

‘Progress in liquidity situation is key to infra sector momentum’

Recently, the Udaipur-based G R Infraprojects Ltd delivered a Shillong Bypass project under PPP model a year ahead of its schedule for which the National Highways Authority of India (NHAI) granted a bonus of Rs. 43.33 crore to the company.

It was selected as one of the three final nominees in Capital Management Category for the ‘Business Today Emerging Companies Excellence Awards’ conducted by Business Today in association with Yes Bank.

Today the company has built a reputation of accomplishing projects well ahead of deadlines and is spreading its operations in the field of infrastructure development in various states like Rajasthan, Gujarat, Madhya Pradesh, Haryana, Uttar Pradesh, Jharkhand, Bihar, Orissa, Delhi, Meghalaya, Nepal and Nigeria.

Founded in 1965, the company today is registered as construction agency empanelled by the Public Works Department, the government of Rajasthan under ‘AA’ Class; and Military Engineering Services, Ministry of Defense, the Government of India under ‘SS’ Class.

How do you see the current scenario for construction and infrastructure projects? What is the time frame you expect the next cycle of construction and infra activities would begin?

Plagued by the weak financial position of players, delays in project clearances and low estimated traffic density for many stretches on offer, BoT (build-operate-transfer) projects in the roads sector have hit a roadblock and severely dented the pace of development of road infrastructure in the country.

Dwindling developer interest in BoT road projects is mirrored in the fact that awarding for national highway projects slowed to an eight-year low of 1,933 km in 2012-13 (this includes awarding both by the National Highways Authority of India and the Ministry of Road Transport & Highways).

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*“Dwindling developers’ interest in BoT road projects is mirrored in the fact that awarding for national highway projects – including both by the National Highways Authority of India and the Ministry of Road Transport & Highways – slowed to an eight-year low of 1,933 km in 2012-13. Over the next 12-18 months, we expect most of the road projects to be awarded through EPC route,” says **Vinod Agarwal**, Managing Director, G R Infraprojects Ltd in an interview with **Paresh Parmar***

Moreover, it will all depend on the government policies in terms of obtaining faster clearances and in making the encumbrance free availability of land for even EPC mode of project implementation to be successful.

Your expertise is into successful and pace of projects execution ahead of time. How will it help you achieve your long term and larger goal?

Our successful completion of project ahead of time is always subject to clearances on the part of government. Even though we put our best administration team at site and co-ordinate the issues between Authority and various agencies to get the early clearances. For example as on date in Jodhpur Pali BoT Project, we got all the major clearances within three months from the date of commencement of the project.

The early completion is not helping us to achieve any short or long term goals; it is only helping us to create a better track record in comparison with the competitors. In our country the work is not awarded on the basis of past performance of contractors and the works are awarded only on the

basis of price. Hence we have to quote very competitive price in all our bids to get the project.

What was your revenue and net profit for 2012-13, and what are your targets further?

We recorded revenue Rs 8560.83 million as revenue and net profit of Rs 533.27 million for the FY 2012-13. We might see a dip revenue in current year however we are poised to achieve revenue target of Rs 15,000 million and net profit of Rs 1,000 million by the end of financial year 2016.

How do you see the order book ahead?

As on date we are having the pending order book of around Rs 2,300 crore. We can increase the

Management



Marini HMP at Jodhpur Pali

What are the innovative techniques applied in association with Du Pont for improving durability of roads?

DuPont offers Elvaloy® modifier, which is used for bitumen modification. The modified Bitumen helps address certain key challenges including failure of roads like rutting, fatigue and stripping. Globally proven Elvaloy® modification technology has also shown reduction in maintenance cycle. Our experience in India with this technology has been encouraging. DuPont technical expertise/ support are very unique and encompasses beyond their modifiers to help maintain the quality of road construction.

How about your quest for zero maintenance and repairs for roads, and ultimately improving safety standards?

We are in the process of testing and adopting various new technologies now available from around the globe in a quest to construct pavements having improved longevity thereby achieving reduced maintenance requirement, improved riding quality and higher safety to the road user.

A few such technologies are use of modified bitumen, warm mix technology, stabilisation of granular layers, hot and cold recycling, micro surfacing etc. Another important aspect in durable road construction is the use of the latest state-of-the-art plant and equipment in the road construction.

The challenges faced while executing projects in India.

The road industry challenges are common in all the places of India, like mining, environment clearances & land availability, etc. If the government spent more time on this issues and the above clearances are required to be expedited by the government and concerned officers are to be put under accountability for the pending clearances.

