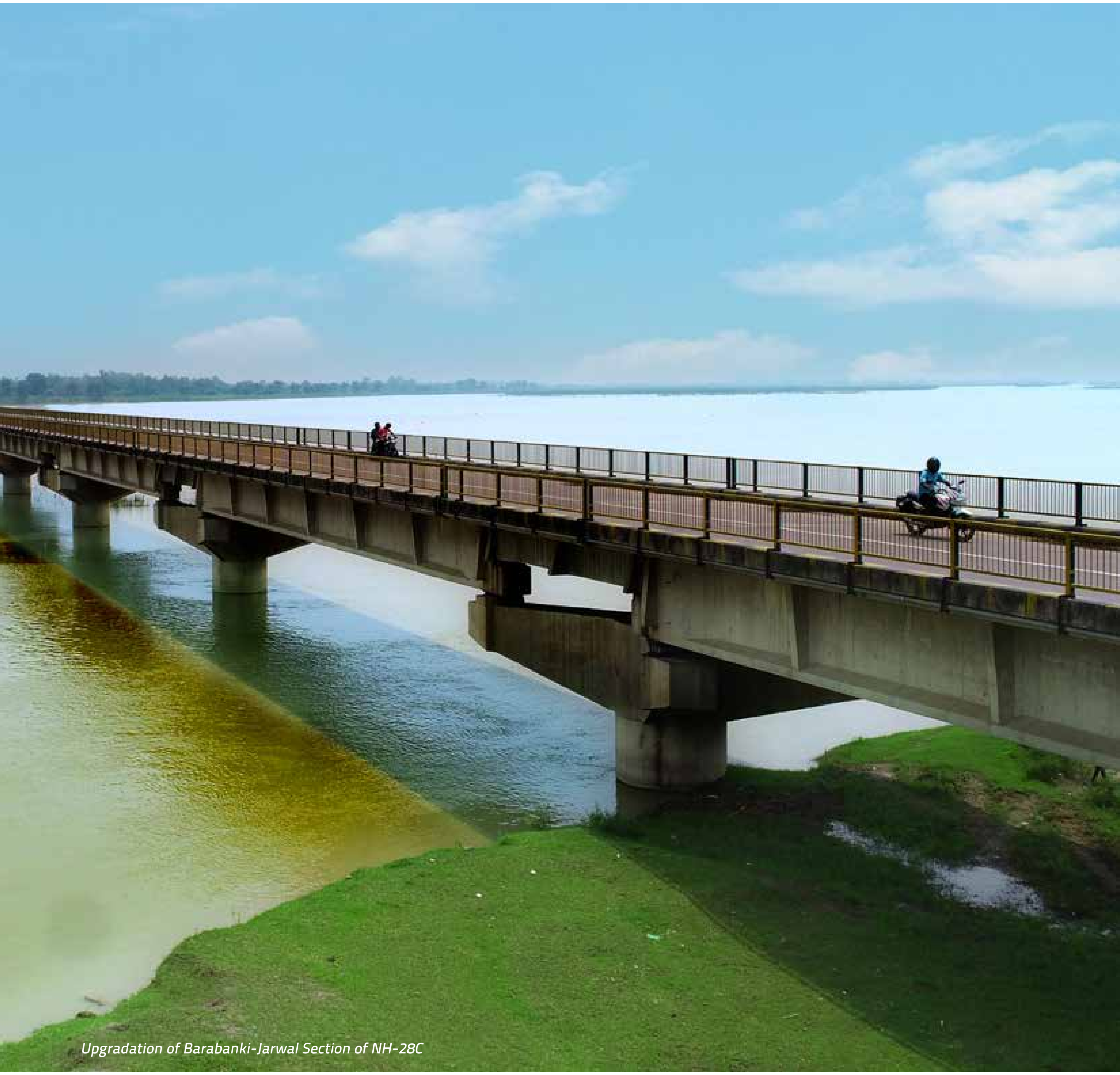
MANAGEMENT DISCUSSION AND ANALYSIS REPORT



Upgradation of Barabanki-Jarwal Section of NH-28C

Global Economic Overview

The global economy started 2018 on an upbeat note, where many developed countries, growth rates rose close to their potential, while unemployment rates dropped to historical lows. Among the developing economies, the East and South Asia regions remained on a relatively strong growth trajectory, amid robust domestic demand conditions coupled with pickup in manufacturing. Though it lost steam in second half of 2018 due to abrupt stringency in the global financial condition and implementation of tariffs by major economiese specially the United States—and retaliatory measures taken by others, including China.

