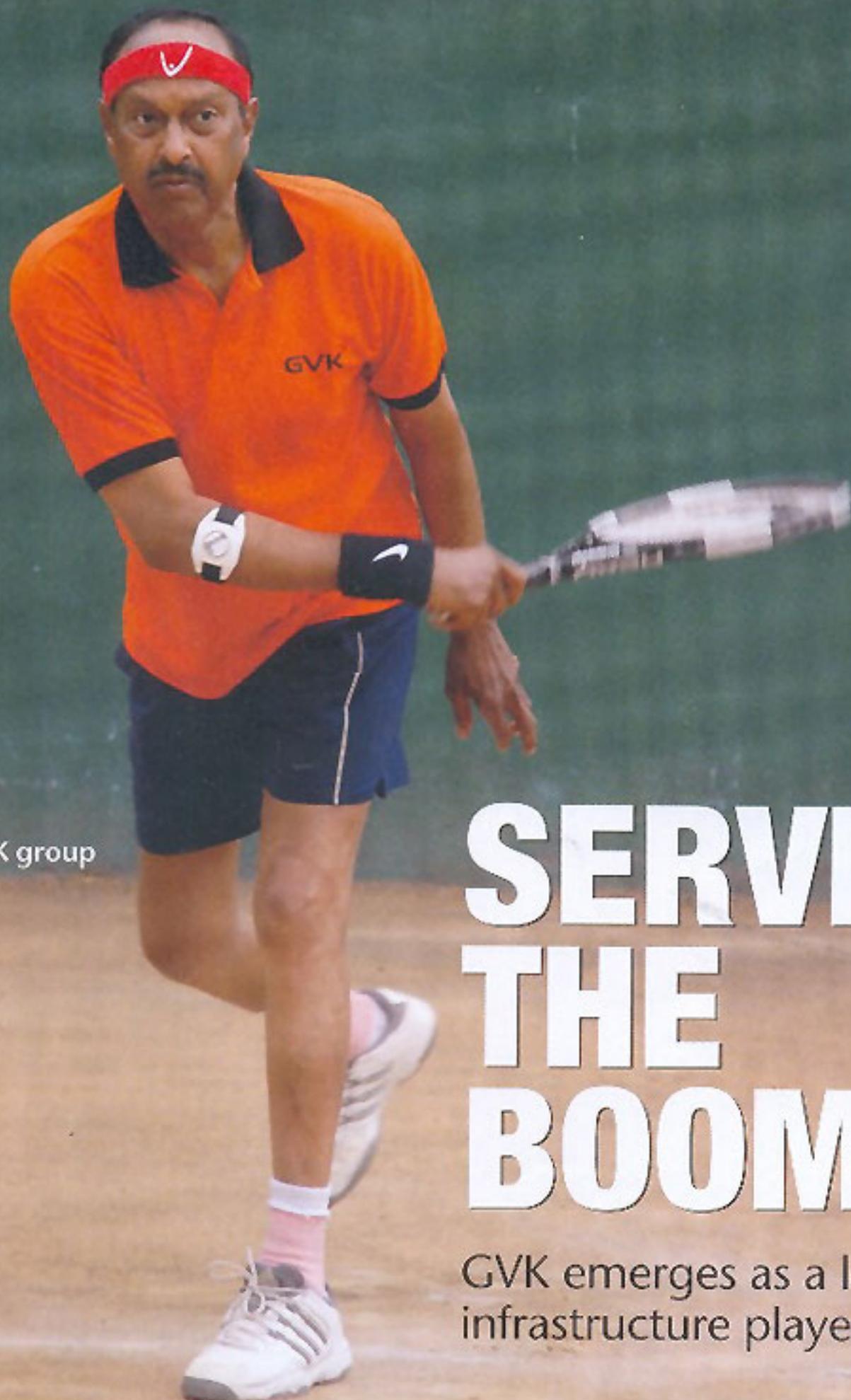


# Business India

THE MAGAZINE OF THE CORPORATE WORLD

July 13, 2008

- ECONOMY: CRUDE SETBACK
- SME FINANCING
- DELHI REAL ESTATE SURVEY
- BSE BOARD GAMES



**G.V.K. REDDY**  
Chairman, GVK group

## SERVING THE BOOM

GVK emerges as a leading infrastructure player

## Business India

An important feature of the post 1991 liberalisation era is that big businesses have emerged all over India, rather than in Delhi or Mumbai alone. The GVK group is a prime example of what Indian entrepreneurs, free to compete from all over the country, are capable of achieving.

G.V.K. Reddy, the chairman of the group, is from Hyderabad, a city better known for its challenge to Bangalore in information technology (IT) space. He is from south India, which until recently was dominated by traditional, laidback businessmen and industrialists.

Bagging the high profile contract to modernise Mumbai airport against stiff competition from the biggest Indian companies helped focus the limelight on the GVK group. But what is less known is that it has had a track record of success in winning bids – from Jegarupadu in the south to the Alaknanda project in the north. And, more important, it has been consistently able to execute and complete the projects within schedules and budgets.

The Mumbai airport modernisation was long overdue. For a city that saw the birth of the airline industry in India, the airport is a hopeless embarrassment. Ironically, the Sahar airport, designed by a leading architect, is less than two decades old. It is coming apart at the seams. Encroachments – and the lack of political will to get rid of slum dwellers on airport land – have added to the woes. And getting in and out of the airport is an experience in itself.

One has only to compare Mumbai airport with Singapore or Dubai to understand how far we have been left behind. Fortunately, a determined minister for civil aviation, Praful Patel, pushed through the formation of independent corporate entities to modernise and operate airports in Mumbai and Delhi. The fact that the government and its Left “supporters” continue to dither about the modernisation of Kolkata and Chennai airports is a sad but separate story.

