

Patel Engineering

BUY

An engineering behemoth

Summary

Patel Engineering (PEC) founded in 1949, is into construction of complex civil infra work like hydro power plant, tunnelling, Urban Infra, irrigation and others. It has seen multiple capex cycle in India, and currently has an order book of Rs191bn (which is 4x TTM revenue). Up-cycle in its order inflow has started post Covid and in FY23 it has received highest ever annual order inflow of Rs78bn. Company is one the major beneficiary of Infra capex for hydro plant & it expect bidding opportunity of 30GW+ in sector. After reporting revenue CAGR in double digit at 18% over FY20-23, its YTD FY24 revenue increased by 20% YoY. Leverage in PEC has tapered off to 0.6x in 9MFY24 vs ~1x before covid. This is led by internal accrual, non-core asset sale & equity raise in the last 4 years.

Key Highlights and Investment Rationale

- 7+ decade of experience:** Headquartered in Mumbai, company has successfully completed 250 projects, including 85+ dams, 300kms+ tunnels, 12000+mwh hydroelectric projects & 1200kms+ roads. It currently has market share of 45% in under-construction hydro plant in India.
- Order book and margin:** PEC order book of Rs191bn is from sector like hydro, irrigation, tunnel work, which contributes 90% to its book. It's presence in construction of complex infra which is technology and machinery heavy, has enabled it to get EBITDA margin of 14% (9MFY24).
- Balance sheet, +ve OCF:** PEC has reported positive OCF in the last 4 years and its working capital days is 100 with large part coming from sticky arbitration claims and land. Out of Rs12bn arbitration awards it expects recovery of Rs2-3bn in the next 1 year & receive Rs2-3bn from sale of land in the next 2 years. Both will enable it to reduce leverage & provide funds for working capital.

TP	Rs76
CMP	Rs50
Potential upside/downside	54%

Price Performance (%)

	-1m	-3m	-12m
Absolute	(14.0)	(10.0)	(22.7)
Rel to Sensex	(9.6)	(5.7)	(32.2)

V/s Consensus

EPS (Rs)	FY24E	FY25E	FY26E
IDBI Capital	--	--	--
Consensus	--	--	--
% difference	--	--	--

Key Stock Data

Bloomberg/Reuters	PEC IN/PENG.BO
Sector	Infrastructure
Shares o/s (mn)	844
Market cap. (Rs mn)	41,805
3-m daily avg Trd value(Rs mn)	21.9
52-week high / low	Rs79 / 46
Sensex / Nifty	78,148 / 23,689

Shareholding Pattern (%)

Promoters	36.1
FII	3.1
DII	4.5
Public	56.3

Financial snapshot

(Rs mn)

Year	FY23	FY24	FY25E	FY26E	FY27E
Revenue	38,171	44,120	49,219	55,354	62,828
Change (yoy, %)	26%	16%	12%	12%	14%
EBITDA	5,405	6,201	7,014	7,982	8,893
Change (yoy, %)	18%	15%	13%	14%	11%
EBITDA Margin(%)	14.2	14.1	14.3	14.4	14.2
Net Profit	1,556	2,856	3,344	3,829	4,439
EPS (Rs)	3.2	3.7	4	5	5
Change (yoy, %)	172%	14%	12%	10%	16%
PE(x)	25	22	13	11	10
Dividend Yield (%)	-	-	-	-	-
PBV (x)	8	6	5.5	4.7	4.1
RoE (%)	6	6	10	9	10
RoCE (%)	10	11	11	11	12

Source: IDBI Capital Research, Company

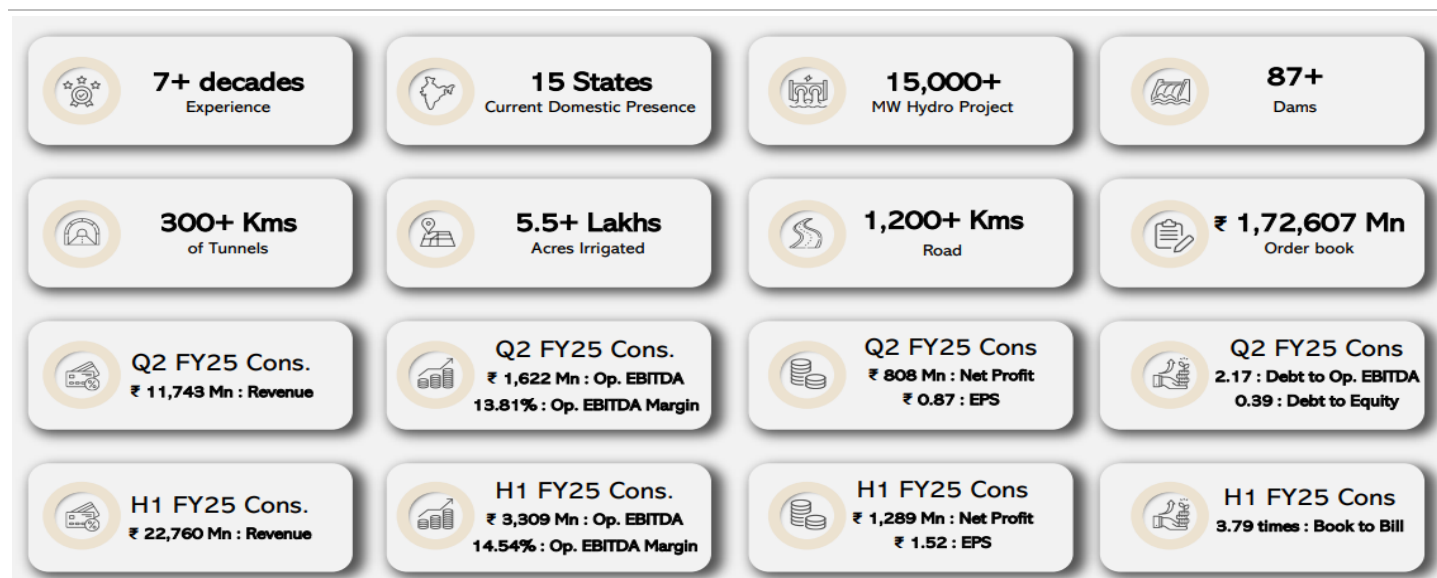
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About the company

- Patel Engineering Ltd, founded in 1949, is one of the major Infrastructure and Construction services company in India. It has PQ (Pre-Qualification) in construction work in Infrastructure segment like dams, tunnels, micro-runnels, hydroelectric projects, irrigation projects, highways, roads, bridges, railways, refineries to real estates and townships.
- Company has successfully completed over 250 projects, including 87+ dams, 300kms+ tunnels, 15000+mwh hydroelectric projects & 1200kms+ roads.
- Headquartered in Mumbai, it also has experience in execution of projects international markets like Indonesia, Singapore, Nepal & Mauritius.
- Key projects executed are 520MW Tapovan Hydro Electric Project, 412MW Rampur Hydro plant, 800MW Parbati hydro, 600MW Kameng project, & various Irrigation projects.

Exhibit 1: Key numbers, highlighting company's track record



Source: Company

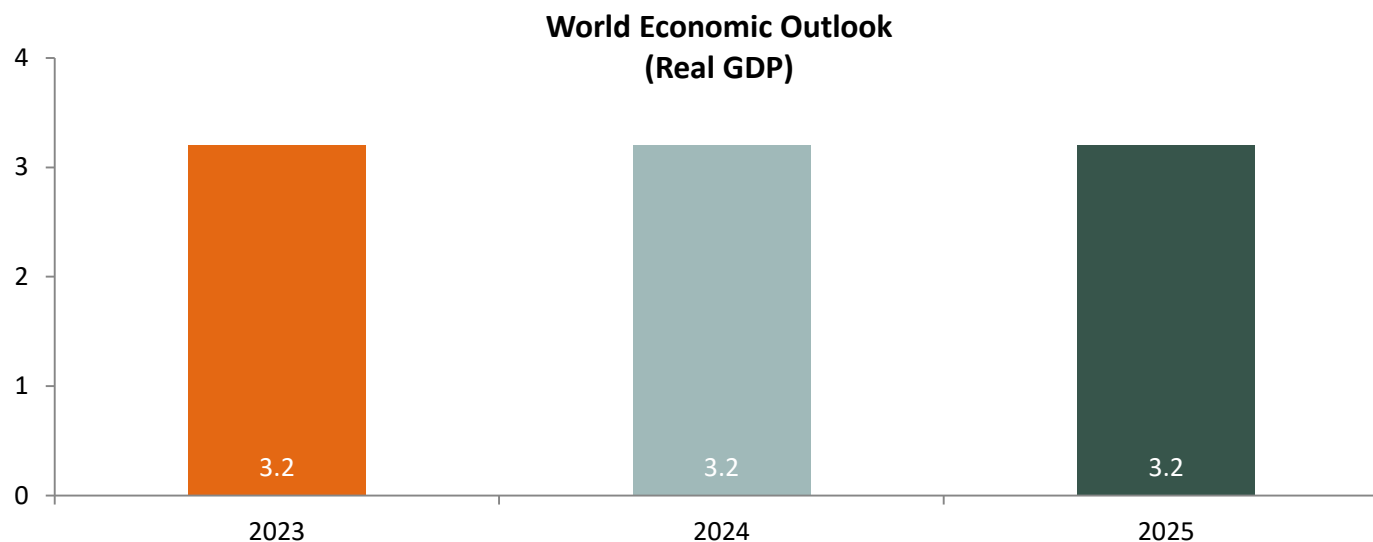
Industry Overview

Global Economic Outlook

The global economic outlook for 2024 reflects steady but moderate growth, with resilience amid regional divergences and a gradual decline in inflation. The world economy is forecasted to grow at 3.2% in both 2024 and 2025, maintaining the same pace as in 2023. Growth trends, however, vary by region. Advanced economies are projected to see slight improvement, with growth rates rising from 1.6% in 2023 to 1.7% in 2024 and 1.8% in 2025. In contrast, emerging market and developing economies are expected to experience a minor slowdown, with growth declining from 4.3% in 2023 to 4.2% in 2024 and 2025. Global inflation is expected to decrease steadily, falling from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025. Advanced economies are likely to achieve their inflation targets more quickly than their emerging and developing counterparts, while core inflation is projected to decline at a slower rate. Meanwhile, global construction output is forecasted to grow by 2% in 2024, following a growth rate of 3.7% in 2023.

