

Axis Annual Analysis 2023



PNC Infratech Limited

Robust Order Book & Segment Diversification to Drive Future Growth

Summary

Encouraging revenue growth: PNC Infratech recorded revenue from operations of Rs 7,060 Cr in FY23, recording an encouraging growth of 12% YoY. The said growth was led by better execution of projects in FY23.

Improvement in EBITDA margins: The company's EBITDA margins in FY23 stood at 13.5% vs. 12.5% in FY22 and the increase was led by its much better control over the costs during the year. PAT increased by 36% to Rs 611Cr in FY23 from Rs 448 Cr in FY22 on account of higher sales, lower depreciation, and finance charges.

Robust order book: The company's total order book as of 31st Mar'23 stands over Rs 20,500 Cr. During the year, it received an order inflow of over Rs 4,800 Cr comprising 4 HAM projects and 1 EPC project in Q4 FY23. Out of the total order book, Roads & Highway contributed ~67% while Water Supply & Irrigation contributed the remaining 33%.

Key Highlights

Received an early-completion bonus of Rs 37 Cr : During the year, the company received an early-completion bonus of Rs 37 Cr for the Purvanchal Expressway Package VI EPC Project in Apr'22 from the Uttar Pradesh Expressways Industrial Development Authority.

Provisional Completion Certificate: The company also received a Provisional Completion Certificate for a project namely '6-laning of Chakeri to Allahabad section of NH-19' in the state of UP under the NHPD Phase-V on Hybrid Annuity Mode in Mar'23.

Inked Concession Agreements for seven projects: During the year 2022-23, the company inked Concession Agreements for seven new Hybrid Annuity Mode highway and expressway projects with the National Highways Authority of India, with an aggregate Bid Project Cost of Rs 8,446 Cr. Additionally, in Mar'23, it successfully secured a Railway Project on EPC Mode from Haryana Orbital Rail Corporation Limited, with a contract value of 771 Cr.

Key Competitive Strengths

a) Expertise in end-to-end project management; b) Strong balance sheet and impressive credit ratings; c) Robust credentials in techno-experiential-financial qualifications; d) Enhanced execution capability and focused approach; e) Large fleet of sophisticated machinery, plants, and equipment

Strategies Implemented

a) Implemented cluster-based approach with a multi-state presence; b) Continued to build capabilities to improve overall project execution; b) Expanded footprints along with the promotion of infrastructure development; c) Continued with the strategic selection of projects for bidding

Growth Drivers

a) Bharatmala & Sagarmala Pariyojana; b) Atal Mission for Rejuvenation & urban Transformation; c) Jal Jeevan Mission; e) PM Gati Shakti Plan; f) The government's spending on infrastructure.

Key focus areas moving forward

a) To expand into new functional areas with continued preference for roads & highways space; b) To continue focusing on EPC contracts while carefully increasing penetration in DBFOT projects; c) To maintain performance efficiency and competitiveness across all business activities; d) To develop & maintain strong relationships with their clients and strategic partners; e) To strengthen systems and internal processes; f) To adopt sustainable practices in all spheres of operations

Outlook & Recommendation: Over the years, the company has developed itself as one of the premier EPC players in the road sector and has also diversified its revenue stream to other segments including water supply and irrigation. The company has a robust order book, better execution credentials, a crystal clear focus on the road segment, and a lean balance sheet. This along with the government's thrust on developing highways and expressways, and an asset monetization plan, we expect PNCIL to report Revenues/EBITDA/APAT growth of 12%/11%/13% CAGR respectively over FY23-25E. **We maintain a BUY rating on PNCIL and value its EPC business at 11.5x FY25E EPS and HAM portfolio at 1x book value to arrive at a target price of Rs 435/share, implying an upside of 18% from the CMP.**

Key Financials (Standalone)

(Rs Cr)	FY23	FY24E	FY25E
Net Sales	7,061	7,951	8,906
EBITDA	954	1,076	1,184
Net Profit	611	698	778
EPS (Rs)	23.8	27.2	30.3
PER (x)	16	14	12
EV/EBITDA (x)	10.1	8.8	8.0
P/BV (x)	2.4	2.1	1.8
ROE (%)	17%	16%	15%

Source: company, Axis Research

(CMP as of 18th Sept ,2023)

CMP (Rs)	369
Upside /Downside (%)	18
High/Low (Rs)	388/237
Market cap (Cr)	9,483
Avg. daily vol. (6m) Shrs.	497330
No. of shares (Cr)	25.6s

Shareholding (%)

	Dec-22	Mar-23	Jun-23
Promoter	56.07	56.07	56.1
FIIIs	9.32	9.5	10.3
MFs / UTI	28.36	28.3	27.2
Banks / FIIs	0	0	0.0
Others	6.25	6.1	6.5

Financial & Valuations

Y/E Mar (RsCr)	FY23	FY24E	FY25E
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P/BV (x)	2.4	2.1	1.8
ROE (%)	17%	16%	15%

Change in Estimates (%)

Y/E Mar	FY24E	FY25E
Sales	0	0
EBITDA	0	0
PAT	0	0

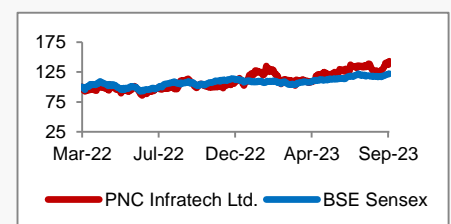
ESG disclosure Score**

Environmental Disclosure	NA
Social Disclosure Score	NA
Governance Disclosure	NA
Total ESG Disclosure Score	NA
Sector Average	46

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: Ace Equity, Axis Securities

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Company Overview

PNC Infratech Limited is an integrated infrastructure solutions provider with capabilities for investment, design, development, construction, operations, maintenance & management and with proven experience in airports, highways, expressways, bridges, flyovers, dedicated rail freight corridors, drinking water supply and related sectors with more than three decades of experience and expertise.

PNC has successfully executed more than 90 major infrastructure projects in various Indian states. The company is executing projects in various implementation formats including item rate, EPC (Design-Build), BOT-Annuity, BOT-Toll, OMT, Operation & Management and Hybrid Annuity Mode (HAM) projects in various sectors.

The company is currently executing over 25 EPC projects in airports, highways, expressways, irrigation and rural drinking water supply in various regions. It has a large fleet of state-of-the-art plants and equipment, including a large logistics fleet, advanced stone crushers, high-capacity 'batch type' hot mix plants, fully mechanized wet mix plants, high-capacity concrete batching plants, slipform sensor pavers for rigid pavements and sensor pavers for flexible pavements, most of which have been imported from technologically-advanced countries and are capable of completing large-scale projects with high quality.

