



New engines of growth

By entering new verticals at the right time, Tata Projects has set a blistering growth pace and has made a name for itself in the engineering, procurement and construction space

When state-owned National Mineral Development Corporation (NMDC), India's largest iron ore producer by volume, wanted to construct its first and the then largest blast furnace in the country, it hired a consortium led by Tata Projects (TPL) and Danieli Corus (a joint venture between Tata Steel Europe and Italian equipment manufacturer Danieli). Winning the ₹17-billion blast furnace contract

represented a huge achievement in terms of both revenue and cachet for TPL, which has emerged rapidly as one of India's major players in the engineering, procurement and construction (EPC) space.

In 2010, NMDC had decided to diversify into steel-making by investing ₹170 billion in steel plants. In April, it finalised the order for a new blast furnace at its Nagarnar plant in Chhattisgarh, a state in central India, awarding the contract

— for engineering, supply of plant, equipment, civil, structural work, erection and commissioning of the furnace complex — on divisible turnkey basis to the TPL-led consortium after a global bidding process. Steel plants represent a new and significant growth vector for TPL. Says managing director Vinayak Deshpande: "Two of the five major blast furnaces in steel plants in India that were decided in the last three years came to us. The first one was the blast furnace for the Rourkela plant of Steel Authority of India (SAIL) and the second one was for NMDC."

A NEW DRIVE

Established in 1979 as an EPC



'We have a good strategy in place and in the next three years, we should double, if not treble, our turnover. We aim to be a ₹100-billion company by then.'

Vinayak Deshpande, managing director, Tata Projects

company, Tata Projects used to be a company that — as Mr Deshpande puts it — “was small, doing its own job properly, nicely and profitably, and not making much noise”.

In 2002-03, the company decided to take advantage of its skills in EPC by expanding its horizon and aligning its operations to the fast-growing sectors of the Indian economy in the infrastructure space. Over the next four years, it established six EPC verticals or strategic business units (SBUs) covering sectors such as power generation; power transmission and distribution (T&D); water and waste water; oil, gas and hydrocarbons; railways; and metals and minerals. The quality services unit, functioning as an independent certification body, was the seventh SBU. (See box: *Quality checks*, page 30).

By virtue of operating as an EPC project management company in core sectors, Tata Projects is benefiting from the investments in India's infrastructure. “There is huge scope for a company like TPL that is in strong verticals such as power and steel. Over the next two to three decades you would see substantial investments coming to the infrastructure sector,” points out Mr Deshpande. For instance, India's power generation capacity is expected to move up from about 180GW (one giga watt = 1,000 mega watt) at present to 430GW over the next 10 years, and TPL will be part of

that growth process. Similarly, steel production is expected to grow from 70 million tonnes today to 170-200 million tonnes over the same period.

Currently, power generation accounts for about 40 per cent of TPL's revenues, the power T&D and steel sectors about 20 per cent each and the rest accrue from the other three verticals (railways; water and waste water; and oil, gas

and hydrocarbons). According to Mr Deshpande, the company has a capacity to generate between ₹20 billion and ₹25 billion revenues every year in each of the three major verticals — power generation, power T&D and metals sectors. “I am hopeful the other three verticals will kick in at the right time. We have a good strategy in place and in the next three years, we should double, if not treble, our turnover. We aim to be a ₹100-billion company by then.”

HIGHER VISIBILITY

Though a relatively small company within the Tata group, TPL has grown steadily and consistently in recent years, and is winning ▶▶

What's in a name?

The Tata part of the name itself provides Tata Projects (TPL) with a platform for growth. “When we scout for technology or seek partnerships, good support from a Tata group company makes things much simpler,” explains TPL managing director Vinayak Deshpande.

For instance, the foray into the steel business was smooth because of the strong presence of Tata Steel and the partnership with Danieli Corus. On the engineering side, the association with Tata Consulting Engineers (TCE) adds big value. While other bidders have to hunt for the right technology and engineering partners, TPL has the advantage of support from TCE. The two Tata group companies have a seamless relationship, says Mr Deshpande.

TPL has also made successful forays into the steel and power sectors thanks to the strong presence of Tata Steel and Tata Power in the two verticals. “We also do some projects for other Tata group companies,” explains Mr Deshpande. “However, it happens at an arm's length and true value is always being sought. While we always have a fair chance of winning those contracts, we are not unduly favoured.”

