CareEdge RATINGS

PNC Infratech Limited

March 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,700.00	CARE AA+; Stable	Reaffirmed
Short-term bank facilities	5,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of PNC Infratech Limited (PIL) reflects its strong business and financial risk profiles. Ratings also remain underpinned with the likely release of invested capital in 12 road special purpose vehicles (SPVs) following definitive agreements executed for divestment of 100% equity in these SPVs with Highways Infrastructure Trust (HIT), unlocking funds for future growth. The divestment is expected to translate to an equity value of ₹2,902 crore (including cash) on an investment of ₹1,740 crore. 11 SPVs are expected to be transferred by April 2025, while the remaining one is expected to be transferred latest by September 2025.

PIL's rating strengths continue to be reinforced by its proven capability to execute large-scale road projects, as evidenced by a 9% growth in operations, reaching ₹7,699 crore in FY24. CARE Ratings Limited (CARE Ratings) takes cognisance of moderation in revenue to ₹5,357 crore for 9MFY25, reflecting a 23% decline compared to the same period in the previous year. The moderation is attributed to delays in receiving appointed dates for existing orders and a slowdown in order awards by National Highways Authority of India (NHAI) in FY24.

However, the company secured three sizeable engineering, procurement, and construction (EPC) orders totaling ₹6,607 crore from Maharashtra State Road Development Corporation Limited (MSRDC) & City and Industrial Development Corporation of Maharashtra Limited (CIDCO) in 9MFY25. Ministry of Road Transport and Highways (MoRTH) lifted the earlier imposed disqualification in participating tenders from February 18, 2025, onwards, which has resulted in company participating tenders worth of ₹18,000 crore. CARE Ratings expects growth in scale of operations in the medium term with anticipated receipt of appointed dates for projects worth ₹4,097 crore by June 2025 the commencement of works in MSRDC projects and expected order inflow from the bids participated. Low leverage with minimal reliance on bank debt, strong debt coverage indicators, and expected sizeable receipt of stake sale proceeds continue to be key credit strength and outweigh risk related to short-term headwinds in managing growth in scale of operations and execution hurdles. The proven experience of promoters in the road construction industry continues to be credit positive for the company.

However, ratings' strengths continue to remain tempered by geographical concentration risk of PIL's order book. Given PNC's dominant presence in infrastructure EPC segments, inherent challenges faced by the construction sector from right of way availability, environmental clearances, and inflationary pressures among others are other credit weaknesses. Going forward, the pace of addition of build-operate-transfer (BOT) projects and its impact on PIL's capital structure shall be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations on a sustained basis with significant segmental and geographical diversification in revenue stream, while maintaining low leverage.

Negative factors

- Increasing net debt to profit before interest, lease rentals, depreciation, and tax (PBILDT) above 1.00x on a sustained basis.
- Decline in PBILDT margin below 12% resulting in deterioration in debt coverage metrics on a sustained basis.
- Significant addition of large-sized BOT projects, diluting liquidity, and debt coverage indicators.

Analytical approach: Standalone while factoring in the support/ investments required for its subsidiary companies. Financial flexibility from prospects of monetisation of operational portfolio or upstreaming of surplus cash has also been considered.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Outlook: Stable

The outlook is expected to remain steady supported by the company's demonstrated execution capability, strong liquidity, and minimum reliance on external debt.

Detailed description of the key rating drivers:

Key strengths

Growth in scale of operations in FY24 while moderation expected in FY25

PIL's total operating income (TOI) reported growth of 9% in FY24 at ~₹7,699 crore in FY24 against ₹7,061 crore in FY23 on the back of improved execution of the orderbook. The efficient execution of the order book has been supported by the company's sizable fleet of fixed assets and efficient working capital management. The company's PBILDT margin also improved to 16.59% for FY24 (including receipt of arbitration claims of ₹296.79 crore in FY24) against 13.51% for FY23. Profit after tax (PAT) margin continues to be robust at 11.04% for FY24 against 8.66% in FY23.

In 9MFY25, the company reported a TOI at ₹4,099 crore against ₹5,357 crore achieved in 9MFY24, reporting moderation of ~23%. The moderation is attributed to delays in receiving appointed dates for existing orders and a slowdown in order awards by NHAI in Q4FY24. However, the company secured three sizeable EPC orders totaling ₹6,607 crore from Maharashtra State Road Development Corporation Limited (MSRDC) & City and Industrial Development Corporation of Maharashtra Limited (CIDCO) in 9MFY25. MoRTH lifted the disqualification in participating tenders from February 18, 2024, onwards, which has resulted in the company participating tenders' worth of ₹18,000 crore. CARE Ratings expects growth in scale of operations in the medium term with anticipated receipt of appointed dates for projects worth ₹4,097 crore by June 2025, the commencement of works in MSRDC projects, and expected order inflow from the bids participated.