Leading EPC player with more than two decade of experience. With better execution and strong management pedigree.

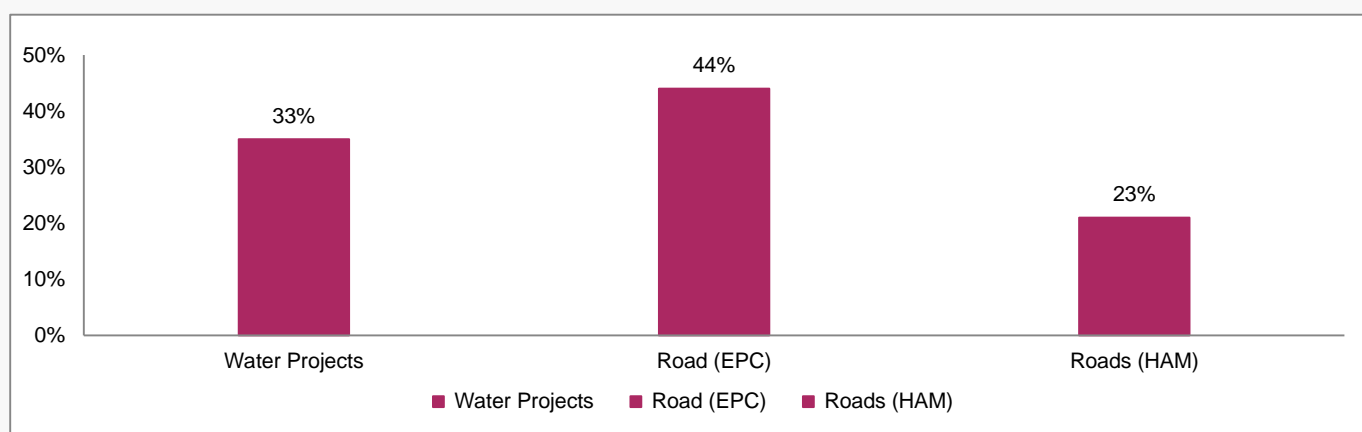
FY23-Performance Round-up and Key Operational Activities

- **Revenue:** The revenue from operations grew to Rs 7,060 Cr in FY23 from Rs 6,305 Cr in FY22, recording an increase of 12%. The growth was largely contributed by better project execution during the year.
- **EBITDA margin:** EBITDA margin for FY22 stood at 13.5% vs. 12.5% in FY22. The increase in margins was owing to higher revenue and controlled costs.
- **Net profit:** Profit after tax increased by 37% to Rs 611 Cr in FY23 from Rs 448 Cr in FY22 on account of higher sales and lower depreciation and finance charges.
- **Order book:** Out of the total order book, the Roads & Highway Projects contribute around 67% and Water & Irrigation projects contribute around 33%. The company has a total of 25 projects in PPP format, comprising BOT-Toll, BOT Annuity, OMT and HAM assets. Out of these 27 projects, it has 22 HAM projects with a total bid project cost of Rs 28,673 Cr. From the HAM portfolio of 22 projects, 6 are operational, 12 are under construction and balance 4 where the company signed concession agreements.
- **Water Projects:** Till the end of FY23, the company's revenue from drinking water supply projects crossed Rs 1,000 Cr
- **Earnings per Share:** Earnings per Share (EPS) has gone up to Rs 23.8/share in FY23 vs. Rs 17.5/share in FY22.
- **Dividend:** The Board of Directors have declared a final dividend of 25% i.e., Rs 0.50/equity share of Rs 2 each.
- **Debt Repayment:** The company reduced its long-term debt obligation from Rs 129 Cr to Rs 60Cr and its debt/equity ratio improved to 0.06x from 0.12x and interest coverage from 10x to 15x in FY22 on a standalone basis.

Revenue growth was led by better execution. Order book remains robust. Long term debt reduced.

Order awarded in FY23

Sr. No.	Client	Description of the Project	Awarded value (In Mn)
1	NHAI	4 new projects on Hybrid Annuity Mode	40400
2	Haryana Orbit Rail Corporation	“Design and Construction of Civil Works (Earthwork, Bridges, Station Buildings, Retaining Walls and other miscellaneous Works) from km 29.68 to 49.70 and from km 55.60 to 61.50 and its connectivity to Indian Railways network from New Patli to Patli Station & New Patli to Sultanpur Station incldg. modifications/ civil works at Sultanpur Station in connection with the laying of the New BG Double Railway Line of the HORC Project, in Haryana.	7710

Exhibit 1: Order Book Break Up


Source: Company IP, Axis Securities

NHAI Initiatives

The government of India (GOI) has also unveiled initiatives aimed at streamlining the operations of private sector road builders, with a focus on unlocking their potential. These measures are designed to encourage increased investments in the country's roads and highways, fostering their expansion and efficient operation throughout FY23 and beyond. These included:

NHAI is working on many initiatives to ease road construction to speed up the length of Expressways & Highways

- **Direct transfers to beneficiaries' accounts to speed up the disbursement of land acquisition compensation:** To speed up the disbursement of land acquisition compensation to landowners, the NHAI has announced that the amount will be directly transferred to beneficiaries' accounts through the 'Public Finance Management System'. This will avoid substantial funds of NHAI being blocked in the bank accounts of the respective district administrations in the states for a longer period of time so that the available funds can be utilized efficiently and productively.
- **Relief measures to improve the liquidity:** Under the 'Atmanirbhar Bharat Abhiyan', the Ministry of Road Transport and Highways extended a host of relief measures that were implemented to improve the liquidity and, in turn, the balance sheets of highway contractors and concessionaires until March 31, 2024. As per the notification issued by the Ministry in Apr'23, all HAM and EPC contractors will continue to get paid on a monthly basis for their work done for the period till March 31, 2024.
- **The NHAI is considering halving the upfront payment made to highway builders for the development of HAM projects.** As opposed to the customary 40% payment for projects, the NHAI is considering paying only 20% of the cost during development. If this idea is adopted, private investment in the industry would expand, and NHAI would be able to bid on more kilometres while still using the same pool of funding. Companies with strong balance sheets and enough capitalization are expected to gain from this policy change.
- **MoRTH to widen state highways with significant traffic volumes:** The MoRTH has recently revealed its intention to take over state highways with significant traffic volumes from the state governments for a period of 25 years to widen them to four or six lanes. During the next 12 to 13 years, the Ministry anticipates that user fee revenues that will accrue to MoRTH or its Authorities/Corporation will allow them to fully recoup their investments.
- **PM Gati Shakti National Master Plan for multimodal connectivity:** As part of the PM Gati Shakti National Master Plan for multimodal connectivity, the Multi-Modal Cargo Terminal (GCT) policy was launched in 2020 to boost investment in the development of cargo terminals across the country. The policy aims to create a seamless multimodal transportation network that will facilitate efficient logistics and the movement of goods. GCTs are the facilities that allow the seamless transfer of goods between different modes of transportation, such as rail, road and air, which offer increased efficiency, reduced pollution, increased employment, and improved safety.