While 2019 started out on a weak sentiment, gradual pick up is expected in the second half of the year coupled by significant policy accommodation by major developed and developing economies. The Federal Reserve, to mitigate the rising global risk, paused its rate hike and signalled no rate hikes for the rest of the year.Major central banks of the world such as European Central Bank, Bank of England including Bank of Japan have shifted to a more accommodative stance. China has ramped up its fiscal and monetary stimulus to deal with the effects of trade tariffs. Furthermore, US–China trade tensions are expected to settle as the prospects of a trade agreement is expected to reach on some consensus. Despite all these actions, global growth is expected to remain at around 3.0 % in 2019.

Indian Economic Overview

As per International Monetary Fund India's economy is setgrow by 7.3% in 2019 and 7.5% in in 2020 and be the world's fastest-growing major economy while the global economy growth pace is forecasted to be slow. With inflation remaining below the target range, the central bank has reduced its repo rate thrice by 25 BPS each, which expected to help infusion of more e the liquidity in the system. Change of the policy stance to 'accommodative" from 'neutral" is also a key positive.

With improved compliance and increased tax base, the tax to GDP ratio has reached 12%, highest in the recent past, up from 10.1% in 2013-14. This increased revenue has been deployed for benefits of the nation and creation of infrastructure. By 2024 capital investment is expected to be of ₹ 100 lakh crores in the infrastructure sector which will bring in huge opportunities in the industry. By anchoring inflation at 4% and cleaning up our banking system has created space for structural reduction in the cost of capital. This will not only help infrastructure investment but investment also in the wider economy. Thus, a new India is expected to be built on the basis of investment driven growth.

Infrastructure Sector

India's infrastructure sector is poised for strong growth over the coming years as the government investment in public infrastructure projects is expanding, In the Union Budget 2019-20, the Government of India has given a push to the infrastructure sector by allocating ₹ 4.56 lakh crores for the sector. Also, gradual reforms in India's regulatory environment like Make in India Initiative, Changes in IBC and reduced barriers in foreign investment will help improve the market's attractiveness to private and foreign firms.

