

Pick of the week



PNC Infratech Ltd

Recommendation

Buy

Time Period

12 Months

Current Price

₹ 194

Target Price

₹ 251

Potential Upside

29.4%

Investment Argument

- PNC Infratech Ltd (PNC) is present in the business of construction and infrastructure development with expertise in highways, bridges, flyovers, airport runways, etc. It is executing road projects on EPC contract basis and is also operating 6 BOT projects, 1 OMT project and developing 7 HAM road projects.
- PNC has total 7 HAM projects costing Rs 88.97 bn, out of which six are in construction phase while in balance one it is awaiting appointed date.
- PNC reported strong Q2FY20 result and was ahead of our estimates led by robust execution and contribution from new projects where appointed date was received.
- PNC has robust total order book of Rs 119 bn (including HAM/EPC projects where appointed date not yet received) which is ~3.8x its FY19 revenue, and gives strong revenue growth visibility for the next 2-3 years.
- The company has upgraded revenue growth guidance to 50-60% Vs 45-50% for FY20E and maintained EBITDA margin guidance at 13.5-14% for FY20E, based on very strong execution in H1FY20.
- We have BUY rating on the stock with sum of the parts (SOTP) based target price of Rs 251, which includes Rs 210/share for construction business and Rs 41/ share for BOT/HAM projects.