NHAI deleveraging – A significant growth trigger

- **Ambitious monetization target by NHAI:** NHAI has established an ambitious monetization target of 21,700 km of highway stretches over three years, commencing in FY23. This endeavour is anticipated to generate a substantial revenue of Rs 2 Lc Cr. NHAI aims to achieve the monetization of 1,987 km of highways by FY24, utilizing the 'toll operate transfer' and infrastructure investment trust (InvIT) modes. In FY23, the NHAI had originally set a target of monetizing 14 highways, covering a total distance of 1,750 km. As of March 22, 2023, it has successfully realized Rs10,368 Cr in FY23 from the monetization of 487.7 km of road assets.
- **The government has monetized assets worth Rs 26,000 Cr during FY23:** As far as asset monetization is concerned, the government has monetized assets worth Rs 26,000 Cr during FY23 till Feb'23 against the target of Rs 1.6 Lc Cr, while a proposal pipeline aggregating to Rs 1.23 Lc Cr is currently at various stages of processing. With Rs 88,000 Cr realized in FY22, the overall monetization value realized in FY22 and FY23 is now Rs 1.14 Lc Cr, which is ~19% of the Rs 6.0 Lc Cr target set under the National Monetization Pipeline (NMP) over four years (from FY22 to FY25).
- **NHAI has set ambitious targets to monetize 46 operational highway stretches:** According to industry sources, NHAI has set ambitious targets to monetize 46 operational highway stretches, totalling 2,612 km in the current financial year. This move is aimed at strengthening resources for the organization's road-building program. Projects worth ~Rs 60,000 Cr have been identified for monetization in 2023-24. The pipeline of projects is expected to generate significant revenue. The asset monetization will reduce the debt burden on the NHAI and accelerate the pace of highway construction further.

NHAI working on to deleverage its balance sheet to further accelerate the road construction.

Key Growth Drivers

Government Push for Infrastructure Sector

If we look at the business opportunities for the company, greenfield expressways are among the high-value projects that the National Highways Authority of India (NHAI) is focusing on implementing in both EPC and HAM modes. The infrastructure sector as a whole will benefit from key government initiatives such as BharatmalaPariyojana, Sagarmala, Atal Mission for Rejuvenation & Urban Transformation, JalJeevan Mission and the resulting projects. For faster implementation of these projects in all sectors, regions, and with all stakeholders, the Prime Minister's Gati Shakti National Master Plan will be of further help. The capital budget for key infrastructure components in the Union Budget 2022-23, has been increased by 30%, demonstrating the government's focus and commitment to infrastructure development. PM's Gati Shakti's National Master Plan, with its initial financial allocation of Rs 20,000 Cr, is already on track to achieve the government's goal of becoming a \$5 Tn economy by 2025. The government's focus on the JalJeevan mission to achieve the goals of 'HarGharPaniGharGharPani' and 'HarGharNal Se Jal' will also provide ample opportunities in the drinking water sector in the states where the company has already penetrated.

Infra development with the government support remains the key trigger for road developers for future growth.

Continued support by the government through various initiatives

NHAI announced a new system to speed up the payment of compensation for land acquisition to property owners, under which the funds will be transferred directly to the beneficiary's accounts via the public finance management system. This will also save thousands of crores from being blocked in banks for months, which could be used for construction.

Deleveraging of NHAI balance Sheet to drive highway construction growth

The NHAI set a monetization target of 21,700 km of highway stretches in three years starting from FY23. It could help the NHAI to raise about Rs 2 Lc Cr. NHAI has identified stretches of 5,500 km for monetization in FY23, 7,300 km in 2023-24, and 8,900 km in 2024-25. The NHAI will utilize these funds to repay the debt which stood at around Rs 3.2 Lc Cr in FY21. In early Nov'21, the NHAI launched its maiden InvIT, another mode of asset monetization, to mop up Rs 5,100 Cr by monetizing 390 km highway stretches. Such initiatives are expected to deleverage NHAI's balance sheet significantly, which certainly will benefit the whole industry.

Key strategies moving forward

Strong pipeline of new business a critical imperative for sustainable growth

PNC Infratech tirelessly seeks new contracts and the execution of ongoing projects. The company does not solicit new projects just for the sake of order book expansion as its philosophy is to always bid for the right projects at the right prices. While the company continues to focus on the highway sector, it continues to strive for balanced diversification to maintain growth momentum without taking concentration risks. In line with the above business development strategy, the company secured four new HAM projects in FY23 with a total project cost of Rs 4,110 Cr. This includes one EPC project from Haryana Orbitol Rail Corporation worth over Rs 700 Cr. With a new order intake of over Rs 4,800 Cr in FY23, the company's unexecuted order book stood at over Rs 20,000 Cr, including the value of 4 HAM projects recently awarded as of March 31, 2023. This shows robust revenue visibility for the next 2-3 years.

Many strategies are underway to keep its operating and financial performance resilient despite many challenges.

Swift Execution and timely delivery of projects

With end-to-end execution capacity and a solid backward linkage, the company always looks forward to the timely and often ahead-of-schedule completion of the projects awarded to it. The company's proven expertise and in-house capabilities enable it to maintain comprehensive control over project execution, even in the most challenging situations. During the year, the company was able to complete all seven highway projects under the hybrid annuity scheme in FY22 within the scheduled deadlines. In addition, appointed dates were set for all seven HAM projects announced for FY23, and construction began immediately on all projects.

Maintaining steady growth

The company's journey so far is evidence of consistent performance and steady growth. It does not seek short-term gains that could end up in a roller coaster ride of performance and growth. The company is a firm believer in the power of focus and hard work that helps to consistently outperform itself. It always follows what is right, not what seems right, even if it sometimes has to work hard and hold back to do so. In its pursuit of growth in volume, revenue, profitability and expertise, it constantly calibrates and carefully re-evaluates its growth to ensure consistency and sustainability. Along the way, following and practising these principles, the company's revenue and profitability grew decently in FY23 compared to FY22.