Infrastructure investment has played a crucial role in fostering economic resilience by boosting productivity, enhancing efficiency, and strengthening supply chains while reducing operational costs. These investments have generated employment opportunities, reduced unemployment rates, and attracted foreign direct investment. Additionally, they contribute to social and economic inclusion, support the shift to sustainable energy sources, and enhance climate resilience, thereby minimizing environmental impacts.

There's a growing emphasis on sustainable infrastructure, including renewable energy projects, green buildings and resilient infrastructure to mitigate climate change impacts. The adoption of new technologies such as digitalization, IoT (Internet of Things) and AI (Artificial Intelligence) is transforming the infrastructure sector, improving efficiency and creating new opportunities.

Exhibit 2: World economic outlook in 2024

Source: Company

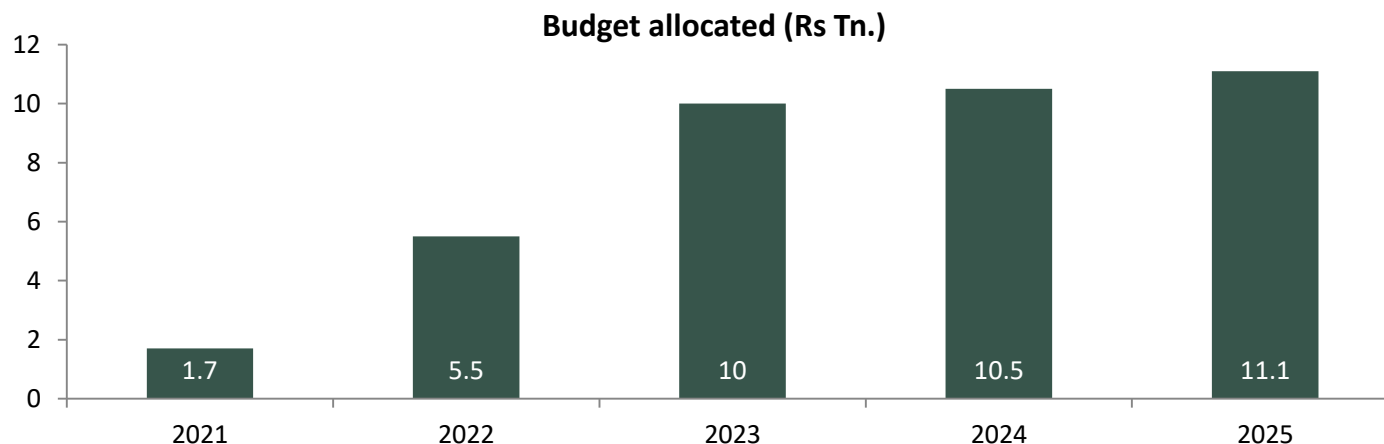
Indian Economic Outlook

India's GDP experienced remarkable growth of 7.6% in fiscal 2024, surpassing expectations. This growth was primarily fueled by robust private investment and resilient domestic demand, despite facing global challenges. For the upcoming fiscal years 2024-25, 2025-26, and 2026-27, S&P forecasts growth rates of 6.8%, 6.9%, and 7%, respectively. Over the next seven fiscals (2025-2031), India is poised to become the third-largest economy, surpassing the US\$ 5 trillion mark and nearing US\$7tn, with an average growth rate of 6.7%. The Indian government continues to prioritize infrastructure development as a critical driver of economic progress. Initiatives such as the National Infrastructure Pipeline (NIP) are designed to stimulate investment in key sectors, including energy, transportation, water, and urban infrastructure, laying a strong foundation for sustained growth. Key sectors like renewable energy, transportation (including metro rail and highways), smart cities, and digital infrastructure are poised for substantial growth in India. These areas align closely with the country's objectives of promoting sustainability, supporting urbanization, and enhancing digital connectivity. These investments not only drive economic growth but also contribute to building a more sustainable and technologically advanced future.

Union Budget towards Infrastructure

The Budget 2024-25 increases infrastructure investment by 11.1% to Rs11.1tn (US\$133.86bn), 3.4% of GDP. This move comes after a notable 33% increase last year, underscoring the government's dedication to extensive infrastructure development. This consistent rise over the past four years has been a key driver of economic growth, with infrastructure spending acting as a catalyst for job creation and private investment. After securing a clear win in the recent Lok Sabha elections, the current government is yet again prioritizing economic expansion and the generation of employment opportunities. FDI in construction and infrastructure reached US\$26.54bn and US\$33.52bn, respectively, from April 2000 to December 2023. The Budget 2023-24 extended the 50-year interest-free loan to states with an outlay of Rs15,00,000mn (US\$18bn). Under the National Infrastructure Pipeline, projects worth Rs108tn (US\$ 1.3 trillion) are in progress. Key initiatives include three major railway corridors under PM Gati Shakti to improve logistics. Significant improvements include expanding highways, ports, electrified rail routes, aircraft movement and airports.

Exhibit 3: Budget allocated towards Infrastructure from 2021.



Source: IDBI Capital

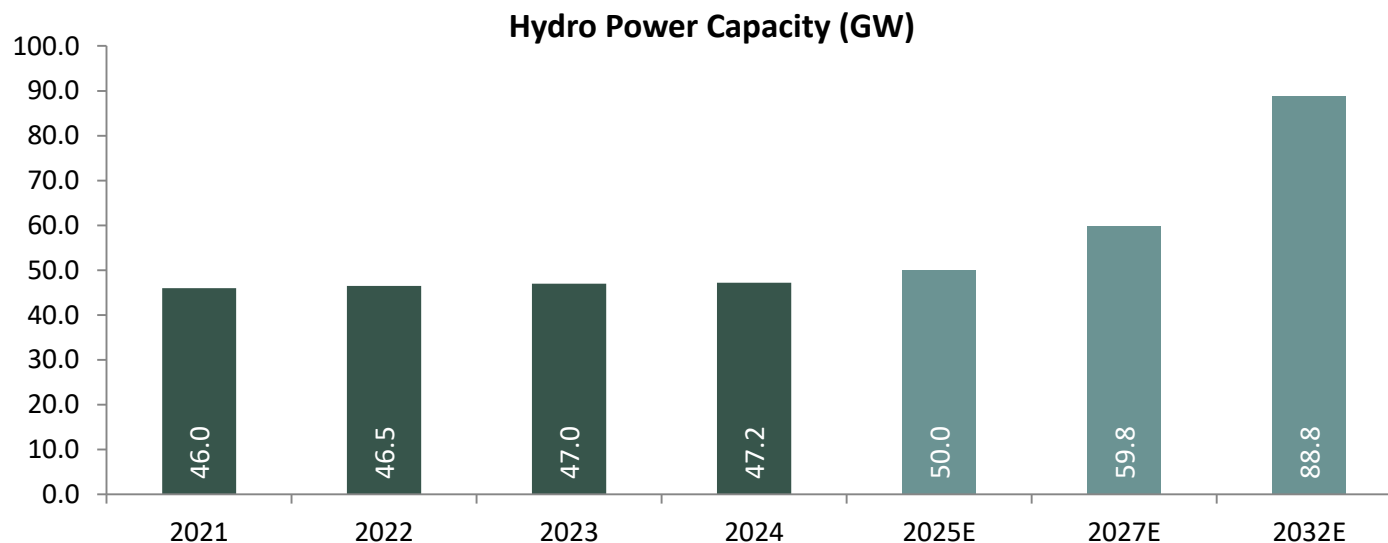
Segment wise Outlook

Hydropower

Hydropower in India is a key component of the country's energy mix, ranking as the third-largest source of electricity and accounting for 11% of the total installed capacity. It follows coal (47%) and other renewable sources i.e. wind, solar and other renewable sources (33%). Currently, India's installed hydropower capacity is 46 GW. Accordingly, to meet the country's energy demand at a faster pace and achieve the targeted 500 GW of renewable energy, there needs to be an increased focus on hydropower generation. As a result, the development of mega hydro projects is essential.

