

Blueprint for success

Tata Projects (TPL), India's largest EPC contractor in the power sector, is spreading its wings wide with new business streams, new geographies and new partners. **AK Misra**, ED and COO, Tata Projects, speaks with *Sujata Agrawal* about the company's dimensions of change.

After several years of steady growth, the years 2006-2008 saw the turnover of Tata Projects growing three-fold. What were the reasons for this growth spurt?

Our growth, from 2005 onwards, is a result of the disruptive changes that we made in our organisational structure and business processes. Earlier we were operating in almost 14 fields, as diverse as construction of hotels, space and defence establishments, and food processing plants.

In 2003 we structured our markets into seven core infrastructure sectors and set up corresponding strategic business units (SBUs): power generation (PG); transmission and distribution (T&D); water and

wastewater (W&WW); oil, gas and hydrocarbon (OGH); railways; metals and minerals (M&M); and quality services (QS). We also migrated from doing small turnkey contracts and providing project management services to the execution of mid- and large-value projects (between Rs50 and Rs500 crore [about \$110 million]) in the engineering, procurement and construction (EPC) area.

This helped us channelise our core competency of project management (PM) into focused sectors with potential growth, and enabled us to optimise our resources and develop our core competency in project management of EPC projects. The opening up of the PG sector to the EPC route helped TPL bag large orders for execution of balance of plant (BoP) contracts, while the growth in the M&M sector provided us the opportunities to add to our top line through medium and large value EPC contracts of blast furnaces and steel plant utilities.

TPL's growth and operational performance has been recognised by the infrastructure and industry sector, which has rated it among India's 'Top Ten Most Admired Construction Companies' for the third consecutive year. We are also among the top 10 fastest growing construction companies in the country, in 2007-08, with a top line CAGR of 60 per cent over the last three years.

Has the global economic slowdown affected the company? What was the extent of the impact?

We have not felt any significant impact of the global economic meltdown in the last two years; there has been no slowdown in investments in the sectors in which we operate. We have focused on customer groups and market segments such that a majority of our projects are from government-funded infrastructure projects. This ensures that we are less exposed to delays on the clients' side due to financial closure or statutory and regulatory clearances.

Secondly, our operational efficiency, commitment to safety and on-time delivery, and customer-centric approach have helped in clients awarding us contracts even during such recession periods.

Lastly, in spite of our modest net worth, our favourable debt:equity ratio, efficient contracts and receivables management, and consistent credit rating have minimised the impact of the debt and money markets on our working capital requirements.

Tata Projects has grown both organically and inorganically. What is the strategy behind the joint venture (JV) with EIL (TEIL Projects) and the takeover of Artson Engineering (AEL)? What are the synergies



AK Misra, executive director and chief operating officer, Tata Projects



The strategic business units of Tata Projects are spread over seven core infrastructure sectors

and the expected impact? Is TPL considering adding other alliances to its family?

TEIL Projects, a 50:50 JV with Engineers India (EIL) — a central government PSU — will undertake special EPC projects in the PG and OGH sectors. The JV will strengthen TPL’s engineering capabilities in synergy with EIL’s established competencies in executing projects in OGH, overseas markets and other sectors.

TPL acquired a 75-per cent stake in AEL, in what can be termed as a backward integration initiative. AEL’s engineering, erection and manufacturing capabilities will help leverage TPL’s PM skills in the execution of EPC projects in the downstream OGH sector such as tank farms and terminals, in both the domestic and overseas markets where AEL has established its credentials.

Both these strategic investments will help TPL rapidly establish its own competencies in markets where its JV partners or subsidiaries are already operating with a fair amount of success, and add to its own bottom line. We will continue to look for strategic alliances to strengthen our new growth verticals in the EPC space.

After many years of limiting itself mainly to power and construction, TPL has entered the oil and gas, metals and minerals, and railway sectors. What is the potential in these sectors?

While PG and T&D still remain the backbone of TPL’s business, we have, as part of our diversification strategy, entered into sectors such as OGH, M&M and railways. These sunrise sectors have been identified as key growth areas in terms of large-scale investments planned by governments, PSUs and private developers. They offer new avenues for our existing EPC capabilities and will help us undertake more complex and diverse projects.

Massive expansion projects such as the dedicated

freight corridor (railways), upgradation of existing plants of SAIL and new plants of private steel players (M&M), and downstream facilities required for the large refining capacity being augmented by BPCL, HPCL and ONGC and some private players (OGH) will give a definite boost to our growth plans.

How were these new competencies developed?

The competencies were developed through a structured process: assessment of market needs, building in-house multifunctional skill development, gradual bidding and steady execution of the first select orders under the existing SBUs before enabling them to independently undertake their own projects. Resources for key positions were acquired through a well-panned search, which also fosters the growth of a talent pipeline. Strategic alliances for technology transfer and tie-ups with leading global partners for M&M and OGH projects have helped in accelerated competency build-up.

TPL has an overseas presence with offices in UAE, South Korea and China. What is the scope of the company’s global operations? How have plans to develop bases in South Africa, Germany and Oman fared?

Our quality services SBU gets a large quantum of its business from overseas markets and provides third party inspections through registered offices in Dubai (UAE), Seoul (South Korea) and Shanghai (China). As a significant step towards increasing overseas operations, which is a key strategic objective, two joint ventures with TQA Consultants of South Africa have been set up in Mauritius and South Africa in 2008-09 to cater to opportunities in the African and neighbouring markets. We will soon open an office in Germany and expand our presence in Europe in the near future. ●