Business Outlook

Infrastructure Sector

In the Union budget, allocation to Highways grew from about Rs 1.99Lc Cr to Rs 2.70 Lc Cr, representing a 36% YoY growth. NHA's funding allocation more than doubled during this period as well. Aside from investments in roads and highways, this year's budget also puts a focus on river connection projects, which will increase water availability across various regions, and comparable irrigation projects. By 2024, the government intends to add 40 KM of world-class National Highways per day. The government and other organizations have undertaken several steps in recent years to speed up highway construction and improve the financial health of infrastructure firms.

Water Sector

The Jal Shakti Ministry has been allocated Rs 97,278 Cr in the Union Budget 2023-24. Under the Jal Shakti Ministry, the Drinking Water and Sanitation Department has been allocated Rs 77,223 Cr, while Rs 20,055 Cr has been allocated to the Department of Water Resources, River Development, and Ganga Rejuvenation. Jal Jeevan Mission has been allocated Rs 69,684 Cr, or ~27% more compared to the previous year's budget.

Airport Sector

India is now the third-largest domestic aviation market in the world. According to the Directorate General of Civil Aviation (DGCA), India's air passenger traffic grew 47% YoY to 12.3 Cr in FY22, indicating a strong rebound in the civil aviation industry after the challenges caused by the Covid-19 pandemic in FY20 and FY21. This robust growth is also fueled by rising disposable income in middle-class households, fierce competition among low-cost carriers (LCCs), and the government's push-through programmes such as UDAN, which has triggered an increase in air travel in several Tier 2 cities. According to the International Air Transport Association (IATA), India will be the world's third-largest air passenger market in the next decade, or by 2030. Currently, India has 148 operating airports, including 29 international airports, 92 domestic airports and 10 customs airports. In the last 10 years, the number of airports has increased from 74 to 141 (including helipads and water terminals). The government expects to invest \$1.83 Bn in airport infrastructure development by 2026. The Airports Authority of India (AAI) has awarded six airports, namely Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangalore, for operation, management and development under a public-private partnership for a period of 50 years. According to the NMP, 25 more AAI airports are slated for asset monetization between 2023 and 2025.

With technical, operational, and functional expertise built over the past two and a half decades, PNC Infratech remains confident of maintaining its growth trajectory with an optimal mix of sectors and proper risk and working capital management in place. The company will focus on incrementally growing its presence in sunrise sectors, such as water management, railways, and urban development, among others, where it finds synergy. To maintain its pace of expansion without running the risk of concentration, the company is concentrating on diversifying its project development business. The road sector will still be the key focus area. With its active presence and large involvement in Jal Jeevan Mission projects (a large number of rural drinking water projects in UP), PNC Infratech anticipates a substantial inflow of further mandates over the short and medium term, as it is looking forward to expanding its order book in the water sector. Additionally, the company is focusing on establishing its presence in the railway sector with a strategic entry strategy and collaborations as required.

Infra, water, airport and related space to provide better growth opportunities moving ahead.

Risks & Mitigation

- **Competition Risk:** The various business segments in which the company operates, compete with a large set of regional, national, and international companies. The competitive intensity varies by geography, nature of project, size and business segment.
- **Mitigation:** The company has a strong track record of 20+ years in engineering and construction. With strong domain knowledge, the company is aiming to bid for larger projects with ticket sizes of up to Rs 4,000 Cr, where competition is less intense. By offering end-to-end services in terms of design, engineering, planning, management, and project execution to finish complex projects in a safe, timely, and cost-effective manner, the company remains well-equipped to stay ahead of the curve. The company intends to continue completing the awarded projects ahead of schedule to earn an early completion bonus wherever possible.
- **Capital-Intensive Business Risk:** The entire infrastructure sector is very capital-intensive, especially fund-based projects (BOT) with a long payback period. Capital requirements for investment in facilities are high, with a large portion of these facilities financed by debt. Timely and cost-effective availability of financing is critical, especially for TOT, BOT, and HAM projects.
- **Mitigation:** While many infrastructure companies find it difficult to raise the necessary funds in a timely manner, the company continues to benefit from lower interest rates and better terms on various loans for financing construction equipment, term loans for projects and working capital facilities. The company also has a large fleet of construction equipment and machinery, which allows for efficient mobilization of resources for multiple projects in the vicinity.
- **Input Cost Risk:** Inflationary pressures on input costs, especially for steel and cement, continue unabated. Structural steel, cement, bitumen, concrete, metal plates, cables and other electrical and mechanical components are among the company's main products. The continuing upward trend in these costs could impact the company's margins and profitability. Apart from this, demand, manufacturing capacity, market conditions and specific material shortages, availability and prices of these products may fluctuate dramatically. The shortage of raw materials may also lead to a delay in the project.
- **Mitigation:** Input cost volatility is very critical to any infrastructure project. The company's approach is to have complete control over various input costs through ownership or long-term contracts. It has a large fleet of its own stone aggregate mines and crushers, which are one of the main cost drivers. Other key raw materials such as cement and steel are sourced from reputable manufacturers with whom the company has established good business relationships over the years. This ensures competitive prices, high quality and on-time delivery. To minimize pressure on input costs, the company enters into contracts with government contractors that include cost-escalation measures that enable it to protect margins during the project execution phase.
- **Labour Risk:** The infrastructure projects are highly dependent on the timely availability of the labour force. Availability and the company's capability to hire, retain and use experienced individuals, such as engineers, designers, corporate management professionals, and labourers, with the requisite experience and competence at a competitive cost is critical for the execution of the project. The company's inability to do so in the future may limit its ability to execute the projects.
- **Mitigation:** A large chunk of the company's projects is based out of Northern India, where the availability of the labour force is abundant. The company is focusing on providing requisite training and creating an environment to thrive and contribute. It follows an open-door policy along with entrepreneurial working culture. The company's compensation approach is based on a systematic evaluation and appraisal of each employee's performance and potential. It also distributes the early completion bonuses collected for the projects to the project team in the same proportion of number of days.

The company is exposed to many risk and mitigation strategies are under place to deal with those risks.

Forex Analyses (Rs Cr)

Particulars	FY22	FY23	Change	Comments / Analysis
EUR	-	5.5	100%	Trade payables

Contingent Liability Analysis (Rs Cr)

Particulars	FY22	FY23	Change	Comments / Analysis
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Claims against the Company not acknowledged as debts*

Disputed demand of Income Tax for A.Y. 2010-11. (During the Previous Year Disputed demand of Income Tax (includes net of prepaid taxes under verification, adjusted from demand of Rs 3351.00 Lcarosein assessment of search proceedings up to AY 2012-13) for which the company has won the appeal, but the Department has filed appeal with Hon. High Court)	6	6	-	
Disputed demand of Sales Tax/VAT/GST for which company preferred appeal	19	2	(89)	
Disputed demand of Service Tax for which company preferred appeal	2	2	-	
Others (including motor accidents, labour& civil matters)	1	1	-	
Court Case by NHAI against Claim Award of NH-24 Project	145	-	-	

Other

Letter of Credit outstanding	106	271	155%	
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* In respect of certain proposed disallowances and additions made by the Income Tax Authorities, appeals are pending before the appellate authorities and adjustments, if any, will be made after the same are finally settled.

