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BT SPECIAL

Andhra's Infrastructure

What makes GMR, GVK, Lanco and Nagarjuna the hottest players in the infrastructure business?

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When tariff bids for the 4,000-mw Sasan ultra-mega power projects were opened late last month, it turned out to be quite a nail-biting finish. Lanco Infratech beat Reliance Energy by a mere 10 paise per unit. On the face of it, a wafer-thin margin, but if you were the consumer, it works out to Rs 280 crore per annum or Rs 7,000 crore for the life of the project. Lanco's competitive aggression in the high stakes infrastructure game is, in a sense, representative of the chutzpah running through several other industrial groups in Andhra Pradesh-GMR, GVK and the Nagarjuna group. "When our current portfolio of power projects mature by 2012, we are looking at a consolidated turnover of Rs 15,000 crore per annum (not including Sasan)," says Lanco Group Chairman L. Madhusudhan Rao.



GVK Industries' Reddy: He began as a small-time contractor

His optimism isn't without substance. For, currently, the group is implementing close to 8,000 mw of power generation capacity. Lanco's growth is as impressive as it is sudden. Even as recently as 1991,

SURPRISE WINNERS

Andhra Inc. may be small, but it has bagged some big projects.

GMR: Delhi airport & Hyderabad International airport projects

GVK: Mumbai airport, 330 MW hydel project in Uttaranchal and 600 MW thermal project in Punjab

LANCO: 4,000 MW ultra-mega project at Sasan, 1,000 MW thermal project in Uttar Pradesh

NAGARJUNA: Rs 430-crore construction deal at 800 MW Parbati hydel project, Rs 800-crore real estate project in Hyderabad

Lanco, which switched from agribusiness to construction in 1964, had just Rs 2 crore in annual revenues. The big break came when the company won the bid in 1997 to set up the 368-mw Kondapalli power project. Post Kondapalli, the turnover vaulted to Rs 730 crore. From then on, success bred success.

While Reliance (Anil Dhirubhai Ambani Enterprises) convincingly lost to Lanco in the power bid, it wasn't so when it lost to GMR in

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the Delhi airport modernisation bid early last year. GMR, which has projects worth Rs 8,000 crore in the pipeline, was the sole qualifying bidder, even though Reliance Airport Developers Private Ltd (RADPL) had bid more aggressively. How did GMR swing the project? "First, we were able to get an able partner in Fraport AG. Then, we engaged 15 consultants in preparing the bid document and finally, there was the Hyderabad airport experience that helped us," says Grandhi Mallikarjuna Rao, Chairman, GMR Group. "Between 1997-2002, it dawned upon me that our group's core competence was in infrastructure. It is then that I decided to divest my holding in Vysya Bank and focus entirely on this sector," he adds.

Like GMR, Gunapati Venkata Krishna Reddy prospered on the back of the state, starting as a small-time contractor for the state's mega-dam project, the Nagarjunasagar dam. He then went on to set up the first private power project in the country in 1996, a bid-out and not an MoU project, the 216-mw (phase-I) GVK Jegurupadu project. From then on, there was no looking back. "Of the total turnover of Rs 2,500 crore, nearly 80 per cent is from infrastructure projects, while the rest is contributed by Novopan, hotels and biosciences," says A. Isaac George, Chief financial officer, GVK Power and Infrastructure.



"Between 1997-2002, it dawned upon me that our group's core competence was in infrastructure. And I decided to focus entirely on this sector"

G.M. Rao
*Chairman/
GMR Group*



"We are growing at 45 per cent every year. We should cross the billion-dollar mark in three years"

Alluri Ranga Raju

*MD/ Nagarjuna
Construction
Company*

As for Nagarjuna Construction, it decided to grow in infrastructure construction business. "We are growing at 45 per cent every year, and at this rate, we should cross the billion-dollar mark in three years," says Alluri Ranga Raju, Managing Director, Nagarjuna Construction Company (NCC). Going forward, the group is betting heavily on the roads segment (out of a total order book position of Rs 7,000 crore, 43 per cent is on roads projects). The company has so far implemented over 400 projects (mainly in buildings and industrial structures) across 18 states.

Is there a common thread running between these infrastructure companies? "The region has seen building contractors mature to become power

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producers," says T. L. Shankar, former principal of the Administrative Staff College of India, Hyderabad. Not surprisingly, Andhra Pradesh boasts of the highest number of private power producers. Evidently, honing contract skills and deepening their relationship with the political class was a natural outcome of their long stints as contractors for government civil projects.

Now, of course, the how of it doesn't matter so much. What matters is that they are the infrastructure industry's rising stars today.