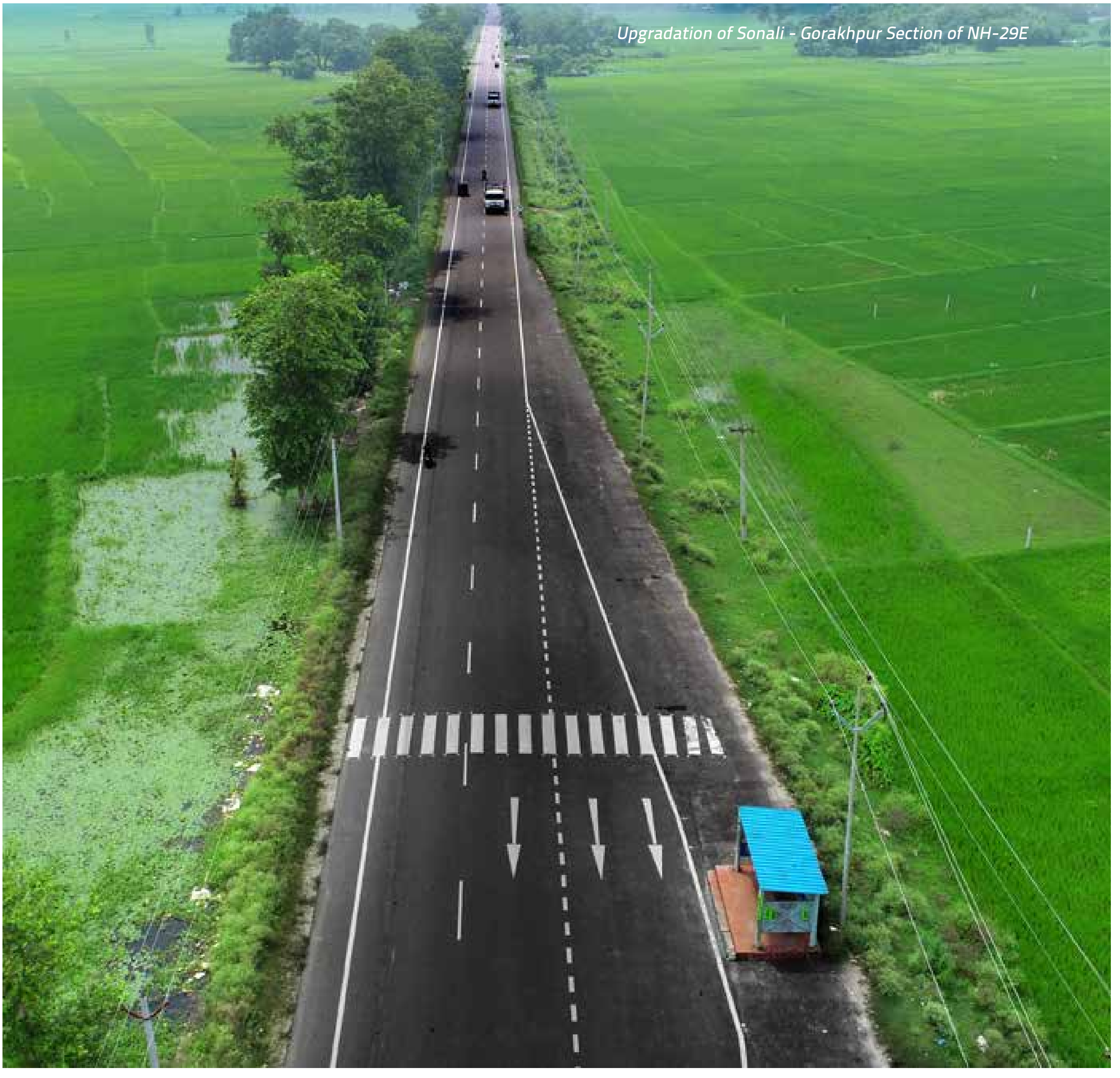
India has started marching and is being seen on the path of global standards in infrastructure and civic amenities. Today India is on the path of setting up a multi modal transportation system with an idea to put all modes of transport together and interlink our Roadways, Waterways, Airways and Railways to make it more efficient and convenient for the people of the country and your company is fully equipped to grab these opportunities.

Infrastructure sector has seen a massive push like never before, mainly highways, renewable energy and urban transport. Construction of roads and railway lines has seen a major pace and has doubled in past few years. India has now efficient ports. Roughly 18,000 villages deprived of electricity are now brightly lit due to rural electrification efforts covering more than 2.6 crore homes through Saubhagya Yojana with over 1.5 crore homes built over last five years.

Roads, Highways, Flyovers & Bridges Sector

The year gone by is one of the best years in the last decade so far as highway construction and upgradation in the country is concerned which has touched 10,800 km or 30 km per day.

Road construction has seen an unprecedented pace in last few years and is expected to gain further traction, the goal is to double the length of the National Highways by 2022, and construct about 60,000 Kms of National highways in next five years.Over a period 2014 to 2018, there has been a good improvement in the award activity, which came up to 47 kilometres a day in 2018, however last few months has



seen a drop in awarding activity due to industry spiralling land acquisition cost and the funds crunch, while is expected to stabilise in the near future. The focus will be on execution for the majority of the players who have bagged good amount of order books.

Under the Union Budget 2019-20, the Government of India has allocated ₹ 1.12 trillion under the Ministry of Road Transport and Highways. In coming few years, the government plans to roll out approximately 40,000 kilometres of award activity, which is quite ambitious and positive for your company because of its strong presence across the country, execution excellence and brand image build over the years. The Government's current run rate is around 30 kilometres, and it has a target to build 40 kilometres of highways per day in the coming future, which to our belief is achievable, considering the number of projects which have already been awarded and which are under execution.