Judging by the speed at which the GVK group is moving and the remarkable (albeit temporary) transformation that it has brought about at the old terminal, the citizens of Mumbai can look forward to a decent airport in the near future. That itself should raise the group's awareness level in India's commercial capital and financial centre.

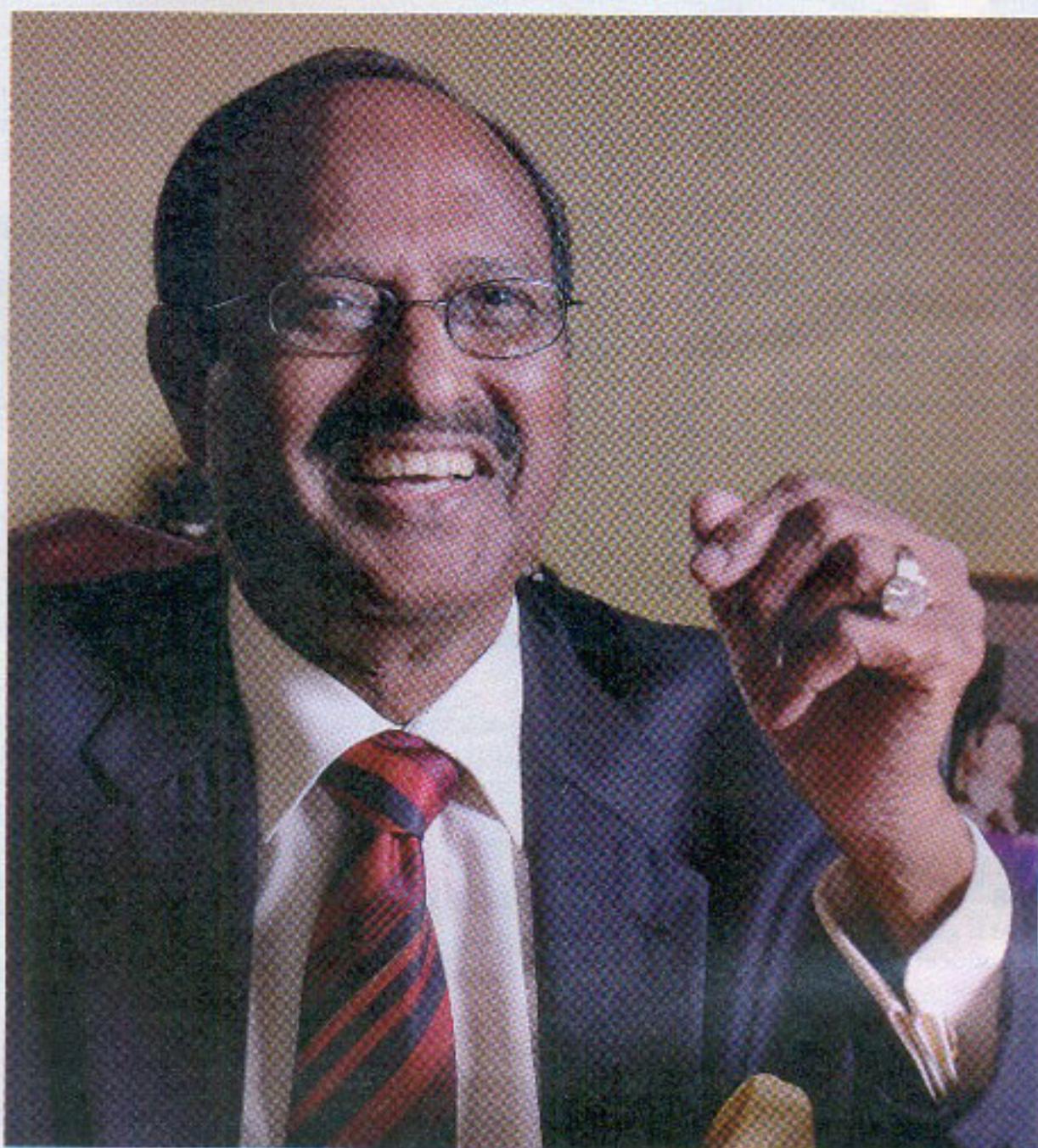
G.V.K. Reddy is both, a child and father of India's infrastructure revolution. Better known as a hotelier till 1991, he was asked to build one of India's first independent power projects. It was a challenge from which he did not baulk. Today, he is fathering major infrastructure projects across the country.

The GVK group is also a mixture of the young and the old. While it is led by the 71-year-old G.V.K. Reddy, the next generation – represented by son Sanjay Reddy, son-in-law Somanadri Bhupal and dynamic professionals – is ready to take up the physical challenge. And don't write off G.V.K. Reddy on this score too. As our cover shows, he's game for any match.

