



India

ADD (previously HOLD)

Consensus ratings*: Buy 10 Hold 6 Sell 1

Current price:	Rs287
Target price: ▲	Rs350
Previous target:	Rs309
Up/downside:	22.0%
InCred Research / Consensus:	-8.2%
Reuters:	PNCI.NS
Bloomberg:	PNCL IN
Market cap:	US\$848m
	Rs73,640m
Average daily turnover:	US\$5.3m
	Rs458.3m
Current shares o/s:	256.5m
Free float:	43.9%

*Source: Bloomberg

Key changes in this note

- Roll forward our valuation to Mar 2026F.
- Reduce FY26F EBITDA estimate by 4%.
- Introduce FY27F estimates.



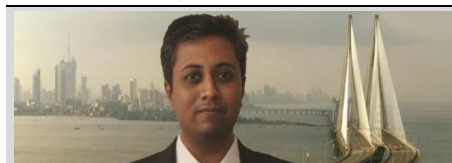
Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(3.0)	(10.8)	(32.9)
Relative (%)	(1.6)	(8.0)	(37.4)

Major shareholders

	% held
Promoter and Promoter group	56.1
HDFC Small Cap Fund	8.7
ICICI Prudential	3.7

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PNC Infratech Ltd

Ingredients in place for a rebound in FY26F

- PNC Infratech posted very weak 3Q results (EBITDA fell 39% yoy) & is looking to FY26F for a rebound. Order book/sales of 3.3x is likely to drive FY26F sales.
- MoRTH has reduced the disqualification period from one year to four months.
- We roll forward our valuation to Mar 2026F. After a 40% fall in the share price in the last six months, we upgrade the stock to ADD with a higher TP of Rs350.

Very weak 3QFY25 results, looking to FY26F for a rebound

EPC sales (Rs12bn) & EBITDA (Rs1.46bn) of PNC Infratech (PNC) in 3QFY25 fell 33%/39% yoy, respectively. Sales in 9MFY25 dipped by 32% yoy. PNC expects EPC sales of Rs16-17bn in 4QFY25F & a 30% yoy rise in FY26F. We factor in Rs16bn EPC sales in 4QFY25F & a 20% yoy rise in FY26F. While the EBITDA margin in 9MFY25 was 12%, PNC gave guidance of 13% EBITDA margin in FY26F (slightly above our 12.5% estimate).

Reasonable 3.3x order book/sales ratio likely to drive FY26F sales

The order book (including projects worth Rs41bn where the appointed date is awaited) stood at Rs190bn (3.3x trailing 12-month sales). Excluding the orders where the appointed date is awaited, the OB/ sales ratio stood at 2.6x. In 9MFY25, PNC won orders worth Rs66bn (two EPC projects from MSRDC worth Rs46bn and one EPC project from CIDCO worth Rs20bn). While PNC is optimistic of Rs130-150bn of order inflow each in FY25F/26F, we factor in Rs68bn/Rs70bn of order inflow in FY25F/26F, respectively. PNC has equity capital requirement of Rs8bn in HAM projects over the next two-to-three years.

MoRTH reduces disqualification period from one year to four months

On 18 Oct 2024, the Ministry of Road Transport and Highways (MoRTH) disqualified PNC from participating in tenders for one year. PNC filed petitions (21 Oct 2024) before the Delhi High Court challenging the order. This was dismissed by the court on 29 Oct 2024. PNC submitted its plea to MoRTH (21 Nov 2024) for revocation of the disqualification. Further, the MoRTH disqualification order and the order of the Delhi High Court have been challenged by PNC on 27/28 Nov 2024. Delhi High Court (19 Dec 2024) directed MoRTH to consider PNC's petition. In response, MoRTH on 6 Feb 2025 reduced the disqualification from submitting tenders from one year to four months subject to completion of certain procedures with the National Highways Authority of India (NHAI). This is a significant positive as road construction accounts for ~80% of PNC's order book.

