



## 'CMAs CAN IDENTIFY BUSINESS RISKS AND ENSURE ITS MITIGATION IN INFRASTRUCTURE INDUSTRIES'

Interview of **Mr. D K Sen**, Senior Vice President & Head - TI IC, Transportation Infra (Common), L&T Construction

**MA** L&T Construction is one of the largest construction companies in India with over 60 years of existence in this field and you are holding a key position of this prestigious company. Please share with us the experience of your journey.

I am an IIT Kharagpur graduate in Civil Engineering & MBA from XLRI. First four years of my career I worked in EPC Transmission line projects in India & Malaysia. Subsequently I worked in TISCO for four years in Steel Plant Design & Execution. Later I worked in M/s Development Consultants for Design & Material Handling Plants including long stints of working in Nowgong Paper Mill & Patalganga Project sites.

I joined L&T in 1989 in the Bulk Material Handling Design Office. In 2000, I moved to L&T's Construction Division & rose through various positions of Project Manager, Regional Manager,

Project Director, BU Head, SBG Head and finally Transportation Infrastructure IC Head.

**MA** In which areas you would like to focus more to maintain a sustainable growth of your organization in this industry?

In the Transportation Infrastructure Segment we will be focusing specifically to Sizeable EPC Road Projects, Select DBFOT projects as EPC contractor with internal / external developers. In addition, we will be focusing on the MRTS, Large Railway Projects like DFCC, Rail linking Projects with private developer. Further, our continuous focus will be on Elevated Corridors, Airport Projects, Industrial corridors and opportunities in smart cities. In international arena, we will be focusing on select geographies such as OMAN, UAE, Qatar, Kuwait & Saudi Arabia.

**MA** What is your outlook regarding the performance of

**Infrastructure sector in India? What are the things that need to be changed?**

- With a stable government in center and Government's strong focus in Infrastructure development, we are extremely bullish for the sector's business opportunities in the near future.
- Changes needed: Faster clearances by government in Land Acquisition, Forest and Environmental clearances, Railway Bridge clearances and facilitating in obtaining permits and approval for mining of earth, sand and aggregate, long term funding to Developers, state's support to projects, faster dispute resolution.

**MA** What are the biggest challenges of the infrastructure industry in India?

- a. Non-availability of skilled workmen
- b. Local interference in Construction
- c. Delay in finalization of orders
- d. Too many layers in approvals

- e. Lack of support for innovative design & Value Engineering
- f. Delay in approval of change of scope & variations

**MA What are the key strengths that lead to the success of L&T's infrastructure business? What differentiates L&T from its competitors?**

- Strong Balance Sheet, Presence across diversified segment of Infra business, multiple geographies, management bandwidth etc. are the strengths of L&T
- L&T is known for Scale & Speed, we have capability to do large and complex projects and timely delivery. In house design strength, State of Art Research Lab, large fleet of P&M, outstanding exposure badge are some of the factor which differentiates us from others,.

**MA Over-estimation and under-estimation of project cost may hamper the viability of the project. What is the remedy to way out from this problem?**

Sufficient time shall be given to prepare the Detailed Project Report and estimate correct cost at the Project approval stage. Government must provide unambiguous document to reduce scope of misinterpretation.

**MA Brief us about your current and upcoming projects?**

Transportation Infrastructure Segment will have an Order back log of Rs 36000crs at the end of FY 2014-15. We are bullish on the upcoming EPC Projects in Highway, few PPP road projects and Projects in Railways under DFCC. Our current major projects includes four Roads & two Airports

**MA Project funding involves**

**complex & challenging task, especially in these days of economic downturn. How do you manage it?**

We do EPC/ Item Rate Contracts while funding comes from Authorities/ Developers. For our Working Capital Management we choose projects only with interest free mobilization advance & good payment terms.

**MA Please give a brief outline on project risk management framework for infrastructure project.**

L&T has a very rigorous Risk Management process, in Transportation Infrastructure Projects, the major risk to be addressed are risks related to Preconstruction activities like Land Acquisition, Tree cutting, Utility Shifting. Risks related to availability of Earth, Aggregate and other raw material

**MA Do you consider the land acquisition process in the country is simplified enough? What suggestions do you have in this regard?**

The present Land Acquisition act addressed some of the existing problems such as 4 times compensation in rural areas and 2 times in urban areas. However Land Acquisition and Resettlement is more to do with the emotional strains of the people who are replaced and it needs to be addressed with utmost care by government apart from addressing the compensation as the issues are sensitive in nature.

**MA What is your message for the young aspirants who are searching opportunities to join in your esteemed company?**

Our company has no owner. Ours is

a completely professionally managed company. Our company is awarded best employer several years consecutively in the past. All the Directors on Board & senior management staff have come up through the ranks. Key to succeed in L&T is Passion, dedication, determination, ownership & entrepreneurship. If one has the above qualities, L&T is your place.

**MA What policy initiatives would you expect from the Government to boost up the infrastructure industry?**

- Linking mining clearance with Environment clearance.
- Making state support agreement a must in Transportation Infrastructure
- Time bound, single window clearance of all necessary approvals
- Time Bound dispute resolution
- Giving Incentive for Value Engineering & Innovative Design
- Faster approval of scope changes & Designs.

**MA Cost Management always plays a pivotal role to gain competitiveness in the infrastructure industries. Please suggest in what ways Cost and Management Accountants may offer their expertise more effectively in this quest?**

- Evaluate operating efficiency and effectiveness of Project and Cost / Service management which will lead to reduction in operating costs and overheads.
- Minimize expenditure/ cost and ensure optimum utilization of resources.
- Identify Business Risks and ensure mitigation.
- Evaluating proposals on Design & Value Engineering which may lead to reduction in cost and time