



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- PNC Infratech Ltd Q4 FY22 consolidated revenues came in at ₹2,226 Cr, up by 19.40% YoY and 29.26% QoQ.
- Op Profit for Q4FY22 stood at ₹480 Cr, up by 14.28% YoY and 47.69% QoQ.
- Op margins for Q4FY22 came at 22%, -100bps YoY and +300bps QoQ.
- PAT for Q4FY22 stood at ₹247 Cr, up by 64.66% YoY and 197.5% QoQ.

2. MANAGEMENT COMMENTARY:

- Management has given a revenue guidance of 15% for FY23.
- They are confident of maintaining EBITDA margins in the range of 13%-13.5% on standalone basis for FY23.
- Management has given order book guidance of 8000-10,000cr for FY23.
- Order inflow in FY22 stands at Rs. 11,152 crore and unexecuted order book as on 31st March 2022 stands at Rs. 14,663 crores.
- Out of the total order-book the Roads & Highway Projects contribute around 65% and Water & Irrigation projects contribute around 35%.

3. SEGMENTAL ANALYSIS:

- Q4FY22 Revenue Breakup: Contract revenue comprises 81% and Toll/Annuity constitutes 19% of the overall revenue.

4. CONCALL SUMMARY

- In March-22 company received bonus of Rs. 82.68cr for Purvanchal Expressway, Package -5 for 132 days early completion.
- In April-22 company received Rs. 37.02 cr bonus for Purvanchal Expressway Package - 6 towards 97 days early completion
- The company aims to invest Rs.100-120cr as capex in FY23 and working capital days are expected to remain around 95 days.
- Company has been declared L-1 bidder in 7 new HAM projects awarded by NHAI with a BPC of Rs. 8,446 cr.

5. OTHER DEVELOPMENTS:

- Company has a total of 18 HAM projects and total equity requirement is approximately Rs. 2,390cr, out of which they have already invested 915cr till March 2022.
- Present capex will enable the company to register a topline of around Rs. 8000-10,000 cr.

6. VALUATION AND OUTLOOK:

We believe company will continue to post good results in the coming few quarters on the back of robust tendering activity. Company's unexecuted order book provides revenue visibility for next 2-3 years. They have significantly reduced their debt on standalone basis. Moreover, company has a good track record of finishing projects before the expected completion date.

Construction space is witnessing robust growth as NHAI plans to lay down 25,000km of national highway in FY23 taking the pace to 50km per day.

We give a "BUY" rating on the stock and value the stock at 10x of FY24E earnings to arrive at a target price of Rs. 294.

RECOMMENDATION - BUY

CMP – 240

TARGET – 294 (22.5%)

Industry	Engineering - Construction
NSE CODE	PNCINFRA
BSE CODE	539150
Market Cap (₹ Cr)	6085
Shares Outstanding (in Cr)	25.65
52 wk High/Low (₹)	395.9 / 226.6
P/E	10.8
P/BV	1.73
Face Value (₹)	2.00
Book Value (₹)	141
EPS (FY22) (₹)	22.63
Dividend Yield (%)	0.21
Debt / Equity	1.32
Interest Coverage	2.9

SHAREHOLDING PATTERN

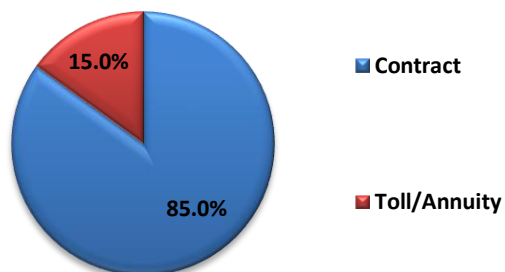
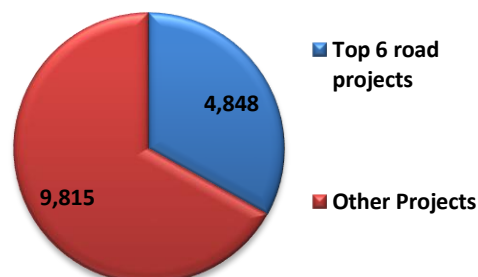
	Mar 22	Dec 21	Sept 21
Promoters	56.07	56.07	56.07
MF/ DII	26.83	27.52	26.97
FII/FPI	9.99	10.88	11.57
Retail & Others	7.11	4.13	4.03
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022A	2023E	2024E
Crore			
Sales	7208	8199	9018
Sales Gr. (%)	24.54	13.7	9.98
EBITDA	1534	1803	1894
EBITDA %	21	22	21
PAT	580	727	755
EPS (₹)	22.63	28.34	29.43
EPS Gr. (%)	16.70	25.23	3.84
BV/Sh. (₹)	141	165	189
Ratios			
RoE (%)	17.4	17.17	15.6
RoCE (%)	15.8	15.08	15
Valuation			
P/E (x)	10.8	10.2	11
P/BV (x)	1.73	1.75	1.71
EV/EBITDA	6.36	6.44	

