6,669	5,800	6,821
Equity capital	513	513		513		513	513	513	513
No. of Diluted shares outstanding (mn)	257	257		257		257	257	257	257
Adjusted Diluted EPS	4.7	7.2	(34.1)	3.2	46.4	24.6	26.0	22.6	26.6
As % of net revenues	YoY bps			QoQ bps					
Direct cost	75.7	75.3	48.7	74.2	150.0	76.9	68.8	75.8	75.7
Other expenses	5.4	6.8	(141.8)	6.6	(118.1)	5.1	5.9	5.9	5.9
EBITDA	12.4	13.1	(69.6)	12.1	31.6	13.2	19.0	12.4	12.6
Adjusted profit	8.6	9.0	(42.6)	6.9	169.3	8.5	12.1	8.8	8.9
Tax rate	22.4	24.8	(245.3)	29.7	(734.3)	25.2	25.4	25.2	25.2

Source: Company, Nuvama Research

## Conference call key highlights

### FY26 guidance

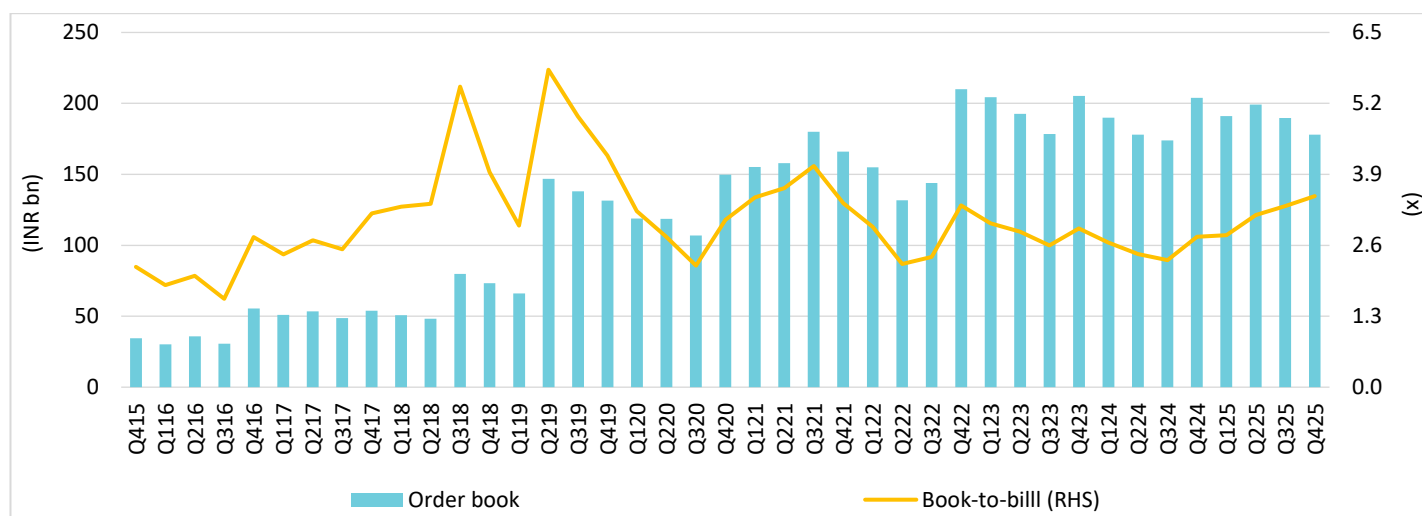
- **Order intake:** INR150bn
- **Revenue:** 20% YoY revenue growth
- **EBITDA margin:** 13%

### Order book decreases QoQ

The company ended FY25 with an order book of ~INR178bn (book-to-bill of 3.5x).

PNC has a bid pipeline of ~INR1tn orders across segments like roads, railways, metro rail, smart meters, renewable power, coal mining, airport and building construction.

