"Our current net order book stands at `6,500 crore."

- Kanubhai Patel, Chairman & Managing Director, Montecarlo

The tagline says it all: 'Born to Achieve'! Meet Montecarlo, a private-sector construction company that started its journey in 1995 with a small team and a big dream: To be recognised as the most reliable engineering and infrastructure company in India, known for its excellence in quality and performance. The firm specialises in large-scale civil construction and energy networks by formulating new-age construction technologies.
A conglomerate offering diversified services, Montecarlo has grown steadily on the pillars of expert engineering skills, innovative project management and abiding faith in people and their abilities. Kanubhai Patel, Chairman & Managing Director, Montecarlo, shares the company's strategy and plans in conversation with SERAPHINA D'SOUZA.

You operate in diversified segments; which of these contributes the maximum to the company's business?

We currently operate in five segments: Transport (roads and railways); water (irrigation and pipeline); mining (coal and lignite); energy (transmission, distribution and substation works); building and factory. We are operating across 15 states in the country. Currently, Rajasthan contributes the highest, almost 15 per cent of our overall order book.
Of the sectors we operate in, transport contributes almost 45-50 per cent to our overall revenue as well as the order book. Going forward too, we see transport as an evergreen segment that will contribute the maximum to our business. Our focus on mining and building, which almost contribute 20 per cent each at present, will also increase.

Tell us about your current order book and your investments in sourcing equipment.

Our current net order book stands at Rs 6,500 crore. Sourcing equipment is majorly driven by the segments we operate in and the life of machineries. Normally, under road and mining EPC, the tenure of the project is three years and five years respectively. Hence, it depends on the life of existing equipment, the work orders we get and project completion period. The company's owned fleet of construction equipment is over 1,200. We have a gross block of around Rs 432 crore, of which Rs 205 crore is for plant and machinery, Rs 210 crore for vehicles, while the remaining is for fixtures, electricals, etc. In the near future, we are looking for machineries like crushing plants, batch mix plants, several dumpers, rollers and pavers for our recently awarded road projects. For FY2017-18, we will procure around Rs 150 crore worth of equipment. We also have a separate procurement team, and a plant and machinery department to monitor the productivity and prevent breakdown.

Tell us about your landmark projects. What innovations in technology and materials have you used to execute these?

As we have several government contracts, we have to use materials

Montecarlo has constructed the four-lane Patratu Dam-Ramgarh Road in Ranchi-Jharkhand with RCC cover drain, which includes three major ROBs, seven minor bridges and cross drainage works.

FACT SHEET

Year of establishment: 1995.

Top management: Kanubhai Patel, Chairman & Managing Director; Brijesh Patel, Joint Managing Director; Mrunal Patel, Joint Managing Director; Naresh Suthar, Whole-Time Director, Suhas Joshi, Whole-Time Director.

Areas of operation: Across the country.

Centre of operation: Ahmedabad.

No. of employees: Over 4,000.

Completed projects: 45

Ongoing projects: 29

Upcoming projects: 3

Turnover: `1,958 crore.

Order book: `6,500 crore.

as per the specifications in the tender document. In terms of technology, we are using the SAP system since 2008, which is the best mechanism-monitoring tool. We are also using the Truck Dispatch System (TDS), especially in mining, which is used in large-scale projects. We have one GMDC mining project, having a production capacity of 3 million tonne lignite per annum, for which we are using TDS as it helps us achieve operational efficiency and productivity. We have executed a variety of structures; for instance, we operated about 40 km of roads in one of the toughest terrains of Jharkhand, which was a greenfield project where we had to construct a high-ended bridge over the mountains. Another project was in Maharashtra, which we constructed for NHAI for almost Rs 800 crore. In 2006, we also operated one of the longest road projects – of approximately 222 km, two-lane – at that time in Madhya Pradesh; this was the beginning of the era of Montecarlo in the roads segment.

What strategy have you employed in bidding for your recently bagged projects?

Most of our clients are government agencies and all are tender-base biddings. We recently bagged two hybrid annuity-model (HAM) road projects of Rs 2,600 crore – a 100-km project in Odisha and a 60-km, six-lane project in Karnataka, for which we should start work by December. Considering the bidding strategy, HAM is a good model for roads and the annuity grant is comfortable. Further, in the EPC space, we have a Rs 550-crore project in Uttar Pradesh; and are already executing seven projects for NHAI in Rajasthan, Arunachal Pradesh and Bihar. The business model of the company is a diversified revenue and risky-free model; hence, we look for more EPC across segments. Going forward too, we will bid for both HAM and EPC. Apart from this, we are currently executing a mining MDO project in West Bengal, having a project tenure of 19 years, for which we expect work to start next year.

The company is involved in the excavation of the overburden at Krishnashila OCP for Northern Coalfields.

The company has executed jobs for Nagod-Satna branch canal at Madhya Pradesh for Narmada Valley Development Authority.

Do you face any challenges in terms of financial commitment under HAM?

No. Financial commitments are fully tied-up for both our HAM projects from two lenders. Normally challenges can be because of two reasons: From the lenders' perspective on bid value and the balance sheet strength of the company. So far, in both the aspects, Montecarlo has performed well.

The company is also restructuring its business before an IPO launch next year…

The entire transaction for the restructuring – merging and demerging – has already been completed. The company is planning to go for an IPO in the short term. For this, we wanted to clear our shareholding structure as well as the focussed business model. So, few companies and assets were restructured and merged into the parent company, ie, Montecarlo, which will allow the investor to be sure that his money is safe in EPC projects. With this, there is a clear structure and 100 per cent rolling is in the hands of the promoter.

How much are you planning to raise through this IPO and what will the funds be used for?

We are looking for an IPO size of around Rs 500-600 crore. The funds will be utilised to repay the debt of the company; to pump in money for HAM and EPC projects; and for areas such as mining, power, roads, etc, along with other corporate purposes. This will also help to improve the working capital requirement. The overall purpose of the IPO is equity commitment, debt commitment and capital procurement.

What safety measures does the company provide for personnel, and what is the importance given to labour training?

We have bifurcated the entire employee and labour strength into executive and non-executive category along with skilled and unskilled jobs. We have a consistent subcontractor policy, and a separate EHS department for safety, while training is taken care of by the HR department. We also impart training on site for EHS. We are also planning on how we can best upgrade the skill set and have multi-skilling to mould our labourers for the requirement of our other projects. There is specialised safety and operation training given to drivers and operators at mining projects. For the executive category, we have recently introduced competency frameworks for each of our unique roles and identified both functional technical competency as well as behavioural competency for all roles in the company.

Tell us about the company's financial performance in 2016-17 and plans for 2017-18.

In FY2016-17, the company's revenue stood at Rs 1,958.27 crore with a PAT margin of about 6 per cent. We currently have 29 ongoing projects across the country, 13 of which are in transportation, five in mining, two in energy, one in water and eight in the building segment. We expect to achieve at least a 6-7 per cent net margin for two years. We have grown at a CAGR of 32 per cent in the past five years, and are expecting a turnover of around Rs 2,500 crore by March 2018, considering our two HAM projects. | CW |

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