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How do you assess the year 2022-23 for roads and highways sector? How was the performance? What were the key challenges?

In the year 2022-23, the government continued its focus on the roads and highways sector. We witnessed an intensely competitive year in terms of bidding, with many new entrants securing a large chunk of projects through aggressive bidding. We also observed that Public Private Partnership (PPP) is still the chosen model, with HAM taking preference.

We noted that awarding projects was a bit slow in the first three quarters of FY23, and subsequently gained pace in Q4FY23. The pace of national highway construction rose from FY22's ~29 km a day to ~30 km in FY23.

Talking about the challenges, following were some of the key challenges faced by the sector:

- High commodity price cycle: Spike in commodity prices following the Russia-Ukraine war.
- Intense competition: With the influx of new entrants, projects have been awarded at rates which were much below client estimates.
- High interest rates: With the prevailing inflation, central banks around the globe, including India, have increased interest rates, which will impact the cost of capital.
- Projects being awarded on L1 basis: Agencies are awarding projects on the basis of Lowest Quoted Bid (L1 basis), rather than Quality and Cost Based Selection (QCBS), which ideally should be the preferred award methodology.
- Land acquisition and approval delays continue to plague the industry.

With the increased Budget allocation of Rs 2.7 lakh crore for the roads & highways sector, how do you look at the opportunities for your projects and

business going forward?

The capital outlay announced by the government earlier this year is a welcome move and augurs well for players involved in construction of roads and highways. In line with the sector's growth, we expect to see an upswing in our business portfolio. With a healthy order book, we plan to target projects with healthy returns, rather than bidding for tenders aggressively.

We are evaluating opportunities to add a reasonable value of projects in our portfolio this year by continuing with our asset-light business model.

Considering the way projects are taking off, there is a need to scale up the efficiencies and capabilities of contractors and other stakeholders involved in the projects. How do you look at this and what kind of strategy are you adopting in this direction?

With the pace of road construction nearing an all-time high, we feel that there is a significant shortage of trained manpower to fulfil the growing demand. To counter this, we are laying an intense focus on upskilling our workforce and expanding their capabilities through regular training sessions and workshops across our project sites.

In order to counter the highly volatile commodity prices, we have established a reliable supply chain, which cushions the impact to some level.

Additionally, we have evolved our business model and are now engaging with sub-contractors who bring value to the project. We support these partners with our project management expertise, cash-flows, quality and safety management.

We have also developed in-house engineering capabilities to derive maximum benefits from value engineering.

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What is your take on the current practices of DPRs and tendering processes? How can we further improve the overall processes to enhance the project execution?

Currently, DPRs for most projects are prepared at the project conceptualisation stage. To improve DPRs and make them more concurrent, we believe that they should be prepared and reviewed not more than six months prior to the award of the project. We believe that DPRs should form an integral part of the contract so as to allow allocation of risk appropriately.

For smoother project execution, we feel that all approvals for aspects such as utility shifting and railways crossings should be in place before the award of the project. Towards this, PM Gati Shakti is a step in right direction, which intends to eliminate road blocks by incorporating infrastructure schemes under various ministries.

Further, we believe that Quality and Cost Based Selection (QCBS) project award, as against L-1 award will be more beneficial for the sector.

We are also of an opinion that credit ratings for bidding for PPP projects should be in 'A' category rather than 'BBB' category, to facilitate easy availability of funds.

How does Welspun contribute to the road infrastructure development in the country?

We believe in delivering quality projects on or before scheduled completion. Welspun Enterprises' strong project monitoring and supervision throughout the construction phase ensures that projects are completed on or before the scheduled date and within budget. Having a sustained track record of timely completion ensures that a portfolio of assets is available to buyers and gives a high degree of certainty regarding completion of other projects.

Over the years, we also have developed capabilities to resolve projects that are facing roadblocks. We have demonstrated this in four of our projects so far, where we have turned them around and created value for various stakeholders. We believe that this capability, backed by strong balance sheet is valuable for authorities, lenders and the nation.

In a landmark agreement recently, Welspun Enterprises monetized six of its completed road assets for over Rs 9,000 crore, in line with the government's objective of encouraging investments in PPP projects and generate sustainable value-accretive growth for stakeholders.

What kind of practices do you follow in designing execution of roads and highway projects?

At Welspun, we have our own design and engineering team which provides feasible, innovative and cost-effective solutions that are construction-friendly, in order to deliver projects on or before time. We encourage adoption of digital technologies to track and monitor our project progress. We also enable local subcontractors to maximize the use of environmental-friendly materials in line with our focus on sustainable development.

What are the sustainability practices being adopted in road construction?

Welspun Enterprises encourages the use of utilizing waste materials in various aspects of earth filling, including embankment and Reinforced Earth (RE) walls. Additionally, we have refined the processes to manage and monitor carbon emission and water consumption data, by appointing ESG champions across all project sites. With NHAI's encouragement, we are exploring the use of new and alternative materials in our construction processes. Considering the critical issue of waste, we are also identifying material sources from plastic waste, construction and demolition waste, pond ash, etc.

What are the new-age technologies employed in road construction?

Like any other sector, roads and highways sector is also evolving continuously and is adopting newer technologies for construction such as compaction monitoring and automation, drone surveys, LIDAR based surveys, soil improvement technologies, digitalization, 3D/5D modelling, self-healing asphalt and smart ATMS, to name a few.

What is your outlook on the Indian roads & highways sector?

The Indian roads and highways sector is on the fast growth trajectory. It has seen tremendous growth in the past 8-9 years and with the government's continued thrust on infrastructure, it is expected to grow at a much faster pace in the years to come. However, the pace of progress will lead to stretched situations in commodities, trained manpower and finances. Additionally, attrition in companies will continue to impact performances. On the positive side, we expect that electric vehicle support infrastructure will become part of road infrastructure, multimodal connectivity will become more prominent, access control will become a new norm, and expressways with new alignment will be preferred as land cost at existing highways is prohibitive. ■

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