Furthermore, the hydropower capacity is expected to grow at a CAGR of 6.3% from FY23 to FY27, reaching 59.8 GW by FY27. While in FY32, the installed capacity is expected to reach 88.8 GW. This includes ongoing projects totaling 18 GW and others in various stages of development.

Exhibit 4: Hydropower capacity to reach 88.8GW by 2032



Source: Company

Some of the large Hydropower projects which are currently under various stages of development including survey and investigation and under clearance from CEA which are expected to come up for bidding in the coming few years are as under:

Exhibit 5: Upcoming Hydropower projects in India (Current Status)

Name of Project	Location	Total Capacity(MW)
Etalin HEP – Awaiting Clearance	Arunachal Pradesh	3,097
Dibang Multipurpose Project - Dam Package - Tender in Process	Arunachal Pradesh	2,880
Sawalkot HEP – Awaiting Clearance	Jammu & Kashmir	1,856
Kamala HEP – Under S&I Stage	Arunachal Pradesh	1,720
Subansiri Upper HEP – Under S&I Stage	Arunachal Pradesh	1,605
Kirthai HEP – II – Awaiting Clearance	Jammu & Kashmir	930
Jangi Thopan Powari HEP – Under S&I Stage	Himachal Pradesh	804
Attunli HEP – Awaiting Clearance	Arunachal Pradesh	680
Lower Arun HEP – Awaiting Clearance	Nepal	669
Teesta - IV HEP – Awaiting Clearance	Sikkim	520
Dugar HEP – Awaiting Clearance	Himachal Pradesh	500

Source: Company

Pumped Storage Project

Pumped hydro storage is where water is pumped uphill into a reservoir and released to power turbines when needed. They play an important part in meeting peak power requirements and maintaining system stability in the power system. The pumped storage technology is a long-term technically proven, cost-effective, highly efficient and flexible way of energy storage at a large scale. There are already 4,746MW of PSPs installed in the nation and another 1,500MW of capacity is being built.

To achieve the Government of India's commitment of 500GW of installed capacity from non-fossil fuel sources by 2030, become energy independent by 2047 and achieve net zero emissions by 2070, hydro-pumped

storage projects are necessary. Accordingly, 39 Hydro PSPs of 47 GW are being pursued to be commissioned by 2029-30.

Some of the large Pumped Storage projects which are currently under various stages of development including survey and investigation and under clearance from CEA which are expected to come up for bidding in the coming few years are as under:

Exhibit 6: Upcoming Pump Storage Project in India

Name of Project	Location	Total Capacity(MW)
Savitri Pumped storage project	Maharashtra	1,800
Kalu Pumped storage project	Maharashtra	1,150
Indirasagar - Omkareshwar Pumped storage project	Madhya Pradesh	640
Kengadi Pumped storage project	Maharashtra	600
Pumped Storage Projects located in Thenmalai, Alleri and Aliyar	Tamil Nadu	4,900
Koyabestagudem Pump Storage Project	Telangana	850
Nacharam Pump Storage Project	Telangana	500
Shirawata Pump Storage Project	Maharashtra	1,800
Bhivpuri Pump Storage Project	Maharashtra	1,000
Pane (Raigarh) Pump Storage Project	Maharashtra	960

Source: Company

Irrigation

The Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), initiated on 1st July 2015. The Government of India has sanctioned the implementation of PMKSY for the period 2021-26 with a total outlay of Rs9,30,686mn, including central assistance of Rs3,74,540mn. The goals of PMKSY encompass consolidating investments in irrigation, increasing access to water for agricultural purposes, enhancing water use efficiency, advocating precision irrigation technologies, and facilitating holistic development of regions.

In addition to PMKSY, the government has launched the Jal Jeevan Mission, which aims to ensure safe and sufficient drinking water through tap connections to every rural household. The mission underscores the sustainability of water sources, conservation efforts and active community involvement. States and Union Territories have outlined their priorities, including managing grey water, enhancing Panchayat capacities, improving water service delivery and implementing multi-village schemes. These initiatives are geared towards addressing water challenges and ensuring access to clean water for every household under the motto “Har Ghar Jal.”

The Ministry of Jal Shakti got a major chunk from this year’s interim budget outlay as Finance Minister Nirmala Sitharaman allocated Rs9,84,180mn in the interim budget for 2024-25 with its flagship Jal Jeevan Mission getting a 71% share.

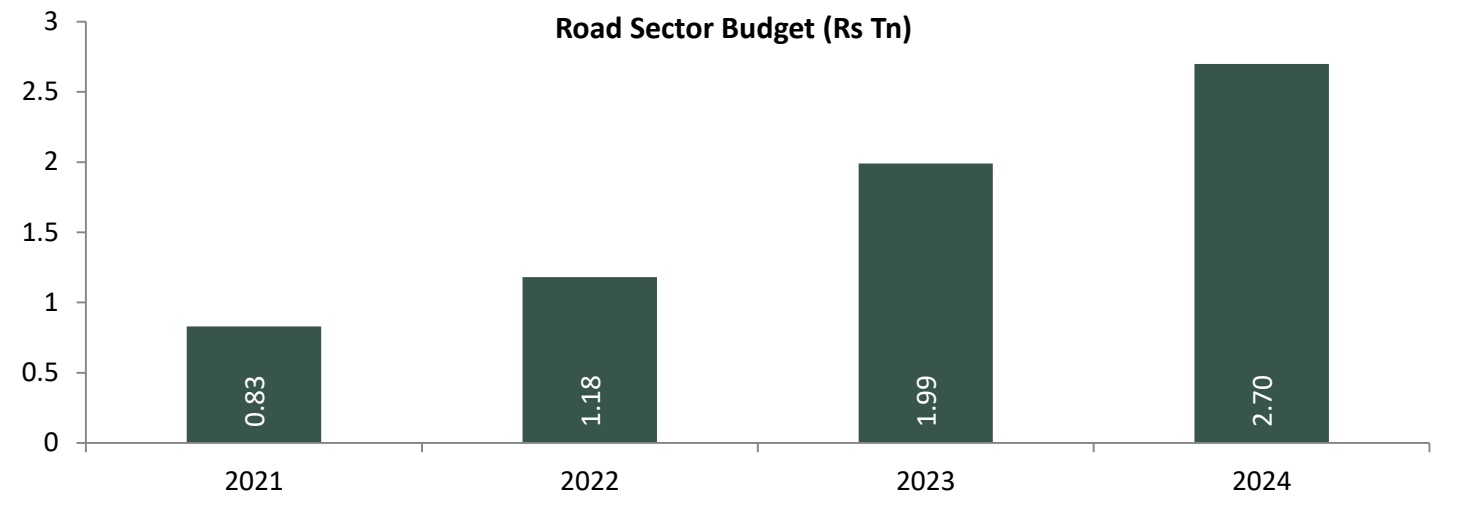
Tunnel

According to data from India Infrastructure Research, India has completed over 2,500 km of tunnel infrastructure across various sectors. A breakdown by sector reveals that the hydropower industry leads with over 1,200 km of completed tunnels, followed by irrigation (more than 470 km), railways (more than 270 km), metro projects (more than 240 km), water and sewerage systems (more than 230 km) and roads (more than 60 km). Looking ahead, the tunneling sector anticipates a robust pipeline of approximately 1,300 upcoming projects, covering a total length exceeding 3,600 km.

Among upcoming projects categorized as under planning, under bidding and ongoing, Jammu & Kashmir leads with around 200 tunnels, followed by Maharashtra (around 140 tunnels), Himachal Pradesh (more than 100 tunnels), Andhra Pradesh (around 90 tunnels) and Arunachal Pradesh (around 80 tunnels). Maharashtra tops the list in terms of projected length, with over 1,100 km, trailed by Jammu & Kashmir with over 460 km and Uttarakhand with more than 280 km.

Roads

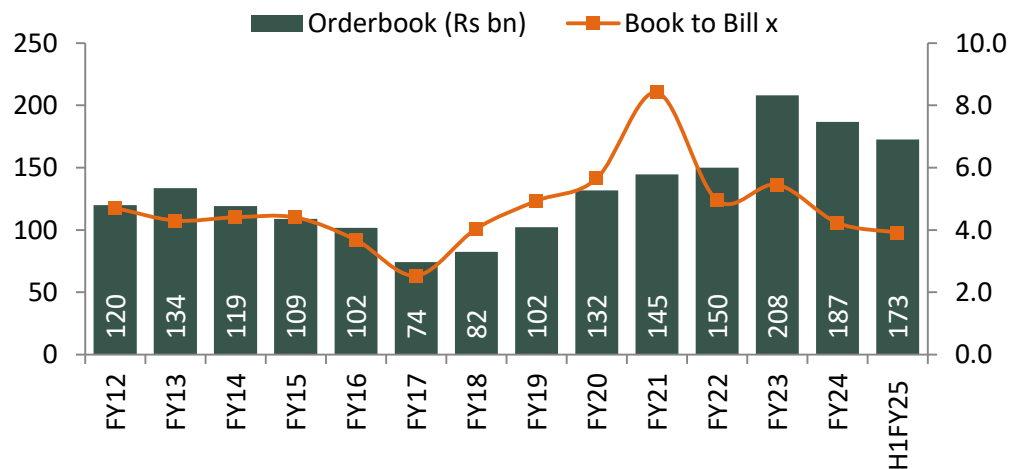
India boasts the world’s second-largest road network spanning approximately 6.7 million kilometers, crucial for transporting 64.5% of its goods and accommodating 90% of passenger traffic. Over the last decade, the country’s road infrastructure has expanded significantly, exemplified by the growth of its national highways from 97,830 km in 2014-15 to 146,145 km by December 2023.