*Arunk H. Advani*

## in this issue

Books	143
Business Notes	32
Businessmen in the News	28
Cannes 2008	120
Career File	138
Chatzone	18
Column	44
Corporate Reports	64,92
Cover Feature	50
CyberNews	22
Defence	126
Economy	47
Editorials	12
Executive Focus	134
Executive Track	136
Feature	116
Follow-up	24
For Your Information	20
Government & Politics	38
Guest Column	124
Hospitality	125
International Briefs	133
Interview	150
Letters to the Editor	10
Listening Post	16
Market News	128,132
Mergers & Acquisitions	113
Mid cap	130
Newscast	26
New Issues	131
Panju's Page	46
People	148
Real Estate Survey - Delhi	99
Selections	140
SME Survey	71
Special Report	88



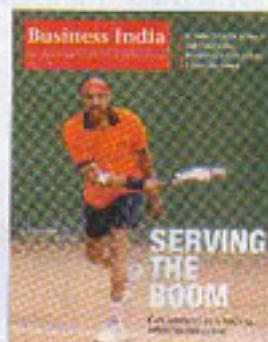
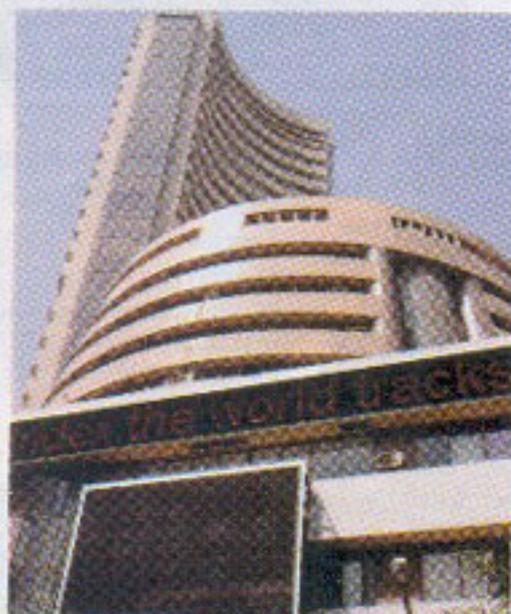
ZALAKHARAN BHARGAVA

### COVER FEATURE

50

#### Riding the infrastructure boom

Winning the bid for the Mumbai airport was a turning point for the GVK group, one of the largest infrastructure companies in India today



Cover Photograph: PALASHIRANJAN BEAUMICK

### SPECIAL REPORT

58

#### Turmoil at BSE

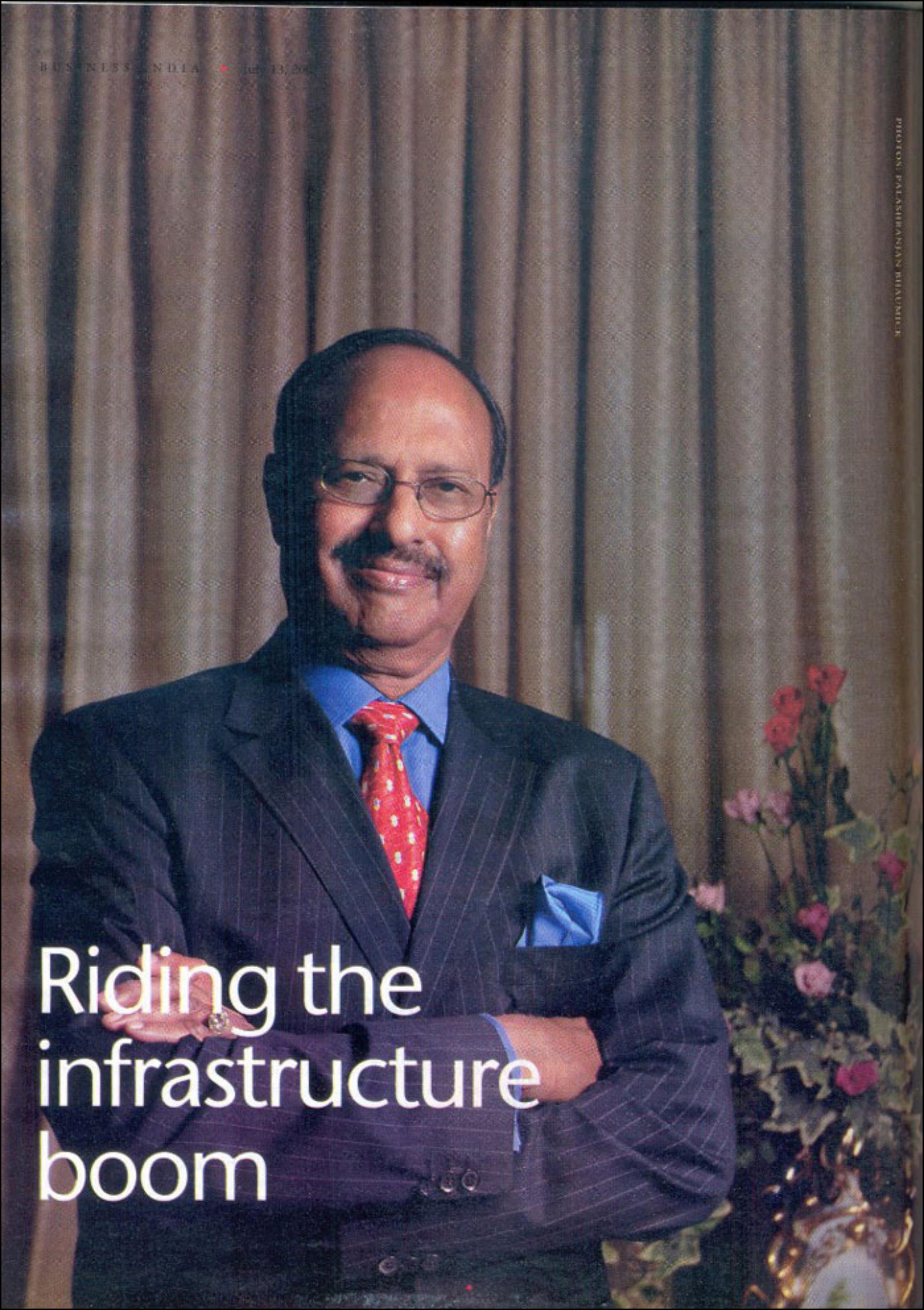
The board room battle at Bombay Stock Exchange is likely to explode

Issue No. 791 for the fortnight June 30-July 13, 2008.  
 Released on June 30, 2008

Printed and published by Ashok H. Advani for Business India.  
 Printed at Glaxy Advertisers and Fittings Pvt. Ltd.,  
 D-125 TTC Area, Navi Mumbai-400 706  
 Published at Wicks Building, 17/19 Dalal Street,  
 Mumbai-400 021.

