

# Building on the positives



Sanjay Johri

Engineering solutions giant Voltas has entered the new financial year with a renewed focus on green practices and building internal efficiencies. **Sanjay Johri**, the company's managing director, talks about the year that has gone by and the way forward

**Turnover and profit-after-tax numbers have been steady rather than spectacular for Voltas in the 2010-11 financial year. What were the factors that affected the company's growth and performance?**

Last year, our consolidated turnover went up by around 9 per cent, from ₹47.8 billion in the previous fiscal to ₹52.1 billion, but our net profit declined by 6 per cent to ₹3.57 billion. Of our several different business clusters, some performed better than the others. The turnover of our unitary products business group — the room air conditioner and commercial refrigeration business — grew by 37 per cent, driven by the strong rebound in consumer sentiment. It's a highly competitive segment, with big multinationals for competition, but we continue to retain the second position in the market.

The engineering products business group — operating in the textile machinery industry, where we represent Lakshmi Machine Works, a large, global supplier of spinning equipment — also grew strongly last year. The mining and construction equipment business did extremely well too. Overall, top line grew by 21 per cent and the bottom line by 34 per cent.

Some of our other businesses faced pressures, among them the electro-mechanical projects business group, which constitutes about 60 per cent of our business. This business involves large projects such as airports, buildings, metro rail and hospitals, which are typically long-term, lump-sum, fixed-price projects. Any spike in commodity prices puts margins under pressure and that's what happened to some of our projects last year. Rohini Industrial Electricals, which we had acquired in 2008, went into the red and incurred a substantial one-time loss; this brought down our segment results by 9 per cent.

**There were some positives...**

Yes, on the plus side we did have many important achievements. Our water management business witnessed a significant increase in new order bookings. There was a healthy 40 per cent growth in new order booking in domestic projects, both air conditioning and electrical. We completed several iconic projects, such as the F1 race track and Ferrari World in Abu Dhabi, and nine of the 15 major stadiums for the Commonwealth Games in Delhi.

We also won major project orders in new areas of opportunity, including the Chennai metro rail project, the Paryavaran building in New Delhi — India's first net-zero green building — the upcoming F1 track in Noida, Delhi, and the Singapore National University Hospital building, our first green-certified project overseas.

Voltas also won several prestigious honours in the Middle East MEP 2010 Awards, including the Overall GCC Project of the Year, MEP Contractor of the Year and Project Manager of the Year, as well as the Dubai Quality Appreciation Award in the construction sector.

**The Middle East market has been going through an extended slowdown. How has this impacted Voltas? Will the region remain a focus area for Voltas?**

Dubai was badly affected by the global meltdown. In addition to a dip in new business from the market, some ongoing projects failed to come to a satisfactory resolution. Fortunately, we were aware of the impending slowdown and had consciously started diversifying into markets such as Abu Dhabi, Qatar and Bahrain, which offered several opportunities.

In Abu Dhabi we had undertaken prestigious projects such as the Emirates Palace Hotel, the Ferrari theme park and the F1 race track. More recently, we have signed a joint venture with the Olayan Group in Saudi Arabia, one of the biggest business groups in the country. The Middle East region will remain a focus area because that's where there is a need — as well as the money — for construction.

#### **What are the growth opportunities for the company in its different businesses in India?**

The room air conditioning market has grown at over 25 per cent per annum in recent years and will continue to do so. We plan to feed the growing Indian appetite for consumer durables by widening our portfolio of products.

India's continuing economic development will require large-scale construction of support infrastructure, particularly in sectors such as information technology, hospitality, healthcare, telecom, banking and financial services, fast-moving consumer goods, and organised retail. There is a significant amount of central heating, ventilation and air conditioning (HVAC) as well as electrical and other engineering works to be installed, and that's our specialty.

We are also taking a bigger role in the infrastructure segment, with a focus on HVAC and electrical work. The Hyderabad international airport is one of our achievements and we are now working on the Chennai and Kolkata airports, and we have won a big order for the Chennai metro rail project.

With the growing recognition of the need for sustainable growth, we plan to develop specialised MEP solutions to meet the increasing demand for higher

**Showcase projects**

- New Hong Kong International Airport at Chek Lap Kok, **Hong Kong**
- Burj Khalifa, Dubai, **UAE**
- Ferrari Experience, **Abu Dhabi**
- F1 Race Track, **Abu Dhabi**
- Al Udeid Air Force Base, **Qatar**
- KCRC West Rail Station at Siu Hong, **Hong Kong**
- 800 MLD water reclamation plant at Changi, **Singapore**

energy-efficiencies, lower carbon footprints and green practices in the commercial construction area.

Our water and waste water management business will play a bigger role in the future; we expect the business to grow by 20-25 per cent annually. With ground water tables in India depleting due to wasteful usage as well as the lack of optimal solutions, water scarcity is a growing concern. There will be increased pressure on new residential and office complexes to reduce usage of fresh water, to clean waste water and recycle it. We are developing our capabilities to meet those requirements.

#### **As you move into new areas of growth, do you expect any challenges on the talent side in terms of finding and retaining the right people?**

The challenge we are facing is that a lot of engineers are wooed away by the information technology sector. The other challenge is that a large number of fresh engineers from various technical institutions need to be put through extensive training when they join us. The third challenge is the high attrition rate we have to cope with, and this is as high as 19 per cent in our industry.

As the industry grows, so will support infrastructure. For example, we will need more people in the areas of servicing and maintenance. So we will have to take on the responsibility of training a few thousand youngsters every year, and give them the basic skills required in the industry. Last year, we ran a pilot project along this model; we will further structure and scale up the initiative based on the feedback we

receive. This is also in line with our idea of corporate sustainability.

#### **How does Voltas see itself evolving over the next five years? What are the company's plans and projections?**

We would not like to put this into a mathematical grid, because there are many businesses that we are involved in and many different trajectories. We have internal targets and are working towards achieving those.

We would like to focus on two broad areas: using 'green' concepts to drive business as we move forward, and, from an internal perspective, changing the way we do things by becoming smarter and more efficient.

Our plans and aspirations for the next five years are captured by the phrase 'engineering solutions for a greener tomorrow', which emphasises our key focus areas. 'Engineering' defines our core discipline; it also means 'crafting' and refers to our innovative approach in offering superior solutions. 'Solutions' means our customised offerings of products and services to customers. And, finally, 'green' represents energy-efficient, eco-friendly, low-carbon footprint practices and technologies.

We have spelt out our internal aspirations in SWIFT, which represents the five cultural pillars that grow out of core Tata values: Smart thinking, Winning attitude, Innovation and initiative, Flexibility and agility, and Teamwork. With the direction set by our green offerings and the cultural changes set in motion by SWIFT, we should see a smart increase in our turnover and profits in the years ahead. ●