Exhibit 7: Budget allocation towards Road sector over the years

Source: Company

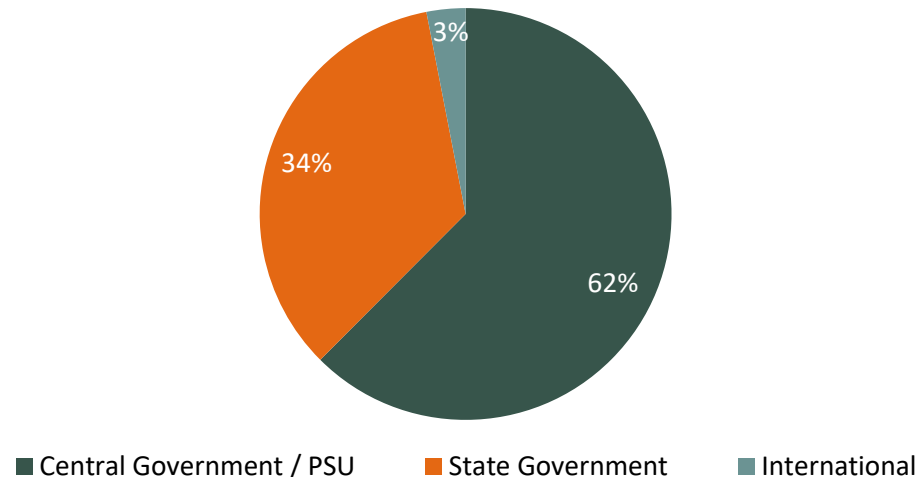
The sector has seen a steady increase in national highway construction, achieving 10,457 km in FY22 and 10,331 km in FY23 despite pandemic challenges. Currently, 202 national highway projects totaling 6,270 km are underway, reflecting an investment of Rs7,97,890mn. Public-private partnerships (PPP) play a pivotal role, with 352 projects worth US\$76.95bn in progress as of November 2023.

Exhibit 8: Order book at Rs173bn as of H1FY25 i.e. 3.9x years TTM revenue



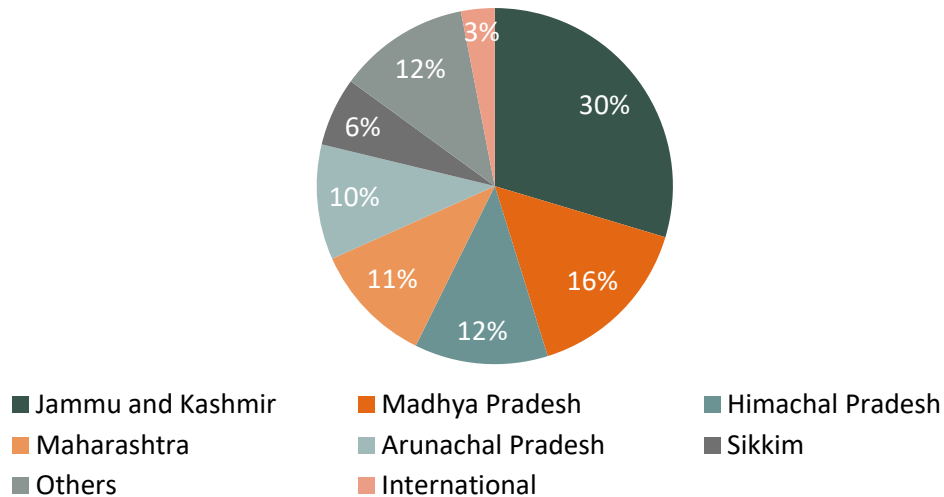
Source : Company, IDBI Capital Research

Exhibit 9: Central govt. major client, comprises 62% of H1FY25 order book



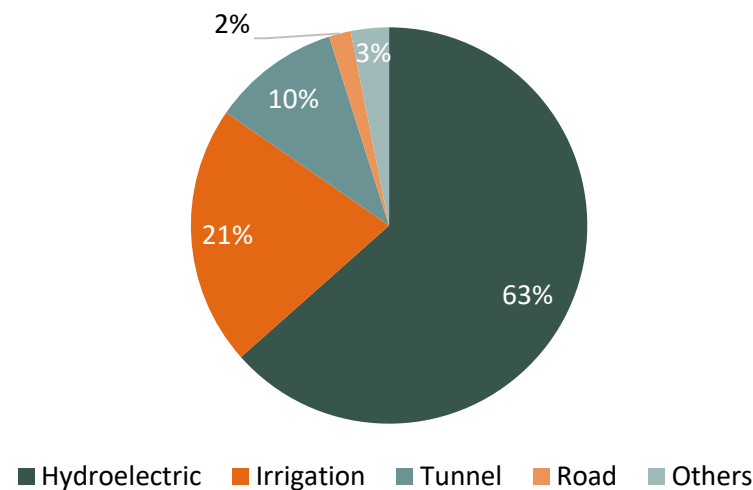
Source : Company

Exhibit 10: 80% of H1FY25 order book in 6 states , J&K highest at 30%



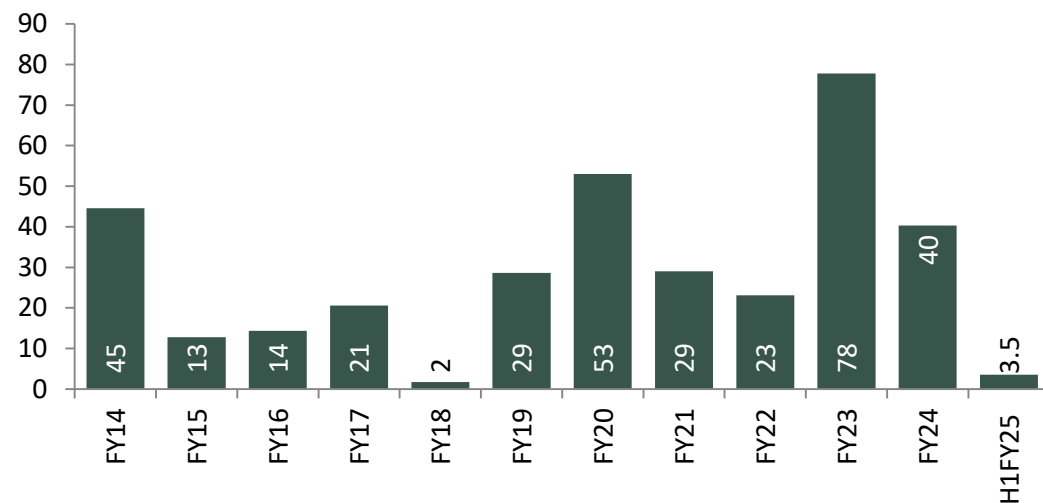
Source : Company

Exhibit 11: Major share from Hydroelectric sector in H1FY25 order book



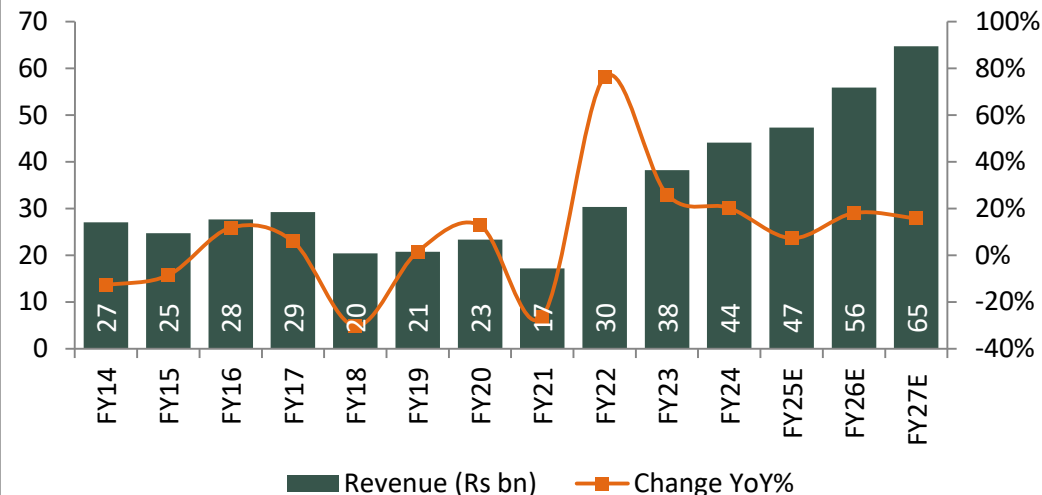
Source : Company

Exhibit 12: Order inflow over the years (Rs bn)