No reproduction is permitted in whole or part without  
 the express consent of Business India

To order reprints contact: Business India Production Cell,  
 14th floor, Nirmal Building, Nariman Point,  
 Mumbai-400 021. Tel: 2288 3942/43, 2204 5446



# Riding the infrastructure boom

## Winning the bid for the Mumbai airport was a turning point for the GVK group, one of the largest infrastructure companies in India today

It is a memory that is seared in the mind of Sanjay Reddy, managing director, Mumbai International Airport Limited. In the mid 1980s, Sanjay was flying in from his university in the US to Mumbai on vacation. Due to some problems at Mumbai airport, the flight was diverted to Lahore. "The airport was so bad that an American on the flight and I kept making nasty comments about it, deploring the standards and facilities," recalls Sanjay. Then the flight soon landed in Mumbai, and suddenly Sanjay didn't want to be anywhere near the American. "I desperately avoided this person with whom I had been so easily criticising Lahore airport. The reason was that if on a scale of 1 to 10, Lahore was 4, then Mumbai was just 2. It was so pathetic that I was too embarrassed to let this American even catch a glimpse of me," he says.

Then and there, Sanjay swore that if he could ever do anything to improve Mumbai airport, he would. Yet, in India in the 1980s, he never imagined that one day the company founded by his father, Gunupati Venkata Krishna Reddy, better known as G.V.K. Reddy, who heads the diversified GVK group, would actually let him lead the project to change Mumbai airport. In the 1980s, the group was into construction, particle boards, and hotels; today the group is into infrastructure projects (power, roads, airports, and more) and biosciences while retaining its earlier interests.

In 2001, when the Airports Authority of India (AAI) invited bids for redoing the Mumbai and Delhi airports, the GVK Group decided to enter the fray. G.V.K. Reddy played a background role, letting Sanjay come out in front and lead the bid. A faith that was well reposed. The GVK Group tied up with the Airports Consortium of South Africa (ACSA), which manages 17 airports in South Africa, including the airports in Johannesburg, Cape Town and Durban; and with Bidvest,

one of the world's largest logistics company with expertise in supply chain management; and bid for Mumbai airport. Sanjay recalls being nervous, and terribly desperate to bag the order that was on the public-private partnership model, and which is won by the firm that offers the highest revenue share to the government.

"To get the project, I was willing to give AAI as far high as 42 per cent, while my partners insisted that the maximum we should give is around 38 per cent to make it viable for us. Yet, to ensure our victory, I was ready to go against their wishes; I just wanted this project no matter what the cost. Luckily, we won the bid in February 2006 at a revenue sharing

2006. For the financial year 2007-08, Mumbai airport's total revenue was Rs860 crore; GVK made a profit after tax and all other payments of Rs110 crore.

The airport project, which will cost Rs9,800 crore, works out to about 45 per cent of all GVK projects, which are pegged at Rs21,000 crore in early June 2008. The project will be financed by a consortium of 12 banks, led by ICICI bank, and will have a debt:equity ratio of 80:20. GVK group's chief financial officer and a director on the board, A. Issac George, pulled off a coup of sorts when he negotiated with the banks. Capitalising on GVK's perfect track record with banks he managed to get the loan interest rate fixed to government securities rather than the prime lending rate, which is higher.

"It wasn't easy and took a great deal of persuasion on my part," says George. So while other projects bear



\*Unaudited figures \*\*Consolidated figures #GVK PIL+ TAJGVK+ Novopan

deal of 38.7 per cent so everyone is happy," says Sanjay. The Mumbai International Airport Limited (MIAL), an associate firm of GVK, was formed shortly thereafter to implement the project. While AAI's share in MIAL is 26 per cent, it will collect 38.7 per cent in revenues. GVK owns 37 per cent, ACSA 10 per cent, and Bidvest the remaining 27 per cent of MIAL.

GVK will have Mumbai airport for 30 years, and the option to hold it for another 30 years, starting 3rd May

an interest of around 12 per cent (in today's somewhat difficult financial climate), MIAL loan attracts an interest of 9.66 per cent. "Soon thereafter, the banks realised that the negotiated rate wasn't good for them, so that when others made the same request they refused and stuck to lending at PLR," chuckles George.

Of course, GVK is sure it will earn well from the airport. A key source of income in the years ahead will be from the airport's real estate and

rents. But money is just one part of the desperation to bag this project. The other, and more important, reason is simple: prestige. As George points out, more than the tangible gains, it is the intangible benefits arising out of the Mumbai airport project that are enormous. "The Mumbai international airport will allow us to showcase our company like nothing else, and more important, serve as a platform for other projects," he says. A point well taken: no passenger going in or out of the airport can miss the GVK logo plastered all over; this group has acquired international stature in the short span of two years!

Aware of the prestige riding on the project, GVK has spent Rs700 crore on creating temporary structures that have already made Mumbai airport far more pleasant than before, and won it international recognition. Yet, all this will be pulled down to create a *brand new terminal that will be common for both domestic and international passengers.* "We didn't see why our passengers couldn't have a better experience immediately even as we prepare for the long term, hence we redid the present domestic airport," says Sanjay.