Ongoing divestment of 12 road SPVs

On January 15, 2024, PIL and PNC Infra Holdings Limited (PIHL), a wholly owned subsidiary of PIL, executed definitive agreements with HIT to divest 100% of their equity interests and management control of 12 SPVs pertaining to road assets in one or more tranches. These 12 SPVs comprise 11 national highways (NH) hybrid annuity mode (HAM) SPVs and one state highways (SH) BOT toll SPV with ~3,800 lane kms in Uttar Pradesh, Madhya Pradesh, Karnataka, and Rajasthan.

The enterprise value of the transaction is ₹9,006 crore together with earn-outs and is subject to adjustments as stipulated in definitive agreements translating to an equity value of ₹2,902 crore (including cash) on an equity investment of ₹1,740 crore. The transaction is subject to certain regulatory and other customary conditions standard to a transaction of this nature.

As articulated by the management, requisite approvals from lenders and the authorities are getting in place and the company expects to transfer 11 SPVs in April 2025. The remaining SPV, PNC Challakere (Karnataka) Highways Private Limited, is likely to be transferred latest by September 2025.

The company's equity commitment for its under-construction HAM portfolio stood at ~₹810 crore as on December 31, 2024, which is envisaged to be infused over the next two-three years mainly from healthy operating cash flows and proceeds from ongoing divestment.

Healthy order book position

PIL had a healthy outstanding order book position over ₹18,962 crore as on December 31, 2024, translating into orders equivalent to over 2.46x of FY24 revenue. Of the total orderbook as on stated date, ~36% of the orderbook is from National Highways Authority of India (NHAI) & MoRTH, while ~17% is from the Centre-state funded State Water Sanitation Mission (SWSM), thus mitigating the counter party risk to a large extent. About ~24% of the orderbook is from MSRDC which is fully owned by Government of Maharashtra.

The order addition in FY24 has been low, however, company has received sizeable projects in 9MFY25 and has already submitted bids for projects amounting to ~₹18,000 crore post lifting of disqualification by MoRTH on February 18, 2025. CARE Ratings believes that PIL is likely to report healthy order addition in Q4FY25 considering the thrust of government on transportation infrastructure. Revised concessions for BOT-Toll incorporating favourable features also augur well for improving bidding appetite for developers such as PIL.

PIL forayed into water supply projects in FY21, State water sanitation mission (SWSM) projects, which is jointly funded by Government of India and Government of Uttar Pradesh. Such projects form ~17% of the orderbook. The company has reported a healthy track record of timely realisation of payments under these projects.

Low leverage, strong debt coverage indicators and efficient working capital management
PIL's working capital efficiency continues to be comfortable and in lines with FY24. The gross current asset days also remains comfortable at 158 days (PY: 165 days, FY22: 133 days). However, the same has increased from FY22 levels primarily due to increased HAM debtors as of March 2024 and sticky receivable of ₹219 crore, from an irrigation project in Andhra Pradesh and ₹925 crore from Water Supply Project in Uttar Pradesh as on March 31, 2024. The HAM debtors are elongated due to delayed debt disbursement to optimise borrowing costs at group level and expected to be realised in the near term.

The company's debt profile primarily consists of equipment/vehicle loans and some working capital finance in form of bank limits or mobilisation advances. Overall gearing continues to be low and stands at 0.13x as on March 31, 2024 (PY: 0.28x). The interest coverage ratio also strengthened at 19.41x (PY: 14.95x) in FY24. The company has sizable cash/bank balance and liquid investments on its book, which stood at ~₹854 crore as on December 31, 2024. The net debt to PBIDLT is zero as on March 31, 2024 (PY: 0.83x).

Experienced promoters and long track record of operations
Promoters of PIL have significant experience in the construction and infrastructure sector and are supported by a team of qualified engineers with expertise in roads and highways construction. The company has executed over 100 major infrastructure projects in 15 states across India. It has a track record of timely execution of projects and has also received bonus for some projects for early completion. There has been a demonstrated consistency of the company's capability to bid for and win large-sized projects from Government departments or authorities.

Key weaknesses

Geographical and sectoral concentration of order book
The current order book remains concentrated in Uttar Pradesh and Maharashtra (~80% of the total order book). Around 36% of the orderbook is from NHAI and MoRTH, while ~17% is from the Centre-state funded State Water Sanitation Mission (SWSM), thus mitigating the counter party risk to a large extent. Unfavourable change in State Government policies, or rules and regulations restraining construction activities in this region can affect the company's operations. The geographical risk is offset by operational synergies derived from proximity of projects in terms of facilitating smooth movement of manpower and machinery. PIL has track-record of executing projects in 15 states, including Karnataka, Bihar, Jharkhand, Rajasthan, and Gujarat.

