PNC Infratech Ltd.

Growth prospects upbeat

Debashish Mazumdar
Research Analyst
Debashish.mazumdar@edelweissfin.com

CMP INR: 240

Rating: Tactical BUY

Target Price INR385

Upside: 60%

Bloomberg:	**PNCL:IN**
52-week range (INR):	101 / 290
Share in issue (cr):	25.7
M cap (INR cr):	6,133
Promoter Holding (%)	56.07

PNC, an established player in India's road sector, specialises in executing large scale EPC and HAM projects with special focus on North and Central India. A conservative bidding strategy centered on 'cluster based' project location (helping it reap backward integration benefits), strong asset base and lean working capital have reinforced its credentials. In order to insulate itself from any slowdown in the roads sector and to expand its growth opportunities, PNC is steadily venturing into other segments like Water, Irrigation, Metro, Airport Runways, as well. We believe that PNC's stock is a probable candidate for significant re-rating due to (a) robust order book of INR 18,000 cr, (b) healthy balance sheet with strong internal accurals(c)sufficient liquidity(further strengthened from the sale of BOT asset), (d) steady working capital, and (e) stable debt & low debt/EBITDA. We recommend 'Tactical BUY' on PNC with a target price of INR385/share with an upside of 60%.

Strong thrust on infra spending – a key catalyst for PNC's growth

Despite the pandemic , government's commitment towards economic revival boosted road awarding and construction post Oct'20. NHAI awarded 4,800km of projects worth INR1.4lakh cr and constructed record 13,300km of highways in FY21. Increased spending on infrastructure in the FY22 budget and healthy NIP pipeline further indicated the possibility of higher project awarding in the coming years. The benefits of these initiatives can be gauged from PNC's order book – the company reported record-high order book of INR18,000cr for 9MFY21, giving healthy revenue visibility for the next four years. Moreover, the company's segmental and geographical expansion should further boost growth, and in turn, push its order book to INR22,000cr in FY23E.

Record-high order book to propel revenue; margin to recover from FY21 trough

While the pandemic created some problems, PNC showed great resilience with recovery in its Q3FY21 revenue (up 9% YoY). Backed by strong order book and higher order inflow, we expect revenue to grow 27%/24% in FY22E/FY23E. PNC has always maintained healthy profitability across cycles. Further, we believe PNC's EBITDA margin will improve to 14.5% in FY23E on expectations of higher growth in the coming years and execution of water projects.

PNC's strengths – stable NWC, low leverage and high RoCE

Historically, PNC has always maintained working capital cycle in a close range and kept leverage under control. Although large orders require higher investments, PNC's internal accruals and funds from the BOT asset sale provide it with enough cushions to manage these expenses. The company is expected to generate strong cash flows and sufficient profitability to meet its capital needs, and thus, leverage will remain under check and RoCE is expected to reach 22% in FY23E.

Attractive valuation; recommend Tactical BUY with ~60% upside potential

At CMP of INR240/share, the stock is currently valued at 13x FY22E EPS and 9x of FY23E EPS. We believe PNC has multiple growth drivers such as (a) robust order inflows, (b) healthy revenue growth, lower debt, sufficient liquidity, and segmental and geographical diversification. **Thus, we recommend 'Tactical BUY' with a target price of INR385/share.**

Year to March (INR Crs)	FY19	FY20	FY21E	FY22E	FY23E
Income from operations	3,097	4,878	4,868	6,175	7,683
YoY Grth%	*66.8*	*57.5*	*-0.2*	*26.9*	*24.4*
EBITDA	457	764	643	828	1,114
EBITDA Margin%	*14.8*	*15.7*	*13.2*	*13.4*	*14.5*
Profit after tax	325	460	359	468	660
YoY Grth%	*29.4*	*41.7*	*-22.0*	*30.5*	*41.0*
EPS	12.7	17.9	14.0	18.3	25.7
ROAE (%)	15.4	18.1	12.4	13.9	16.4
ROACE (%)	14.6	22.2	15.9	18.4	22.1
P/E	18.1	12.8	17.1	13	9.0
EV/EBITDA	13.0	7.1	9.0	7.2	5.1

Date: April 27, 2021

Index

PNC to report 16% Revenue CAGR; Margin to recover from FY21 trough

Key Points to Focus

- Strong thrust on infra spending – a key catalyst for PNC's growth
- Record-high order book to propel revenue; margin to recover from FY21 trough
- PNC's strengths – stable NWC, low leverage and high RoCE

Ordering activity across segments of Infrastructure picked up pace. PNC spreading its presence to capture huge opportunities

Strong in-house execution and tight control on the process make PNC as one of the best in Indian Infra space

PNC's management always maintained lean balance sheet and low leverage across cycles

PNC's order book and revenue visibility are at historical highs

\+

Revenue is expected to grow at a healthy pace, Margin is expected to get operating leverage benefit

\+

Gross debt and liquidity position are expected to remain unaffected from high growth related investments

We recommend 'Tactical BUY' with a target price of INR 385

Upside of 60%

Story in Nutshell

Exhibit1: Road awarding & construction picking up pace

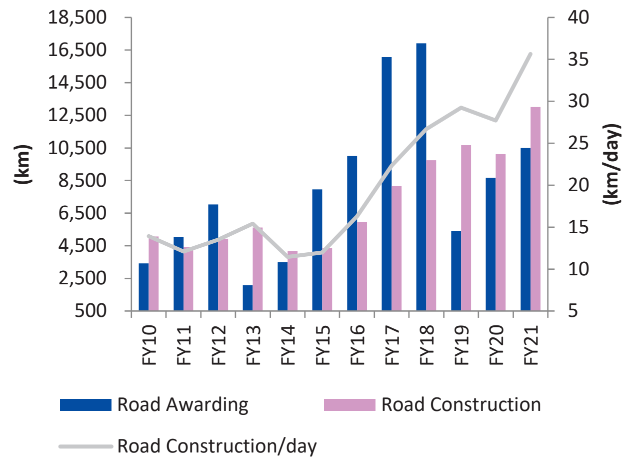


Exhibit2: Outlay for Metro/Water rose significantly in FY22 budget

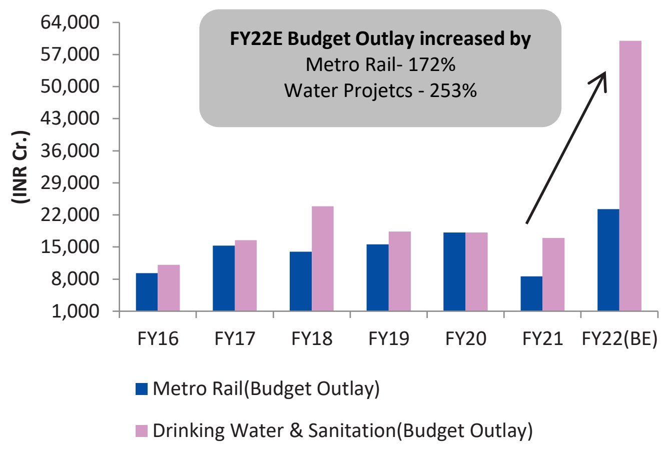


Exhibit 3: Awarding to propel order book to new heights

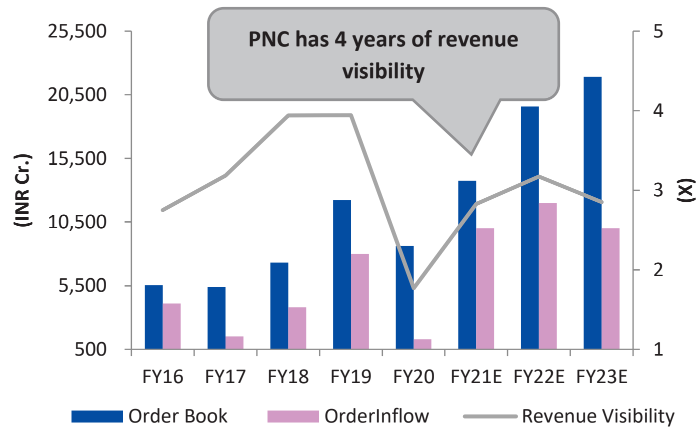


Exhibit 4: Expect revenue to grow at 16% CAGR and margins to recover from its low