Skill development is a major concern in this industry. Your comment, please.

While the importance of availability of skilled man power cannot be underestimated the underlined fact remains that infrastructure projects across India are facing huge shortage of well-trained, skilled, certified, and competent specialists in infrastructure sector like engineers and other such professionals.

Most of the project managers in infrastructure sector lack requisite managerial skills, while the highly qualified ones are shifting to sectors like information technology (IT), finance and others.

It is suggested that India should enhance the quality of vocational education and training as per the demands of infrastructure sector.

Besides, there is also a need to improve the efficiency of the departments, divisions & training centres and especially the quality of training services in order to the meet industry standards.

The need for skilled workforce has become all the more important owing to prevalence of an overall difficult economic situation.

What is your outlook for the industry?

The outlook for the highway industry continues to be grim in the near future. Liquidity related concerns and execution challenges continue to impact the infrastructure sector in the country.

Speedy execution of projects and improvement in liquidity situation is key to the sector momentum. But the impact of these challenges is expected to intensify in the near term.

We are now concentrating more on the execution of existing orders than over-bidding.

Delays in obtaining statutory clearances and increasing working



Marini HMP at Jodhpur Pali

capital needs continue to put pressure on the financial profile of the companies in this sector. This has been compounded by the inability to pass on input cost increases which has resulted in a fall in their margins. This is also likely to continue in the near term.

For most of the construction companies, working capital cycles continue to be stretched on account of delays in the certification of works completed by construction companies. Higher debt requirement for executing large order books and to fund working capital along with high interest rates have led to further deterioration of the credit metrics of the companies.

Given the downward pressure on margins and higher requirements for funds, credit metrics may worsen further in the near term.

Improvement in liquidity leading to access to funds and governmental policy actions addressing the factors hindering execution of works would have a positive impact on the sector. The move to launch infrastructure debt fund is likely to give the long term capital and also enable in financial closure of infrastructure projects.

In addition to these if the proposed changes in the road sector relating to environment and also providing flexibility in exit norms will facilitate the sector players.

You recently bagged an award at the BT. We would like to know about it.

Our company was nominated for two categories of award and

was given award for Best Capital Management. Getting award in this category in such economic condition is matter of pride for us. We have sustained in this phase due to our planned business portfolio.

Due to the BT award, we get morally boosted and this will make us remain strong in these difficult times which are presently prevailing in the industry.

Would you like to share any message with us?

Everybody is well aware of the present industry condition and the construction industry is a team work; the team should be very much disciplined to stay strong in the present condition. An old saying goes that Roti, Kapda aur Makaan is our basic necessity for survival. That still remains valid for India.

When anyone goes abroad and talks good about the country, it means that they are talking good about the infrastructure. So unless any country improves on infrastructure, it can't grow further. After having said that, our government policies should be strong for building and road infrastructure. People should get easy and comfortable access from A to B location. This can happen only when we improve the quality of roads and we improve our deliverables.



Ratan Lal Kashyap, Vice President, Procurement, G R Infraprojects Ltd

On diversification plans

G R Infraprojects operates on Sap environment with the latest version covering its all business operations with good control on business activities and professionally managed and geared to take the company to next level of business diversification.

In the process of business diversification we have extended our business operations in African country with the first footfall in Abuja in Nigeria. We have a full-fledged office with ongoing business development activities with a target order booking of Rs 200 to 300 crore in the current financial year mainly into road projects.

To mitigate the quality concerns and maintain the highest quality standards, we have diversified and done backward integration in business for captive consumption as well as for commercial sales for quality conscious contractors.

Further we have set up Emulsion plant make E&H Germany at Udaipur and Guwahati. Emulsion is a binder between two layers which is an important product for longer life of the road made.

We have PMB (Polymer Modified Bitumen) manufacturing plant at Udaipur. This product does value addition to binder – bitumen, which helps roads to sustain for longer period with less maintenance and lower carbon emissions.

Further, we have business relation with international signage companies like 3M, Avery Dennison, etc and use their product for all our signage in our projects.

Also, we have a fleet of 100 bitumen tankers required for logistics of bitumen from refineries to site. This fleet is developed to mitigate our risk of en route bitumen contamination by outsourced logistics agencies.

The company owns the best of equipment meeting the international norms in all parameters. We have respect for environment and safety with minimal emissions to environment



Shillong BOT

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