

We see exciting times ahead for the roads & highways sector in India



Says **BAJRANG KUMAR CHOUDHARY**, MD, Bharat Road Network Ltd in an interview with Veena Kurup...

On the evolving opportunities:

Over the past few years, Government of India has been persistently displaying their unwavering thrust on the infrastructure sector. Among the core infrastructure verticals, the Roads and Highways continue to receive fair share of allocation in the interim union budget for FY20. Announcing a capital outlay of ₹ 1.5tn, up by 21 per cent over the FY19 budgeted figure of ₹ 1.21tn; the Government has amply demonstrated its commitment towards Roads and Highways sector.

Even though the total project award in FY19 has been tepid lower than the previous financial year, the opportunities in the sector remain robust due to Bharatmala. When you are looking at an estimated capital investment of almost ₹ 7 tn by 2022 across the sector, the sporadic sluggishness should not be a trigger for concern but it may still be prudent to reassess our preparedness for meeting the enormous target we have set for the infra creation. While the liquidity issues arising out of lenders lack of enthusiasm in increasing their infrastructure exposure have been pinching the sector for a while now, the aggressiveness in bidding has also hurt many developers badly as they face challenge in achieving the financial closure.

Besides the opportunities for bidding in the primary market, we do see a lot of scope in

the secondary market for portfolio churning and consolidation. As a lot of global Private Equity players are vying for their share of the pie in infrastructure sector, we could see a lot of activities in the secondary market. The active interest of PE players coupled with the intent of developers looking out create value out of the BOT assets in their portfolio, the market is expected to witness a lot of asset sale and acquisition happening in near future.

As an infrastructure developer focused on asset ownership model, we are quite optimistic about creating value for ourselves in both primary and secondary market. While bidding for new projects is gradually becoming more rational and conservative; and the assets are also available at attractive valuation for sale and acquisition, we see ourselves attractively placed to make the most of the infrastructure opportunities in the market.

About the trending practices and technologies:

Use of technology is an area where India probably needs to get its act together and facilitate the adoption of latest available technology for road construction, operation and maintenance. Though we have so far seen remarkable progress in Electronic Toll Collection system and exponential growth in number of Fastags sold and user fees collected

electronically, there are still many more areas where the use of technology can really enhance effectiveness and efficiency of highway operation and maintenance. Intelligent network highway is one such area which may really enhance user experience as well as increase the highway asset life cycle. The use of technology, data based predictive analytics for infrastructure creation, operation and maintenance can possibly be the biggest differentiating factor for infrastructure asset management in the near future.

Though globally there are already a significant number of players that are able to predict maintenance and operational issues before they become bigger

automation of system, processes and services and adopt a hands-off approach towards asset management.

Now coming to on time project completion, it is imperative to note that there are multiple factors contributing towards expediting project completion schedule. Availability of encumbrance free land would variably be considered as the single largest contributing factor for project delay. While there is no dearth of construction capabilities in the country, our experience in dealing with ROW issues has not been too encouraging. We do believe that once the issues on requisite permissions and land availability are sorted out, project execution would become seamless.

which are holding back the project progress. The lack of efficiency and speed in resolving minor disputes and issues arising out of agreement is still a major roadblock for effective project execution. This could be easily assessed from the fact that while project awarding last year picked up to a record high, the execution still lagged behind 47km/day target. Despite considerable progress in issues on land acquisition and dispute resolution mechanism, the execution challenges on ground remain challenging due to lack of political will and support for faster execution. Additionally, the pushback from lenders in increasing their infra exposure due their past experience, the financial closure remains challenging unless the projects are backed by the promoters with strong balance sheet and credible execution track records. We do believe that greater efficiency is required for faster resolution of disputes.

Views on the future prospects:

It is not only the optimism in primary market but also the magnitude of secondary market contributing towards the excitement in the market. With such a huge opportunity on the anvil across multiple segments, the EPC contractors who were earlier to some extent compelled to enter PPP space for BOT projects, are now eager to deleverage their balance sheet and free up their capital commitments. Additionally, amid the mounting NPAs, the lenders are also looking sponsor substitution to minimize their exposure to stressed asset portfolio by offering them to developers with strong financials and asset management skillset.

With active interest from overseas private investors towards the Roads sector, we do expect a lot of consolidation happening in the market. An active primary market with a major uptick in project awarding and an equally stimulating secondary market for project acquisition and sale are tell-tale signs for exciting times ahead for the sector. EPCWorld



problems, the penetration of technology and data analytics are still at nascent stage in Indian infrastructure market.

There is also an emerging trend of solar highway which enables using the existing highway network for generating solar power thereby creating incremental value from the existing network. At BRNL, we are actively exploring all these innovative solutions for asset creation and asset management in line with dynamic technology landscape. BRNL is also focused towards driving efficiency through technology innovation across multiple segments of asset development, toll operation and management and route operation and maintenance. By developing an integrated technology platform for road asset management, we aim to maximize

On the current order book status:

As an infrastructure asset owner working primarily on asset aggregation platform, Bharat Road Network Ltd (BRNL) is uniquely positioned in the market to capitalize on the burgeoning opportunity in both primary as well as secondary market. With a portfolio of six projects covering 2095 lane km across six states in India, BRNL currently holds five operational projects whereas one project is under construction. While operating projects are generating healthy cash flow, the under construction project in Maharashtra is also likely to get operational soon.

On the challenges faced by the sector:

There are concerns regarding capacity building and institutional strengthening