The National Highways Authority of India is all set for implementing its another flagship highway development programme Bharatmala 2.0, after the successful implementation of Bharatmala road project. Here, the primary focus on building expressways which allow uninterrupted traffic flow. Under the second phase of Bharatmala, the government has proposed to build nearly 3,000 km of expressways, including Varanasi-Ranchi-Kolkata, Indore-Mumbai, Bengaluru-Pune and Chennai-Trichy projects.Except a few identified stretches, all others will be greenfield projects, which means these new roads will bring greater opportunities for your company, considering its strong presence in these regions and strong financial position.

Railways

Railways play a key role in term of providing reasonably fast, economic and safer means of conveyance. By merger of Railway Budget with the General Budget, the Government has been able to put forth the idea of modal transportation to implementation.

India's railway network is recognised as one of the largest railway systems in the world under single management spread over 1,15,000 km, with 12,617 passenger trains carrying over 23 million passengers daily. On the commercial front, freight traffic increased to 1,159.57 million tonnes in FY18 and during Apr 2018 to Jan 2019 it increased by 5.28 per cent Y-o-Y to 1,001.98 million tonnes.

The government has been investing heavily to upgrade railway infrastructure. In the Interim union budget 2019-20, the Indian Railways has allocated capital expenditure at around ₹ 1.58 lakh crores which is highest so far. Further the government has allocated a total of ₹ 18,019 for construction of new lines, gauge conversion, doubling of tracks, rollingstock and for signalling and telecom. Private sector companies are now being encouraged to participate in rail projects, which was been predominantly in the public domain. Our strong execution capabilities and experience and government friendly policies will help company bag new projects awarded by the government in the coming future.

Airways

India has become the third largest domestic aviation market in the world and is expected to overtake UK to become the third largest air passenger market by 2024.India's aviation industry has seen a high in the past where domestic aviation market has recorded 52 consecutive months of double-digit growth by December 2018. However, year 2019 started with weak sentiments due to major issues faced by few airline operators.

Indian air passenger traffic is expected to increase by 36 percent by year 2020 to 421 million from 308.75 million in 2017-18.In the last five years the domestic passenger traffic has doubled, which has led to more job creation. Due to schemes like 'UDAAN', ordinary citizens are also able to travel by air.

India now has more than 100 operational airports with the inauguration of the Pakyong airport in Sikkim. The Government of India aims at making Indian air cargo and logistics most efficient, seamless and cost and time effective for which it hasreleased the National Air Cargo Policy Outline 2019 which aims at making itworld class by the end of the next decade. The government has also introduced NextGen Airports for Bharat-Nirman Scheme in 2018-19 union budget which aims a five-fold increase in India's airport capacity to handle a billion trips per year.

The government has been encouraging private sector participation in the aviation sector. Between FY18-23 investments to the tune of ₹ 420-450 billion are expected in India's airport infrastructure. Before liberalisation Airport Authority of India was the only major player involved in developing and upgrading airports in India. But now,private sector participation in the sector has been on increasing trend. An 'in-principle' approval to 19 airports, out of which 7 are going to be developed on a PPP basis, with an investment of ₹ 27,000 crore has been given by the Government of India.

Government push for aviation sector has brought new opportunities for your Company, as it has experience by executing 19 airport runways and pavement works across India and has also been awarded 'Super Special Class" certificate from Military Engineering Services. The techno experiential credentials of the company in airport construction will enable to bid for large projects of both MES and AAI.

Key competitive advantage

With more than 2 decades of experience in the industry and our integrated business model (i.e in-house design, engineering, development, construction, operation and management, coupled with large equipment bank), we have emerged has one of leading highway development, construction and management companies in the country. Our strong execution, timely completion capabilities, long term relations with the stakeholders and wide geographical presence have been the strong pillars our growth story. With problems of financial closure and fund raising across industry, our strong balance sheet position, strong credit profile and brand image have helped us stay ahead of the curve and overcome these challenges.

In-house design, engineering, development, construction, operation and management &large and modern equipment bank

Our company has always been conscious about the cost matrix, where the company executes majority of the project work in house and outsource only non-core items mainly to maintain the lower dependency on third parties and deliver projects on time, without compromising on the quality and profitability. The company has a large bank of advanced equipment of global standards in-house, along with a strong technical team which helps us execute efficient operations and establish credentials in constructing roads & highways, bridges and airport runways.

