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## Ramky mulls hiving off road, industrial park business

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By G Seetharaman | Place: Mumbai | Agency: DNA

Hyderabad-based Ramky Infrastructure may create separate holding companies for its road and industrial park businesses, said chief financial officer Gopalakrishnan Sanjiv Iyer.

The company's road portfolio consists of three national highway and two state highway projects.

"We are thinking of having holding companies for our road projects and industrial parks, but nothing is finalised," said Iyer.

He added that managing the projects becomes easier when they are hived off.

Infrastructure companies do this also with an eye on fundraising and, possibly, listing the entity at later stage.

Reliance Infrastructure and Era Infra Engineering are among companies that are consolidating their road assets under a separate company.

Of Ramky's Rs5,000 crore road portfolio, one, in Andhra Pradesh, is operational, while another, the Gwalior bypass project, is set to become operational by fiscal-end.

"We tied-up funds for the Rs820 crore Jorabat-Shillong project last month," Iyer noted.

The company will also achieve financial closure for its remaining two projects in Jammu & Kashmir and Andhra Pradesh by January, he said, adding that the company is able to access funds at an interest rate of 10-10.5%.

All but one of Ramky's roads are on annuity basis. "We prefer annuity because we are quite conservative in our assumption of toll," Iyer said.

He said the projects were all bid at comfortable prices, and these assets are expected to give an internal rate of return of 16-18%.

A build-operate-transfer (BOT) road project is one where the company that wins the bid builds the road and operates it for a specified period — during which it collects toll — and then transfers it back to the government.

On the other hand, in an annuity project, in lieu of toll, the government pays the develop annuity every six months during the concession period.

Ramky is building three of its roads in partnership with IL&FS Transportation Networks, one with Era Infra Engineering and the other with China's Jiangsu Provincial Transportation Engineering Group Co.

The company is also developing a Rs552 crore pharma industrial park in Visakhapatnam,

which is partly operational, as well as industrial parks in Chhattisgarh and Latur in Maharashtra, together worth Rs400 crore. They will be commissioned by 2014.

“The Chhattisgarh park is coming up in 330 acres. It is a multi-product industrial park, and will mainly accommodate industries in herbal medicine, food, and gems and jewellery segments,” he said.

Ramky is developing a 75 acre industrial park at Latur, Maharashtra, for the food processing industry. It is also executing three residential townships in Andhra Pradesh.

Ramky, which had its Rs350 crore initial public offering in September, is currently executing orders worth Rs11,400 crore.

“We are the lowest bidders for Rs2,500 crore worth of projects. By March, we may get Rs5,000-6,000 crore fresh orders,” he said.



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