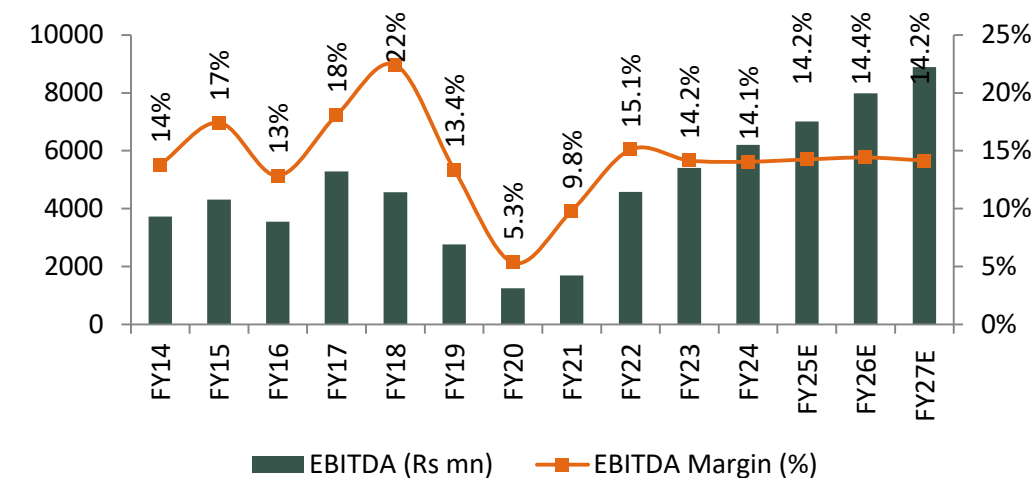
mSource : Company, IDBI Capital Research

Exhibit 13: Revenue growth trajectory



Source : Source : Company

Exhibit 14: EBITDA margin trajectory



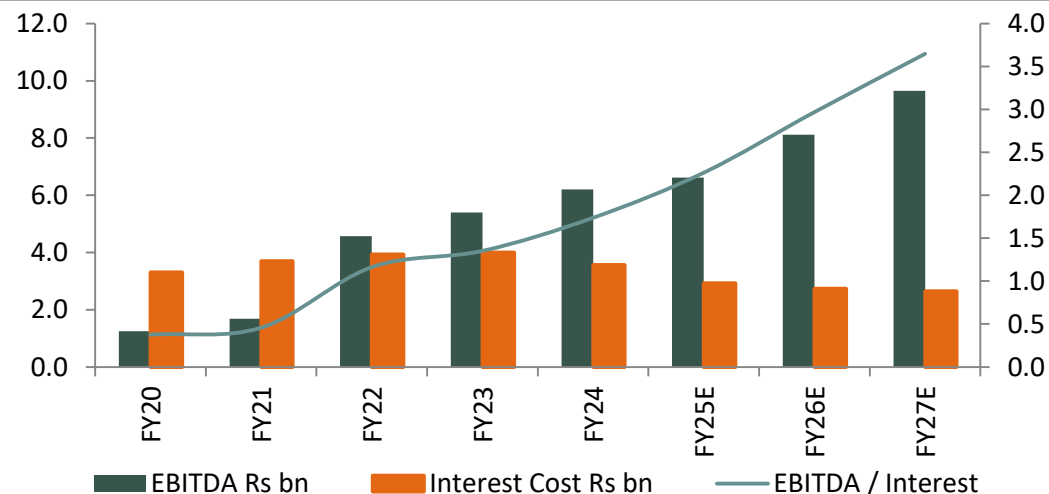
Source : Company

Exhibit 15: EBITDA margin trajectory segment wise

Segment	EBITDA Margin %
Hydro	16%
Road	10-11%
Tunnel	14%
Irrigation	12%

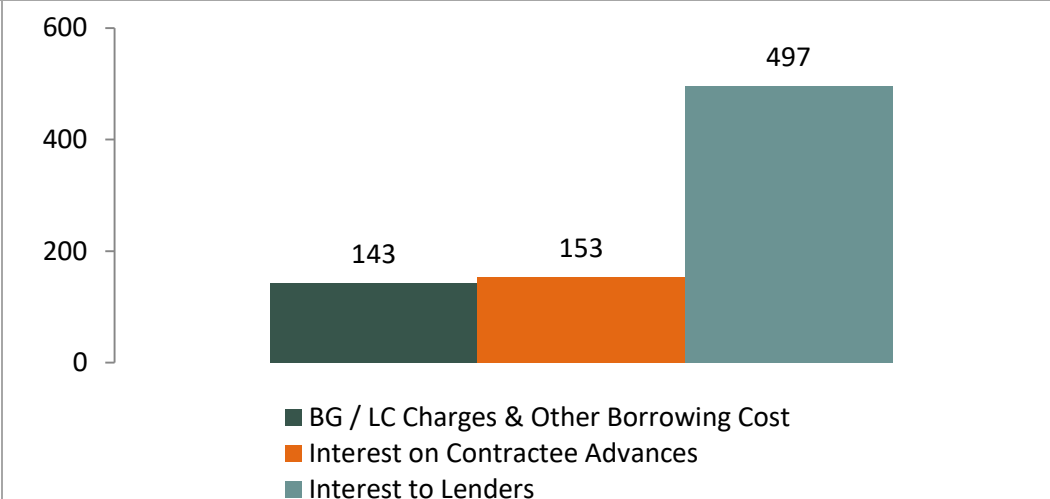
Source : Company

Exhibit 16: Interest coverage trajectory



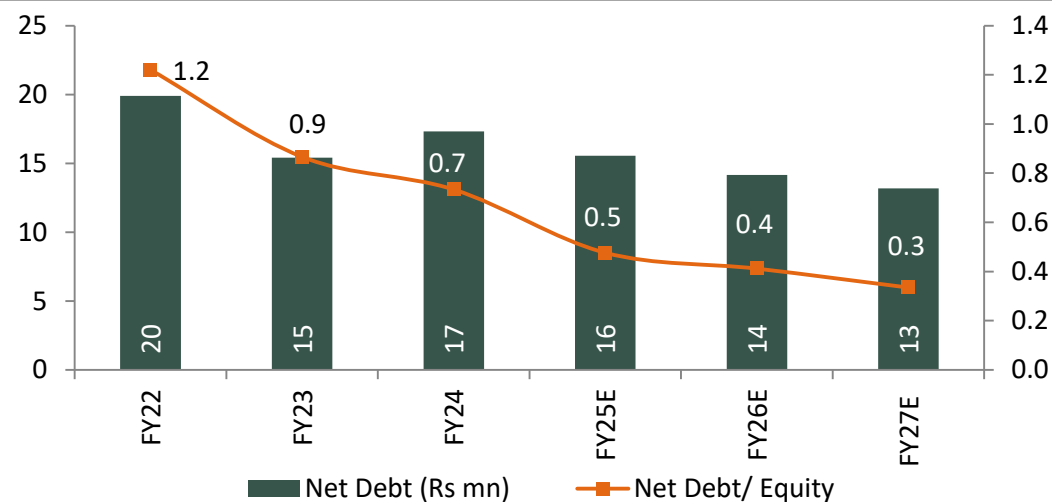
Source : Company, IDBI Capital Research

Exhibit 17: H1FY25 interest break up Rs mn



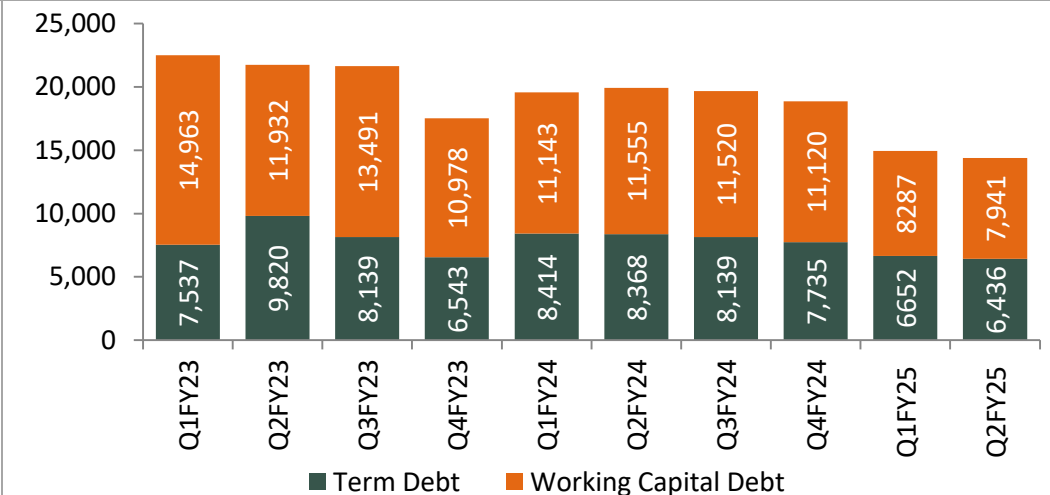
Source : Company, consolidated interest break up