Established relationship with public sector clientele and excellent pre-qualification credentials

Over the past 20 years, the company has worked with several State Governments and Central Government authorities. In

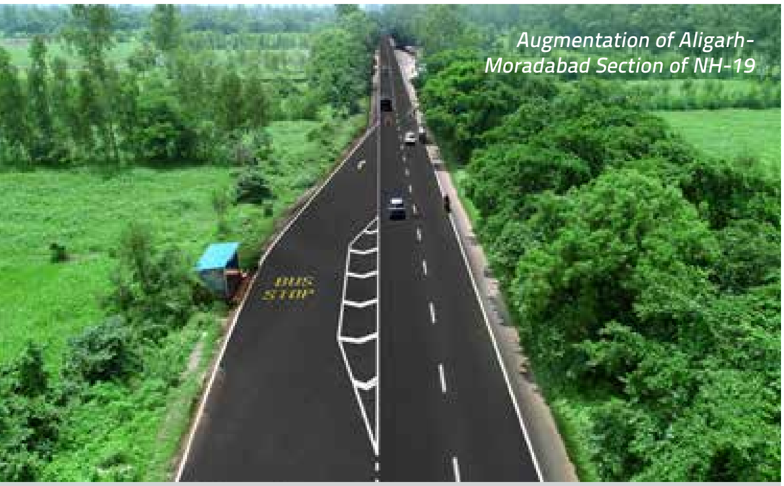
Upgradation of Sonali - Gorakhpur Section of NH-29E

this year, the company has been able to successfully execute several infrastructure projects in number of states, which has helped us build strong cliental relations and also helped us mitigate risk to our business model and efficiently manage our working capital cycle. We been able to build successful, strong and long-term relations with our clients which includes Central, State and Local Government authorities like NHAI, MoRTH, Airports Authority of India, Military Engineering Services, Delhi State Industrial and Infrastructure Development Corporation Limited, Haryana State Roads and Bridges Development Corporation Limited, Madhya Pradesh Road Development Corporation Limited, Uttar Pradesh State Highways Authority, Uttar Pradesh Expressways Industrial Development Authority, State PWDs, Dedicated Freight Corridor Corporation of India Limited and others.

With strong execution credentials, we have been able to qualify to bid for any large projects awarded and can bid for a single project upto a ticket size of ₹ 4,000 crores individually meeting financial and technical qualifications.

Multi-state presence with regional focus

As we have our corporate presence and base in North India, our majority of the projects are located in the northern part of the country and we have a very strong presence in Delhi & NCR regions and in the states of UP, Rajasthan, Haryana, Punjab, Madhya Pradesh and Uttarakhand. In terms of project execution, we have executed 60 major infrastructure projects spread across 14 states, of which 38 are road EPC projects, 19 airport projects, railway track construction, power transmission and industrial area redevelopment project one each. We also have a portfolio of development projects on PPP mode which includes 6 BOT projects comprising of both toll & annuity assets, 1 OMT (Operate, Maintain, Transfer) project and 7HAM projects spread across 5 states.



Augmentation of Aligarh-Moradabad Section of NH-19

Financial Overview

On Standalone basis Revenue for financial year 2019 stood at ₹ 3,071 Crores, which is higher by 71% compared to financial year 2018 revenue of ₹ 1,798 Crores. Revenue of FY19 excludes an amount of ₹ 25.30 Crores received from one of the subsidiary companies namely PNC Raebareli Highways Private Limited on 8th May 2018 towards the 'Bonus Annuity' where PNC Infratech being the EPC contractor was entitled for 75% of the bonus amount of ₹ 33.73 Crores, Similarly for FY18 revenues excludes ₹ 58.23 crores received towards bonus for the early completion of Agra-Firozabad project on 3rd February 2018 from UPEIDA.

EBITDA for financial year 2018 -19 is ₹ 457 crores as against ₹ 318 Crores of FY18 which is higher by 43%.

PAT for financial year 2019 is ₹ 324 crores as against ₹ 251 Crores, which is higher by 29% compared to financial year 2018.