Historical & Industrial Val Ratios

Historical P/E	10.63
Industry P/E	22.56
Historical P/B	1.70
Industry P/B	2.52

REVENUE SPLIT AND MARKET SHARE (Q4 FY22)
Segmental Mix (FY22)

Total Order Book as on 31st March 2022 stands at 14,663 crores.

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY21			FY22				FY22	FY23E*	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4			Q1E*
Net sales	1,248	1,582	1,864	1,463	1,798	1,722	2,226	2050	7,208	8199
YoY change (%)	-6.9%	13.78%	38.43%	33.83%	43.99%	8.84%	19.40%	40.12%	24.54%	13.7%
Total Expenditures	944	1,175	1,444	1,100	1,432	1,396	1,746	1640	5,674	6396
EBITDA	304	407	420	363	366	325	480	410	1,534	1803
Margins (%)	24%	26%	23%	25%	20%	19%	22%	20%	21%	22%
Depreciation	92	108	89	99	97	116	79	82	390	410
Interest	110	98	102	103	107	103	112	115	425	450
Other income	23	35	24	22	28	18	19	20	87	95
PBT	124	237	253	183	190	124	309	233	806	1038
Rate (%)	37%	29%	40%	38%	30%	37%	17%	20%	28%	30%
Adjusted PAT	79	176	150	118	132	83	247	186	580	727
EPS in Rs	3.07	6.87	5.86	4.59	5.16	3.23	9.64	7.25	22.63	28.34

Key Performance Indicators										
RM cost (% of revenue)	60%	59%	63%	61%	64%	62%	57%	58%	61%	63%
Employee cost (% of revenue)	6%	6%	5%	6%	5%	6%	4%	4%	5%	5%
EBITDA Margins%	24%	26%	23%	25%	20%	19%	22%	20%	21%	22%
PAT Margins %	6.3%	11.12%	8.04%	8.06%	7.34%	4.81%	11.09%	9.07%	8.04%	8.86%

Source: Company, Hem Securities Research.

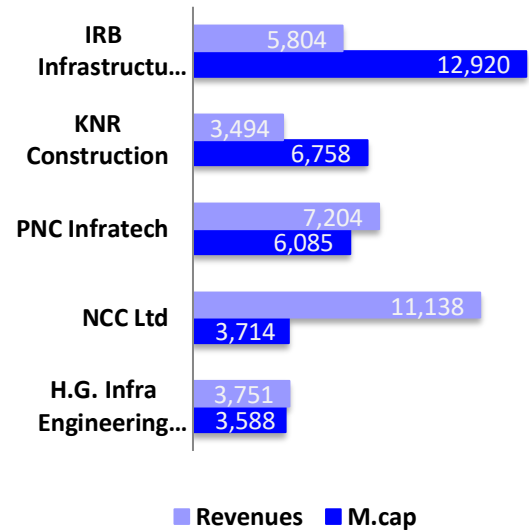
***Insights into the assumptions:**

- We expect revenues to slightly dip or remain same due to rising input cost pressure on QoQ basis.
- We also believe that operating margins would sustain at these levels and might also improve due to management's strong future guidelines.