**Exhibit 2: Revenue visibility improves in Q4FY25**



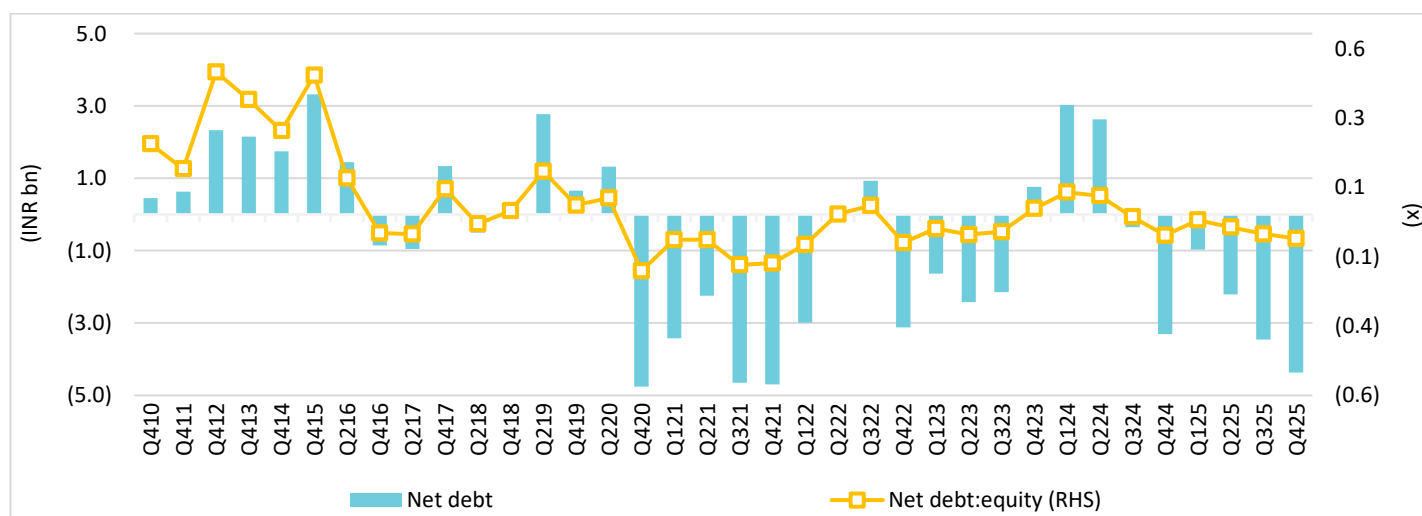
Source: Company, Nuvama Research

Note: Includes orders won, but not included in order book starting Q2FY19.

## Company improves net cash position QoQ

While standalone gross debt was largely flat QoQ at ~INR4bn, cash levels rose to ~INR8.4bn (~INR7.4bn in Q3FY25). As a result, the company ended the quarter with net cash of INR4.4bn (INR3.5bn in Q3FY25). The net debt to equity is negative 0.1x.