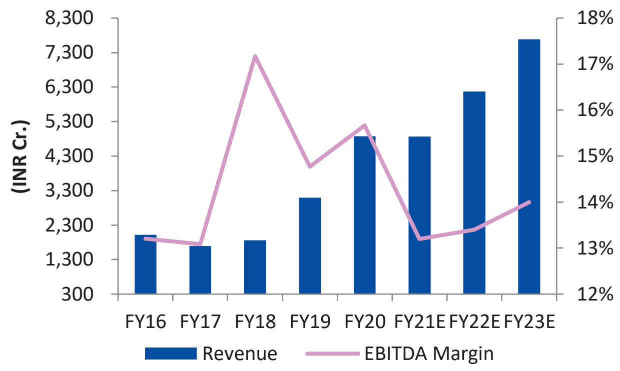


Exhibit5: Leverage under control, ROCE to touch 22% in FY23E

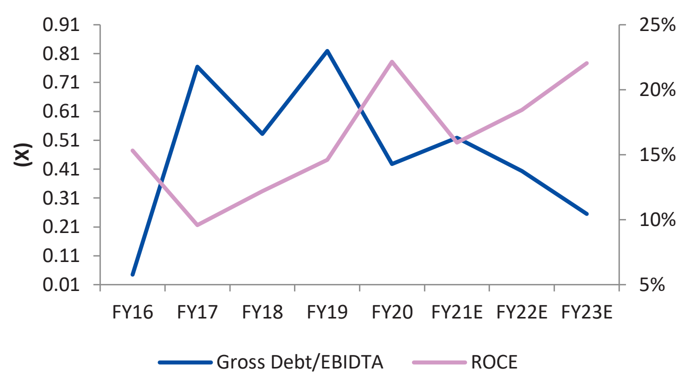
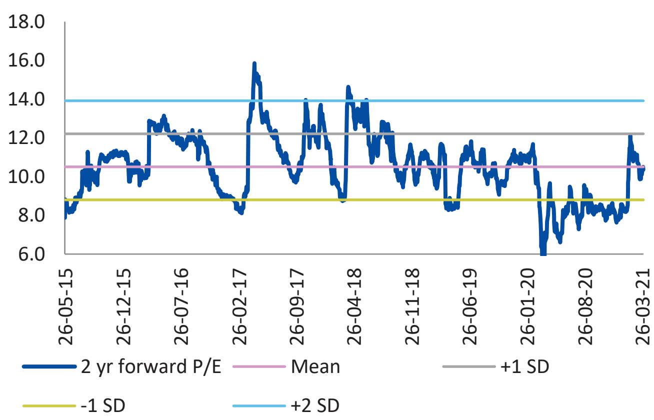


Exhibit6:Sufficient headroom for valuation to rise



Source: Edelweiss Wealth Research

I. Strong thrust on infra spending – a key catalyst for PNC's growth

Road awarding and construction scales new heights in FY21

Post the robust cycle witnessed during FY06-18, road awarding was derailed over FY19-20 on account of (a) liquidity crisis in the system, (b) risk aversion by banks post the IL&FS crisis, and (c) land acquisition problems. Moreover, the Covid-19 pandemic was expected to further worsen this situation. **However, the government's commitment to revive the economy boosted road awarding**, **post Oct'20 with NHAI awarding 4,800km of projects worth INR1.4lakh cr in FY21.We expect NHAI to award 5,000km of projects in FY22E.**

Exhibit 7: Road awarding pick up pace in FY21

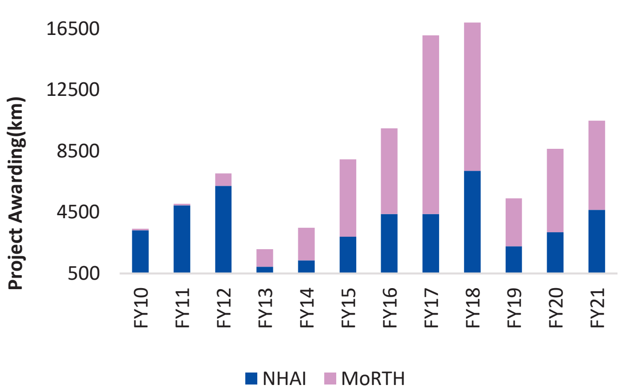
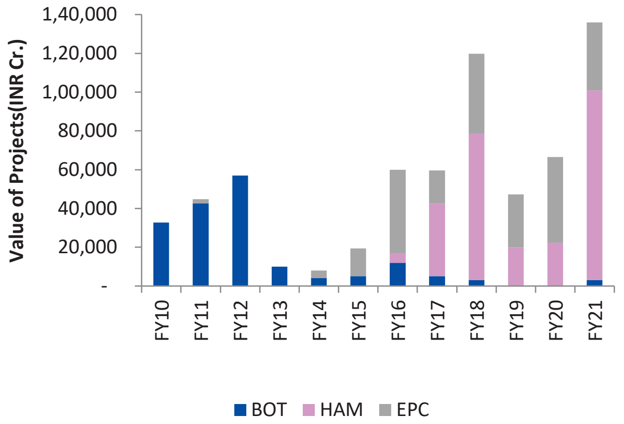


Exhibit 8: NHAI awarding touched INR1.4lakh cr mark in FY21

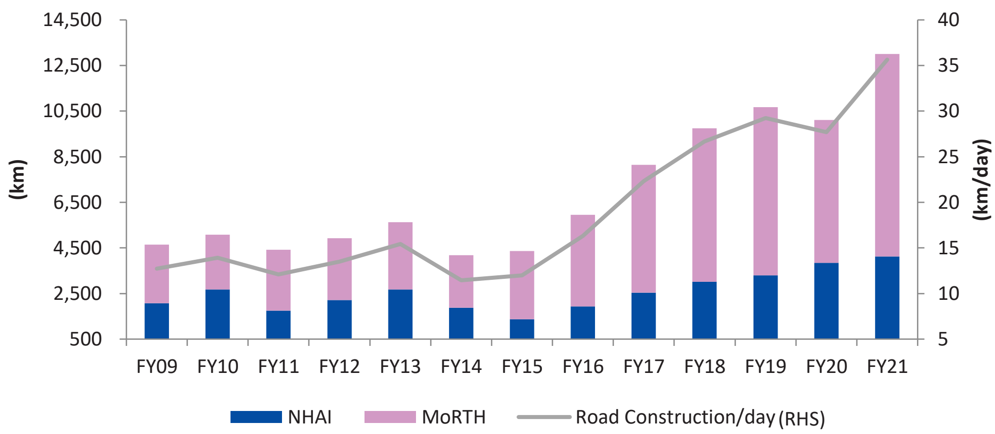


Source: Government Documents, NHAI, MoRTH, Edelweiss Wealth Research

Not only awarding, construction of roads too revived up in FY21. Despite the lockdown in Q1FY21, **Overall construction increased ~30% YoY to 37km/day with the authorities constructing ~13,300km of national highways in FY21 (v/s run rate of 29km/day and 10,240km in FY20).**

Despite severe challenges on account of the pandemic, pace of construction remained undisturbed in FY21 owing to continued liquidity support from central authorities. **Milestone based payment norms eased and performance BG norms relaxed in FY21; these two aids in boosting up liquidity in the hands of EPC contractors and hence construction activity picked up pace even after severe challenges at the ground level.**