INDUSTRY OVERVIEW

- Indian infrastructure segment comprises of many sectors and subsectors mainly roads, ports, telecom, power, railways, irrigation and urban infrastructure.
- India has the second largest road network in the world. In FY21 more than 13000 Kms of highway was constructed in India.
- NHAI aims to lay down 25000kms of national highways in 2022-23 at speed of 50km/day.
- Government of India has launched Gati Shakti – National Master Plan to fast track the implementations of infrastructure projects in the country.
- In the Union Budget 2022-23 government has allocated 2,95,150 crores for road construction an increase of 19% from last year.
- The Jal jeevan mission launched by GOI aims to provide tap connections to more than 6.5cr households.
- The government also aims to construct 23 new national highways by 2025.
- NHAI aims to generate Rs 1 lakh crore annually from toll in next 5 years.
- Leading players in road construction segment includes PNC infratech, KNR construction, IRB infrastructure Developers, NCC Ltd, HG infra engineering.

Key Players in Construction Sector



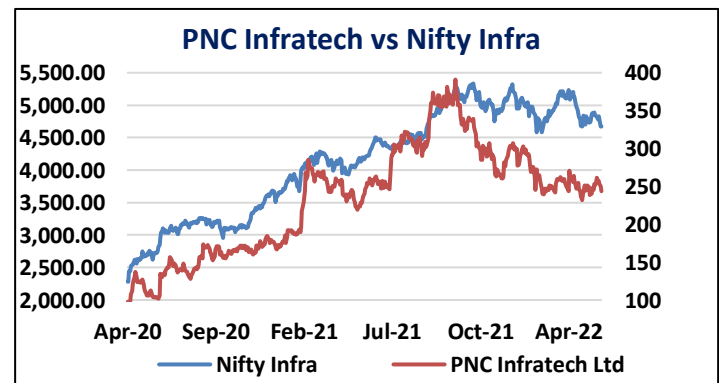
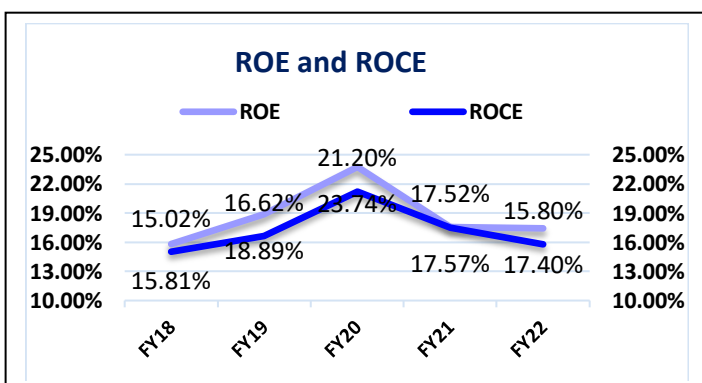
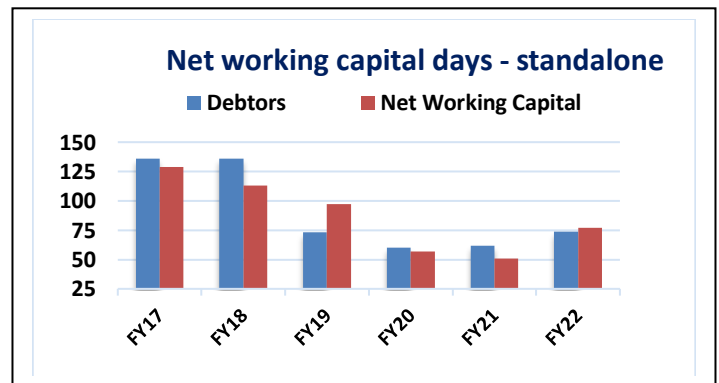
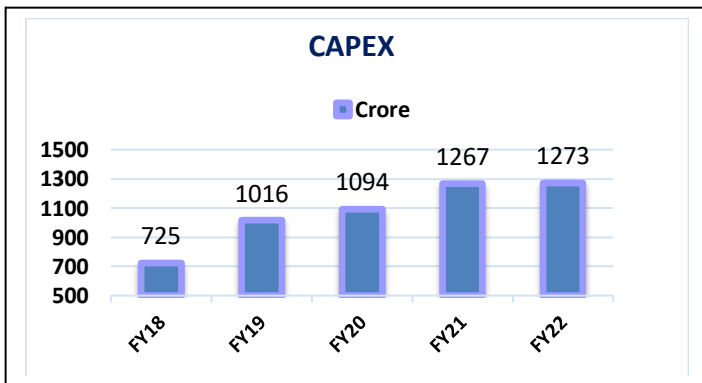
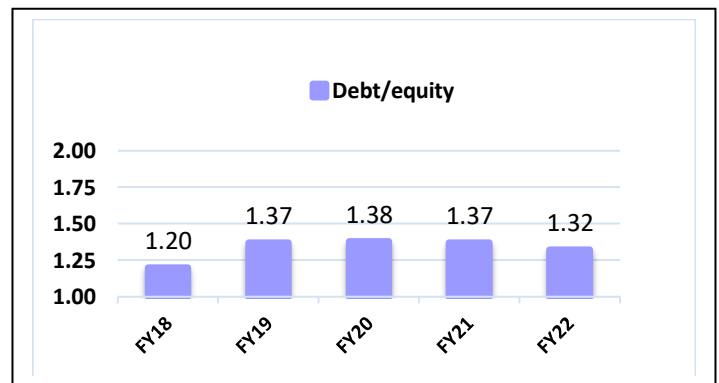
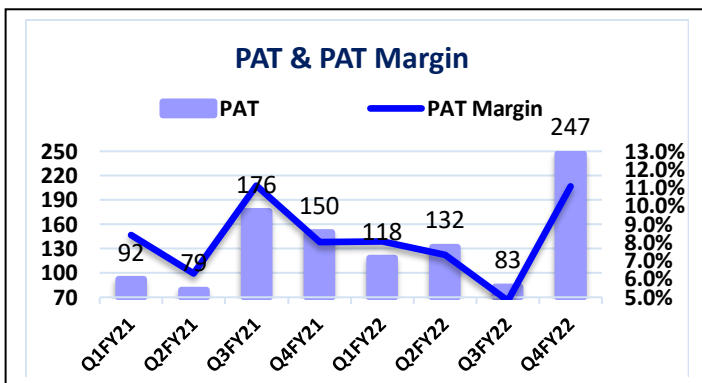
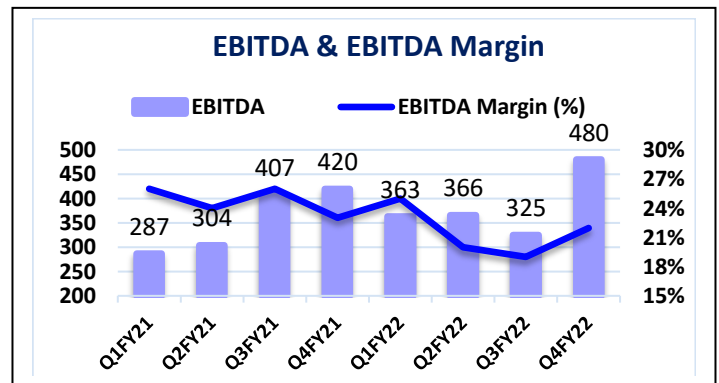
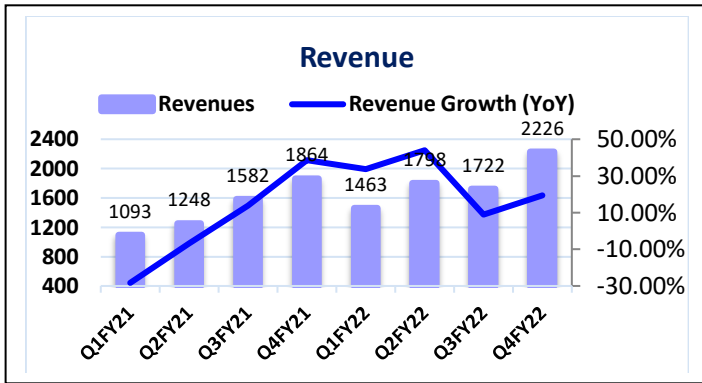
PEER PERFORMANCE

(₹ Cr)