Corporate Social Responsibility

In FY23, the company spent Rs13 Cr towards the following CRS activities:

- Promoting Healthcare, Eradicating Hunger, Poverty and Malnutrition, and making available safe drinking water.
- Promoting education among children and women.
- Facilities for senior citizens like setting up old age homes and daycare centres
- Enhancing vocation skills, especially among children, women, the elderly, and the differently abled and livelihood enhancement projects.
- Rural Development and Education.
- Animal Welfare & Agro Forestry.
- Empowering Women & Differently Abled (VIKLANG SAMITI).
- Promoting Art & Culture & Rural Development.
- Research and Development.

Corporate Governance Philosophy

The company's philosophy in relation to Corporate Governance is to ensure transparent disclosures and reporting that confirms full compliance with the applicable laws, regulations and guidelines, and to promote ethical conduct of the business operation with the primary objective of enhancing all stakeholders' value while being a responsible corporate citizen. The company is committed to meeting the aspirations of all stakeholders. The company firmly believes that any meaningful policy on Corporate Governance must provide empowerment to the executive management of the company and simultaneously create a mechanism of checks and balances that ensures that the decision-making power vested in the executive management issued with care and responsibility to meet shareholders' and stakeholders' expectations. This is demonstrated in shareholders' returns, high credit ratings, recognition from NHAI, governance processes and a focused work environment. The company not only adheres to the prescribed Corporate Governance practices as per the SEBI Listing Regulations but is also committed to sound Corporate Governance principles and practices.

Foundational Principles are as follows:

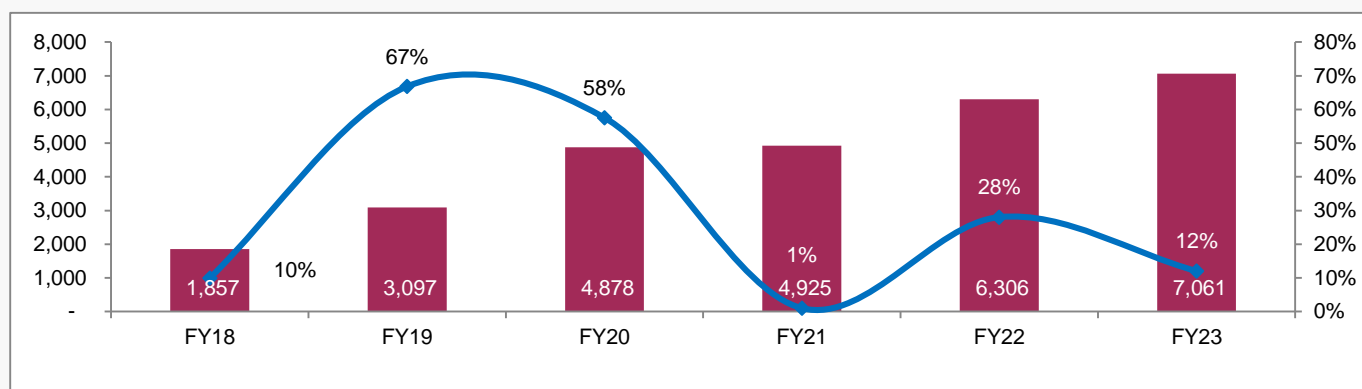
- Satisfy both the spirit of the law and the letter of the law
- Ensure transparency and maintain a high level of disclosure
- Communicate, externally and truthfully, about how the company is run internally
- Have a simple and transparent corporate structure driven solely by business needs
- Management is the trustee of the shareholders' capital and not the owner

Profitability Analysis (Rs Cr)

Particulars	FY22	FY23	Change	Comments/Analysis
Sales	6,306	7,060	12%	Growth due to better execution of projects during the year despite various challenges faced on account of extensive monsoon. We expect the company to report a revenue CAGR of 12% over FY23-FY25E
Raw Materials	3,193	3,343	5%	Increase in raw material cost due to higher price and higher revenue
Gross Profits	3,113	3,717	19%	An increase in revenue is reflected in higher gross profits
Operating Expenses	1,067	845	-21%	Decrease due to lower employee and other expenses during the year despite higher sales
Interest	80	64	-20%	Interest expense reduced as company repaid long term-debt during the year
EBIT	712	882	24%	Better operating performance coupled with lower depreciation charges helped in higher EBIT.
PAT	448	611	37%	Growth due to an increase in sales and lower interest costs during the year
EPS	17.5	23.8	37%	In line with the profit growth

Source: company; Axis Securities

Exhibit 2: Revenue (Cr) and Revenue Growth Trend (%)



Source: Company, Axis Securities

Growth Indicators (Rs Cr)

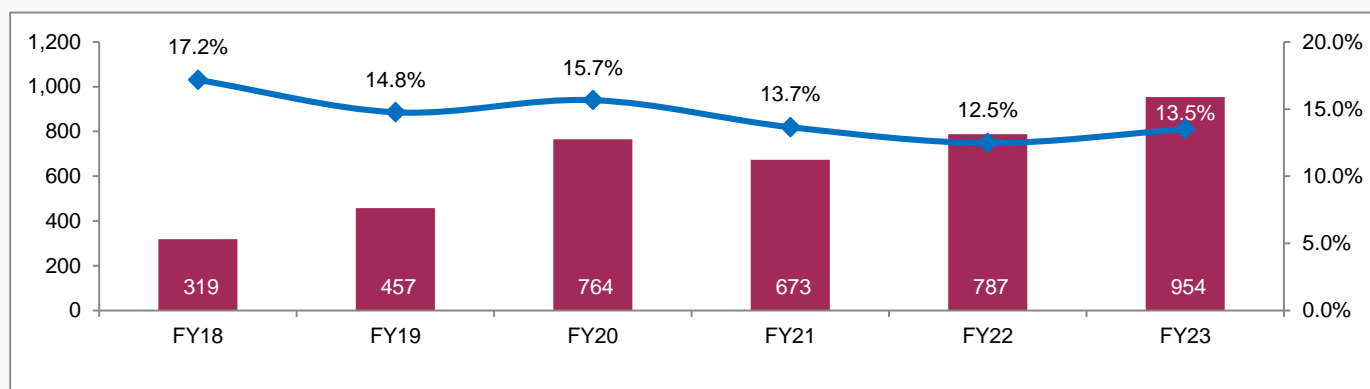
Particulars	FY22	FY23	Change	Comments/Analysis
Revenue	6,306	7,060	12%	Growth was led by the efficient execution of projects during the year despite various challenges faced on account of extensive monsoon. We expect the company to report a revenue CAGR of 11% over FY23-FY25E.
EBITDA	787	954	21%	Higher owing to higher sales and lower operating expenses during the year. We expect the company to report EBITDA CAGR of 11% over FY23-FY25E with EBITDA margin in the range of 13%-14% over the same period.
PAT	448	611	37%	Growth was due to an increase in sales and lower interest costs during the year. We expect the company to report a PAT CAGR of 13% over FY22-FY25E, driven by better execution and improved margins.
EPS	17.5	23.8	37%	In line with the profits

