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Nagarjuna Construction to take up more BOT projects

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At a time when many infrastructure companies are not being aggressive in undertaking build, operate and transfer (BOT) projects in the light of rising interest rates and growing input costs, Hyderabad-based Nagarjuna Construction Company Limited (NCCL) is planning to emerge as a key player in this segment over the next two to three years.

NCCL, through its wholly-owned subsidiary NCC Infrastructure Holdings Limited (NCC Infra), intends to take up about 15 new BOT projects in a couple of years involving an investment of about Rs 15,000 crore. At present, the company is executing 10 BOT projects worth about Rs 7,000 crore in sectors such as roads, power, airports and seaports.

Keeping in view the long-term requirements, NCC Infra

Through its wholly-owned arm NCC Infrastructure Holdings, NCCL intends to take up about 15 new BOT projects in a couple of years with an investment of about Rs 15,000 crore



will also expand its equity base from the existing Rs 200 crore to Rs 500 crore in the next 18 months and to Rs 3,000 crore in a span of 10 years, NCCL managing director, A Ranga Raju, told *Business Standard*.

NCC Infra's current BOT projects include the Rs 1,600-crore Vajra Seaport at Machilipatnam in Andhra Pradesh, Rs

1,450 crore 280 Mw hydro power project in Sikkim, Rs 580 crore hydro power project in Himachal Pradesh, Rs 580 crore Meerut-Muzaffarpur road project in Uttar Pradesh, Rs 248 crore Bangalore-Maddur state highway project and Rs 100-crore each airport projects at Shimoga and Gulbarga in Karnataka.

The all-weather deep water port at Machilipatnam is being developed by the company in consortium with Maytas Infra, SREI Infrastructure Finance Limited and Sarat Chatterjee and Company Limited. Raju said the project was expected to achieve financial closure by December this year and work would commence from March 2009.

On the other hand, the construction of the power project in Himachal Pradesh has commenced and is expected to be completed by 2011. With regard to the Sikkim power project, a detailed project report (DPR) is being finalised. The development agreements of Shimoga and Gulbarga airports have been signed and the DPRs are being prepared.

The company is also looking towards setting up thermal power projects. It is exploring the possibility of acquiring coal mines in Indonesia for secur-

ing the necessary coal linkages in this regard.

To focus on the realty sector, NCCL has incorporated another subsidiary - NCC Urban Infrastructure Limited - which is all set to deliver 12.8 million sq ft of built-up space spread over 286 acres by 2011. Besides executing the 50-acre National Games Housing Complex project at Ranchi in Jharkhand, NCC Urban has acquired lands to an extent of 540 acres in Hyderabad, Bangalore, Kakinada, Lucknow, Raipur and Visakhapatnam for its real estate projects.

This apart, NCCL is developing a 400-acre integrated township at Tellapur here along with Tishman Spears of New York, and ICICI Ventures as equity partners.

NCCL has a stake of 26 per cent in the Rs 1,600 crore project, while 37 per cent each is held by Tishman Spears and ICICI Ventures. On a fully developed basis, it has been

planned to develop 30 million sq ft, spread over a period of 7 years. In the first phase, about 167 acres would be developed.

"We have submitted the DPR and are planning to launch the project by March next year. We have paid Rs 440 crore towards 25 per cent of the cost of the land to the Hyderabad Urban Development Authority and the second installment of an equal amount will be paid next month," Raju said.

On the international front, NCCL is focusing on expanding its share in the booming construction business in the UAE, Sultanate of Oman and other countries in West Asia. At present, the company's international division has an order book of Rs 2,425 crore comprising road projects, water pipelines and infrastructure projects.

According to Raju, NCCL's consolidated turnover this year is expected to be Rs 5,000 crore as against Rs 3,478 crore last year. However, the operating profit margin, which stood at 10.4 per cent last year, is likely to decline to 10 per cent and below in the current year. In the first quarter of the current financial year, its operating profit margin was 9.4 per cent.