The order book continues to remain moderately diversified with 75% projects pertaining to road sector and water works forming ~17%. Going forward, PIL's ability to significantly scale up operations with greater geographical and segmental diversification shall be a key rating monitorable.

Heightened execution challenges and intense competition in roads sector
In line with CARE Ratings' estimates for financial year 2023-24, the pace of construction for National Highways reported a notable increase of 20%, reaching 34 km/day y-o-y. Yet, this construction pace is below 37 km/day accomplished in FY21 which is attributed to execution challenges combined with increased competitive bidding landscape ushering in weaker contractors in the highway construction fray. The highway sector witnessed a combination of rise in project complexities, participation from sponsors with moderate capabilities, and significant delays in receipt of appointed dates after projects were awarded, which contributed to slackened construction pace. CARE Ratings forecasts a nearly 7-10% decline in the pace of National Highways construction in FY25 compared to FY24. The construction rate is expected to slow down from 12,350 km in FY24 to 11,100- 11,500 km in FY25. Slow awarding from NHAI is also an area of concern. With the discontinuation of the Atma Nirbhar Bharat scheme for releasing monthly payments, working capital intensity for sponsors is expected to increase by more than a fortnight in FY25. PIL with a pool of operational assets will be better positioned to manage their leverage and liquidity.

Liquidity: Strong

PIL has strong liquidity, marked by free cash and bank balance (including FDs) and investment in mutual funds of ~₹854 crore as on December 31, 2024, apart from Nil utilisation of bank lines for a limit ₹1000 crore as on December 31, 2024. The company also earns healthy cash accruals of ~₹800 crore against annual debt repayment of ~₹60-80 crore.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

The ESG issues are credit neutral or have a minimal credit impact on PIL. These are listed below:

	Risk factors	Mitigating measures
Environmental	1. Material selection 2. Water consumption 3. Method of construction 4. Waste management 5. Greenhouse emissions 6. Recycling	The company is committed to invest in clean technologies and promoting sustainable practices. There are measures to adopt circular practices for efficient waste management.
Social	1. Workmen safety 2. Community impact 3. Emergency response planning	The company adopts comprehensive risk mitigation measures such as safety training programs, regular safety inspections, and prioritising usage of personal protective equipment (PPE).
Governance	1. Stake holder engagement, supply chain management 2. Internal controls 3. Composition of the board 4. Diversity 5. Code of conduct	The company has defined policies and procedures to ensure effective risk mitigation and promote sound governance and business ethics. About 50% of the company's board comprises independent directors.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction
Infrastructure Sector Ratings
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

Based in Agra, Uttar Pradesh, and having a registered office in Delhi, PIL was incorporated in 1999 and is promoted by four brothers: Pradeep Kumar Jain, Naveen Kumar Jain, Chakresh Kumar Jain, and Yogesh Kumar Jain. PIL is engaged in diversified construction activities such as constructing highways, bridges, flyovers, airport runways, and allied activities. PIL has over two decades of experience in executing roads and water projects.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	7,061	7,699	4,099
PBILDT	954	1,277	873
PAT	611	850	585
Overall gearing (times)	0.28	0.13	NA
Interest coverage (times)	14.95	19.41	17.55

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1000.00	CARE AA+; Stable
Non-fund-based - ST-BG/LC		-	-	-	5000.00	CARE A1+
Term Loan-Long Term		-	-	June 2025	700.00	CARE AA+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	1000.00	CARE AA+; Stable	1)CARE AA+; Stable (03-Apr-24)	-	1)CARE AA+; Stable (07-Feb-23)	1)CARE AA; Stable (07-Dec-21)
2	Non-fund-based - ST-BG/LC	ST	5000.00	CARE A1+	1)CARE A1+ (03-Apr-24)	-	1)CARE A1+ (07-Feb-23)	1)CARE A1+ (07-Dec-21)
3	Term Loan-Long Term	LT	700.00	CARE AA+; Stable	1)CARE AA+; Stable (03-Apr-24)	-	1)CARE AA+; Stable (07-Feb-23)	1)CARE AA; Stable (07-Dec-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities- Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Name: Rajashree Murkute Senior Director **CARE Ratings Limited** Phone: +91-22-6837 4474 E-mail: rajashree.murkute@careedge.in Name: Maulesh Desai Director **CARE Ratings Limited** Phone: +91-79-4026 5605 E-mail: maulesh.desai@careedge.in Name: Prasanna Krishnan Lakshmi Kumar Associate Director **CARE Ratings Limited** Phone: +91-120-4452014 E-mail: prasanna.krishnan@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information,
please visit www.careedge.in