PL Capital
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# Infrastructure

Sector Update

September 03, 2026

Coverage Universe

| Name of the Company | Rating | CMP (INR) | TP (INR) |
|---|---|---|---|
| Ahluwalia Contracts (India) | Buy | 595 | 930 |
| Ashoka Buildcon | BUY | 117 | 150 |
| Dilip Buildcon | Accumulate | 400 | 507 |
| H.G. Infra Engineering | Accumulate | 479 | 622 |
| IRCON International | HOLD | 119 | 136 |
| KNR Constructions | HOLD | 119 | 126 |
| NCC | BUY | 147 | 195 |
| PNC Infratech | BUY | 183 | 271 |
| PSP Projects | Accumulate | 862 | 1,062 |
| Rail Vikas Nigam | SELL | 209 | 165 |
| RITES | BUY | 215 | 267 |

## Infra capex cycle to support EPC companies growth

### Quick Pointers

- Crisil expects infrastructure capex to grow at 8–10% CAGR over FY26-28, supporting 9–10% revenue growth for EPC players; margins should remain broadly stable, with some near-term (FY27) pressure from commodity/freight costs.
- Power remains the largest capex driver, with urban infra providing diversification; funding of capex is increasingly supported by private capital, while EPC companies balance sheets remain healthy with comfortable leverage.

**We attended Crisil webinar on EPC companies in infrastructure. Key takeaways is infrastructure capex growth to moderate to 8–10% CAGR over FY26-28, from the stronger growth seen over FY24–26, but the base remains healthy. Earlier, the government was driving the capex, but private capital is increasingly playing a larger role, led by the power sector. Railways remain primarily central-government driven, and irrigation, largely state-led. Urban infrastructure is also seeing increased state allocation alongside central support. HAM in railways, which is in the discussion stage, could also spur capex led by the private sector.**

**Urban infrastructure stands out as the key non-power opportunity,** driven by rapid urbanization, congestion and the need for better civic infrastructure. Areas such as metros, elevated roads/flyovers, airports, water supply, sewerage and treatment, housing and smart-city-related projects are expected to see sustained investment. However, execution can be challenging as projects typically involve multiple authorities, utility shifting, clearances and frequent design changes, which can result in delays and working-capital build-up.

**Roads are likely to remain an important opportunity, but growth is normalizing** after the strong capex cycle of recent years. State government spending will remain important for the sector, making state finances and execution capability key factors to monitor. In railways, the opportunity is increasingly shifting toward modernization, safety, rolling stock and capacity enhancement, providing a relatively long-duration growth opportunity. Irrigation is also expected to remain steady, while water and sanitation benefit from the continuing focus on improving coverage and treatment infrastructure.

**Large EPC companies (top 14 companies)** are expected see 9–10% revenue growth in FY27–28, with the power-led order pipeline potentially providing a further 100–200bps uplift to revenue growth. Margins are expected to remain broadly stable, although FY27 could see some 50–75bps pressure from higher commodity, freight and insurance costs, particularly due to West Asia-related disruptions.

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**Despite the working-capital intensity of EPC**, Crisil sees balance sheets remaining healthy from a leverage perspective, with net debt/EBITDA broadly comfortable at 1.5–1.7x, supporting the ability of large EPC companies to pursue larger projects.

For large EPC companies, **project sizes are increasing and order books are becoming more diversified,** which should support revenue visibility. International orders are also becoming more relevant, with overseas projects potentially offering better margins, advances and payment cycles. However, the benefit needs to be weighed against geopolitical, commodity, logistics and supply-chain risks, particularly in West Asia.

The webinar also highlighted the potential role of **AI in EPC execution,** particularly in contract administration, project planning, resource deployment, construction methodology and finance/accounting. In the water sector, JJM payments remain linked to state-level certification and milestone completion.

## PL stock preference in infra

**NCC:** NCC's long-term outlook remains attractive given 1) a consolidated order book of INR812bn (standalone INR713bn, ~4x TTM revenue), well-diversified across buildings (28%), transportation (20%), mining and T&D (16% each); 2) the management initiating FY27 guidance of 8-10% revenue growth, 8.5–9.0% margins and INR220-250bn inflows 3) execution already inflecting, with Q1FY27 revenue up 12% YoY and margins stable at 9.0%; and 4) JJM orders normalizing decisively, with INR6.1bn collected in Q1 and INR4.3bn in Jul'26, removing a multi-year overhang. Working capital improved to 95 days and receivable days to 68; the Q1 debt increase to INR 24bn was smart-meter specific, rather than core EPC stress. At ~1.2x FY28E BV versus 1.7x historical average, entry remains undemanding for a franchise with a INR2,500bn bid pipeline. We value at 15x FY28E EPS. Retain 'BUY', TP of INR195.