Particulars	Peer Companies				
	PNC Infratech Ltd	KNR Construction Ltd	IRB Infrastructure Developers	NCC Ltd	HG Infra Engineering
Market Cap	6,085	6,758	12,920	3,714	3,588
Net Sales	7,208	3,606	5,804	11,138	3,751
EBITDA	1,534	799	2,571	1,024	710
PAT	580	382	361	482	380
EPS(₹)	22.63	13.58	5.98	7.91	58.31
EBITDA MARGIN %	21	22	44	9	19
PAT MARGIN %	8.04	10.59	6.21	4.32	10.13
ROCE %	15.8	20.8	8.91	12.9	28.4
ROE %	17.4	16.4	3.71	6.13	30.4
P/E TTM	10.5	19.2	35.8	11.3	9.44
P/B TTM	1.68	2.91	1.02	0.66	2.57
Dividend Yield %	0.21	0.10	0.00	1.31	0.14
MCap/ Sales TTM	0.84	1.87	2.22	0.33	0.95

Source: Company, Hem Securities Research.

STORY IN CHARTS



INVESTMENT RATIONALE:

- The company has contracts of over Rs. 21000cr which is over 3 times of FY22 revenue. This provides good revenue visibility for the next 2-3 years.
- The company is trading at a low P/E of 10.7 against industry P/E of 37.6
- They have a strong geographical presence in Uttar Pradesh and robust infrastructure development and project tendering in the state can reap benefits for the company.
- The road infrastructure project accounts for 18% of the total capital allocation under the Rs 111 lakh crore National Infrastructure Pipeline for FY19-25.
- NHAH aims to construct 25,000 kilometres of national highway in FY23 taking the pace to 50km per day.
- Management expects 15% growth in revenue for FY23 on standalone basis and EBITDA margins to remain in 13%-13.5% for FY23.
- They are targeting Rs 8000-10,000 crores of order inflow including projects under Jal Jeevan Mission in FY23.
- Management expects current capex can support turnover of around Rs 8000-10,000 crores.
- Union budget 2022-23 aims at infrastructure development as government has planned to increase allocation for the central road fund by 19%. Total fund stands at Rs. 2,95,150 crores.

RISK / NEGATIVE FACTORS:

- Delay in tendering activities and slowdown in infrastructure projects can affect net earnings.
- Increase in commodity prices and weak economic development can hamper company's business outlook.
- Weak geographical diversification can affect company's growth forecast.

COMPANY RECAP

- PNC Infratech is one of the leading infrastructure development and construction company in the country. They are primarily involved in infrastructure projects such as highways, bridges, flyovers, power transmission lines and airport runway development. They are also engaged in water supply projects under the Jal Jeevan Mission.
- The company was incorporated in August 1999, and has completed 78 major infrastructure projects covering 13 states out of which 54 are road EPC projects.
- The Company's registered office is located in New Delhi, corporate office in Agra and operations are spread across Haryana, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand, Assam, West Bengal and Bihar among others. Robust infrastructure pipeline and order tendering in U.P. provides geographical advantage to the company.
- Company's unexecuted order book as on 31st March 2022 stands at Rs 14,663 crores.
- In case of BOT and HAM, the company bid as a sponsor either alone or in the joint venture with other venturer and once the project is awarded then it is executed by incorporating a company (special purpose vehicle).
- Out of the total order-book the Roads & Highway Projects contribute around 65% and Water & Irrigation projects contribute around 35%.
- Key Management personnel – Mr. Pradeep Jain (Chairman and MD), Mr. Naveen Kumar Jain (Promoter), Mr. Chakresh Kumar Jain (Managing director and CFO) and Mr. Yogesh Kumar Jain (Managing Director).

ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Revenue from operations	2,411.39	3,774.36	5,602.57	5,787.57	7,208	8,199	9,018
Growth YoY (%)	7.06	56.52	48.44	3.30	24.54	13.74	10
Total Expenditure	1,642.30	2,767.55	4,275.39	4,369.70	5674	6,396	7,124
(%) of sales	68.11	73.33	76.31	75.50	78.7	78	79
EBITDA	769.10	1,006.81	1,327.18	1,417.87	1,534	1,803	1,894
EBITDA Growth (%)	19.37	32.77	42.66	1.76	8.25	17.5	4.8
EBITDA Margin (%)	32.90	27.91	26.82	26.42	21.3	22	21
Depreciation	261.81	346.46	350.73	363.25	390	410	425
EBIT	531.64	706.96	1,152.08	1,165.95	1,144	1,393	1,469
EBIT Growth (%)	25.65	32.98	62.96	1.20	-1.80	21.76	5.45
Net Interest Expenses	309.31	347.98	439.30	426.07	425	450	480
Other Income	24.35	46.62	175.63	111.32	87	95	90
Earnings before Taxes	222.33	358.97	712.78	739.88	806	1,038	1,079
EBT Margin (%)	9.22	9.51	12.72	12.78	11.18	12.66	3.94
Tax-Total	-26.65	8.31	169.38	247.24	225.68	311	324
Rate of tax (%)	-11.99	2.31	23.76	33.42	28%	30	30
Net Profit	248.98	350.67	543.40	492.64	580.32	727	755
PAT Growth (%)	79.12	40.84	54.96	-9.34	17.79	25.34	3.85
PAT Margin (%)	10.33	9.29	9.70	8.51	8.05	8.86	8.37
Minority Interest	0.00	0.01	0.00	0.48	0.00	0.00	0.00
Adjusted PAT	243.01	351.37	549.88	497.38	580.32	727	755
EPS	9.47	13.70	21.43	19.39	22.63	28.34	29.43
EPS Growth (%)	105.45	44.59	56.50	-9.55	16.70	25.23	0.03

Balance Sheet

Y/E March	2018	2019	2020	2021	2022
Share Capital	51	51	51	51	51
Reserves	1,637	1,973	2,503	3,002	3,577
Net Worth	1,689	2,024	2,554	3,053	3,628
Borrowings	2,021	2,775	3,515	4,188	4,793
Other Liabilities	2,192	2,455	2,421	2,334	2,224
Total Liabilities & Equity	5,902	7,254	8,490	9,575	10,645
Fixed Assets	2,279	2,234	1,978	1,797	1,482
CWIP	11	6	0	3	0
Investments	169	263	444	579	424
Other Assets	3,443	4,752	6,068	7,196	8,740
Total Assets	5,902	7,254	8,490	9,575	10,645

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2018	2019	2020	2021	2022
Profitability and return ratios					
Net profit margin (%)	10.33	9.29	9.70	8.51	8.04
EBITDA margin (%)	32.90	27.91	26.82	26.42	21%
EBIT margin (%)	22.05	18.73	20.56	20.15	15.87
ROE (%)	15.81	18.89	23.74	17.57	17.4
ROCE (%)	15.02	16.62	21.20	17.52	15.8
Working Capital & liquidity ratios					
Payables (Days)	74.46	57.37	38.73	97.58	43
Inventory (Days)	24.92	28.01	21.85	19.58	40
Receivables (Days)	94.37	53.86	26.17	21.34	34
Current Ratio (x)	1.44	1.70	1.96	1.72	1.68
Valuations Ratios					
EV/sales (x)	2.63	1.66	0.90	1.70	1.46
EV/EBITDA (x)	7.99	5.96	3.35	6.44	6.90
P/E (x)	18.53	11.13	4.44	13.28	11.2
P/BV (x)	2.67	1.93	0.96	2.16	1.81
Dividend Yield (%)	0.28	0.33	0.53	0.19	0.20
Leverage Ratio					
Debt/Equity (x)	1.20	1.37	1.38	1.37	1.32

Cash Flow Statement					
Y/E March	2018	2019	2020	2021	2022
CF from Operating activities (A)	591	197	525	186	-498
CF from Investing Activities (B)	-252	-444	-230	-248	25
CF from Financing Activities (C)	-211	400	254	63	148
Net Cash Flow	128	153	549	1	-325
Add: Opening Bal.	15	144	297	846	845
Closing Balance	144	297	846	847	520

Source: Company, Hem Securities Research.

RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
15 June 2022	Buy	294

DISCLAIMER

HEM Securities Limited (“Research Entity or HSL”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

ANALYST CERTIFICATION/ DISCLOSURE OF INTEREST

Name of the Research Analyst: MUDIT JAIN

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.