

WALCHANDNAGAR INDUSTRIES

Pioneering Achievements in Indian Engineering Industry

WHAT WERE THE OPPORTUNITIES YOU SAW FOR YOURSELF AND THE COMPANY WHEN YOU DECIDED TO TAKE ON THE ROLE?

When I did my MBA in 2004, there was an opportunity for exploring how Walchandnagar could fulfill its potential as a company and expand more into the strategic sectors of India. We were already doing works for the IFRO, RDO, the ministry of defense, and the nuclear power cooperation and wanted to see how we could enhance that relationship and really take the company to the next level. So that was the inspiration behind a family member getting actively involved in the business again which we had not done for a while and as it played out over the last 14 years, there have been enough ups and downs but a lot of positives have come out of it and I think last year just before the pandemic on the 1st of April, our MD and CEO Mr. Pillai was retiring and he had served a good 8-10 years in the organization. The feeling was that instead of getting another external professional at a time when the company was going through a bit of a difficult period, I had to take over the day to day operations of the business and let the family sort of drive the business from the top for a few years till we return to the glory days if you want to call it. I expect that in the next 12-18 months when the turnaround is complete, ultimately we will look at bringing in professional

management in the future. So that was really the in-spiration that there was a huge opportunity and it was important for the family to put their face forward and be in charge for the moment if we may say so.

WHAT ARE THE PLANS FOR THE COMPANY'S GROWTH IN THE MEDIUM TO LONG TERM, SAY 3 TO 5 YEARS' TIME?

Some of the very strategic decisions were taken by the organization maybe five years ago when we started implementing our turnaround and we were going to look at our USP businesses where we have a huge competitive advantage and a relationship which is re-ally to focus on our manufacturing business, fabrication, design, and engineering busi-nesses and focus on customers where we have built a relationship over the last 40 years that is in India's space program, India's defense program, India's nuclear power pro-gram, and India's missile program, To a certain extent, we are very good at product businesses which is our industrial and marine gearbox business, our process equipment especially those for crushing and grinding solutions, cement plants, and power plants which is really the focus of the business. We had a railways division and an ETC division in the past and we've decided to sort of close those and only focus on heavy fabrication, heavy manufacturing, and intricate design. We expect that all these sectors that we are in are poised

for. If you take programs like Atmanirbhar Bharat, Make in India, Design in India, and this whole India-centric movement that we have been seeing, of course, our company has been doing this for the last 50 years but even if what we see now, the vi-sion of our honorable prime minister and his team. For the next 5-10 years it's going to be a golden period for the kind of work that we do, so I think we're going to narrow our fo-cus down to certain industries, aerospace, defense, nuclear power, transmission for gearboxes, large crushing and grinding equipment and solutions. I expect that it will take care of most of our growth for the next 5-10 years.

ARE THERE ANY KEY AREAS THAT YOU WOULD LIKE TO FOCUS ON IN THE COMING 1 TO 1 AND A HALF YEARS?

Yes, over the next 18 months, the number one challenge that we face as an organization is to manage our debt in our company, so we definitely want to explore the reduction of debt. We are already in the process of doing that and we'll continue to do that. Cash flow management and the importance of generating cash from our balance sheet are going to be a very big focus for us. I think at the factory level, there are many areas of operational efficiency that we can focus on. I think that the last 1, 1 and a half years of covid as taught us how easy it is for us to use automation and digitization at a



plant level to really ramp up our execution capabilities so while we've done commendable work in the last 18 months, I think there's a lot of work that's left to be done and that it's going to be a big trust area for us to really use technology and IT to show that even heavy engineering and heavy manufacturing companies like ours can benefit from this migration to further automation. It's a big area for us. So these are the two areas that we focus on in a big way. I think we're blessed to have a very strong order book already with the company and so while the team is out there continuously marketing and focusing on generating business, efficient execution and cash flow management are the two things that this company will be focusing on in the next 18 months.

WHAT DO YOU BELIEVE SETS WALCHANDNAGAR APART FROM ITS COMPETITORS?

Since you talked to our operational excellence, I think one of the areas that we really do excel at is that we fundamentally have a deeply intelligent group of management along with both blue-collar and white-collar employees who work very well together. We have a very robust process of examining all processes at an extremely deep level. We do a lot of in-house R&D

and innovation, not just at a large product level or a machine level but even at an everyday process level where we've done a lot of work in-house without having to divulge our technologies and our secrets. Then it comes to the development of jigs and fixtures for the kind of equipment that we manufacture for our customers, so there's a very very deep competitive advantage we have from not just our competitors but any-one who wants to enter this space. I think people are a big positive for us. We have people who've been here three generations. Families that have worked in the company for three generations are as committed today to the cause as their grandfathers were and we have robust processes and systems that allow us to be able to maintain our high levels of quality and efficiency even if there's a change of man or woman at a worker level. So while we do depend on our people, the critical processes and systems of our company are non-people centric and I think finding the right balance there allows us to be agile. It allows us to be quick in decision making, to be on time for delivery, and obviously have the highest levels of quality. I think that it's these USPs that allow us to be different and stand out in our deliverables. That's really what I'm most proud of about

our organization.