**PSP Projects:** The structural story is intact: 1) order book at INR132bn (~4x TTM, +103% YoY) with Adani mix at 70%; 2) FY27 revenue guidance retained at INR40-45bn with 25%+ growth continuing beyond; 3) INR8.3bn of interest-free mobilization advances driving 32.5% YoY fall in finance costs, with net-debt-free status targeted in 2–3 quarters; and 4) INR30bn in the book plus right of first refusal on further phases for the Dharavi project. Q1 inflow was soft at INR6.3bn on seasonality; FY27 is guided at ~INR50bn, with the INR70-80bn Commonwealth Games pipeline excluded and offering upside. We value PSP at 20x FY28E EPS with TP of INR1,062.

**Exhibit 1: PL Infra coverage Valuation Table**

| Company Name | MCap (INR bn) | CMP (INR) | TP (INR) | *% Upside* | Revenue YoY, % | | EBITDA Margin % | | ROE % | | PE (x) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E |
| Ahluwalia Contracts | 40 | 595 | 930 | *56%* | 15% | 21% | 8% | 10% | 11 | 14 | 17 | 12 |
| Ashoka Buildcon | 33 | 117 | 150 | *28%* | 12% | 17% | 9% | 9% | 6 | 8 | 12 | 8 |
| Dilip Buildcon | 58 | 400 | 507 | *27%* | 30% | 20% | 10% | 10% | 4 | 6 | 24 | 14 |
| HG Infra Engineering | 31 | 479 | 622 | *30%* | 2% | 17% | 12% | 12% | 8 | 10 | 11 | 8 |
| IRCON International | 111 | 119 | 136 | *14%* | 3% | 15% | 4% | 5% | 10 | 10 | 17 | 15 |
| KNR Constructions | 33 | 119 | 126 | *6%* | -2% | 22% | 11% | 12% | 4 | 5 | 21 | 16 |
| NCC | 90 | 147 | 195 | *33%* | 9% | 14% | 9% | 9% | 8 | 10 | 14 | 11 |
| PNC Infratech | 48 | 183 | 271 | *48%* | 21% | 28% | 12% | 12% | 7 | 8 | 12 | 9 |
| PSP Projects | 34 | 862 | 1,062 | *23%* | 45% | 24% | 8% | 8% | 12 | 14 | 22 | 16 |
| Rail Vikas Nigam | 427 | 209 | 165 | *-21%* | 15% | 82% | 4% | 3% | 9 | 9 | 48 | 42 |
| RITES | 103 | 215 | 267 | *24%* | 15% | 17% | 22% | 22% | 17 | 19 | 23 | 20 |

*Source: Company, PL*

## Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (INR) | Share Price (INR) |
|---|---|---|---|---|
| 1 | Adani Energy Solutions | HOLD | 1752 | 1724 |
| 2 | Ahluwalia Contracts (India) | Buy | 930 | 837 |
| 3 | Ashoka Buildcon | BUY | 150 | 114 |
| 4 | CESC | BUY | 220 | 165 |
| 5 | Coal India | Accumulate | 472 | 410 |
| 6 | Dilip Buildcon | Accumulate | 507 | 422 |
| 7 | H.G. Infra Engineering | Accumulate | 622 | 523 |
| 8 | Indian Energy Exchange | Hold | 135 | 124 |
| 9 | IRCON International | HOLD | 136 | 126 |
| 10 | JSW Energy | Buy | 646 | 562 |
| 11 | KNR Constructions | HOLD | 126 | 132 |
| 12 | NCC | BUY | 195 | 146 |
| 13 | NTPC | BUY | 450 | 351 |
| 14 | PNC Infratech | BUY | 271 | 210 |
| 15 | Power Grid Corporation of India | BUY | 331 | 272 |
| 16 | PSP Projects | Accumulate | 1062 | 951 |
| 17 | Rail Vikas Nigam | SELL | 165 | 228 |
| 18 | RITES | BUY | 267 | 216 |
| 19 | Tata Power Company | Accumulate | 414 | 371 |

## PL's Recommendation Nomenclature (Absolute Performance)

| | | |
|---|---|---|
| **BUY** | : | > 15% |
| **Accumulate** | : | 5% to 15% |
| **Hold** | : | +5% to -5% |
| **Reduce** | : | -5% to -15% |
| **Sell** | : | < -15% |
| **Not Rated (NR)** | : | No specific call on the stock |
| **Under Review (UR)** | : | Rating likely to change shortly |

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