Quality checks

Large engineering, procurement and construction (EPC) projects are facing ever increasing challenges — the rates have to be cut-throat and competitive but the quality has to be world-class; besides, project completion timelines are shrinking. Quality certification is handled by independent, third party inspection and expediting agencies that provide inspection services through qualified, trained and experienced surveyors to certify the quality of material, equipment supplies or construction work standards and expedite deliveries to match project requirements.

Realising the importance of such an agency, Tata Projects (TPL) established a business vertical called Quality Services (QS), which today caters to a host of domestic and international clients such as Larsen & Toubro, Suzlon Energy, Bharat Heavy Electricals, Torrent Power, Oil and Natural Gas Corporation, IndianOil Corporation, Jindal

Group, Petrofac, Hyundai, Siemens, Foster Wheeler, DuPont, Rio Tinto and Bechtel.

Says Vinayak Deshpande, managing director, TPL: “This is a rapidly growing and highly profitable business for us; it brings in about a billion rupees every year, which is very large for a services business. We have surveyors in 32 countries, who provide product and process inspection, process supervision and process quality checks.”

QS, which operates as an independent unit to ensure there is no conflict of interest in contracts handled by TPL, has been growing at an impressive 40 per cent CAGR over the last two decades. In addition to third-party inspection, and expediting services, it also offers vendor evaluation and approval, on-site and field inspection services, second-party inspection services, quality management system certification and training, besides several technical training courses.

international recognition for its work. “In September 2011, we received an award for ranking yet again in the ‘Top Ten Most admired construction companies in India’ from *Construction World* magazine in New York,” says Mr Deshpande. (TPL has featured in this list for the last five years). “And in October, the same magazine declared TPL the winner in the ‘Fastest-growing construction company in India’ category.”

So what’s driving TPL’s success? Several contributory factors, according to its chief. These include the leadership focus on project management skills, core competency in EPC, tie-ups with

world-class design and technology partners, its vertical structuring based on sectors that are seeing investments and growth, and so on.

But perhaps the most important element is having the right people on board. “It is important that when markets grow, you attract good quality people,” says Mr Deshpande. According to him, in a projects company, the most important factor for growth and success is human resources. “We are a low capital-intensive company, with no manufacturing plants. The entire focus is on people skills and competencies. Getting good quality people and retaining them is what drives growth.”

Though the opportunities within India are tremendous, TPL is also looking to expand its overseas operations, especially in the Middle East and Africa and in verticals such as hydrocarbons and railways. Currently, though the domestic market accounts for 95 per cent of its revenues, the company hopes to see the share of international operations go up to 30 per cent.

By building competencies in crucial infrastructure sectors in time to ride the demand curve, this EPC company has drawn a firm set of blueprints for its own success. □

— Nithin Rao

Water solutions

Tata Projects has taken up the cause of ensuring clean drinking water in villages across India through the use of innovative technology



Nalgonda district in Andhra Pradesh in South India — a 100km from Hyderabad, where Tata Projects (TPL) is headquartered — has the highest incidence of fluorosis in the country, a disease caused by ingestion of excess fluoride because of high fluorine content in water.

Having developed extensive competency in water treatment, TPL decided to channel this expertise for the benefit of the residents in the district, choosing reverse osmosis (RO) technology as the best possible solution. RO removes salts and other impurities from water and is a sustainable solution for providing safe drinking water. In October 2004, TPL installed a skid-mounted, 1,000-litres per hour (lph) RO plant at Gangadevipalli village in the district. The initiative was a great success and Gangadevipalli is today acknowledged as a model village.

TPL now offers 17 RO models that cater to different water types, and in capacities

ranging from 200lph to 5,000lph. The company also opened a Water Purification Plant Development Centre (WPPDC) in July 2005, on the outskirts of Hyderabad.

Another useful invention is a mobile Brackish Water Reverse Osmosis (BWRO) plant with a capacity of 4,000lph. The plant can be rushed to a natural disaster site whenever required. After the tsunami in December 2004, TPL and the Tata Relief Committee installed one such plant at Nagapattinam

in Tamil Nadu, a state in South India.

RO plants also provide a viable and profitable means of livelihood as they deliver safe water at a very low price of 10 paise per litre whereas branded water is sold at ₹12 a litre. These plants require modest upfront investments with negligible operation and maintenance costs and are capable of turning a decent profit. They also create local employment as each installation provides employment to at least three people.

So far TPL has installed 380 RO plants across India that together provide safe drinking water to about a million people. The company is now working on an RO plant powered by solar energy in a bid to cut down electricity costs and make it environment-friendly. Intractable as it may appear, TPL believes that the water problem can be solved by pragmatic and innovative solutions. Clean water may be limited, but imagination is not.