Exhibit 9: Road construction has been improving steadily



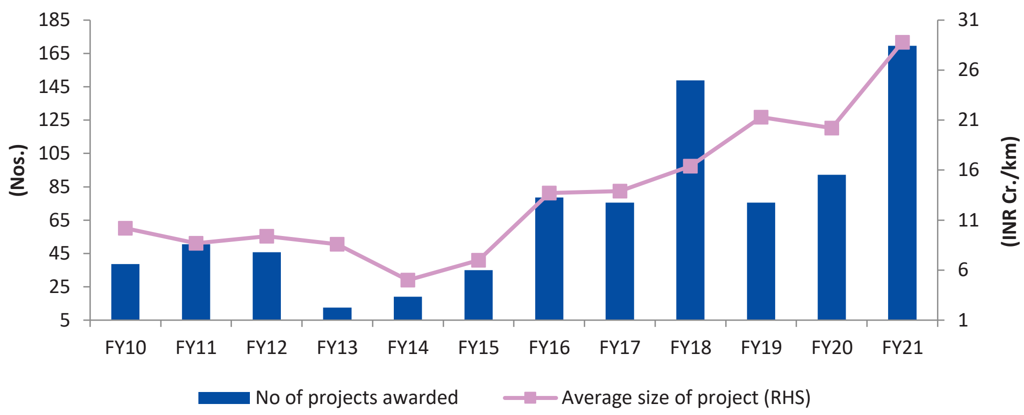
Source: Government Documents, NHAI, MoRTH, Edelweiss Wealth Research

Increase in project complexity an added advantage to large organised constructors

An interesting feature of projects awarded in FY21 was the focus on greenfield expressways. NHAI is currently developing various greenfield expressways like Delhi- Mumbai, Delhi-Dehradun, Delhi-Amritsar-Katra, Amritsar-Jamnagar and Bengaluru-Chennai. Apart from these, various states are also developing expressways like Mumbai-Nagpur, Purvanchal expressway, etc.

All these expressways are greenfield, access-controlled and have much higher technical complexity than brownfield projects (which typically require conversion from one to two lanes or two to four lanes). As a result, the average cost/km of the projects awarded in FY21 was significantly higher than those awarded in the past.

Exhibit 10: Technical complexity of projects steadily increasing



Source: Government Documents, NHAI, MoRTH, Edelweiss Wealth Research

Road awarding and construction momentum to continue over FY22-23E

Increased spending on infrastructure in FY22 budget has built expectations of higher project awarding in the coming years. **NHAI is expected to award 5,000km of projects in FY22E while MoRTH is expected to cross its construction run rate of 40km/day during the same period.**

Despite the pandemic, government has managed to maintain its unwavering focus on road development**. This can be gauged from the 126% surge in the sanctioned amount for FY21 (v/s FY20).Similarly, the sanctioned length of projects increased by 9% YOY in FY21.**

Exhibit 11: Amount sanctioned by govt. authorities over FY19-21

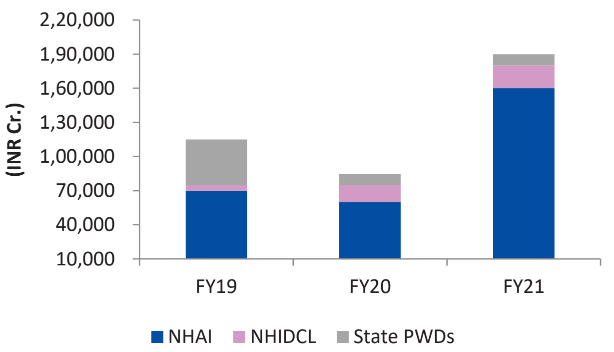
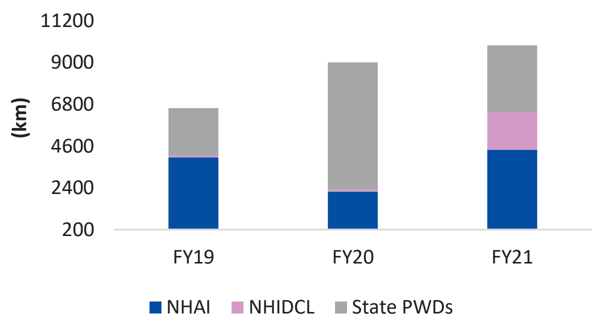


Exhibit 12: Project length sanctioned by govt. authorities



Source: Government Documents, NHAI, MoRTH, Edelweiss Wealth Research

Metro and water – the new focus areas

Metro rail projects are currently underway in more than 20 cities, and with more cities likely to join the bandwagon soon, India is truly witnessing a metro rail revolution. **In fact, the central government's budget outlay for the metro rail segment was up 172% YoY in FY22E.** Thus, we expect almost 30 Indian cities to either have a metro network or to be in the process of getting one by the end of the current decade.

The water supply segment has shot into the limelight over the past one year. This is due to the Jal Jeevan Mission (JJM), which aims to provide all rural households in the country access to potable tap water supply by 2024. **With the government significantly sharpening focus on water supply, the segment has witnessed 253% YoY uptick in budget outlay.**

Exhibit 13: Metro and water segments' outlay grew significantly in FY22 central budget

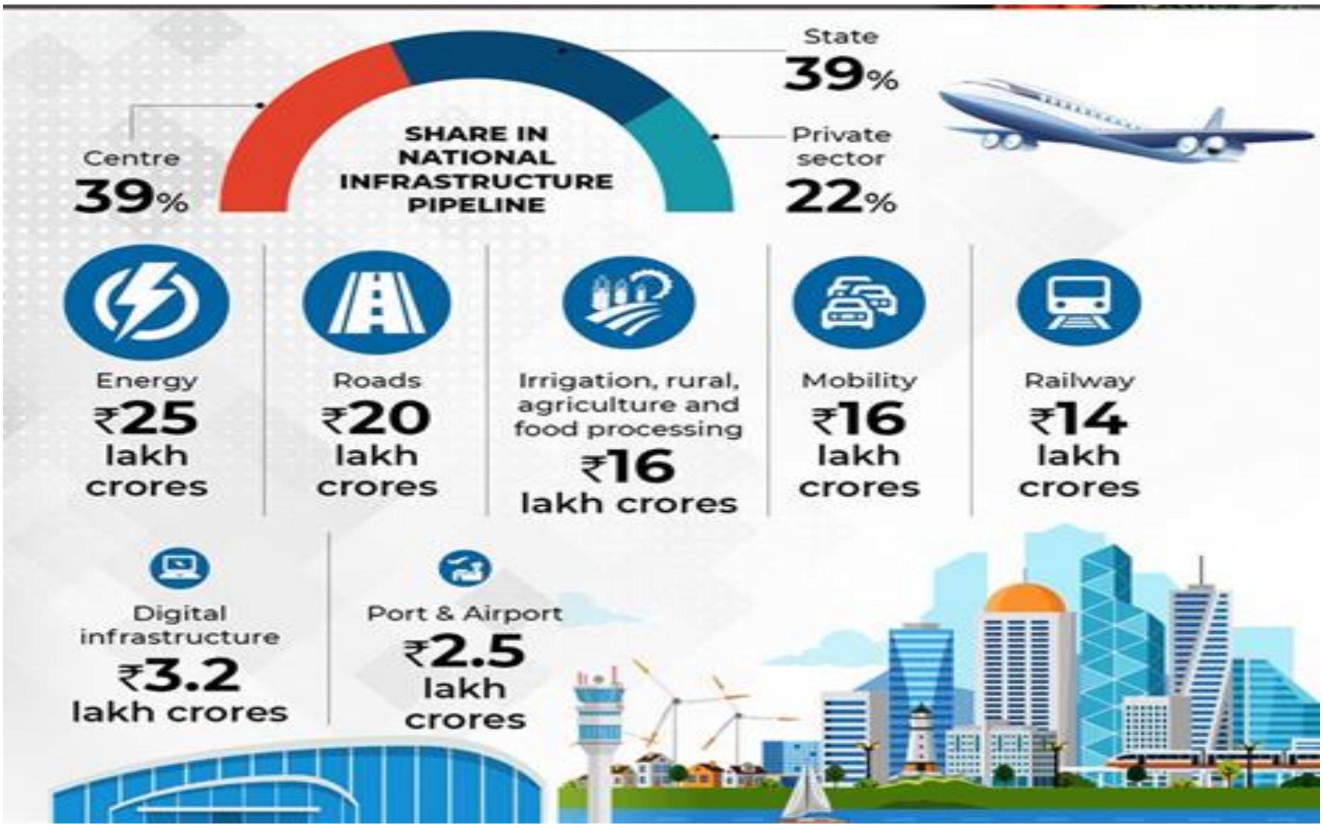
(INR Cr.)	FY16	FY17	FY18	FY19	FY20	FY21(BE)	FY21(RE)	FY22(BE)	YoY(%)
Metro Rail	9,300	15,300	14,000	15,600	18,162	19,571	8,573	23,282	172%
Water & Sanitation	11,100	16,500	23,900	18,400	18,200	21,500	17,000	60,000	253%