Source: company; Axis Securities

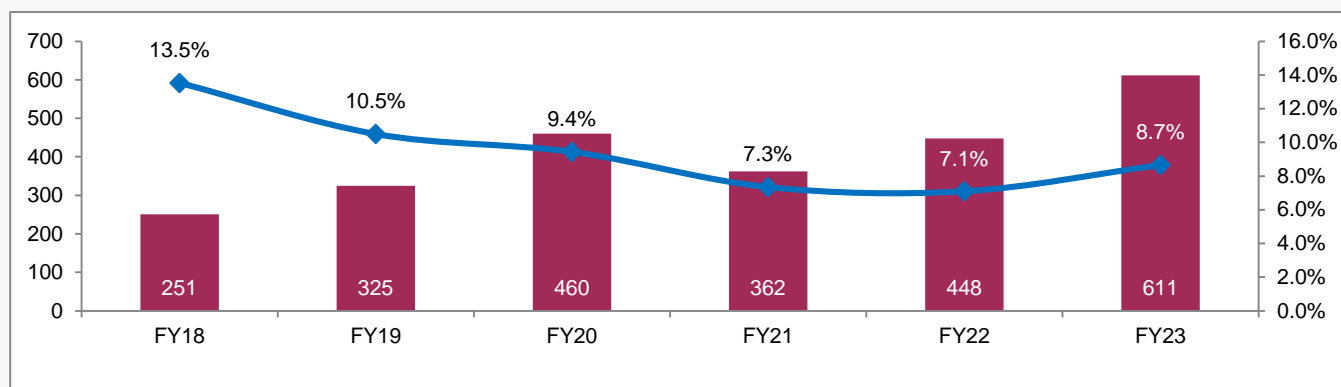
Profitability Margins

Particulars	FY22	FY23	Change	Comments/Analysis
GPM	29.4%	25.5%	390 bps	Impacted by higher raw material prices during the year.
EBITDAM	12.5%	13.5%	100 bps	EBITDAM higher owing to lower operating expenses during the year
PATM	7.1%	8.7%	160bps	Higher owing to higher sales and lower depreciation and interest charges

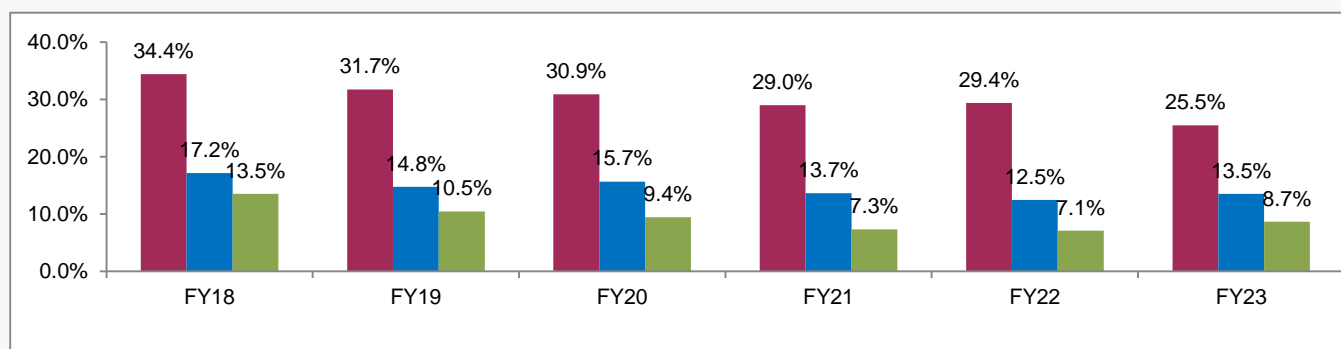
Source: company; Axis Securities

Exhibit 3: EBITDA (Cr) and EBITDAM Trend (%)


Source: Company, Axis Securities

Exhibit 4: Net Profit (Cr) and NPM Trend (%)


Source: Company, Axis Securities

Exhibit 5: Gross Profit Margin, EBITDA Margin & Net Profit Margin (%)


Source: Company, Axis Securities

Financial Ratios

Particulars	FY22	FY23	Change	Comments/Analysis
ROE	14%	17%	300 bps	Growth due to an increase in profits during the year.
ROCE	18%	20%	200bps	Higher EBIT contributed to higher ROCE
Asset Turn	1.49x	1.52x	0.3 x	Asset turnover is higher due to an increase in revenue
Net-debt/Equity	(0.09)	0.02	0.11 x	Net debt to equity higher owing to an increase in short-term debt

Source: company; Axis Securities

Key Balance Sheet Takeaways

- **Working Capital Management:** Working capital intensity increased as the cash conversion cycle increased to 104 days in FY23 from 72 days in FY22 owing to an increase in debtors and inventory days. During the year, OCF to EBITDA decreased to -16% from 11% in FY22 owing to a stretch in working capital. From FY18-FY23, the company generated a total OCF of Rs1,712 Cr and 49% of the total OCF (Rs843 Cr) was utilized towards the company's Capex program.
- **Debt:** The company's standalone debt stood at Rs 450 Cr in FY23 compared to Rs 215 Cr in FY22 as the company partially repaid its long-term debt obligation while availing of short-term debt during the year.
- **Fixed capital formation:** Gross Fixed Capital Formation increased to Rs1,183 Cr in FY23 from Rs 1,124 Cr in FY22, an improvement of 5% as the company incurred Capex for superior project execution.
- **Cash & liquidity position:** The cash & equivalent including bank balance stood at Rs 373 Cr in FY23 against Rs 528 Cr in FY22, a decrease of 42% YoY as higher working capital requirement had an impact on the cash generation ability of the company