Exhibit 18: Net Debt trajectory Rs mn



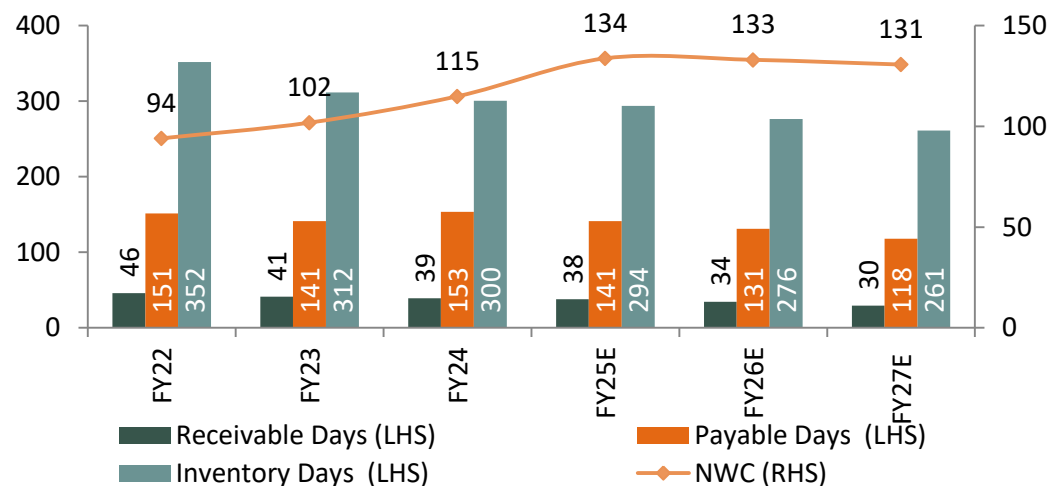
Source : Company, IDBI Capital Research, consolidated debt

Exhibit 19: Working capital debt is ~45% in it



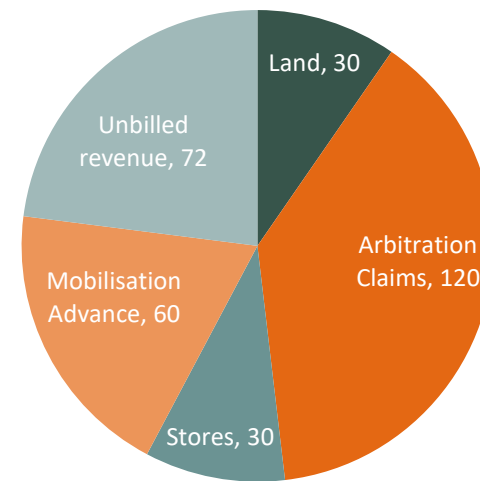
Source : Company

Exhibit 20: Working capital days



Source : Company

Exhibit 21: Inventory break up (in days)



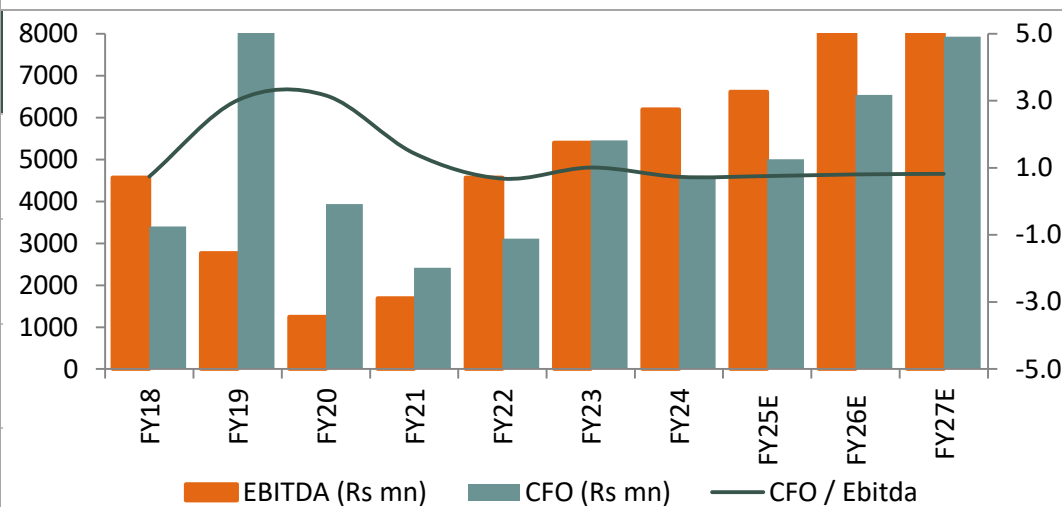
Source : Company, IDBI Capital Research

Exhibit 22: Dupont working : ROE

	FY23	FY24	FY25E	FY26E	FY27E
Asset turnover (x)	3.4	3.8	4.1	4.2	4.2
Leverage factor (x)	0.4	0.4	0.3	0.3	0.3
Net margin (%)	4%	6%	7%	7%	7%
ROE %	6.0%	9.5%	9.5%	9.4%	9.9%

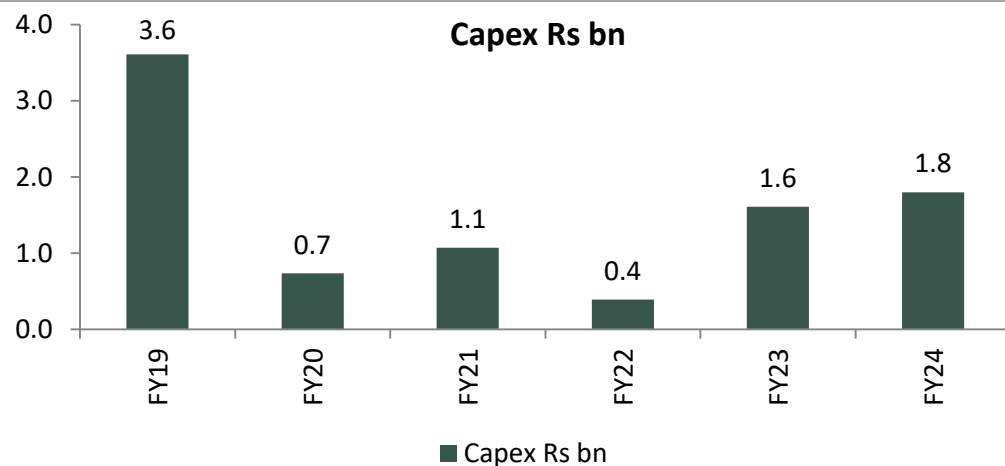
Source : Company, IDBI Capital Research

Exhibit 23: EBITDA conversion to CFO



Source : Company, IDBI Capital Research

Exhibit 24: Capex Rs mn



Source : Company

Exhibit 25: Operational stand

	FY22	FY23	FY24
No. of employees	4273	4426	4500
Equipment's base Rs mn	9153	10404	10959

Source : Company

Exhibit 26: PEC share issue post covid

Year	Outstanding No. of sh	Shares issued Dilution	New Sh issued	Remarks
FY20	408	149%	244	Right issue of 223mn share at Rs 9 / sh and Issued 20mn OCPS (preference share) to promoter which was converted to equity shares at Rs18.12 / sh
FY21	466	14%	58	Preferential issue 48mn shares at Rs14.78/sh to lenders as one time settlement
FY22	479	3%	13	Preferential issue of 13.7mn at Rs 14.78/ sh to lender as one time settlement
FY23	774	62%	295	Right issue at Rs12.6/sh – issue of 257 mn shares. ESOP Trust allotment of 25 mn shares and private placement to investor 13 mn shares at Rs. 25.36/share.
FY25	844	3.3%	70	PEC launched QIP at Rs59.5/sh.

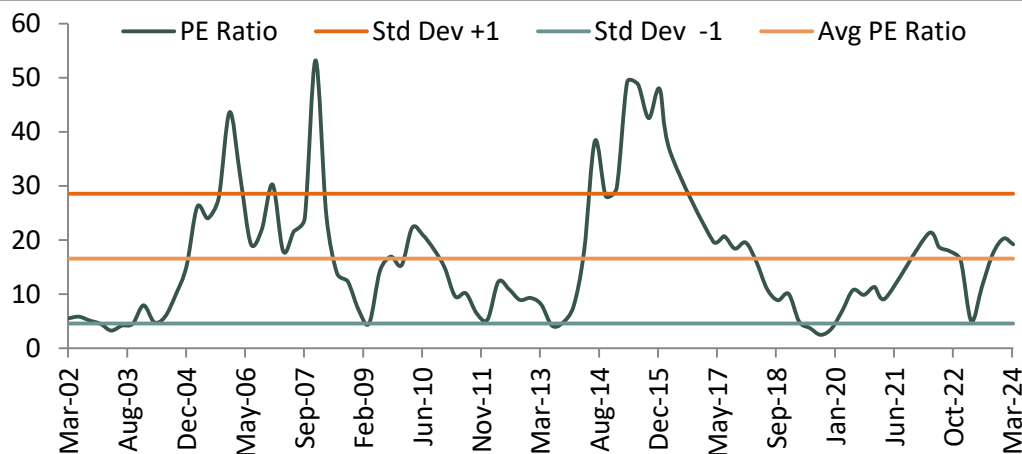
Source : Company, IDBI Capital Research

Exhibit 27: Shareholding pattern

	FY20	FY21	FY22	FY23	FY24	H1FY25
Promoter	61.87%	56.23%	54.62%	39.41%	39.41%	36.11%
Public	34.89%	40.94%	42.64%	55.79%	55.79%	51.96%
Shares held by Employee Trust	3.24%	2.83%	2.74%	4.79%	4.79%	4.39%