Source: Budget Documents, Edelweiss Wealth Research

National Infrastructure Pipeline (NIP) – ushering predictable growth in infra

According to a NIP report, the Indian government formulated spends of INR111lakh cr in FY20, to be spent on water, urban infra, roads, etc. over the next six years. Further, **by raising the number of projects in NIP from 6,835 to 7,400, the government has reiterated its commitment to shore up economic growth in the FY22 budget.**

Exhibit 14: NIP has indicated INR111lakh cr spends across sectors



Source: National Infrastructure Pipeline Report, Media reports, Edelweiss Wealth Research

Strong order addition leads to historically high order book for PNC

Being a major player in the Indian road infrastructure segment, PNC enjoyed significant benefits of the aggressive ordering activity by the NHAI and MORTH during FY21. **Currently, the company's order book stands at INR18,000cr (including EPC value of HAM and water orders already allocated but not added in the order book), which offers life-high revenue visibility of 4 years.**

The INR18,000cr order book is broad-based and consists of HAM, EPC and water projects. PNC is currently executing prestigious expressways (under EPC mode) like the two packages in Purvanchal Expressway, one package in Nagpur-Mumbai Expressway and two packages in Delhi-Vadodara Expressway. Apart from these, the company has 10 HAM projects (executable order book of ~INR8,200cr) in different stages of execution; all projects have achieved financial closure and received appointed dates. The company also has water projects worth INR 3,800cr in its order book.

Exhibit 15: Order book has reached record high in FY21

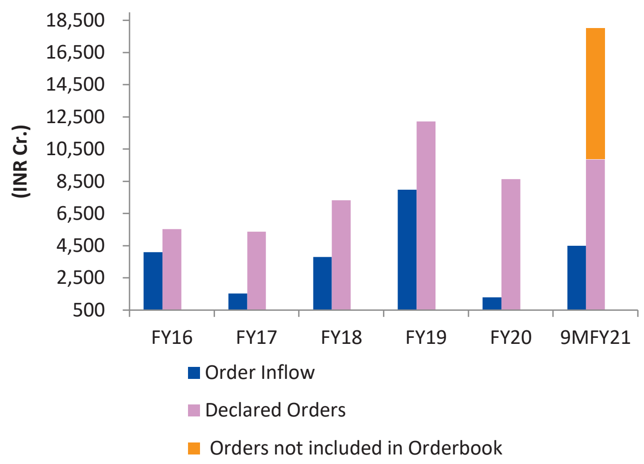
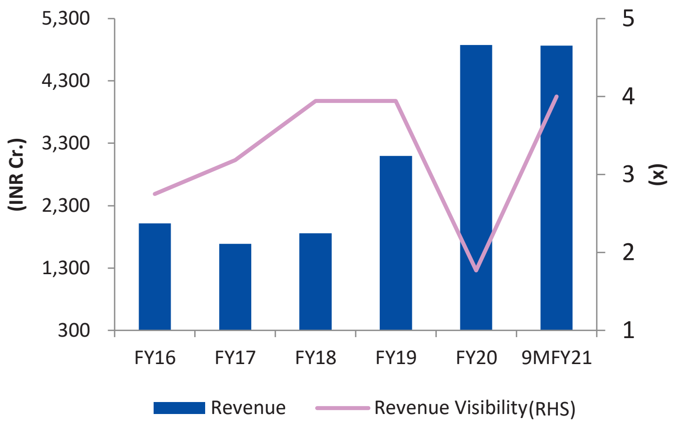


Exhibit 16: Revenue visibility touched life high levels



Source: Company Data, Edelweiss Wealth Research

During FY19-20 down-cycle, PNC outperformed peers

The infrastructure cycle was at its low during FY19-20. However, PNC's order inflow, revenue and operating margins remained largely unaffected and grew at a healthy pace. This indicates PNC's operational efficiency and growing resilience to survive periods of a down cycle.

Due to land acquisition problems, road awarding and construction was impacted over FY19-20. NHAI did not face such problems in UP. Being a strong player in UP, PNC had the advantage of smooth construction activity. **While most road infrastructure players suffered in terms of awarding and revenue growth, PNC delivered revenue CAGR of 62% over FY18-20.**

Exhibit 17: PNC outperformed peers in order addition and growth in last few years

	PNC Infratech			KNR Construction			Dilip Buildcon			Sadbhav Engg.		
	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
Order Book(in Cr.)	7318	12210	8629	2326	4015	5229	23931	21171	19081	13249	11981	8371
Cumulative Order Inflow (INR Cr.)(FY18-FY20)		13082			8054			26030			11541	
Revenue(in Cr.)	1856	3096	4877	1932	2137	2244	7746	9140	8983	3594	3649	2367
Revenue CAGR(%)		62%			8%			8%			-19%	
EBITDA Margin(%)	17.1%	14.7%	15.7%	19.9%	19.9%	21.7%	18.1%	17.8%	17.5%	11.8%	12%	12.4%

Source: Company data, Edelweiss Wealth Research

PNC diversifying its presence to capture higher growth opportunities

To capture the higher spending opportunity in water and irrigation segments and to diversify its presence both segmentally and geographically, PNC aggressively bagged several water projects over the last 2-3 quarters. **Over 9MFY21, the company added orders worth INR3,800cr in water and irrigation in UP and Andhra Pradesh (AP).**

Exhibit 18: Water Order inflow increased significantly across companies

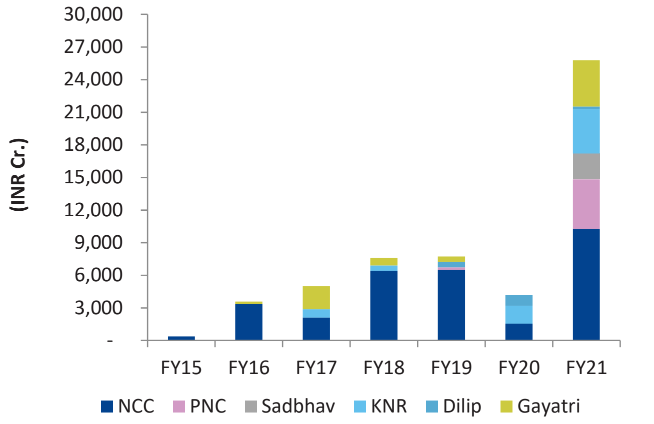
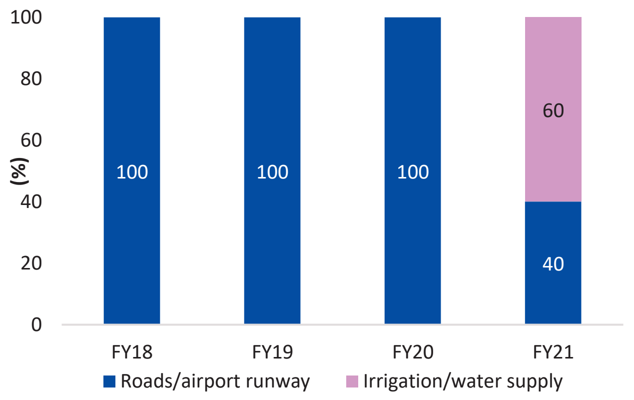


Exhibit 19: PNC's order inflow significantly tilted towards water / irrigation orders



Source: Company, Edelweiss Wealth Research

PNC entered new geographies to tap fresh prospects

Historically, UP and the surrounding areas have been PNC's turf. This has led to the company capturing a large part of the road ordering activity by the NHAI and UP state government in the hinterland. However, to diversify its business, recently PNC has started expanding geographically and tapping new opportunities in other states. **The company is currently working on two expressways in Maharashtra and Gujarat. It has also won a large irrigation project in AP.**