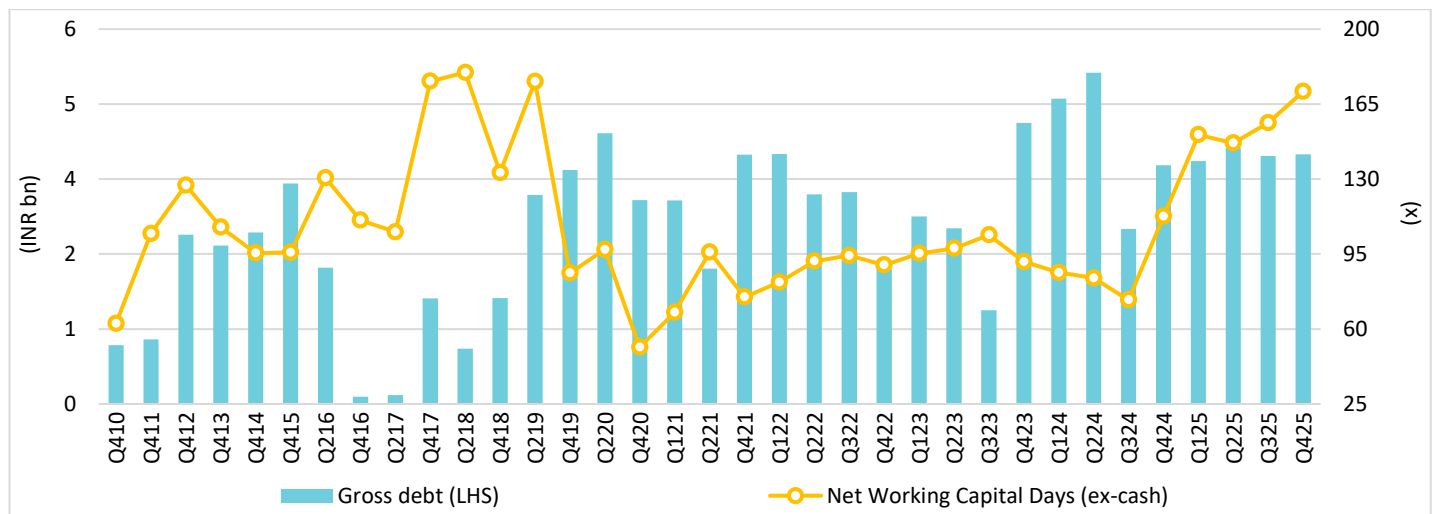
**Exhibit 3: Leverage remains low**



Source: Company, Nuvama Research

The net working capital cycle however increased to 171 days (156 days at end-Q3FY25) due to high levels of debtors from HAM SPVs and JJM projects (~INR7–7.2bn each).

Exhibit 4: Working capital cycle increases QoQ

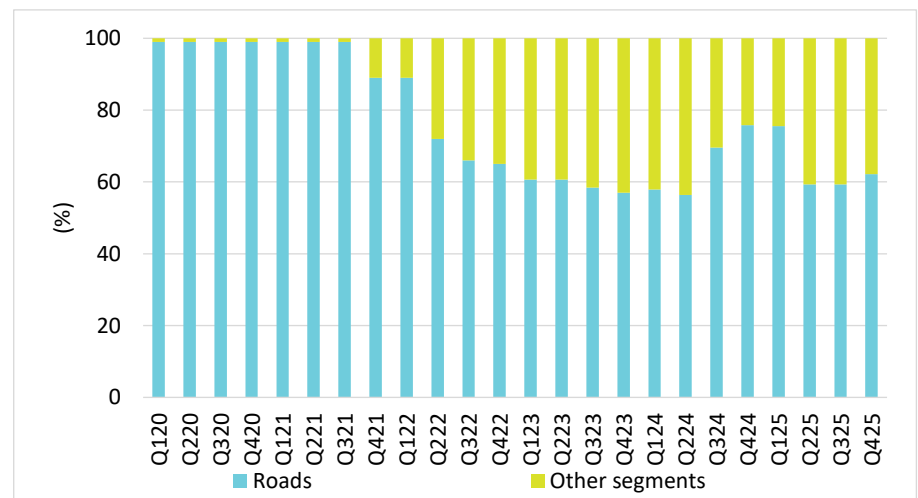


Source: Company, Nuvama Research

## Q4FY25 conference call highlights

- **Order book split:** Road projects constitute 63% of the order-book with the balance coming from water/canal projects and a city development project from CIDCO.

Exhibit 5: Order book split over quarters



Source: Company, Nuvama Research

- **Andhra irrigation project:** Work on the project gathered pace in Q4FY25 as water levels in the canals came down. The pending order book in this project is ~INR8.5bn.
- **Water supply projects:** The company's share of work in various projects received under the 'Jal Jeevan Mission' (JJM) project in Uttar Pradesh is ~4,800 villages.

PNC had booked INR10.4bn revenue on the project till end-FY23; execution during FY24 stood at INR19bn while that INFY25 stood at ~INR8.3bn.

- **Our view on water projects:** Over the past couple of years, the government had made its intention clear about targeting the water-supply segment in a big way. It had launched the Jal Jeevan Mission, envisioned to provide safe and adequate drinking water through individual household tap connections by 2024 to all households in rural India. The government expanded this mission till 2028 in this budget.

**Exhibit 6: Budgeted outlay for water segment lower YoY**

Particulars (INR bn)	FY21	FY22	FY23	FY24	FY25(B.E.)	FY25 (R.E.)	FY26 (B.E.)	FY26/FY25(BE)	FY26/FY25(RE)
Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission	110	631	547	700	702	227	670	-5%	195%
Swachh Bharat Mission (Rural)	-	31	49	65	72	72	72	0%	0%