HOW HAVE YOU WORKED WITH YOUR VENDORS OVER THE YEARS TO FORM STABLE PARTNERSHIPS?

In our kind of business, to some extent, we're a little bit advantaged from the fact that because we work with metals that are very rare and unique, a lot of our Indian vendors are unable to supply those materials so we usually get a lot of our materials free issue from our customers. So that takes care of a large challenge that we have but with regards to other types of vendors, there are two types of relationships we have that go very strong and deep. One is the relationship for the supply of really high-quality raw materials and in our case, the highest level of raw materials really stands out in plates, forgings, castings, welding electrodes, and weld consumables. I mean this constitutes the maximum buying that we do which is of the most critical nature to ensure the success of the highest quality of the equipment that we make. Historically over 20-30 years we've built relationships with some of the vendors and have maintained those relationships throughout. We're not a company that can go out there and change the vendor every year just because they offer us a better price. For having 20-30

reliable vendors, just so you know my actual vendor base is nearly 1000 active vendors. It's a very big vendor base but as a key core community, I think there would be about 50-80 vendors who take care of most of our critical requirements and these vendors have been with us for dec-ades. There's the raw materials supply vendor and then there's a community of subcontractors that we've created which are all around our Walchandnagar factory within a 5-15 km radius where these vendors, let's call them partners of manufacturing have been created again 30-50 years ago. They continue to work only with us and no one else be-cause we've literally raised them to reach certain levels of quality and efficiency which they could never have done on their own. So I think that's the kind of relationship that we like to build. It's a very family-oriented relationship where we want to treat them as if they're a part of the Walchand family and obviously there are some vendors who we work with very rarely. Those are not what we call true active vendors. So that's the way we look at our vendor for a setup and you know many people will tell you that they're also second or third-generation vendors to Walchandnagar and their grandfathers start-ed their relationship as a partner so it's a very open and family tight relationship.

ARE THERE ANY OTHER BENEFITS THAT YOU GET FROM HAVING THIS STRONG RELATIONSHIP WITH THESE VENDORS?

Yeah, of course, building these strategic relationships allows us to expand our output from the company much faster. It reduces our dependence especially on our jobs which are not of a very critical nature and don't require such high levels of quality. CNC ma-chines and things like that allow us to really

ramp up our throughput much faster than we could. Also, we learn a lot from our vendors. I think part of the whole process is to look at how efficiently and creatively our vendors were able to execute certain jobs that we've given them. They help us in coming up with new, faster, and quicker processes for certain repeatable jobs so there's a symbiotic relationship where we also have to learn from them. It's not just that we give you a job then you give us back a job and we pay you money. I think there's a lot of learning that comes from this. There's a lot of interaction that happens between our vendors and my shop team. There's a cash flow benefit that comes when you can start working on moving towards more of an asset-light or an asset lighter model. We can never be an asset-light in our industry. But for an asset lighter model, the benefits that come from building relationships create USPs. These people can't work anywhere else for other competitors so it creates a bubble if you want to call it that, a bubble no one can penetrate and creates some sort of dependence on you from your customer and lastly I think there's a lot of learning that comes from this kind of strategic relationships. I haven't talked about the price benefit but as we make these vendors and their partners and business grow, they realize who has brought them to this level and they, of course, give us the benefit from a pricing perspective as well. I mean there have been situations where we have actually funded our vendors with capital ex-penditure and with capital equipment on a lease basis. I mean okay today in the last few years there are many areas in which microfinance can be availed for setting up new facil-ities but in the seventies, eighties, and the nineties, there was no such

opportunity for a lot of these vendors so we had to microfinance them and that has helped them become self-sufficient now as independent entities.

WHAT DO YOU THINK WOULD BE THE KEY BUSINESS MESSAGES THAT YOU WOULD WANT TO PROMOTE WITHIN THIS FEATURE?

The message that I would like to send out is that we're a company that has a huge legacy in this country. I think the new generation, I don't know Z or whatever alphabet is being used probably have no idea what this company and its founder Walchandnagar did for the industrialization of India. I mean today we hear terms like Atmanirbhar Bharat and things like that but people need to remember, recall and realize that when we were still ruled by the British in the early 1900s, it was this company and the founder of this com-pany along with maybe one or two other industrialists that really set the groundwork for India to become self-sufficient post-independence. This company has continued its tradi-tion of nation-building. In those days we used to do it through sugar plants, power plants, and maybe a train station here or there. Now our nation-building comes from go-ing to space, going underwater in submarines, be it a plane, ship, or building our own nuclear power plants or any kind of defense equipment that we need to protect our bor-ders. We've evolved as an organization in continuing to be at the cutting edge of tech-nology. We are second to none in this country if not in the world when it comes to our ability to manufacture and design and we will continue to explore new frontiers as long it fits into that box that we have laid for ourselves, that we are a patriotic nation-building organization that has been in existence of 112 years. That's the message.