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IRB took a giant leap in the BOT roads segment in the year 2005-06

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SUDHIR HOSHING,

Joint Managing Director, IRB



It has been close to four decades of infrastructure building for IRB wherein India underwent a transition from a mixed to a global economy, how has the journey been so far, what are the major milestones set for coming years?

The journey has been quite interesting with lots of learning. The company's metamorphosis from a small Pvt. Ltd. Company into a billion dollar listed enterprise with a Pan India presence has been phenomenal. IRB took a giant leap in the BOT roads segment in the year 2005-06 when it outbid big names in the sector and won the Bharuch to Surat six laning Project. IRB holds 13 BOT Projects of NHAI as of today. Our target for the next few years would be to grow steadily looking to increase our Turnover by 20% YoY and create a portfolio of around 25 NHAI Projects in the next 5 to 6 years.

As our cities grow and new cities come up, what kind of infrastructural needs and opportunities you foresee in the long run?

Rapid transit systems like Metro / Monorails etc would grow for intercity connectivity. But the major requirements



We have five projects under construction in various stages. We are focussed on completing them as per schedule.

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would be water and waste management as well as Power, especially green power. Roads however will remain lifeline.

Considering that infrastructure is still a key focus in the realm of Indian economy, do you think time is ripe for private investment bodies to make fresh investments? What should be the perceived timeline for ROI?

Government is trying many methods for getting private parties interested. Some more is though required. Risks needs to be shared such that entity that is better in mitigating any particular risk should lie with them. I would think a payback of 4 to 5 years is good but if it exceeds 8 years then it's not worth investing.

India has set a target to award 25,000 km of road projects in FY17 under the ministry of road transport and highways and National Highway Authority of India (NHAI), do you think these plans are achievable, what kind of facilities need to be in place to ensure this target is achievable?

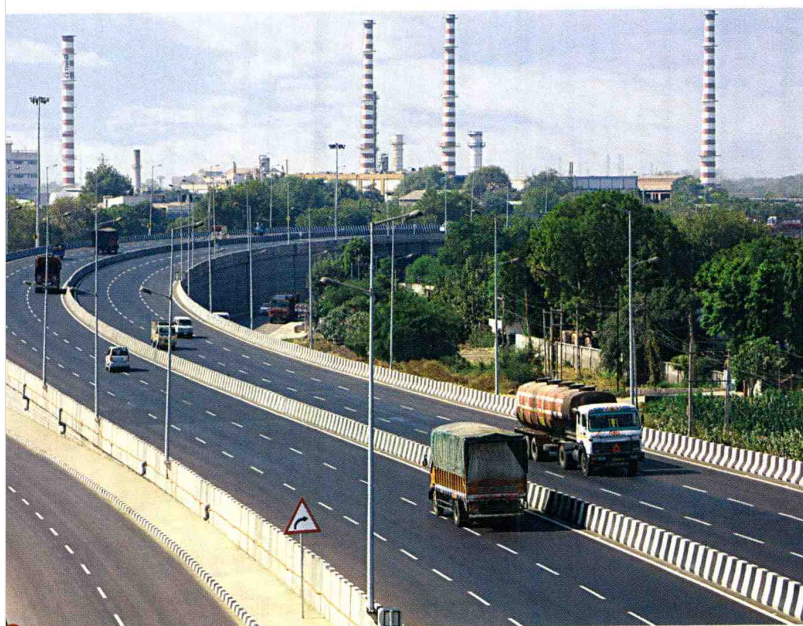
From 6000 Km award last year to

25000 Km in FY 17 certainly looks ambitious but we are moving in that direction slowly. Most of the Projects are being bid out under HAM which have average TPC of ₹ 600 to 700 Crore each. NHAI can award 10 such projects per month at best which means a total of ₹ 84000 Cr in the year. At ₹ 12 Crore per Km. it works out to only 7000 Km. If one has to get anywhere close to 25000 Km, bigger packages under BOT (toll) would be the key. Banks also need to be given a free hand in lending to Projects and Toll revenues

focused on completing them as per schedule. There are some BOT projects on anvil and we shall have a close look at them and bid with our internal success parameters.

MMRDA has invited a RFQ for ₹ 17,750-cr Mumbai Trans Harbour Link, this project was stuck earlier owing to lack of clarity on the project's financial viability, what possible clarities and foreseeable changes do you perceive to turn it into feasible prospect?

The project was not viable under



need to be recognized as secured / tangible asset. Equity market also needs to be expanded with release of pension funds and insurance money. Last but not the least, NHAI has to take some fast decisions and help in smooth implementation of all these Projects.

IRB has a given track record of winning BOT contracts and executing them well, which are the current projects you are focussed on?

We have five projects under construction in various stages. We are

BOT (toll). Now it is coming up under EPC with Government funding.

Despite the government offering 80% of prior land acquisition and forest clearance in HAM projects, IRB does not seem to be a very enthusiastic participant, why?

The bidding seems very aggressive. We would wait for the right time and project before bidding. Since we are already having a healthy orderbook, we are not hard pressed to participate in such aggression which would dim our margins and worry our shareholders.

IRB Infrastructure plans to unlock value from operational assets using the IRB InvIT Fund, tell us more about this initiative?

InvIT, certainly is good option to unlock value, we are closely working on it. We are waiting for some guidelines from SEBI post which we should be able to launch it. We are the first one to be registered by SEBI.

Rising costs due to legacy projects overruns and delays have lead to increased debt for most of the infrastructure companies, how can these issues be addressed effectively?

I think sane bidding with justified nos, and completion of construction on time is the key, once you have done this other issues can be tackled much easily.

Quality, health, safety and environment are the key factors which govern the kind of projects you execute, what are the procedures in place to ascertain these parameters are adhered to in every project you undertake?

We are of the opinion that prevention is always better than going for cure, we take all the required steps for safety of people, environment and health of our employee. WE do conduct some health and safety camps for the same.

Govt cancelled Zoji La pass tunnel road award to IRB Infrastructure without assigning any reason, what is your further action plan on this and how do such actions effect the investor sentiments in the sector?

We are planning to participate in the recalled bid.

Do you think political pressure from opposition parties would lead to slow down in awarding and execution of projects?

Hope fully all are eyeing on development of nation.