



FROM THE CHAIRMAN'S DESK

Dear Shareholders,

It gives me immense pleasure to connect with you once again, to present our Company's Annual Report for the Financial Year 2018-19. This year was of great significance for us, as we could be able to accomplish certain significant milestones in the areas of business development, project execution, funding for our new projects and growth in key financials of the Company, amid unremitting challenges. With robust order book, augmented resources, enhanced techno-financial capabilities and proven expertise, the prospects of growth are equally promising for the Company, going forward. I am happy to share snapshots of both performance and future outlook with you.

Performance Snapshot

During FY 19, we have secured five new mandates of ₹ 5863 crores aggregate value amidst stiff competition, which is the highest ever new business secured by our Company in a single financial year. New projects include two contiguous packages of Purvanchal Expressway in Uttar Pradesh for a total contract price of ₹ 2520 crores and one package of Nagpur-Mumbai Super Communication Expressway in Maharashtra for a contract price of ₹ 2000 crores. With the above record order inflow, unexecuted order book at the end of FY 19 stood at over ₹ 12,000 crores and even after execution of over ₹ 3000 crores value of works during the year, showing sound revenue visibility for the next 2 - 3 years.

During earlier two years, on majority of new projects secured by our Company, physical execution couldn't be commenced due to prolonged delay in declaration of appointed dates by the authorities owing to persistent holdups in timely acquisition and possession of vacant land by them. Even though our Company was fully geared-up to commence execution in full swing, our hands were virtually tied-up to move ahead primarily due to non-availability of required land and other impediments which were totally beyond our control and jurisdiction. Given the major challenge, the Company had taken widespread proactive measures, adopted multi-pronged strategies and assumed higher responsibilities than what envisaged in the contracts, in supporting the authorities in expediting the process of land acquisition and removal of encumbrances across projects. These concerted efforts made by our Company resulted in the declaration of appointed dates and commencement of execution at most of the awarded projects in the later part of FY 18 and during FY 19. During the year, our Company has also received completion certificates for two highway projects of Ministry of Road Transport & Highways, Gol namely rehabilitation and upgradation of Barabanki to Jarwal section of NH-28C and Sonauli to Gorakhpur section of NH-29E in UP. Both these projects were completed by us, despite the huge challenges and impediments persisted from the beginning till end.

Liquidity crunch has been another defining challenge that most of the players in infrastructure space encountered during the FY 19 as majority of the banks and financial institutions became wary and refrained from making any fresh commitments for funding new projects, with an apprehension of further aggravation on NPAs in the sector. Given such a challenging financial stringency, our Company has achieved financial closure for three of its Hybrid Annuity Model (HAM) highway development projects for an aggregate bid project cost over ₹ 4500 crores during FY 19 well within the scheduled timelines, which could not have been possible without our consistently healthy balance sheets and impressive credit ratings.

As you would have already noted from the annual financial declared earlier, there has been a quantum jump in our Company's both top and bottom lines in FY 19. Revenue, EBITDA and PAT steeply increased by 67%, 43% and 29% in FY 19 over FY 18 on standalone (EPC business) basis, which were the ever highest. The Consolidated Revenue, EBITDA and PAT of the Company also grew significantly in FY 19, over FY 18.

Future Outlook

Though there was some slowdown in the awarding activity by the authorities in the last quarter of FY 19 and first quarter of

FY 20 owing to elections to the Lok Sabha, project awarding activity is expected to gather momentum from September 2019 onwards. Authorities at both central and state governments have already launched large number of highway developmental projects for an aggregate estimated cost of over ₹ 1.00 lakh crores for bidding on EPC and HAM formats. Majority of these projects are expected to be awarded for implementation before the end of FY 20. As your Company has actively been pursuing the opportunities at both central and state levels and thoroughly prepared for bidding, a decent of new business is expected to be added in FY 20.

During FY 19 both fund-based and non-fund based limits of the Company have substantially been enhanced by the consortium of banks, which will enable us to pitch for more and larger size projects in FY 20. During FY 19, our Company has invested about ₹ 300 crores on procurement of modern and multifunctional plant and equipment and as on 31 March 2019, the gross block of Company has exceeded ₹ 1,000 crores. Company also plans to incur sizeable amount of capex during FY 20 to augment its machinery further. On manpower front also the Company has strengthened its team by recruiting new employees across the disciplines, with proven track record as we added nearly 3,300 new members to take the Company's total employee strength over 9,000 as on 31 March 2019. In FY 19, CARE Ratings have re-affirmed our Company's credit ratings at CARE (Double AA Minus) for Long Term Bank Facilities and CARE (Single A1 Plus) for Short Term Bank Facilities, which enable us to keep our borrowing costs at very competitive rates. I am happy mention that our ratings are amongst the best in the infrastructure industry.

With more than ₹ 120 billion unexecuted order book at the beginning of FY 20, well progressing physical execution across the projects, a large fleet of state-of-the-art construction plant & machinery in place, more than 9000 workforce with proven abilities and excellent financial health, the Company is scrupulously poised for scaling new heights in terms of overall growth in FY 20 both. We also expect to complete some of the major ongoing projects successfully and secure certain new project orders during FY 20. Going forward, we will continue to focus on roads sector, with EPC and HAM modes being the preferred formats of implementation. We would also pursue business opportunities in airport pavements and other areas that would have close synergies with our core competencies and current operations.

I would like to thank our Board members, for their immensely valuable guidance and insights. I would like to take this opportunity to thank the entire Team PNC, for their continued commitment and relentless efforts. It is because of their dedication, hard-work and determination that we are achieving newer heights progressively and I am also confident of scaling new heights going forward. I also want to thank our bankers, customers, business partners and vendors, for their unconditional support. Above all, my sincere gratitude to you our most valued shareholders, who have displayed unwavering trust and support in our efforts, business decisions and endeavors.

With warm regards,
Pradeep Kumar Jain
Chairman