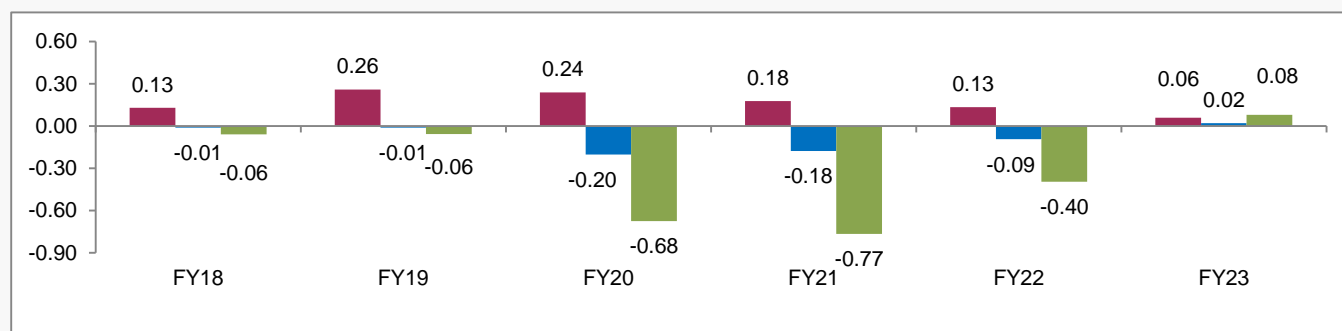
WC requirement increased during the year impacting OCF which turned negative during the year.

Cash Conversion Cycle

Particulars	FY22	FY23	Change	Comments/Analysis
Inventory Days	32	46	14	Increased due to higher inventory
Trade Receivables	74	99	25	Increased due to delayed payment from parties.
Trade Payables	34	41	7	Higher owing to business conditions
Cash Conversion Cycle	72	104	32	CCC increased due to poor WC management

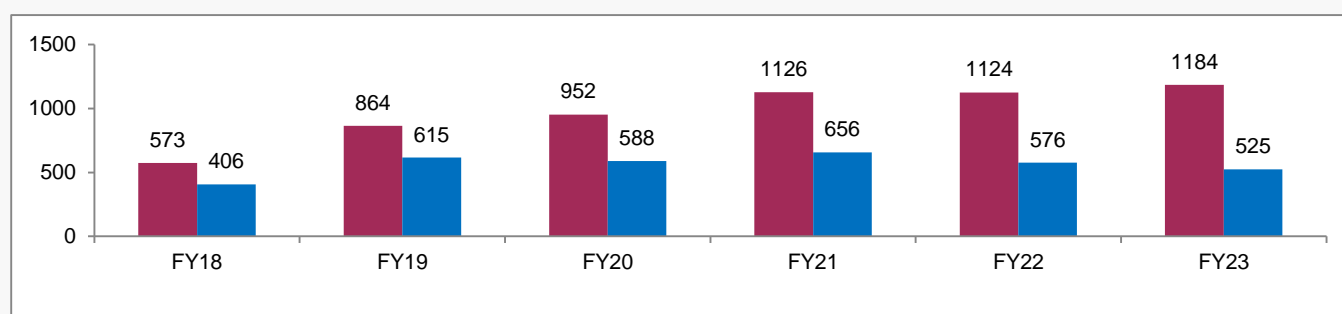
Source: company; Axis Securities

Exhibit 6: Leverage Ratios

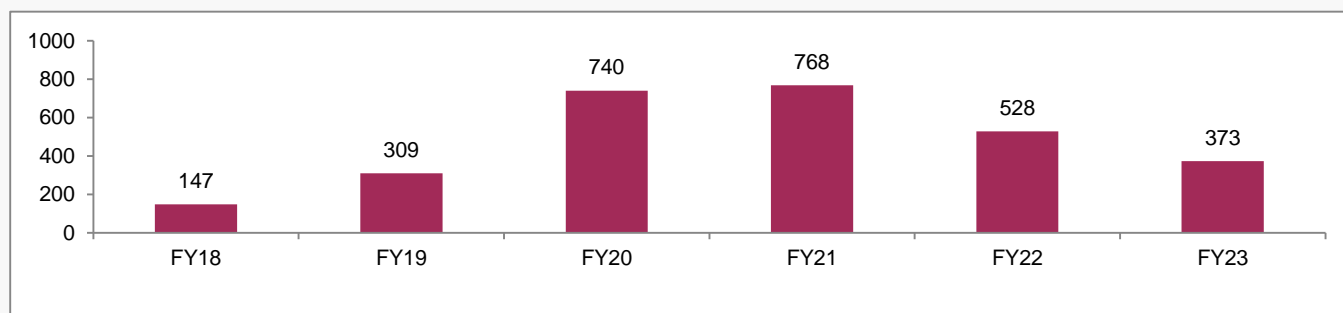


Source: Company, Axis Securities

Exhibit 7: Gross & Net Block (Rs Cr)



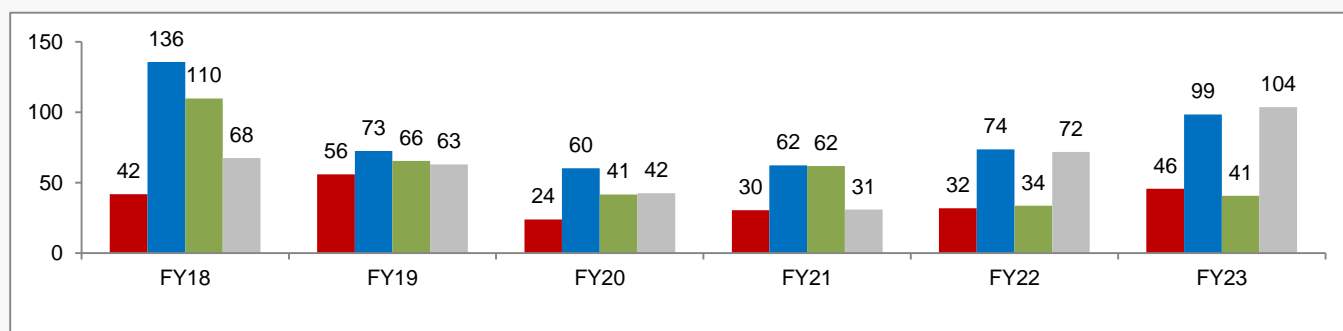
Source: Company, Axis Securities

Exhibit 8: Cash & Cash Equivalents and Bank Balance (Rs Cr)