Exhibit 20: Projects awarded to PNC in different geographies

Date of award	Segment	State	Project	Value (INR Cr.)
15-01-2019	Roads	Maharashtra	Fourth package of Nagpur-Mumbai six lane access-controlled expressway	1,999
23-07-2020	Roads	Gujarat	Delhi-Vadodara greenfield alignment (Bhamaya Village to Baletiya Village)	758
23-07-2020	Roads	Gujarat	Delhi - Vadodara greenfield alignment (Pratap Nagar Village to Dodka Village)	789
21-10-2020	Water Resources	Andhra Pradesh	Upgradation of Canal System from Pothireddypadu Head Regulator and BCR Complex	1,000

Source: Company, Edelweiss Wealth Research

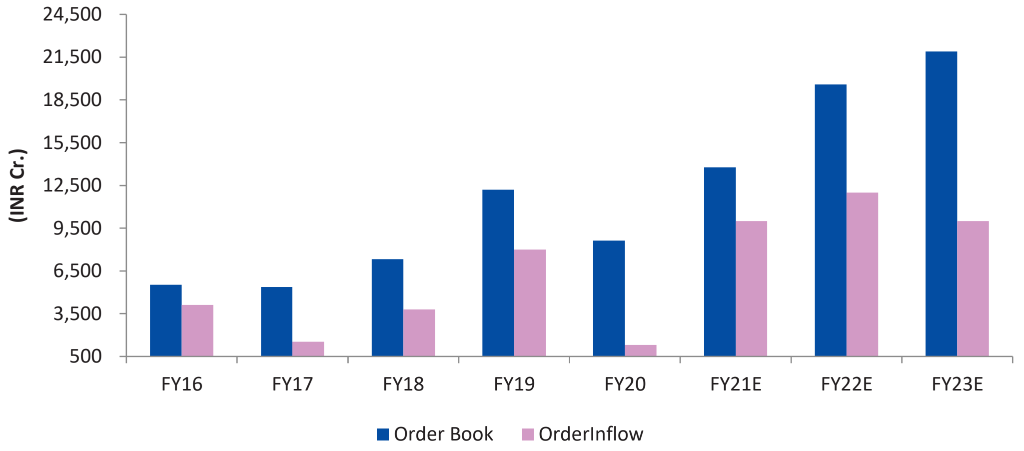
II. Record-high order book to propel revenue; margin to recover from FY21 trough

Order inflows to grow significantly over next two years

PNC's order book has swelled significantly over the last few years – it currently stands at INR18,000cr against INR3,500cr in FY15. The company's order book is well diversified among HAM, EPC, and water projects and comes from multiple states like UP, Maharashtra, Delhi, Gujarat, AP, etc.

We expect PNC to cumulatively add INR22,000-25,000cr worth of orders over FY22-23E backed by (a) expectations of high awarding activity from the NHAI, (b) higher project pipeline in urban infra, water and metro, and (c) steep NIP spending target. Overall, we expect PNC to have an order book of INR22,000cr by end-FY23E against INR8,600cr in FY20.

Exhibit 21: Order book to reach INR22,000cr in FY23E

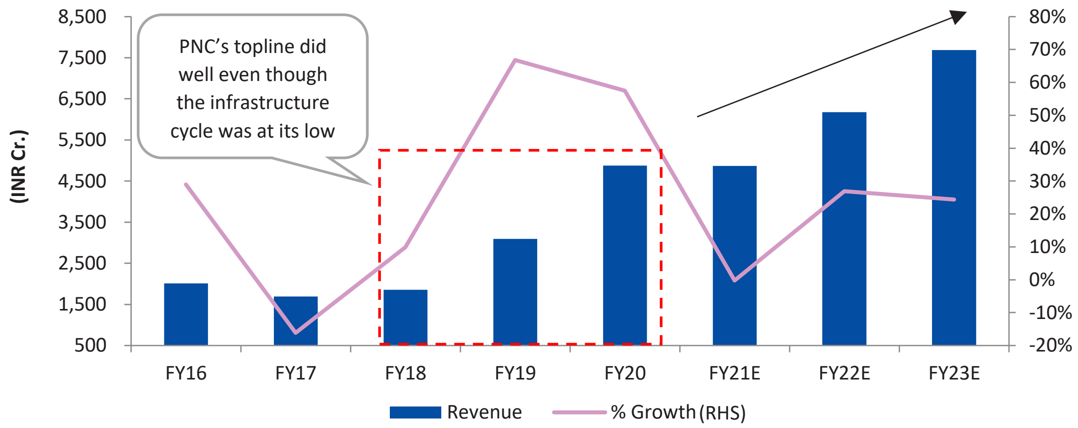


Source: Company, Edelweiss Wealth Research

Historical high order book to benefit PNC's revenue growth

PNC has strong in-house team and high technical expertise, which helps it to execute projects on time. While the pandemic created some problems in execution, **PNC displayed strong resilience along with a recovery in Q3FY21 revenue (up 9% YoY). We believe this recovery would continue due to addition of new orders and expect revenue to grow at 27%/24% in FY22E/FY23E.**

Exhibit 22: Expect revenue to deliver 16% CAGR over FY20-23E



Source: Company, Edelweiss Wealth Research

Operating profitability to remain healthy and recover from FY21 troughs

PNC has always maintained healthy profitability across cycles. The company's closely knitted operations in and around UP has allowed management to control cost elements in a better manner.

With higher growth expected in the coming years and execution of Water projects, **we believe the company's EBITDA margin would improve to 14.5% in FY23E (v/s 13.5% in 9MFY21).** The rise in raw material prices is a concern and could partially impact margin performance. Hence, our FY23E margin estimates are lower than the margin reported by the company in FY20.

Exhibit 23: PNC's EBITDA margins remained healthy across cycles

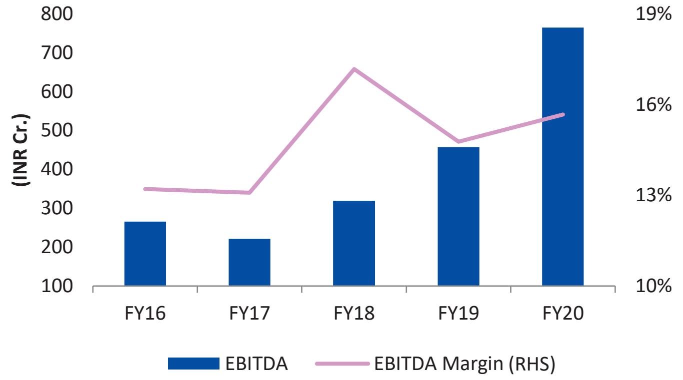
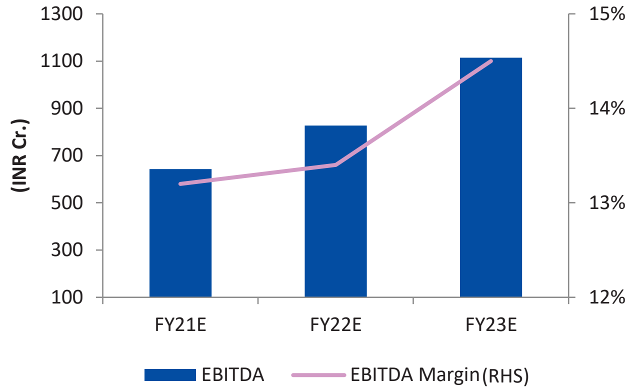


Exhibit 24: Expect EBITDA to deliver 13% CAGR over FY20-23E



Source: Company, Edelweiss Wealth Research

High Operating profit and low interest expense to drive PAT margins higher

Despite healthy EBITDA margin, PNC (including all road infra companies) reported downward pressure on PAT margins in the recent past due to increase in tax rates. Going ahead, with increase in operating profit margin and limited growth in interest and depreciation**, net profit margin is also expected to improve and reach 8.4% in FY23E (v/s 7% in 9MFY21).**