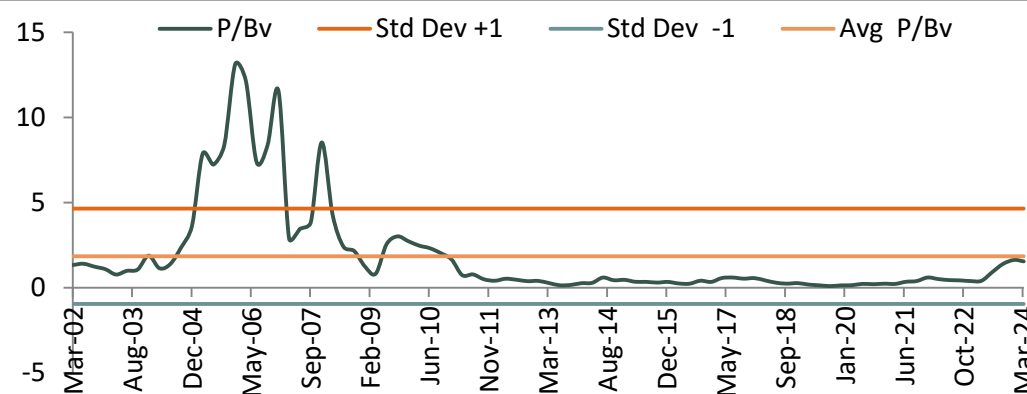
Source: BSE

Exhibit 28: PEC PER band (TTM basis)



Source : Company, IDBI Capital Research, Bloomberg

Exhibit 29: PBV (TTM basis)



Source : Company, IDBI Capital Research, Bloomberg

Valuation & Recommendation

A strong order book, with visibility at 4x the TTM revenue, anticipated inflows from the Hydro segment, and strategic diversification across geographical and sectorial lines, are set to drive the company's topline growth. The company's robust construction capabilities, backed by extensive experience in executing highly technical and advanced projects, are expected to play a pivotal role in its growth trajectory. Operating margins are expected to remain stable, supported by a significant portion of the order book in the Hydro segment. Additionally, a low debt-to-equity (D/E) ratio and improving return ratios reflect the company's strong financial position.

At CMP, the stock is trading at valuations of 16x FY25E PE, 13.5x FY26E PE, and 11.5x FY27E PE. We have employed the sum-of-the-parts (SOTP) valuation methodology, assigning a PE of 12x FY27E for the core construction business, resulting in a valuation of Rs63 per share. Additionally, we have valued the land assets at Rs3 per share, other investments at Rs3 per share, and recoveries from arbitration claims at Rs14 per share. Combined, the investments contribute Rs20 per share, which, after applying a 65% valuation factor, translates to Rs14 per share. In total, this yields a target price of Rs76 per share, offering a potential upside of 53%. Based on these valuations, we initiate coverage on the stock with a **BUY** rating.

Exhibit 30: Valuation Table

Particulars		FY27E
Construction		
EPS	Rs/Share	5.26
Change	Yoy %	16%
PER	x	12
Construction Value	Rs/Share	63
Investments		
-Stock of Land	Rs/Share	03
-Investments	Rs/Share	03
-Recoveries	Rs/Share	14
Total		20
Valued at	%	65%
CMP	Rs/Share	50
TP	Rs/Share	76
<i>Upside</i>	<i>%</i>	<i>53</i>

Source: Company, IDBI Capital Research

Investment Rationale

Vast Experience

PEC has vast experience of 70+ years in the field, till now company has accomplished milestone of completing 87+ Dams, 15000+ MW of Hydro projects, 300+ kms of tunnels & 1200+ kms of roads. Company currently has market share of 45% in under-construction hydro plant in India.

Healthy Order book

As of H1FY25, Patel Eng. has a robust order book worth Rs173bn, offering nearly 4 years of visibility. The company has secured orders across sectors such as Hydro, Irrigation, Pump Storage, Tunnels, and Roads. While order inflow was subdued during H1FY25 due to election period at Rs3.5bn, PEC anticipates a stronger inflow in H2FY25.

Stable EBITDA margins

Absolute EBITDA has grown at a CAGR of 39% from 2020 to 2024. PEC has consistently maintained stable EBITDA margins in the range of 14%-15%. Looking ahead, we expect PEC to sustain margins within this range, as a significant portion of its order book is driven by Hydro projects, which typically offer better margins compared to other segments.

Reduction in Debt

In recent years, the company has prioritized monetizing non-core assets to reduce debt and plans to maintain this approach moving forward. As of H1FY25, the company has received arbitration claims amounting to Rs2,200mn, which will be used for debt repayment. Currently, the company has pending arbitration claims of approximately Rs33bn and expects to secure 65% of these as awards over the next 4-5 years. The proceeds from these awards will be allocated toward both debt reduction and working capital needs.

Positive OCF

PEC has reported positive Operating Cash Flow (OCF) over the past four years, with working capital days standing at 100, primarily driven by unresolved arbitration claims and land holdings. Of the Rs12bn in arbitration awards, the company anticipates recovering Rs2-3bn within the next year. Additionally, it expects

to generate Rs2-3bn from land sales over the next two years. These inflows are projected to help reduce leverage and strengthen working capital availability.

Improving ROE

The company achieved an ROE of 9.07%, up from 5.44% in the previous fiscal year, this is mainly due to improving PAT on sequential basis, also the revenue trajectory is improving on sequential basis followed by improving operational efficiency which is improving operating margin levels at 14%. The prudent approach to debt has been observed, with a debt-to-equity ratio of 0.55 as of March 2024, reflecting a stable financial structure.

Key Risks

Delay in Project Awarding / Approvals

Delays in project awarding and approval represent a significant risk for infrastructure companies, impacting their operations, financial health, and growth potential. These delays can arise from various factors, including bureaucratic red tape, prolonged regulatory processes, political instability, or changes in project specifications.

Competitive Industry

PEL is into EPC space, this particular sector is marked by the presence of several mid to large sized players. The company faces intense pricing competition from the other players in the sectors. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts and susceptibility to inherent cyclicalities in the sector.

Slower Execution

The execution rate can vary from project to project. PEL has a substantial order book primarily consisting of hydro segment projects, which typically require a long execution timeline of 4-5 years, provided everything proceeds as planned. This exposes PEL to execution risks.

Working Capital Intensive

PEL's working capital operations continue to be intensive marked by Gross Current Asset days (GCA) of 479 days for FY24 as against 485 days for FY23. The inventory days stood at 350 days for FY24 as against 365 days for FY23 which is majorly on account of unbilled revenue, bills raised but not yet approved by the government and arbitration claims pending awards being classified in work-in-progress.

Exhibit 31: Peers set: Operational aspects

	Order Book (OB)		OB by Clients (%)		Major Geography	Infrastructure Segment
	Rs bn	Visibility (x TTM revenue)	Govt. / PSU	Pvt.		
L&T	5104	2.5	80	20	Across India and International	Highways, Railways, Metro, Airport, Buildings, Hydro
ITD Ceme.	180	2	50	50	Across India	Metro, Port, Highway, Bridges, Marine
HCC	98	1	52	48	West, North	Building , Civil, Roads, Hydro
J Kumar	187	4	96	4	West, North	Metro, Flyovers, Bridges, Roads, Civil
NCC	523	3	100	0	Across India	Building, Transportation, Water, Rail, T&D
Patel Engineering	173	4	100	0	Across India	Hydro Power plant, Tunnel, Irrigation

Source: Company, IDBI Capital Research

Exhibit 32: Peers set: Financials

	Revenue gr. yoy, %			EBITDA Margin %			ROE %			Net DER (x) - FY24
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	
L&T	20	17	14	10.6	8.0	8.3	13	13	14	0.6
ITD Ceme.	60	24	15	9.7	9.6	9.9	19	23	23	0.6
HCC	(15)	NA	NA	9.5	NA	NA	NA	NA	NA	4.2
J Kumar	15	17	19	14.4	14.5	14.5	13	14	15	0.2
NCC	39	18	14	9.7	9.5	9.7	11	13	15	0.1
Patel Eng.	16	7	18	14.1	14.0	14.5	10	9	10	0.6

Source: Bloomberg, IDBI Capital Research

Exhibit 33: Peers set : Valuation

	Mkt Cap Rs bn	EV Rs bn	Rating	P/E x			P/BV x		
				FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
L&T	4831	5728	NR	37	29	23	5.3	4.7	4.1
ITD Ceme.	52	54	NR	20	14	11	3.5	2.8	2.1
HCC	55	75	NR	31*	NA	NA	NA	NA	NA
J Kumar	45	47	NR	14	12	10	1.7	1.5	1.3
NCC	137	147	BUY	18	14	12	2.0	1.7	1.5
Patel Eng.	42	59	NR	21*	NA	NA	1.5	NA	NA