Our company has always focused on optimising the cost and maintaining a healthy working capital cycle for the year ended 31st March 2019 our net working capital cycle days on a standalone basis stood at 97 days where as debtor days stood at 73 days as against 113 days and 136 days a year ago. Our inventory days stood at 70 and payable days stood at 82 as on 31st March 2019. The Company has been able to maintain an efficient capital structure and has a healthy interest coverage ratio.

The Company's net worth as on 31st March 2019 on standalone basis is ₹ 2,115 crores whereas total debt is ₹ 375 crores which translates to Debt to Equity of 0.18 times.

The interest coverage ratio for the financial year 2019 is 6.4 times as compared to 8.6 times for financial year 2018.

The current ratio which indicates Company's ability to pay short term obligations has remained strong at 2.1 times for the financial year 2019.

During the year CARE Ratings Limited has reaffirmed its rating to AA- (Double A Minus) for the Long Term Facilities and A1+ (A One plus) for the Short Term bank facilities of the Company.

The Consolidated Revenue (excluding bonus) of the Company for FY19 stood at ₹ 3,749 Crores as against ₹ 2,353 Crores in FY18 which is higher by 59% of the total revenue excluding bonus, EPC segment contributes approximately 81% whereas the Toll/Annuity Income contributes 19%. The Toll / Annuity Income for the financial year 2019 grew by 18% to ₹ 717 crores as compared to ₹ 606 crores in financial year 2018.

The Consolidated Operating Profit or EBITDA (i.e. Earnings Before Interest, Tax, Depreciation and Amortization) for FY19 is ₹ 1007 crores as compared to ₹ 763 crores in FY18. The Consolidated Profit Before Tax for FY19 is ₹ 359 crores as compared to ₹ 216 crores in FY18. The Consolidated Profit After Tax, Minority Interest and Share in Profit / Loss of Associate for FY19 is ₹ 351 crores as compared to ₹ 243 crores in FY18.

On Consolidated basis the Company's Net worth as on March 31, 2019 is ₹ 2,024 crores whereas total debt is ₹ 2,775 crores. The Debt to equity on consolidated basis comes at 1.37 times.

Outlook

As of 01 March, 2019, the total length of National Highways in India stood at 1,32,499 km and targeted to complete 2,00,000 km by 2022. The Government has received public sector undertakings from countries like Malaysia and Japan for funding the upcoming highway projects in India – annuity model which will be a key positive for Indian infrastructure industry and ease out the liquidity issues. With several government initiatives like allowing financial institutions to raise money through tax free bonds, 100 FDI under automatic route, growing participation of the private sector through Public-Private Partnership (PPP) will give major push to infrastructure industry especially for a Company like ours with strong execution and investment capabilities in highway sector.

With the support of in-house design & engineering capabilities and large equipment bank and unflinching support by the key stakeholders such as bankers, customers, business partners, vendors and government authorities the company has been able to built-up a strong order book which will help drive growth in next 2-3 yearsresult in enhancing the stakeholders' value creation.

Risks & Mitigation

Competition risk

As the sector grows and more players may get qualified to bid projects awarded, Our Company may face competition risk.

Mitigation

Due to our Company's strong execution history our target is to bid larger projects as there is lesser competition, also our Company capability to bid for a single project up to a ticket size of ₹ 4,000 crores individually, plays an important role in mitigating the competition risk. Our focus of executing the awarded projects before the scheduled completion dates and within the budgeted cost helps us to earn bonus wherever there is such provision. When we generally bid for projects with a minimum profitability threshold which helps us to maintain our margins. With Government's focus on infrastructure development especially on Roads & Highway construction, we see huge opportunities in the sector and the players with better operating efficiency like us stands to benefit from this.

Capital-intensive business risk

Infrastructure business is capital intensive by nature. Availability of sufficient funds is critical for bidding of projects, particularly fund-based projects such BOT-toll, HAM and TOT mode.

Mitigation

Infrastructure business is capital intensive by nature. The profitability of the projects greatly depends on our ability to optimize the working capital cycle and timely execution. Recently in the industry there are many issues faced with financial closure of the projects but our Company having one of the best credit ratings in the Industry, we enjoy lower rate of interest and better terms on various loans for financing our construction equipment, term debt for projects and working capital facilities. Also, we have our own large construction equipment bank which enables us to pool the equipment for various projects which are in the same geographical vicinity. We have always tried to keep our debt-equity ratio low by utilizing our internal accruals in an efficient manner which has enabled us to maintain better profitability from project execution and growth in toll revenues.

