

[Print](#)  [Close](#)

IL&FS Transportation Network has projects worth Rs 36,000 crore in its portfolio

Ajita Shashidhar June 29, 2015

Fastest-Growing Emerging Companies Rank: 2

Group: SUBSIDIARIES/ JVs

Segment: REVENUE Rs 3,000-6,000 crore

Ask Karunakaran Ramchand, MD at IL&FS Transportation Networks, if he is particularly proud of any of the company's road projects and he would not single out any project. Nudge him a bit and he starts talking about the two tunnel projects the company is building in Jammu and Kashmir. The nine-km Chenani Nashri tunnel, when completed in May next year, will be the longest tunnel in India and will reduce the travel time between Jammu and Srinagar by almost two hours. The 6.5-km tunnel, the second between Srinagar and Sonmarg, also passes through a treacherous terrain, and Ramchand has a bag full of anecdotes on the difficulties he faced in the projects - from unpredictable weather to threat from militants.

From an engineering point of view too, the Himalayan projects are challenging. "It is a remarkable achievement for an Indian company," says Hari Sankaran, Vice Chairman and MD.

So, what sets IL&FS apart from its peers? "It doesn't bid for just any project that comes its way. It ensures it bids only for projects that have high margins," says Anubhav Gupta, Senior Analyst at brokerage Maybank Kim Eng. Gupta endorses the company's strategy of working on annuity projects. "Most of its peers go only for toll-based projects, hoping to earn a higher return on equity, but that's not always the case. Annuity ensures a fixed source of income and it makes sense to have a mix of both."

Although 60 per cent of the company's revenue comes from concession projects, Ramchand likes to call IL&FS more an operations company than a construction firm. "Twenty per cent of our revenue comes from toll and annuity projects. We collect Rs 6.5 crore a day from toll projects. By 2017, this will rise to Rs 11-12 crore a day. Then, almost one-third of revenue, about Rs4,000 crore, will come from annuity and toll income."

{quote}Ramchand also expects international business to contribute around 25 per cent to the company's revenue in the next few years from 20 per cent now. It is focusing on the road maintenance business through its 2008 acquisition of the Spanish operations and maintenance company Elsamex. Through this unit, IL&FS has a presence in Latin America, the US, West Asia and China. It is also planning to enter Bangladesh and Nepal. Ramchand

say Elsamex will give IL&FS an edge even in India. "In India, importance is given only to building roads. That's not long-term strategic thinking. You also have to plan maintenance, as it brings down the lifecycle cost."

IL&FS has 9,000 lane km of roads operational and another 3,000 lane km will be ready by 2017. Overall, it has projects worth Rs 36,000 crore in its portfolio. What's next? "India will continue to need good roads and better airports," says Sankaran. "We will have enough on our plate."

[Print](#)  [Close](#)

URL for this article :

<http://businessstoday.intoday.in/story/emerging-companies-2015-il-and-fs-transportation-networks/1/221088.html>

@ Copyright 2010 India Today Group.