The current Mumbai airport,

which handles around 26 million passengers per year, will hit its peak of 40 million passengers per year by 2012-13. The airport sits on less than 2,000 acres of land and it cannot grow beyond as it is hemmed in by the city and by slums (by contrast, Delhi airport has 5,000 acres of land). Mumbai airport cannot have a parallel runway, a key requisite to speed up aircraft movement today. The only way out is a brand new greenfield airport, to be built in Navi Mumbai, east of Mumbai. The site has already been identified and environmental clearances obtained. Here's the clincher: GVK has the first right of refusal. If its bid is within 10 per cent of the highest bidder, GVK has the option to match the highest bidder. This new airport will be larger (with parallel runways), and will make Mumbai the first Indian city with multiple airports. GVK is gung ho about this new project. "Of course we'd like to take up this greenfield project," answers Sanjay.

It would be another feather in the much-feathered hat of G.V.K. Reddy, who is chairman of MIAL. The senior Reddy keeps a close watch on the prestigious project and flies down every Wednesday to take stock and resolve any outstanding issues that need his

## Hyderabad's hotel king

If anything, it was the sight of the ongoing construction of a grand hotel, then to be called Krishna Oberoi, in the posh Banjara locality of Hyderabad, that put G.V.K. Reddy on the national map. Till then, Hyderabad only had Banjara Hotel (later run by ITC) that had opened in 1979, the other places to entertain a guest was at the Secunderabad Club or the Nizam's Club (assuming you were a member). Krishna Oberoi opened in 1983; it was a hit.

Reddy's first big ambition was to build a grand hotel. He remembers how as a youngster when he once told his family that he would build a five-star hotel in Hyderabad, everyone just laughed at him. "I had stayed in Hyderabad as a youngster, eating in small joints, and always felt this city needed a big hotel and that I would build it. But then, no one took me seriously!"

Back in the 1960s and 1970s, his hotel dreams seemed far removed from his current work and Reddy decided discretion was the better part of valour. But the dream of building a hotel was still there.

approval. For the rest of the week, he stays in Hyderabad, where the GVK group is headquartered, overseeing its spreading expansion. And while currently the airport is hogging the limelight, GVK has cut its teeth in power and roads, with project as far afield as Jegurupadu in Andhra Pradesh to power projects in Uttarakhand and a highway in Rajasthan. G.V.K. Reddy has come a long way from his early days as one of numerous contractors involved in building the Nagarjuna Sagar dam.

### Early days

Reddy's origins are in Kothur village, about 10 km from Nellore district in Andhra Pradesh, where he hailed from an upper middle-class landed family. The Reddys were agriculturists with large landholdings, and were politically well-connected. "I was a very naughty child and mostly up to mischief," recalls Reddy. And he loved missing school. Finally, his anx-



Sanjay Reddy: building a new airport

Reddy had begun acquiring land in the Banjara Hills area (then considered a distant part of Hyderabad; now a bustling posh suburb of the city) in the late 1970s and early 1980s, when the area was being developed. Krishna Oberoi opened in 1983, fulfilling one of Reddy's earliest ambitions. Hotels also remain a project where wife Indira plays a bigger role (she is the managing director) as does daughter Shalini Bhupal (executive director). Soon after, he opened another hotel, Holiday Inn Residency, which was run by the Holiday Inn group.

By 2001, Reddy had professional differences with the Oberois and he roped in the Taj group. "P.R.S. Oberoi remains my friend, but our professional relation didn't work out and it is best to end it before it affects your personal ties," says Reddy. He also handed over the Holiday Inn Residency to the Taj group, the rechristened Taj Residency.

Meanwhile, the promoter of Banjara hotels wanted to sell off, and CVK lapped it up. So Reddy now had three hotels, all close to each other. But Hyderabad was booming, cashing in on the early IT wave (many IT professionals were from Andhra, who on visiting Hyderabad wanted good



Indira Reddy: hotel queen

hotels to stay in).

Thus, there is now the Taj Krishna, Taj Deccan (earlier the Holiday Inn Residency) and the Taj Banjara. The flagship is, of course, Taj Krishna. In the TajGVK company that was formed, the promoters hold close to 75 per cent shareholding. For FY2007-08, revenues were Rs259

crore and net profits Rs70 crore.

Indira says she moved into managing the hotel business only to lighten her husband's burden. "He felt I was wasting my time," she says. "But then neither he nor I were comfortable at the idea of me visiting a factory that would be faraway. A hotel in the city is much easier to look after."

But if you thought a hotel line was a cakewalk, think again. "It is a very difficult line. You work from 9am to midnight whereas at a factory you have fixed hours or the workers go on strike. So actually that is easier to run," she points out.

While Taj manages the day-to-day running of the hotel, Indira focusses on the longer term plans. "Taj runs the hotel, I run the business," says the MD. The group has just launched Taj Chennai and a fourth hotel in Hyderabad, Taj Begumpet, will be launched next year, and Taj Bangalore in 2010.

Indira isn't just an industrialist's wife chipping in: she picked up an Owner President Management degree from Harvard University to better understand management lingo. And her business fundamentals are clear. "The bottomline is the most important."

• AMBERISH K. DIWANJI

ious parents had a school built near the village and made him stay with the schoolmaster so that he could learn some discipline. He admits it was a good decision. He went on to become a quiet and bright student, getting good marks in his final exams, much to the astonishment of his parents!

In the 1950s, major rural construction projects were being undertaken across India. Dams, water canals and aqueducts were being made to boost India's agricultural growth. Sensing an opportunity, Reddy's father and uncles entered the construction business.