Traffic growth risk in BOT projects

In BOT-toll projects, revenue stream has continuous risk of traffic not growing on the project roads and toll rates are not increased as estimated in the projections at the time of bidding.

Mitigation

Our Company has a strong due diligence in place which goes through a detailed and robust traffic estimation and forecast before bidding for any prospective project, also we conduct a stress test which assesses and projects for various scenarios and help us put in a fairly accurate bid for agiven project. In order to avoid major maintenance costs and keep the road ride worthy for users,the Company regularly undertakes preventive repairs and maintenance of the road during its operational phase. Also, as part of our risk mitigation strategy for our development business, we continue to diversify our project portfolio by having an optimum mix of BOT-Toll, BOT Annuity, OMT and HAM projects.

Input cost risk

The availability of the right quality and quantity of resources is critical for the timely completion of infrastructure projects. Any unexpected escalations in the input costs will have direct impact on the margins.

Mitigation

Fluctuations in input cost are very critical for any infrastructure project and our strategy is to have full control on various input costs through ownership or through long term contracts. The Company has its own mines and crushers of stone aggregates to fulfil its requirement which is one of the major cost contributors. Apart from this, the Company procures other important raw materials like cement and steel directly from leading manufacturers with whom we have developed strong relationships over a period of time which ensures the best prices, quality and in-time supplies. Still, there are times when the cost of raw material increases and to mitigate this, the contracts with Government clients has relevant cost escalation provisions which help us protect our margins during the project execution phase.

Labour Risk

People are the most valuable assets in the construction business. Increase in attrition rate could lead to loss of competitive edge, as it may lead to project delays and cost escalations. One of major problems faced by the industry is recruitment and retention of trained and talented professional employees.

Mitigation

For timely and effective project execution labour plays a very important role. In order to ensure their engagement, we have always tried and maintained a cordial, employee-friendly and stress-free environment through various team building activities. Adoption of open-door policy by the company helps us to reduce the hierarchical strain in the organization and foster an entrepreneurial working style. Our remuneration policy is based on performance and is at par with the best industry standards. We always believe in sharing our milestones and achievements with our employees, as a part we also share the early completion bonus received for the projects with the concerned project staff.

Human Resource Management

As of 31st March 2019, the total employee strength of the Company was over 7,400 employees. The management constantly focuses on skill development of professionals and managers within the Company as we believe employees are the building pillars for the future growth of the Company. Our team of home-grown professionals, with specific domain knowledge has helped us stay ahead of the curve. The Company also ensures that the employees are motivated to carry out their responsibility with utmost responsibility through moral support and financial rewards.

Toll Plaza at Aligarh- Moradabad Section of NH-19

Internal Control Systems

The Company has adequate internal control systems that are commensurate with the size and nature of its business which ensures that all the assets are acquired in an economical manner and are safeguarded, protected against loss from unauthorised use or disposition and all transactions are authorised, recorded and reported correctly. The internal control system is supplemented by well-documented policies, guidelines and procedures and reviews carried out by the Company's internal audit department. Audits of various departments are conducted as per the annual audit plan through internal auditors, who submit reports to the management and the Audit Committee of the Board from time to time. The views of the statutory auditors and ISO auditors are also considered to ascertain the adequacy and efficacy of the internal control system and measures. The project sites of the company are covered through extensive CCTV surveillance system and SAP ERP system. All these measures are continuously reviewed by the management and as and when necessary and required improvements are made.

Cautionary Statement

In this annual report, we have disclosed forward-looking statements and information to enable investors to know our growth prospects and take informed investment decisions. This report and other statements, written and oral, that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. Forward-looking statements are based on certain assumptions and expectations of future events. The achievement of such results is subject to risks, uncertainties and even less than assumptions. Market data and information gathered from various published and unpublished reports and sources, their accuracy, reliability and completeness cannot be assured. We do not undertake to make any announcement in case any of economic scenarios, industry developments and the forward-looking statements become materially incorrect in future or update any development and forward looking statements made from time to time by or on behalf of the Company.