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Vadodara-headquartered Patel Infrastructure has planned to enter the capital market to raise funds to part finance its roads projects.

ARVIND PATEL, Managing Director of the company shares about growth plans and how the government policy reforms have helped the industry to retrieve the growth track, with Pradeep Pandey.

Infrastructure development in India largely consist roads and highway development and Patel infrastructure has made its place very well. There were challenges you sustained the growth very well. How you assess the overall performance of the company?

We were mainly into EPC business and our day to day exposure to the ground helped us to gain experience and grow. We took the projects and completed in time. We secured big projects, performed well to make them a success that actually helped us to sustain a healthy growth. As of now we have order book size of about ₹ 7,500 crore. This can be seen as a good achievement and we believe it will grow further.

You have maintained a year on year growth rate of 25-30 per cent for the past four to five years. How you made it possible when many big players were struggling?

The policy reforms by the government and our continuous effort of our team actually helped to sustain the growth momentum. We focused more on EPC projects in that risks were minimum. Now we have gained

experience and secured independent projects. Though few years back we were mostly into EPC projects, now bidding independently because we felt the market is conducive and policy reforms by the government is well in place. Adding to this, we have our own equipments and machineries that is a big advantage. We need not to rent machineries. Where ever we have projects we have our own setups and equipments so that gives us a cost advantage.

How you assess the present market?

The present government has actually made great efforts by assessing the actual problems and accordingly rectifying them. For example, earlier land acquisition was a big problem. Land holders were not comfortable and reluctant in giving land because probably they were not getting the proper price or valuation of their land. Today, people are coming directly to give their land. So, the developers are not facing such problems any more. Earlier, projects remained stuck and developer's payment was also stopped due to some issues like a small stretch was incomplete due to some reasons.



But now these issues have been tackled well. The provisions of bidding projects and modes have also been reformed.

Public private partnership (PPP), the very model introduced in a first for roads and highways, however, it not worked well. Now how you see the scenario?

There were some serious problems in the earlier model. Like, developers were not able to recover their investments. And, it was a big issue for the players to bid for new projects. This resulted into delay of the projects and cost overrun also over dues of the lenders created a big problem. Nevertheless, the new models like Hybrid annuity model (HAM) projects have given a breathing space. It is expected to constitute 60 per cent of the projects awarded by NHAI going forward.

You are going to raise fund from equity market. What is your purpose to utilize the proceeds?

We have won four projects under HAM and we plan to use the proceeds for part financing these projects. Patel Infra plans to use about ₹ 162 crore to part finance the Cholopuram-Thanjavur HAM Project. The company will use ₹ 45 crore

to purchase construction equipment and about ₹ 100 crore to fund incremental working capital requirements. The balance amount will go towards general corporate purposes and repayments of debt.

Apart from capital market, how you have plan from debt market?

We have already completed financial closure of our three projects. Debt of about ₹ 1900 crore has been tied up for three projects.

Patel infra is mainly roads and highways player. Are you exploring other infrastructure projects?

Under EPC business, Patel infrastructure's key ongoing projects include building and civil construction of eight new court buildings in the city civil court at Ahmedabad, construction of a new multispecialty hospital in Gujarat. Under its annuity business, our key ongoing projects include hree HAM projects with total contract value of about ₹ 4,000 crore. These projects are namely Sethiyahopu-Cholopuram Project and the Cholopuram-Thanjavur Project in Tamil Nadu, and the Darah-Jhalawar Project in Rajasthan.

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