Source: Bloomberg, IDBI Capital Research, *Annualized EPS, NR = Not Rated, NA = Not Available

Key projects by PEC

Exhibit 34: USBRL Tunnel



Source : Company

Exhibit 35: Tapovan Hydroelectric underground Powerhouse



Source : Company

Exhibit 36: Parbati Hydro Electro Project (800 MW)



Source : Company

Exhibit 37: Tuirial Hydro Electro Project Mizoram (60 MW)



Source : Company

Key projects by PEC

Exhibit 38: AMT Water Supply Tunnel Mumbai



Source: Company, IDBI Capital Research

Exhibit 39: PGRW Water Supply Tunnel



Source: Company, IDBI Capital Research

Exhibit 40: Milestones achieved:

- **1949:** Established as a partnership firm
- **1990:** Converted to Public Ltd Company
- **1992:** Listed on BSE
- **1995:** Revenue crossed Rs1bn
- **2002:** Achieved revenue of Rs5bn
- **2011:** Revenue crossed Rs30bn
- **2023:** Revenue surpassed Rs38bn
- **2023:** Order book touched Rs200bn

Source: Company

Exhibit 41: Management Profile

Name	Designation	Details
Ms Janki Patel	Chairperson & Non-Executive Director	Ms. Janky Patel, a BA graduate, represents the Promoter group and is backed by a strong professional board. She has been a pivotal force, supporting our late CMD through challenging times and playing a key role in the organization's growth.
Mrs. Kavita Shirvaikar	Managing Director	Mrs. Kavita Shirvaikar, a Chartered Accountant and ICWAI graduate with over 26 years of experience in the Infrastructure sector and over a decade-long tenure with the Company, she has been instrumental in key strategic decisions of the Company and has implemented key systems and processes, leading major projects, and establishing strong client relationships.
Ms. Kishan Lal Daga	Wholetime Director	Mr. Kishan Daga brings with him a wealth of experience in the construction Industry and has been involved in business development activities both domestically and internationally and is proficient in managing contractual affairs and providing oversight on legal matters.
Mr Dimritus D'Mello	Wholetime Director	Mr. Dimitrius D'Mello, a senior professional in the Infrastructure and Real Estate industry with international experience, has extensive expertise in operations, international partnerships, cost control, contract management, and supply chain management, including procurement, logistics, and inventory management.

Source : Company

Exhibit 42: PEC Major Land Parcels, Appox value at Rs10bn

State / City	Locality	Area Acres
Karnataka, Bangalore	Electronic City	15
Maharashtra, MMR	Panvel	11
Telangana	Outskirts of Hyderabad	430
Tamil Nadu	Chengalpattu	200
Tamil Nadu	Nagapattinum	1500
Total		2156

Source : Company

Exhibit 43: Awards & claims as on 1HFY25, Part of PEC inventory

Claims	Amount Rs bn
Pending With Client	8.65
Under Arbitration	9.46
Awards in PEC favour	7.5
Claims to be submitted	8.0
Total	33.7

Source : Company

Exhibit 44: Opportunity Landscape

Sector	Remarks
Hydro	27 GW Hydropower in pipeline to come up for bidding in next few years. In addition to this 39 Hydro PSPs of 47 GW is expected to get commissioned by the 2030
Irrigation	Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) for 2021-26 there has been an outlay allocation of Rs931bn
Water Supply	Ministry of Jal Shakti Ministry got the major chunk from this year's budget outlay as Finance Minister Nirmala Sitharaman allocated Rs 98,418 crore in the interim budget for 2024-25 with its flagship Jal Jeevan Mission getting a 71 percent share

Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	30,298	38,171	44,120	49,219	55,354	62,828
<i>Change (yoy, %)</i>	76	26	16	12	12	14
Operating expenses	(25,723)	(32,766)	(37,919)	(42,205)	(47,372)	(53,935)
EBITDA	4,575	5,405	6,201	7,014	7,982	8,893
<i>Change (yoy, %)</i>	171	18	15	13	14	11
<i>Margin (%)</i>	15.1	14.2	14.1	14.3	14.4	14.2
Depreciation	(683)	(806)	(971)	(1,009)	(1,123)	(1,249)
EBIT	3,892	4,598	5,230	6,005	6,859	7,643
Interest paid	(3,934)	(3,997)	(3,568)	(2,943)	(2,867)	(2,867)
Other income	1,349	1,443	1,090	1,604	1,124	1,154
Pre-tax profit	883	1,983	3,786	4,518	5,116	5,931
Tax	(328)	(427)	(930)	(1,174)	(1,287)	(1,492)
<i>Effective tax rate (%)</i>	37.1	21.6	24.6	26.0	25.2	25.2
Minority Interest	-	-	-	-	-	-
Net profit	555	1,556	2,856	3,344	3,829	4,439
<i>Change (yoy, %)</i>	(140)	180	84	17	14	16
EPS	1.2	2.0	3.7	4.0	4.5	5.3
Dividend per sh	-	-	-	-	-	-
<i>Dividend Payout %</i>	-	-	-	-	-	-

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Shareholders' funds	23,525	28,578	31,459	38,803	42,631	47,069
Share capital	479	774	774	844	844	844
Reserves & surplus	23,046	27,804	30,686	37,958	41,786	46,224
Total Debt	19,907	15,422	17,322	15,552	14,152	13,172
Other liabilities	14,685	14,261	12,619	14,017	14,823	15,763
Curr Liab & prov	19,246	23,054	25,494	26,681	28,477	30,209
Current liabilities	19,188	23,004	25,440	26,627	28,422	30,154
Provisions	59	50	55	55	55	55
Total liabilities	53,839	52,737	55,435	56,250	57,452	59,144
Total equity & liabilities	77,364	81,314	86,894	95,052	1,00,082	1,06,212
Net fixed assets	10,754	11,974	12,298	13,498	14,998	16,498
Investments	2,578	2,257	2,342	2,342	2,342	2,342
Other non-curr assets	20,141	19,265	17,183	17,128	16,898	16,714
Current assets	43,891	47,818	55,072	62,085	65,845	70,659
Inventories	29,219	32,592	36,316	39,315	42,027	45,463
Sundry Debtors	3,826	4,332	4,748	5,065	5,211	5,124
Cash and Bank	1,915	1,706	1,910	5,607	6,508	7,974
Loans and advances	8,931	9,189	12,098	12,098	12,098	12,098
Total assets	77,364	81,314	86,894	95,052	1,00,082	1,06,212

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	555	1,556	2,856	3,343	3,828	4,438
Depreciation	683	806	971	1,009	1,123	1,249
Tax paid	(708)	(790)	(914)	1,174	1,287	1,492
Chg in working capital	-1021	446	-1837	-2074	-833	-1432
Other operating activities	3,598	3,440	3,468	1,339	1,744	1,713
Cash flow from operations (a)	3,108	5,458	4,544	4,791	7,148	7,459
Capital expenditure	(607)	(1,597)	(1,700)	(1,200)	(1,500)	(1,500)
Chg in investments	116	62	725	-	-	-
Other investing activities	374	145	254	1,604	1,124	1,154
Cash flow from investing (b)	(117)	(1,390)	(722)	404	(376)	(346)
Equity raised/(repaid)	-	3,158	-	4,000	-	-
Debt raised/(repaid)	560	(4,523)	(673)	(1,770)	(1,400)	(980)
Dividend (incl. tax)						
Chg in minorities						
Other financing activities	(2,848)	(3,086)	(2,993)	(2,943)	(2,867)	(2,867)
Cash flow from financing (c)	(2,289)	(4,451)	(3,666)	(713)	(4,267)	(3,847)
Net chg in cash (a+b+c)	703	(384)	156	4,482	2,505	3,267

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (Rs)	49	37	41	46	50	56
Adj EPS (Rs)	1.2	2.0	3.7	4.0	4.5	5.3
Adj EPS growth (%)	-139	74	84	7	14	16
EBITDA margin (%)	15.1	14.2	14.1	14.3	14.4	14.2
Pre-tax margin (%)	2.9	5.2	8.6	9.2	9.2	9.4
Net Debt/Equity (x)	1.2	0.9	0.7	0.5	0.4	0.3
ROCE (%)	9	10	11	11	11	12
ROE (%)	4	6	6	10	9	10

DuPont Analysis

Asset turnover (x)	0.4	0.5	0.5	0.5	0.6	0.6
Leverage factor (x)	3.1	3.0	2.8	2.6	2.4	2.3
Net margin (%)	3.2	4.2	4.1	7.1	6.9	7.1

Working Capital & Liquidity ratio

Inventory days	352	312	300	292	277	264
Receivable days	46	41	39	38	34	30
Payable days	178	165	179	164	153	139

Valuations

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
PER (x)	25.4	24.9	22.1	12.6	11.5	9.9
Price/Book value (x)	1.1	1.4	1.3	1.1	1.0	0.9
EV/Net sales (x)	0.9	1.1	0.9	0.8	0.7	0.6
EV/EBITDA (x)	6.0	7.6	6.3	5.5	4.7	4.1
Dividend Yield (%)	-	-	-	-	-	-

Source: Company; IDBI Capital Research

Dealing

Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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