Roll forward our valuation; upgrade to ADD with a new TP of Rs350

We have cut FY26F EBITDA by 4% and introduced FY27F estimates. We roll forward our valuation to Mar 2026F (from Mar 2025F earlier), valuing the EPC business at at 6x EV/EBITDA FY27F (slightly above the six-year median EV/EBITDA of 5.4x). Over the last six months, the stock price fell 40% and is currently trading at 4.5x FY26F EV/EBITDA. We value the divested assets at transaction value & operational BOT assets using the discounted cash flow (DCF) method. We raise our target price to Rs350 (Rs309 earlier) and upgrade the stock's rating to ADD (HOLD earlier). Downside risk: Weak order inflow in FY26F.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	79,561	83,531	62,120	71,572	76,759
Operating EBITDA (Rsm)	16,000	17,077	13,481	14,358	14,606
Net Profit (Rsm)	6,585	9,094	2,627	3,228	3,613
Core EPS (Rs)	25.7	23.9	10.2	12.6	14.1
Core EPS Growth	13.1%	(7.0%)	(57.1%)	22.9%	11.9%
FD Core P/E (x)	11.18	12.02	28.03	22.81	20.38
DPS (Rs)	0.5	0.5	0.6	0.6	0.7
Dividend Yield	0.22%	0.22%	0.24%	0.26%	0.29%
EV/EBITDA (x)	8.01	8.01	16.84	15.20	11.97
P/FCFE (x)	(132.39)	10.48	(7.13)	11.12	21.06
Net Gearing	133.9%	131.5%	291.8%	261.2%	175.0%
P/BV (x)	1.72	1.42	1.36	1.28	1.21
ROE	16.6%	12.9%	4.9%	5.8%	6.1%
% Change In Core EPS Estimates			(53.12%)	(47.63%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Ingredients in place for a rebound in FY26F

Figure 1: Standalone income statement

(Rs. m)	Quarter ended				
	3QFY25	3QFY24	% Chg	2QFY25	% Chg
Net Sales	12,051	18,027	-33	11,491	5
EBITDA	1,460	2,395	-39	1,336	9
Other income	159	42	277	129	23
Depreciation	226	261	-13	226	0
Interest	217	172	26	152	43
PBT	1,176	2,004	-41	1,088	8
Tax	349	493	-29	279	25
Adjusted PAT	826	1,511	-45	809	2
EBITDA margin (%)	12.1	13.3		11.6	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Key metrics

	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Order book (Rs bn)	174	154	141	199	190
Order book/ TTM sales (x)	2.3	2.1	2.1	3.2	3.3
Order book from Roads & Canal %	75	76	82	84	84
NWC / Sales (days)	73	102	121	144	167

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Key financials of EPC segment

(Rs bn)	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F
Closing Order book	116.5	146.6	156.8	154.0	169.8	176.6	177.1
Order Flow	79.4	93.2	80.4	71.3	68.4	70.0	70.0
Sales	49.3	63.1	70.2	74.0	52.6	63.2	69.5
yoy growth %	3.3	28.0	11.4	5.4	-28.9	20.0	10.0
OB/ TTM Sales (x)	2.4	2.3	2.2	2.1	3.2	2.8	2.5
EBITDA margin %	13.7	12.5	13.1	13.2	11.9	12.5	12.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Our revised earnings estimates

(Rs m)	FY25F		FY26F		FY27F
	Old	New	Old	New	
Sales	68,794	62,120	73,649	71,572	76,759
% change		-10		-3	
EBITDA	14,482	13,481	14,944	14,358	14,606
% change		-7		-4	
PAT	3,377	2,627	4,042	3,228	3,613
% change		-22		-20	

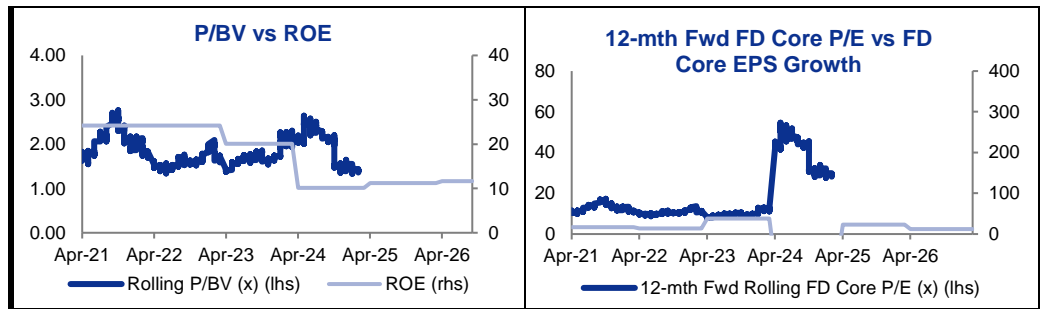
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: PNC Infratech trades at 4.5x FY26F EV/EBITDA vs. its six-year median of 5.4x