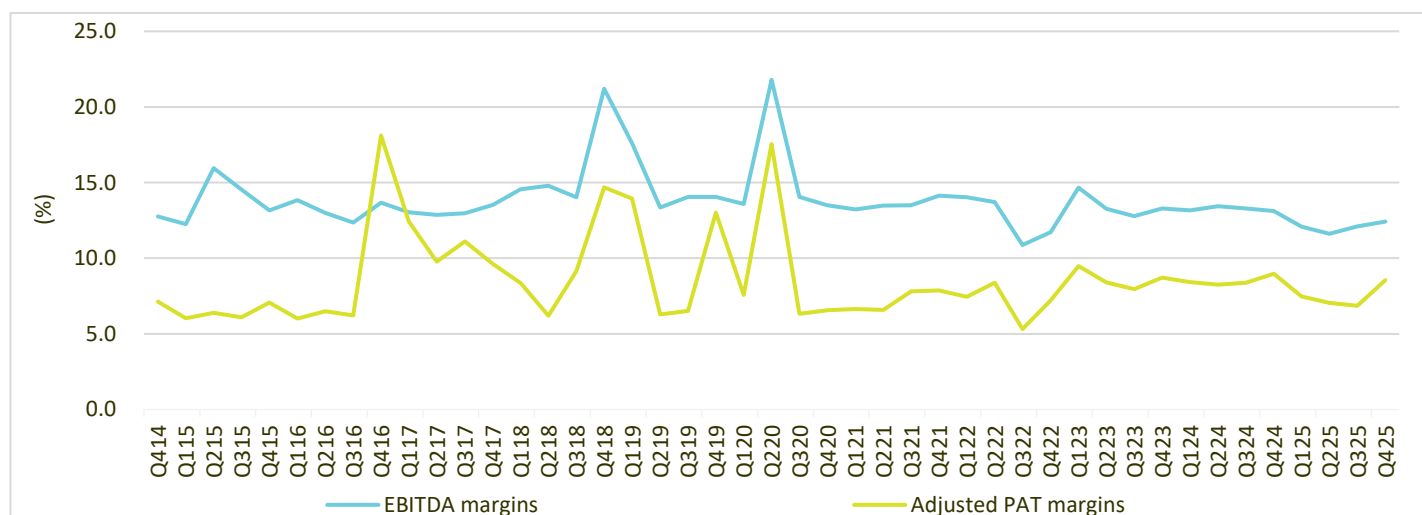
Source: Government documents, Nuvama Research

Note: RE – Revised Estimate, BE – Budgeted Estimate

In the budget, the outlay for water supply has declined ~5% YoY to INR742bn; the outlay for JJM component has also declined 5% YoY compared to FY25 (BE).

- **Margins:** Adjusted EBITDA margin came in at 12.41% (down ~70bp YoY/but up ~30bp QoQ) while adjusted PAT margin at 8.6% was down 40bp YoY/but up 170bp QoQ.

**Exhibit 7: EBITDA margin dip YoY in Q4FY25**



Source: Company, Nuvama Research

- **Equity requirement:** PNC has total 13 HAM assets left post the asset monetisation completed recently. Total equity requirement is INR30.9bn of which the company has already infused ~INR22.8bn till date. The balance requirement is INR17.4bn of which the company has already infused INR9.8bn equity. The balance INR7.6bn equity would be invested over the next two–three years (~INR4bn in FY26E).
- Apart from the asset monetisation of ten HAM projects, PNC, through its aforesaid SPVs, will be receiving an amount of ~INR6.2bn (of which it has received ~INR5.8bn) towards certain additional items of work executed under the Change of Scope (COS) provisions of the agreements.
- The company is yet to receive appointed date (AD) for four HAM projects; it expects AD for one HAM project by Jun-25 and for the balance three HAM projects in Q2FY26.
- PNC is looking at PPP projects in roads (HAM, BOT) as well as other sectors

## Company Description

Incorporated in 1999, PNC is a civil engineering and infrastructure development company with expertise in execution of highways, bridges, flyovers, airport runways, power transmission lines, railway projects, development of industrial areas, etc. The company is also present in the asset development space.

It went public in May 2015 with an IPO of ~12.9mn shares at INR378 per share, aggregating INR4.9bn (comprising fresh issue of 11.5mn shares aggregating INR4.4bn and an offer-for-sale of 1.42mn shares by NYLIM Jacob Ballas aggregating ~INR537mn). The issue proceeds were utilised for capex and working capital requirements, debt repayment and equity commitment for a BOT project.

## Investment Theme

PNC, an established player in India's roads sector, specialises in executing large-scale EPC contracts with special focus on North and Central India. A conservative bidding strategy centred on 'cluster-based' project location (helping it reap backward integration benefits), strong asset base and lean working capital have reinforced its credentials.