Young Reddy moved to Hyderabad for his college education. In the early '60s, when Reddy graduated, his father and his uncles were among the many sub-contractors hired to supply

men and material for the Nagarjuna Sagar project in Andhra Pradesh, and Reddy soon joined the ranks of sub-contractors, and later as one of the many contractors on hire. Here came a turning point: Reddy now began to dream big, and wanted to work on larger projects. "In the late 1960s, there was this large aqueduct project that my family was wary of bidding

for, but I was keen," he recalls. He bid, won the project, and implemented it successfully, despite his family's hesitation. The outcome was twofold: an immediate surge in his self-confidence to handle large projects, and the realisation that his ambitions were larger than his family's. "But I would never tell anyone about my plans; they would have thought I was dreaming," says Reddy.

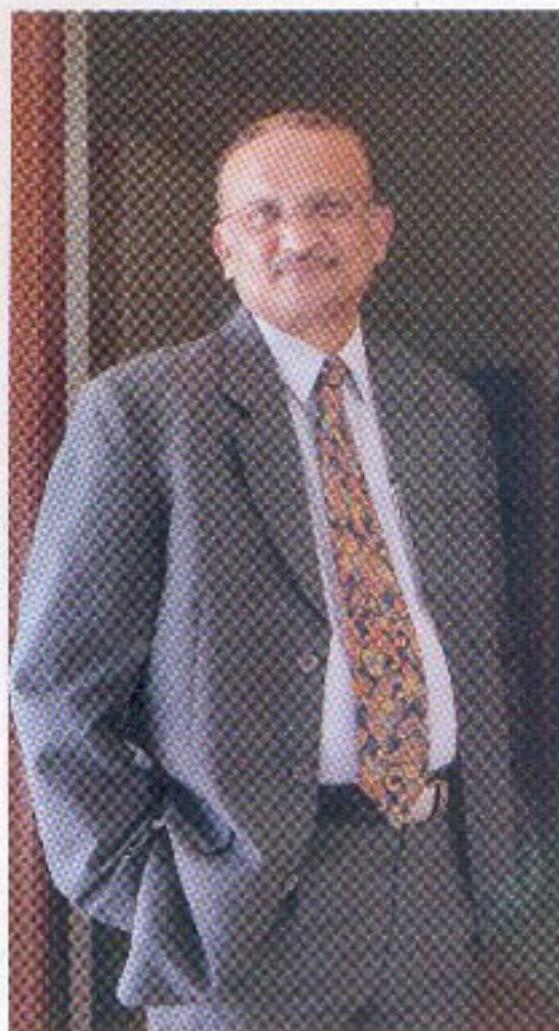
With the family pulling in different directions, Reddy and his brothers and other relatives all decided to go their own ways in the early 1970s. Reddy wasn't sentimental about keeping the entire family together in the business; he saw greater value in the divorce. "It was the best thing that the family ever did because after splitting, everyone worked hard and everyone prospered," he says.

COSTS & FUNDS		GVK	
Project	Cost (Rs cr)	Debt (%)	Lead banker
GVK I	1,025	70	IDBI
GVK II	880	100	IDBI
Gautami	1,830	70	PFC
Alaknanda	2,069	80	PNB
Goindwal	3,000	80	TBA*
Tokisud	200	80	TBA
Sereghera	200	80	TBA
Goriganga	2,500	80	TBA
MIAL	9,800	80	IDBI
SEZ	700	80	TBA

\* To be announced

Reddy also wanted to become an entrepreneur. His son says he was getting tired of merely building and leaving. "My father was now keen to hold on to what he had built," says Sanjay. G.V.K. Reddy decided to set up a cement factory; it was natural and logical extension of his construction business. But India in the 1970s was different, and a somewhat bizarre outcome awaited Reddy. "I went to the industrial licensing body for a license for cement but those guys told me there were no licenses available right then for cement plants, but there was one for particle boards," he says.

Reddy didn't want to wait for a cement licence; he took the particle boards' licence. As he says, he had no idea what he was getting into then, but he was determined to learn. He travelled around the world, particularly to Europe to learn about particle board laminates, which is used as a substitute for wood. In 1974, Novopan Industries was started to make pre-laminated particle board. It was not the best of times: the mid-1970s saw India undergo political turmoil and Reddy's new plans were going through a difficult phase. "The business did badly up to 1976, but I never thought of quitting," he says. Production at the plant began five years later in 1979. "Today, Novopan is a trademark," gushes Reddy. Novopan is today worth Rs85 crore, with profits of



George: perfect finance record

Rs6 crore (unaudited).

To further expand his Novopan business, in the late 1980s, Reddy decided to start a small factory for particle boards in the United States. Reddy approached US officials for help and learnt how politicians woo business in the US. "When I wanted to

buy some land for my factory, officials from North Carolina showed me around their state, urging me to set up my factory in this state," says Reddy. "Then, I was given free land near Raleigh to build my factory; the officials said they would earn through the taxes I paid, that my factory would employ people who would pay taxes, and we all would spend in the city boosting the local economy. So over time, the town would more than recover the cost of the free land."

Reddy was wonderstruck and some years later, he narrated this story to politicians who visited him in the US. If Andhra politicians have managed to snatch some of the best projects, may be G.V.K. Reddy's lesson has been well learnt!

The plant, which was a small-scale operation, was set up in the US in 1991 through loans from local banks, and was recently sold off. "It was too small an operation considering that we are now into much larger projects," says George.

By 1991, Reddy was spending half his time in the US (he still holds a US green card), and half in India, where he still had his hotel businesses (See Box), having got out of the construction business. But the situation began to change dramatically in 1991, when India liberalised, bringing forth new opportunities.