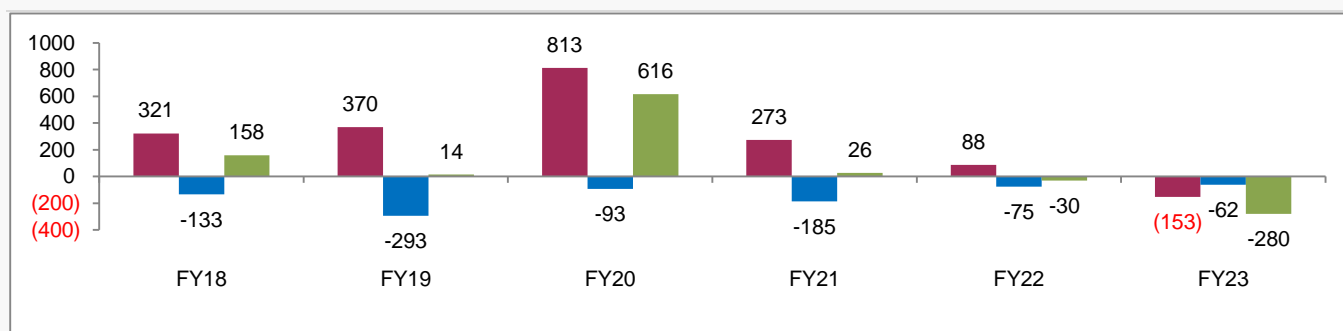
Source: Company, Axis Securities

Key Cashflow Takeaways (Rs Cr)

Particulars	FY22	FY23	Change	Comments/Analysis
PBT	631	818	30%	Higher sales and lower costs resulted in higher PBT.
Depreciation	130	110	-15%	Depreciation as per the policy of the company.
Finance cost	80	64	(20%)	Reduction in cost due to partial repayment of long-term debt during the year
Working capital	(658)	(935)	42%	Increase due to stretch in WC.
CFO	88	-153	-	Impacted by high working capital requirements during the year.
CFI	(126)	(114)	10%	Due to lower capex during the year.
CFF	(243)	153	-	Increase owing to short-term loan for WC.
Capex	(75)	(62)	17%	Capex intensity lowered during the year.

Exhibit 9: Cash Conversion Cycle


Source: Company, Axis Securities

Exhibit 10: OCF, Capex& FCF (Rs in Cr)


Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar, RsCr	FY23	FY24E	FY25E
Net sales	7,061	7,951	8,906
Other operating income	0	0	0
Total income	7,061	7,951	8,906
Cost of materials consumed	5,262	5,690	6,323
Contribution (%)	25.5%	28.4%	29.0%
Other Expenses	845	1,186	1,398
Operating Profit	954	1,076	1,184
Other income	38	53	62
PBIDT	992	1,129	1,247
Depreciation	110	123	130
Interest & Fin Chg.	64	72	80
Pre-tax profit	818	934	1,037
Tax provision	207	235	259
PAT	611	698	778

Source: company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar, Rs Cr	FY23	FY24E	FY25E
Total assets	6,070	6,798	7,709
Net Block	525	527	497
Right to use assets	9	9	9
CWIP	0	0	0
Investments	1035	1585	2035
Wkg. cap. (excl cash)	1991	1837	2058
Cash / Bank balance	373	352	405
Other assets	2137	2488	2705
Capital employed	6,070	6,798	7,709
Equity capital	51	51	51
Reserves	3890	4588	5366
Minority Interests	0	0	0
Borrowings	450	450	450
Other Liabilities	1679	1709	1841

Source: company, Axis Securities

Cash Flow
(Rs Cr)

Y/E Mar, Rs Cr	FY23	FY24E	FY25E
PBT	818	934	1037
Depreciation	110	123	130
Interest Expense	64	72	80
Changes in Working Capital	-935	164	-226
Others	6	-53	-62
Tax Paid	-217	-235	-259
Net Cash from Operations	(153)	1004	699
Capex	-62	-125	-100
Investment	-163	-750	-450
Others	112	53	62
Net Cash from Investing	(114)	(822)	(488)
Borrowings	-83	0	0
Interest Expense	-64	-72	-80
Dividend paid	-13	0	0
Others	312	-131	-79
Net Cash from Financing	153	(204)	(159)
Net Change in Cash	(114)	(21)	53
Opening cash	407	293	272
Closing cash	293	272	324

Source: company, Axis Securities

Ratio Analysis

(%)

Y/E Mar, Rs Cr	FY23	FY24E	FY25E
GROWTH INDICATOR			
Sales Growth	12%	13%	12%
EBITDA Growth	21%	13%	10%
PAT Growth	37%	14%	11%
PROFITABILITY RATIOS			
EBITDA Margin	13.5%	13.5%	13.3%
Adjusted net margin	8.7%	8.8%	8.7%
EFFICIENCY RATIOS (x)			
Capital Turnover	1.79	1.71	1.64
Total Asset Turnover	1.52	1.48	1.44
Fixed Asset Turnover	13.4	15.1	17.9
Debtor days	99	80	80
Inventory days	46	40	40
Payable days	41	35	35
Cash Conversion Cycle (days)	104	85	85
LEVERAGE RATIOS			
Debt to equity	0.06	0.05	0.04
Net debt to equity	0.02	0.03	0.02
Interest coverage	15	15	15
PER SHARE DATA			
Diluted EPS (Rs)	23.8	27.2	30.3
Book value per share (Rs)	154	181	211
DPS (Rs)	0.5	0.0	0.0
RETURN RATIOS			
Return on equity	17%	16%	15%
Return on capital employed	20%	20%	19%
VALUATION RATIOS			
P/E	16	14	12
P/BV	2.4	2.1	1.8
EV/EBITDA	9.9	8.8	8.0

Source: company, Axis Securities

PNC Infratech Price Chart and Recommendation History



Date	Reco	TP	Research
17-Feb-22	BUY	385	Result Update
30-May-22	BUY	345	Result Update
10-Aug-22	BUY	365	Result Update
20-Oct-22	BUY	365	AAA
14-Nov-22	BUY	340	Result Update
01-Dec-22	BUY	340	Top Picks
01-Jan-23	BUY	340	Top Picks
01-Feb-23	BUY	370	Top Picks
15-Feb-23	BUY	390	Result Update
01-Mar-23	BUY	390	Top Picks
01-Apr-23	BUY	390	Top Picks
02-May-23	BUY	390	Top Picks
26-May-23	BUY	425	Result Update
01-Jun-23	BUY	425	Top Picks
01-Jul-23	BUY	425	Top Picks
01-Aug-23	BUY	425	Top Picks
14-Aug-23	BUY	435	Result Update
01-Sep-23	BUY	425	Top Picks
18-Sep-23	BUY	435	AAA

Source: Axis Securities

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Sector: Cement/Infra

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