Exhibit 25: PAT margins fell from 14% to 9% over FY18-20

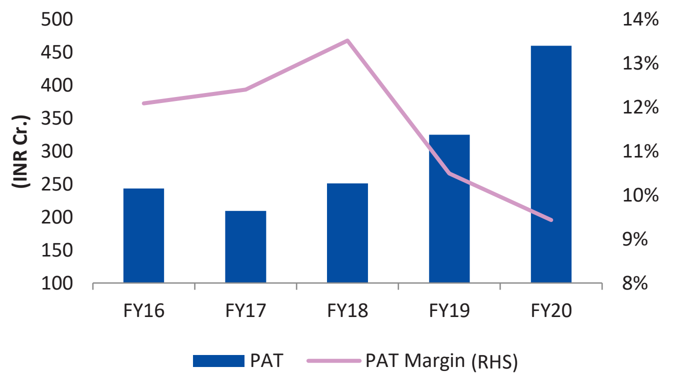
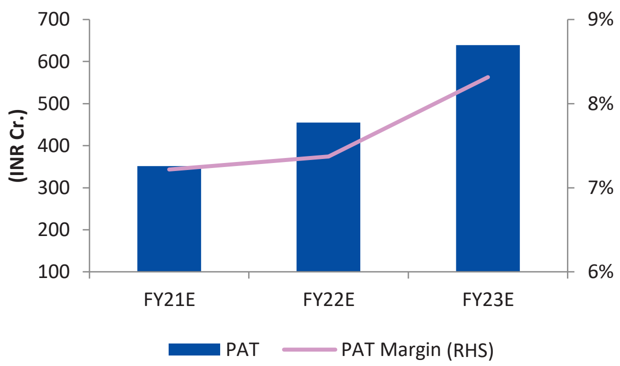


Exhibit 26: Expect net profit to deliver 13% CAGR over FY20-23E



Source: Company, Edelweiss Wealth Research

III. PNC's strengths – stable NWC, low leverage and high RoCE

Working Capital discipline to be maintained

Apart from a few hiccups over FY17-18 due to GST related uncertainties, **PNC has always maintained its working capital cycle in a close range.** Most of PNC's announced projects are either from the NHAI or funded by central government agencies. This makes us confident that the company's cash conversion cycle would remain under control in the near foreseeable future.

Exhibit 27: Debtor days fell from 136 days to 60 days over FY18-20

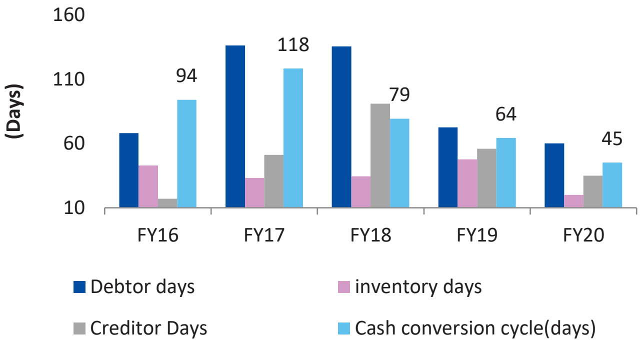
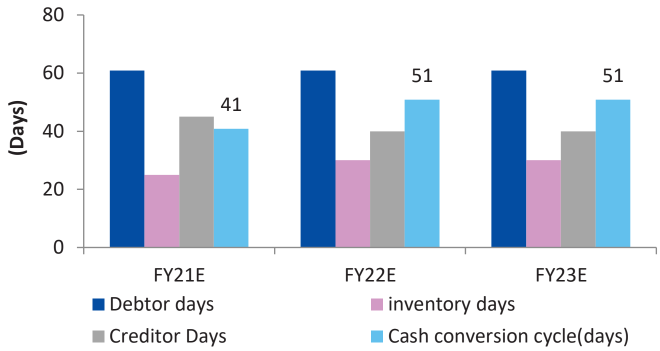


Exhibit 28: Cash conversion cycle to remain stable over FY21-FY23E



Source: Company, Edelweiss Wealth Research

Sale of Ghaziabad-Aligarh Expressway to benefit in chasing growth

Management has finalised the sale of the Ghaziabad-Aligarh BOT Toll project with Cube Highways at an Enterprise Value (EV) of INR1,600cr. PNC would receive INR385cr (total equity inflow) from this sale, which would be sufficient to meet its HAM equity obligations in FY22E.

Internal accruals and proceeds from asset sales sufficient to service investment requirements

PNC's internal accruals and sale proceeds from the Ghaziabad-Aligarh project will be sufficient to meet its investment requirements in HAM projects and capex to execute its record-high order book. Currently, **the company has ~INR400cr of cash balance, which should aid in executing projects without having much impact on its leverage position.**

Exhibit 29: PNC is expected to maintain healthy cash balance even after higher investment requirements

	FY20	FY21	FY22	FY23	Cumulative FY21-23E
PAT	460.20	358.97	468.41	660.38	1947.96
+ Depreciation	126.37	126.33	143.57	161.81	558.07
+ Cash Inflow from asset sales			385		385.00
Net Cash Accurals (A)	**586.57**	**485.30**	**996.98**	**822.19**	**2891.04**
Capex	77.79	200.00	100.00	100.00	477.79
Equity Investment in Subsidiaries	88.85	400.00	350.00	250.00	1088.85
L&A to Subsidiaries	120.61	200.00	100.00	100.00	520.61
Change in Working Capital	-156.72	175.36	365.52	259.97	644.13
Net Cash Requirements (B)	**130.53**	**975.36**	**915.52**	**709.97**	**2731.39**
Net Cash Surplus / (Deficit) [A-B]	**456.03**	**-490.07**	**81.46**	**112.22**	**159.65**
Opening Cash Balance	**309.42**	**765.45**	**275.39**	**356.85**	309.42
- Net use of Cash	456.03	-490.07	81.46	112.22	159.65
Closing Cash Balance	**765.45**	**275.39**	**356.85**	**469.07**	**469.07**

Source: Company, Edelweiss Wealth Research

Expect leverage to remain under check

Despite strong growth across cycles, PNC's management has never allowed leverage to blow out of proportion. **In the recent past, gross debt /EBITDA of the company has always remained below 1x**. Post the IL&FS crisis, bank funding for large infrastructure projects dried up causing delay in payments. To meet capital requirements of new projects, gross debt of PNC rose sharply in FY19 to INR375cr; however, it has remained stable at the same level over the last two years.

Although the company will require high capital in the coming years, **we expect gross debt to remain stable at the current level of INR330-350cr and gross debt/EBITDA to continue its downward trajectory**. Investments in HAM projects may put some pressure on overall working capital requirements; however, the company's strong cash flow generation from the EPC business should be sufficient to service all future capital requirements.

Exhibit 30: Leverage to remain under control; Debt/EBITDA to remain healthy

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Gross Debt(in Cr.)	11.89	169.14	169.70	374.73	326.57	383.49	383.49	333.49
Gross Debt/EBIDTA	0.04	0.77	0.53	0.82	0.43	0.60	0.46	0.31

Source: Company, Edelweiss Wealth Research

RoCE and RoE to bounce back from recent lows

PNC's RoCE surged to 23% in FY20 (v/s 9% in FY17), on account of high operational efficiency and healthy cash flows. Going forward, its gross debt, working capital cycle and cash balance should remain stable even after incremental execution of orders. The company would generate sufficient profitability to meet its capital needs and we expect RoCE to reach 22% in FY23E.

Exhibit 31: RoCE and RoE made new highs in FY20

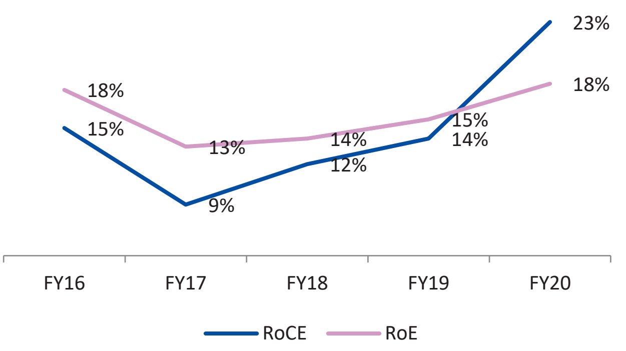
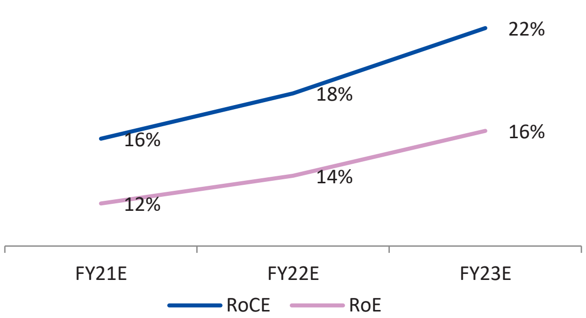


Exhibit 32: Expect RoCE to reach 22% in FY23E



Source: Company, Edelweiss Wealth Research

PNC has healthy balance sheet among peers and highest return ratios

On various parameters PNC's balance sheet is better positioned compared to that of peers. Over the years, it has managed to lower the working capital cycle and Gross debt/EBITDA while executing large projects and maintaining healthy profitability. On the other hand ROCE and ROE of PNC's are at its best among peers. Since the infra cycle is slowly rising from its low, we expect PNC to grow exponentially and widen the gap with the peers.