#### Power and roads

Immediately after liberalisation, states governments were desperately seeking private enterprise for power generation. The Andhra Pradesh government invited proposals for setting up an independent power plant at Jegurupadu in East Godavari district. The then Andhra Pradesh chief minister, M. Chenna Reddy, urged G.V.K. Reddy to consider the project.

In the early 1990s, power plants would generate more political heat than electric light (remember Dabhol). For starters, no one had any idea of how to get the project done. The AP government insisted that the local entrepreneur tie up with a foreign expert and provide proof of funding. Reddy approached the International Finance Center, a World Bank affiliate, for funding. The IFC directed Reddy to



Mumbai airport's new structures will soon be demolished

CMS, a Detroit-based power plant builder, for project expertise. And Reddy tied up with ABB for EPC (engineering, procurement, construction).

This was by far the easy part. Getting the project going was a nightmare. It was in the midst of this project that, in 1995, George had joined Reddy as CFO, having quit his job at Toyota since he wanted to return to India for personal reasons. "I used to come into the office and get a headache everyday," recalls George. "There would be calls from all sorts of people; money was not there, bills had to be paid, it was just madness." It was also here that George realised what made Reddy different. "He never got worked up, never got upset, and all through, never lost sight of his final goal of building the Jegurupadu project. Anyone else in his place would have thrown in the towel, and in fact many did," points out George.

The Government of India was to give a counter-guarantee for the projects but it was dilly-dallying. Reddy had already asked ABB to supply the turbines, and the counter-guarantee was nowhere in sight. Costs were mounting. At this point, Reddy requested the Baroda-based ABB to supply the turbines without the counter-guarantee.

"It was a very tough choice," recalls K. Narsim Shenoy, the then CMD of ABB. "What if something went wrong? We would have lost crores of rupees." But Reddy persisted. As Narain recalls, "Reddy called me and said 'I give you my word that I will make all your payments with interest.' I was very impressed and decided to meet him." What was to be perfunctory business meeting lasted eight hours. As Shenoy puts it, by the time it ended, he was converted into a Reddy fan and friend (he is now on the GVK board). He flew down to Germany, met his bosses, and told them to ship the material valued at 100 million deutsche marks (about Rs250 crore, a huge amount then), which they promptly did. The GOI counter-guarantee came a full four months later.

Of course, power projects were guaranteed 16 per cent returns, in dollars, by the government, which made

them very lucrative. In 1997, Jegurupadu became India's first IPP project, set up for Rs1,025 crore. Ten years later, this project earned revenues of Rs2,738 crore, and a net profit of Rs518 crore, at a margin of 19 per cent! Phase I of this project generates 216 megawatts (MW) of power and GVK has the project for 18 years. Phase II, which will generate an additional 235 MW of power, is complete but cannot be made operational for lack of gas. This is expected to flow in later this year when the KG gas flows start.

The Jegurupadu success, where for the first time the name GVK was used (it is called GVK industries) and which has since been used for all the group's companies, opened many doors. Reddy became a name to reckon with

moment of pride. "And while the Mumbai airport won't be the first private airport, I promise to make it the best," he adds.

### The day after

As of now, GVK has orders for projects worth Rs21,000 crore, making it one of the largest infrastructure companies. It also has interests in hotels, particle boards and biosciences, Sanjay is clear when he says, "We plan to focus on upcoming infrastructure projects." The company remains a tightly run business, managed by the family of father and son, mother Indira, who is the managing director of the hotels division and son-in-law Bhupal, who now look after most of the projects in north India, including the Alaknanda, Uttarakhand, hydro-



The Jegurupadu power project: where it all began

in infrastructure. GVK picked up more power projects in north India, that are now being overseen by son-in-law Somanadri Bhupal, who is a director with GVK. The group also entered highway building and bagged the Jaipur-Kishangarh project, an over 90 km stretch on Mumbai-Delhi National Highway No 8. This BOT (build, operate, transfer) agreement with the National Highways Authority of India is for 20 years. "I am proud to say that both Jegurupadu and the Jaipur-Kishangarh projects were the first of their kind to be built by a private company," gushes Reddy in a

electric project. This project, located some 110 km from Rishikesh, has had a chequered history. It was begun by the then Uttar Pradesh government some 25 years ago with little success. After private firms entered the energy fray, the RPG group tried its hand at the project but soon decided to get out of the power game. The Tatas took it up next but the Tata Power board was divided on the merits of this project and asked the GVK group (whom they know through their hotel ties) to take it over. The 330 MW project is well under way and the power purchase agreement (PPA) for the project

was signed with the Uttar Pradesh Power Corporation Limited in 2006.

Issac George, one of the key senior persons not from the family, insists that the company is run professionally, and adds that for infrastructure projects, family-run companies are better placed. "In the Indian context, family run businesses do better in infrastructure where one has to deal with so many intangibles and political pressures. A small core leadership can take quick decisions and implement them faster than might be the case at larger professionally run com-



*Bhupal: heading the northern projects*

panies where decisions are always referred to someone higher," he says.

Incidentally, the promoters also own two private companies that use the GVK name. GVK ONE, owned completely by Reddy, is building a huge mall in the locality of Banjara Hills in Hyderabad, not far from where some of the GVK hotels stand. "GVK ONE was formed because Reddy owned land and decided to build a mall," says George. He adds that as and when GVK staff are involved in any work involving GVK ONE, the latter is billed for it.

The other private firm is GVK Biosciences, now owned equally by

the Reddy family and D.S. Brar, former CEO of Ranbaxy. Sanjay set up GVK Biosciences soon after his return from the US. If the idea was to prove his entrepreneurial ability, he sure managed to do that, though nowadays, due to his preoccupation with MIAL, Brar, who is the chairman of the firm, is more involved in running day-to-day affairs.