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	79,561	83,531	62,120	71,572	76,759
Gross Profit	29,179	27,538	40,378	46,522	49,893
Operating EBITDA	16,000	17,077	13,481	14,358	14,606
Depreciation And Amortisation	(2,533)	(1,768)	(2,112)	(1,949)	(1,777)
Operating EBIT	13,467	15,309	11,369	12,409	12,829
Financial Income/(Expense)	(4,699)	(6,605)	(6,799)	(6,946)	(6,758)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	806	815	800	800	801
Profit Before Tax (pre-EI)	9,575	9,519	5,370	6,263	6,872
Exceptional Items					
Pre-tax Profit	9,575	9,519	5,370	6,263	6,872
Taxation	(2,990)	(3,393)	(2,743)	(3,035)	(3,259)
Exceptional Income - post-tax		2,968			
Profit After Tax	6,585	9,094	2,627	3,228	3,613
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	6,585	9,094	2,627	3,228	3,613
Recurring Net Profit	6,585	6,126	2,627	3,228	3,613
Fully Diluted Recurring Net Profit	6,585	6,126	2,627	3,228	3,613

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	16,000	17,077	13,481	14,358	14,606
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(25,333)	(18,666)	(93,240)	4,671	39,841
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(4,699)	(6,605)	(6,799)	(6,946)	(6,758)
Tax Paid	(2,990)	(3,393)	(2,743)	(3,035)	(3,259)
Cashflow From Operations	(17,022)	(11,587)	(89,302)	9,048	44,430
Capex	(512)	(453)	(1,552)	(987)	(1,546)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	1,122	(1,999)			
Other Investing Cashflow	806	3,783	800	800	801
Cash Flow From Investing	1,417	1,331	(752)	(187)	(745)
Debt Raised/(repaid)	15,049	17,280	79,728	(2,237)	(40,188)
Proceeds From Issue Of Shares	145	64			
Shares Repurchased					
Dividends Paid	(160)	(160)	(176)	(194)	(213)
Preferred Dividends					
Other Financing Cashflow	162	(205)			
Cash Flow From Financing	15,196	16,979	79,552	(2,431)	(40,401)
Total Cash Generated	(409)	6,724	(10,502)	6,430	3,284
Free Cashflow To Equity	(556)	7,025	(10,326)	6,624	3,497
Free Cashflow To Firm	(10,906)	(3,650)	(83,255)	15,806	50,443

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	7,063	13,787	3,285	9,714	12,998
Total Debtors	79,223	98,632	188,898	184,753	145,228
Inventories	7,644	7,650	5,265	6,318	6,950
Total Other Current Assets	16,368	19,327	17,016	18,069	18,700
Total Current Assets	110,299	139,396	214,463	218,854	183,876
Fixed Assets	12,907	11,592	11,033	10,071	9,840
Total Investments	3,327	5,114	5,114	5,114	5,114
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	16,234	16,706	16,147	15,185	14,954
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	18,556	22,264	14,593	17,225	18,805
Total Current Liabilities	18,556	22,264	14,593	17,225	18,805
Total Long-term Debt	64,703	81,983	161,711	159,475	119,287
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	64,703	81,983	161,711	159,475	119,287
Total Provisions	212	7	7	7	7
Total Liabilities	83,471	104,254	176,311	176,707	138,098
Shareholders Equity	42,850	51,848	54,299	57,333	60,732
Minority Interests	210				
Total Equity	43,060	51,848	54,299	57,333	60,732

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	10.4%	5.0%	(25.6%)	15.2%	7.2%
Operating EBITDA Growth	4.3%	6.7%	(21.1%)	6.5%	1.7%
Operating EBITDA Margin	20.1%	20.4%	21.7%	20.1%	19.0%
Net Cash Per Share (Rs)	(224.68)	(265.83)	(617.55)	(583.77)	(414.32)
BVPS (Rs)	167.03	202.11	211.66	223.49	236.74
Gross Interest Cover	2.87	2.32	1.67	1.79	1.90
Effective Tax Rate	31.2%	35.6%	51.1%	48.5%	47.4%
Net Dividend Payout Ratio	1.7%	1.7%	3.3%	3.1%	3.1%
Accounts Receivables Days	315.92	388.58	844.72	952.76	784.55
Inventory Days	45.10	49.85	108.41	84.38	90.13
Accounts Payables Days					
ROIC (%)	18.1%	15.7%	9.9%	6.0%	6.4%
ROCE (%)	13.9%	12.7%	6.5%	5.7%	6.5%
Return On Average Assets	12.3%	11.4%	6.3%	5.7%	6.3%

Key Drivers					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Outstanding Orderbook	156,760	154,000	169,752	176,575	177,079
Orderbook Replenishment	80,368	71,264	68,400	70,000	70,000

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.