A measured approach to sectoral diversification and gradual entry in BOT/HAM projects place PNC in a sweet spot to capture large upcoming opportunities in the infra space. In order to insulate itself from any slowdown in the roads sector (its bread and butter) and expand growth opportunities, PNC is steadily venturing into segments such as airport runways and water supply.

## Key Risks

**Execution risk:** While PNC has excellent execution skills, a potential entry in new segments and geographies exposes it to execution risk. Moreover, the average size of projects is increasing, not to mention their more complex nature compared to what the company has executed so far. Completion of such projects without time and cost overruns is paramount to sustaining profitability.

**Concentration risk:** The company's order book is regionally concentrated, primarily in North and Central India. This exposes PNC to concentration risk.

**Inherent risks associated with toll projects:** PNC's presence in the toll road segment exposes it to risks associated with unpredictability of traffic growth, etc.

## Additional Data

### Management

Chairman & MD	Pradeep Jain
MD	Chakresh Jain
MD	Yogesh Jain
Director	Anil Rao
Auditor	NSBP & Company

### Holdings – Top 10\*

	% Holding		% Holding
HDFC small cap	9.59	Master Trust B	1.68
HSBC	3.29	Axis MF	1.48
ICICI Pru	3.00	Tata MF	1.29
UTI MF	2.73	Dimensional Fun	0.97
Nippon MF	2.12	Norges Bank	0.60

\*Latest public data

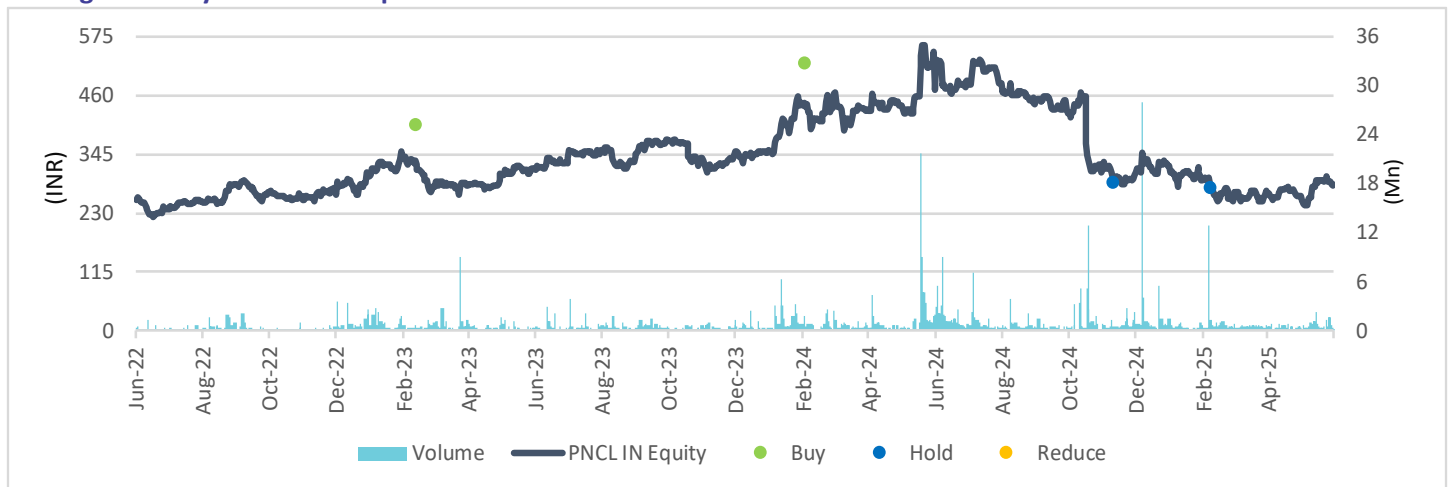
### Recent Company Research

Date	Title	Price	Reco
11-Feb-25	Challenging times; <i>Result Update</i>	288	Hold
14-Nov-24	PNC Infratech (PNCL IN, INR 309, downgra; <i>Result Update</i>	309	Hold
21-Oct-24	Potholes block the road temporarily; <i>Company Update</i>	459	Under Review

### Recent Sector Research

Date	Name of Co./Sector	Title
02-Jun-25	Ahluwalia Contracts	Execution and margins improve; <i>Result Update</i>
02-Jun-25	Titagarh	Mixed bag; <i>Result Update</i>
02-Jun-25	Infrastructure	Road awarding and construction pick up; <i>Sector Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	203
Hold	<15% and >-5%	62
Reduce	<-5%	37



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