Earlier, in 2007, GVK placed all its infrastructure projects under a holding company, GVK Power and Infrastructure Limited (GVKPIIL). The Reddy family owns 60.8 per cent of GVKPIIL. For the financial year 2007-08, GVKPIIL earned revenues of Rs562 crore and net profit of Rs152 crore. GVKPIIL has 11 subsidiary companies, all owned 100 per cent by the holding firm, and one affiliate, MIAL.

Analysts tracking the group also give GVK a thumbs up, except on the count of a lack of senior professionals. "There is no doubt that GVK needs to hire more top management, but the problem is that at this time, such people are very difficult to get," says a Mumbai-based analyst. "And this lack of top professional management is perhaps the greatest hindrance the group will face as it seeks to expand."

George agrees with the view. "In the present situation, we face really two hurdles: lack of professionals, which is a long-term problem, and cost of borrowings which are rising but which is essentially a short-term phenomenon. We will get money because our projects are good, but getting people is really difficult," he says.

#### Upcoming verticals

In an attempt to make its operations more professional, the group is now classifying all its infrastructure projects into three verticals, each of which might have its own CEO reporting to the board of directors. These verticals will be Energy for all its power and gas projects, and which will bid for coal mines; Transport that will club its airports and roads together, and which will foray into ports; and Urban Infrastructure that will bid for SEZ (the group already has a SEZ project near Chennai), real estate, townships, bridges, and look at areas such as water



*Northern lights: the massive Alaknanda project*

and waste management where the group sees huge potential in the coming years, particularly the former. The plans also indicate what the group is looking at in the immediate future. For instance, it plans to bid for a gas block in NELP VII, to help its energy units.

Yet, when the latest round of airports was placed on offer for redevelopment earlier this year, GVK was conspicuous by its absence. "It was a conscious decision," says Sanjay. "We are clear that we will only bid for larger airports that at least have an operating airfield. What was offered was small airstrips and we just don't have the management bandwidth to run these."

Analysts back the view. "It was a good move because if they had gone in for small projects, they would have been overstretched and the larger projects might have suffered. It is best if the group just goes for larger projects that add value but don't consume too much manpower," adds another analyst.

There is a third hurdle that has



forced GVK back to its earliest business: construction. Every time the GVK group takes up a project, they have to hire a construction firm, and good construction companies are hard to come by. "It is with this concern that we have started GVK construction that will undertake some of our own projects," says Bhupal. "This will ensure quality and give us a pool of engineers to look at our various projects." Bhupal is aware of the irony of a former construction firm now getting back into the same business. "There is no way we can avoid it," he smiles.

As Sanjay points out, this is a big issue not just for GVK, but for the country. "India desperately needs more companies that can take up large projects. At present, only L&T can do that, with its pool of 8,000 engineers." He points out that L&T are constructing most of the large airports and there is a need for more such companies to undertake such large turnkey projects.

GVK has identified key new areas it

is looking at. Topping the list, of course, will be the new airport at Mumbai, which has the potential to be India's largest airport. The group now plans to foray into gas and will bid for blocks in the NELP VII. The need for gas is desperate: while Jegurupadu phase II is ready, it cannot be operated due to lack of gas. The plant depends on GAIL for gas, which has promised some gas soon. Acquiring a gas block to meet its needs is classic backward integration.

Another project, if they win, of course, that will lend the group huge prestige, is the redevelopment of the New Delhi railway station.

GVK has often been compared to the other Andhra group, GMR that is redoing the Delhi airport and which has now won the bid to redo the Istanbul's Sabiha Gokcen airport in Turkey. GVK's international plans might not be well known but they exist. "We are looking at projects in West Asia and Central Europe," says Sanjay. The company is also looking at acquiring existing businesses and hopes to make an

announcement next month.

A key management issue is how will the group evolve in the future, something that worries all first generation entrepreneurs. So how will GVK go, given that both son Sanjay and son-in-law Bhupal are working hard in GVK. G.V.K. Reddy insists there will be no issues. "There are a huge number of infrastructure projects, and there is enough for everyone, and work will be evenly divided," he says.

Indira Reddy too is firm about ensuring there are no future fights that have bedeviled other families. "Som has been a part of our family for the last 26 years. He is in every sense a part of our family and always will be." Sanjay points out that though it was never planned as such, a division of sorts has taken place with him focussing on the airports and Som on the energy projects in the north. "We have a long way to go and so much to do; may be this question is best asked some years later," he says.

While Sanjay's children are still teenagers, Som and Shalini's children are much older. Their son, Krishna Ram, is involved in the MIAL project, thus marking the entry of the third generation into the business. The group has sure come a long way from its early days when G.V.K. Reddy set out to become an entrepreneur rather than stay a contractor.

Every morning, at 6.30 am sharp, G.V.K. Reddy plays tennis on the private court on his residential premises. He is extremely fond of tennis (the GVK group sponsors Sania Mirza). For him, tennis helps him stay fit; but more than that, it is all part of keeping a disciplined life, something he imbibed over 50 years ago as a young man in Hyderabad, a city that he almost lords over now. "I never miss my morning game," he says. "And on the days that I fly to Mumbai, I wake up half an hour earlier and start playing half an hour sooner. Playing tennis is my passion and a key to keeping discipline," he adds.

It is this same discipline that has seen him grow GVK from a small construction company that is now into airports, power, roads, hotels, SEZs, malls, biosciences... and still counting!

◆ ASHISH K. DIWANI