Exhibit 33: PNC has healthy balance sheet and highest return ratios among peers

	PNC Infratech					KNR Construction					Dilip Buildcon					HG Infra				
	FY16	FY17	FY18	FY19	FY20	FY16	FY17	FY18	FY19	FY20	FY16	FY17	FY18	FY19	FY20	FY16	FY17	FY18	FY19	FY20
Working Capital Cycle(days)	94	118	79	64	45	57	40	42	36	53	132	127	89	87	90	46	40	56	62	49
Gross Debt(INR Cr.)	12	169	170	375	327	116	144	220	263	213	993	1,957	2,206	2,205	2,770	28	204	406	380	367
Gross Debt/EBITDA	0.04	0.77	0.53	0.82	0.43	0.75	0.62	0.56	0.61	0.44	2.11	3.46	2.76	2.22	1.98	0.36	1.64	1.95	1.25	1.07
ROCE(%)	15%	9%	12%	14%	23%	18%	19%	24%	21%	19%	17%	18%	21%	19%	15%	36%	26%	16%	22%	22%
ROE(%)	18%	13%	14%	15%	18%	25%	19%	27%	20%	15%	23%	25%	29%	27%	12%	24%	30%	16%	19%	20%

Source: Company, Bloomberg, Edelweiss Wealth Research

IV. Attractive Valuation; Recommend 'Tactical Buy' with 60% upside potential

PNC is currently trading below its mean and has sufficient headroom to rise from hereon. Backed by high order inflows, we expect revenues to grow significantly over FY22-23E. Further, lower debt and enough liquidity should keep the company's balance sheet light. Moreover, segmental and geographical diversification would ensure healthy business, leading to PNC becoming a multi-segment player in the infrastructure sector**. At CMP of INR240, the stock is currently valued at 13x FY22E EPS and 9x of FY23E EPS. We recommend a 'Tactical Buy' on the stock with a target price of INR385/share**. Our target price does not include any contribution from HAM or BOT assets.

Exhibit 33: 1-year forward P/E

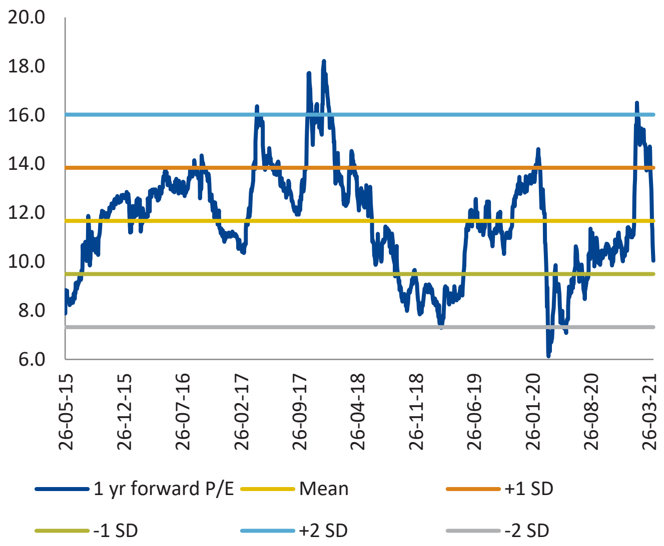
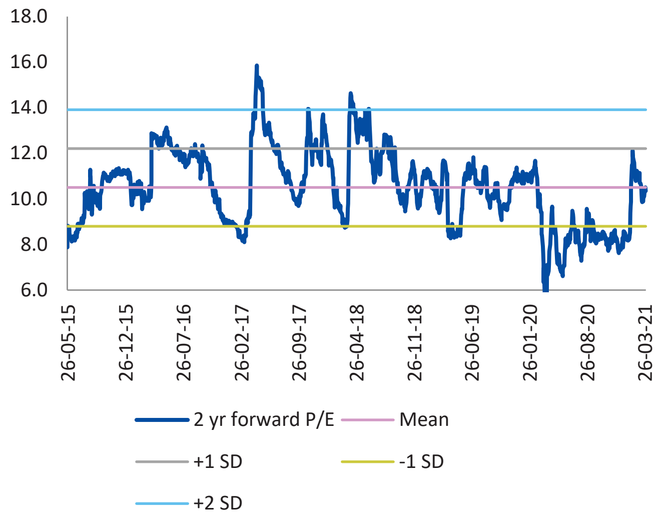


Exhibit 34: 2-year forward P/E



Source: Company, Edelweiss Wealth Research

PNC's attractive valuation stands it apart from peers

We expect PNC's revenue to grow at 16% CAGR from FY20-FY23E and are second best after KNR Construction of 20% CAGR for the same period. However PNC is currently valued at 9x its FY23E EPS compared to KNR's 13x FY23E EPS and is at an attractive price. Future growths of other peers are lower than PNC's and PNC at an attractive valuation stands itself apart from peers.

Exhibit 35: PNC attractively valued among large peers

		Revenue (INR Cr.)				PAT (INR Cr.)				P/E (x)		
	M Cap (INR Cr.)	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
PNC Infratech	6,548	4,877	4,867	6,175	7,683	460	351	455	638	17	13	9
Dilip Buildcon	7,968	8,984	9,069	11,212	12,664	425	332	579	797	23	13	10
Sadbhav Engg.	1,100	2,251	1,877	2,788	3,461	85	15	113	170	50	9	6
KNR Construction	5,956	2,244	2,554	3,246	3,933	225	252	345	420	22	17	13
HG Infra	1,854	2,196	2,308	2,805	3,227	166	182	221	262	9	8	6

Source: Company, Edelweiss Wealth Research

Income statement					(INR Cr)
Year to March	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Income from operations	3,097	4,878	4,868	6,175	7,683
Construction Cost	2,323	3,670	3,446	4,385	5,417
Employee costs	192	265	316	358	423
Other expenses	124	178	462	605	730
Total operating expenses	2,640	4,114	4,225	5,348	6,569
EBITDA	457	764	643	828	1,114
Depreciation and amortisation	92	126	126	144	162
EBIT	365	638	516	684	952
Interest expenses	64	114	73	83	85
Other income	43	88	70	50	50
Profit before tax	344	612	513	651	917
Provision for tax	19	152	154	182	257
Reported profit	325	460	359	468	660
Extraordinary items	0	0	0	0	0
Profit after tax	325	460	359	468	660
Minority interest	0	0	0	0	0
Share from associates	0	0	0	0	0
Adjusted net profit	325	460	359	468	660
Equity shares outstanding (mn)	25.7	25.7	25.7	25.7	25.7
EPS (INR) basic	12.7	17.9	14.0	18.3	25.7
Diluted shares (mn)	25.7	25.7	25.7	25.7	25.7
EPS (INR) fully diluted	12.7	17.9	14.0	18.3	25.7
Dividend per share	0.19	0.00	0.00	0.00	0.00
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0

Common size metrics - as % of net revenues					
Year to March	**FY19E**	**FY20E**	**FY21E**	**FY22E**	**FY23E**
Operating expenses	85.2	84.3	86.8	86.6	85.5
Depreciation	3.0	2.6	2.6	2.3	2.1
Interest expenditure	2.1	2.3	1.5	1.4	1.1
EBITDA margins	14.8	15.7	13.2	13.4	14.5
Net profit margins	10.5	9.4	7.4	7.6	8.6

Growth metrics (%)					
Year to March	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Revenues	66.8	57.5	(0.2)	26.9	24.4
EBITDA	43.4	67.1	(15.9)	28.8	34.6
PBT	47.1	77.9	(16.2)	26.9	41.0
Net profit	29.4	41.7	(22.0)	30.5	41.0
EPS	29.4	41.7	(22.0)	30.5	41.0

Balance sheet					(INR cr)
As on 31st March	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Equity share capital	51	51	51	51	51
Equity Warrant	0	0	0	0	0
Reserves & surplus	2,064	2,495	2,853	3,322	3,983
Shareholders funds	2,115	2,547	2,905	3,374	4,034
Secured loans	384	333	333	333	283
Unsecured loans	0	0	0	0	0
Borrowings	384	333	333	333	283
Deffered tax liability	0	0	0	0	0
Sources of funds	**2,499**	**2,880**	**3,239**	**3,708**	**4,318**
Gross block	875	952	1,148	1,248	1,348
Depreciation	259	386	512	655	817
Net block	615	567	637	593	531
Capital work in progress	6	21	21	21	21
Total fixed assets	622	588	658	614	552
Non Current Assets	1,241	1,330	1,730	2,080	2,330
Inventories	404	267	333	508	631
Sundry debtors	615	804	811	1,029	1,281
Cash and equivalents	309	740	438	235	397
Loans and advances	357	467	931	1,081	1,231
Other current assets	167	214	0	0	0
Total current assets	1,853	2,492	2,514	2,853	3,540
Sundry creditors and others	1,214	1,526	1,663	1,839	2,105
Provisions	3	4	0	0	0
Total CL & provisions	1,217	1,530	1,663	1,839	2,105
Net current assets	636	962	851	1,013	1,436
Net deferred tax	0	0	0	0	0
Misc expenditure	0	0	0	0	0
Uses of funds	**2,499**	**2,880**	**3,239**	**3,708**	**4,318**

Cash flow statement					
Year to March	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Net profit	325	460	359	468	660
Add: Depreciation	92	126	126	144	162
Add: Misc expenses written off	0	0	0	0	0
Add: Deferred tax	0	0	0	0	0
Add: Others	0	0	0	0	0
Gross cash flow	417	587	485	612	822
Less: Changes in W. C.	-79	-157	175	366	260
Operating cash flow	497	743	310	246	562
Less: Capex	301	78	200	100	100
Less: Invstment in Subsidiaries	0	0	0	0	0
Free cash flow	**195**	**665**	**110**	**146**	**462**

Ratios

Year to March	FY19	FY20	FY21E	FY22E	FY23E
ROAE (%)	15%	18%	12%	14%	16%
ROACE (%)	15%	22%	16%	18%	22%
Debtors (days)	72.5	60.1	60.8	60.8	60.8
Current ratio	1.5	1.6	1.5	1.6	1.7
Debt/Equity	0.2	0.1	0.1	0.1	0.1
Inventory (days)	47.6	20.0	25.0	30.0	30.0
Payable (days)	55.8	35.0	45.0	40.0	40.0
Cash conversion cycle (days)	64.3	45.1	40.8	50.8	50.8
Debt/EBITDA	0.8	0.4	0.5	0.4	0.3
Adjusted debt/Equity	0.2	0.1	0.1	0.1	0.1

Valuation parameters

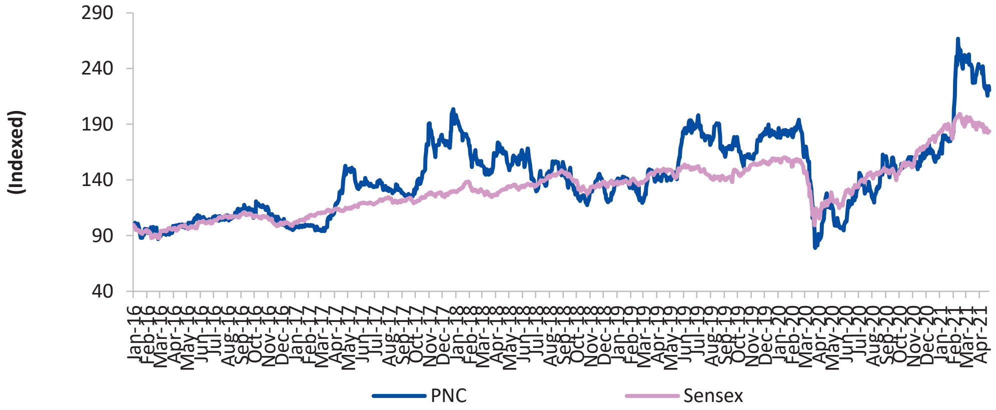
Year to March	FY19	FY20	FY21E	FY22E	FY23E
Diluted EPS (INR)	12.7	17.9	14.0	18.3	25.7
Y-o-Y growth (%)	29.4	41.7	(22.0)	30.5	41.0
CEPS (INR)	16.3	22.9	18.9	23.9	32.0
Diluted P/E (x)	18.1	12.8	17.1	13	9.0
Price/BV(x)	3.1	2.6	2.1	1.8	1.5
EV/Sales (x)	1.9	1.1	1.1	0.97	0.75
EV/EBITDA (x)	13	7.1	9.0	7.2	5.1
Diluted shares O/S	25.7	25.7	25.7	25.7	25.7
Basic EPS	12.7	17.9	14.0	18.3	25.7
Basic PE (x)	20.5	14.4	17.1	13.1	9.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Edelweiss Broking Limited, 1st Floor, Tower 3, Wing B, Kohinoor City Mall, Kohinoor City, Kirol Road, Kurla(W)
Board: (91-22) 4272 2200

Vinay Khattar
Head Research
vinay.khattar@edelweissfin.com

VINAY KHATTAR

Digitally signed by VINAY KHATTAR
DN: c=IN, o=Personal, postalCode=400072, st=MAHARASHTRA, serialNumber=cd5737057831c416d2a5f7064cb693183887e7ff342c50bd877e00c00e2e82a1, cn=VINAY KHATTAR
Date: 2021.04.27 16:47:11 +05'30'



Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

Broking services offered by Edelweiss Broking Limited under SEBI Registration No.: INZ000005231; Name of the Compliance Officer: Mr. Brijmohan Bohra, Email ID: complianceofficer.ebl@edelweissfin.com Corporate Office: Edelweiss House, Off CST Road, Kalina, Mumbai - 400098; Tel. 18001023335/022-42722200/022-40094279

This Report has been prepared by Edelweiss Broking Limited in the capacity of a Research Analyst having SEBI Registration No.INH000000172 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. 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 EBL 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. EBL reserves the right to make modifications and alterations to this statement as may be required from time to time. EBL 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. EBL is committed to providing independent and transparent recommendation to its clients. Neither EBL 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. The information provided in these reports remains, unless otherwise stated, the copyright of EBL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of EBL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

EBL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the EBL to present the data. In no event shall EBL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the EBL through this 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.

EBL 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. EBL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with EBL.

EBL or its associates may have received compensation from the subject company in the past 12 months. EBL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. EBL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or EBL's associates may have financial interest in the subject company. EBL, its associates, research analyst and his/her relative may 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.
Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No
EBL has financial interest in the subject companies: No

EBL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.
Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

EBL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No
Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.
A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:
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.

Additional Disclaimer for U.S. Persons

Edelweiss is not a registered broker – dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition Edelweiss is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Edelweiss, including the products and services described herein are not available to or intended for U.S. persons.

This report does not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. "U.S. Persons" are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed "US Persons" under certain rules.

Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Additional Disclaimer for U.K. Persons
The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").
In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Additional Disclaimer for Canadian Persons
Edelweiss is not a registered adviser or dealer under applicable Canadian securities laws nor has it obtained an exemption from the adviser and/or dealer registration requirements under such law. Accordingly, any brokerage and investment services provided by Edelweiss, including the products and services described herein, are not available to or intended for Canadian persons.
This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services.

Disclosures under the provisions of SEBI (Research Analysts) Regulations 2014 (Regulations)
Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its associates are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. This research report has been prepared and distributed by Edelweiss Broking Limited ("Edelweiss") in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No.INH000000172.