

New acquisitions give further fillip to TRF's growth



The last year witnessed immense growth activity at TRF. This was mainly driven by the impetus given to it by the Company's investment in York and its own expansion project at the Jamshedpur Works. The roll out of its growth plans has resulted in York setting up base in India and 51% shareholding in Adithya Automotive Applications Private Limited, an automotive applications unit in Lucknow. In yet another move, intended to accelerate the company's growth and achieve greater synergy and capability to manufacture trailers, TRF acquired a 51 per cent stake in Dutch Lanka Trailer Manufacturers Limited (DLT), Sri Lanka for US\$8.67 million in the first phase. It has also signed a call & Put Option Agreement for acquisition of the balance 49 % equity shares for a consideration of US\$8.33 million.

This acquisition gives TRF access to three more subsidiaries of DLT in Sri Lanka, Oman and a JV with Tata International in Pune. DLT exports trailers to over 30 countries.

TRF's investments and growth forays are aimed at achieving its Vision of realising a turnover of Rs. 2500 crores by the year 2013. The Company recorded a consolidated turnover of Rs. 723 crores in 2008-09, an increase of 62% over the previous year.

The man driving all these initiatives at TRF is Mr. Sudhir Deoras, Managing Director. He is a leader who believes in reaching out to people and making them believe in their potential and then, artfully tapping their zest to perform. During one of his early interactions with the workers on the shop floor, over two years ago, he shared with the workers what he had been told was the expanded version of TRF - "Tata Retired Force". Most workers laughed in agreement allowing him to disarm them. He then inspired

them to change this perception, by sharing his analysis of the true potential of its people and the company. With his enthusiasm he injected in them the will to co-create a Vision to grow five times in five years to become a Rs. 2,500 crore company and ignited their minds to excel.

Ask Mr. Deoras about the exponential path taken by the once small Jamshedpur based - bulk equipment manufacturer and he is dismissive of his role. But the glint in his eye sharpens when he talks of the pride workers have in their "MNC" organisation today.

In a recent interview, Mr. Deoras spoke about this journey and much more.

GROWTH & DIVERSIFICATION

Question: What was the "big picture" that you had in mind for TRF when you assumed charge of the Company?

Answer: Since I had been away from the Tata Steel family for over 10 years, during my stint with Tata International, I was unfamiliar with TRF's progress. On joining, I realised that we had a relatively small top-line and also a small bottom-line. I strongly felt that, if we continued, as we had in the past, we would not only lose relevance and become marginalised in the industry but would also lose relevance within the Tata family itself, where leading players had grown enormously during the same length of time. Our future plan was not exciting enough and with time we would either be consumed by competition or cease to exist.

If steel plants were not being built, the power sector was seeing rapid growth. We had to believe in ourselves. We began with a new sense of identity, which was to define TRF to represent Trust, Respect and Fellowship rather than "Tata Retired Force!"

Then we got together at a huge strategy session, where senior management, youngsters, officers from all divisions got together and we began "flying the kites". We recognised that we could deploy the same resource and yet undertake larger projects. In time we did that and we also celebrated every large order because it made us realise we could better our best and believe in the first component of our Vision.

The other aspect of our "big picture" or Vision was to question if we could diversify. We had confined ourselves to supplying bulk equipment to steel plants, power plants and mining industry; businesses which were cyclic in nature and were not growing.



In the past, the Board had discussed diversification and we put that idea in motion by proposing that we diversify into another engineering product with a different cycle time. That is how, we zeroed in on the automobile application industry, enabling us to realise the second component of our Vision. We asked TSMG to conduct a study and their projection got us very interested. York fitted the product we were interested in. Initially York was reluctant because they had no plans to sell but our argument that India was where growth would take place, finally clinched the deal.

RATIONALE FOR M&A

Q: How do the new partnerships fit in with TRF's growth strategy?

A: Our core competencies were in designing, engineering and fabrication for the steel industry, our principal customer, whose business is cyclical. Typically, their orders have a cycle time of 2-3 years. As of now, steel plants are not coming up and this is where the automobile industry, a business with an entirely different business cycle, will drive growth for us. York is a company which is well known for the quality of its products which are trailer axles, suspensions, etc. It was an attractive proposition as we knew that with better road infrastructure, the trailer business in India would certainly become big. After acquiring a managing stake in York, Singapore, we started York India. Once the trailer undergears were in place, we looked at forward integration and took the decision that we should manufacture trailers as well.

A greenfield project was explored, however, the time required to set up the project made the balance tilt in favour of an acquisition. Again we knew of Dutch Lanka Trailers, which has been working with the Tata Group for a while. Tata Motors certified the quality of their trailers. We went to DLT, with the same logic as we did with York that, if you do not grow and do not have a presence in India you will soon be marginalized. Since they too wanted to benefit from the potential growth and valuation, we agreed to take only 51% to gain management control, with an agreement that we will buy 49% later.



BUSINESS PRESENCE

Q: In your opinion what has been the biggest change in business outlook?

A: Our Vision was to grow in the material management business and to diversify into a new business. While our capabilities and the size of our existing businesses has doubled, our entry in Automotive Application has allowed us to hedge against cyclical ups and downs in our current business. In two years it has given us an international footprint and opened up a huge growth potential. We have also a new subsidiary in India – Aditya Automotive Applications - which will manufacture a whole new range of fixed body auto applications. In the next five years the Automotive Application business alone might touch Rs 2500 crores.

CHANGE MANAGEMENT

Q: How do you believe that the organisation is being prepared for change?

A: We have worked on several fronts, apart from the size of our projects and business diversification. At the Jamshedpur Works, we have prepared ourselves by taking the decision of upgrading machines, adding new equipment, expanding our fabrication bays and also acquiring an additional five acres of land . For all three divisions, we have added new Design Software and have hired consultants to help us migrate to a more advanced version of SAP.

On the people front, we have done a lot of work as well. There was a time when entire departments were being poached but not so today. We have corrected our remunerations after a benchmarking exercise, to retain talented people. The excitement created by us has encouraged lateral entrants from the market to join us.

At the entry level, we changed our hiring policy as well. We decided to hire graduate engineers only from NIITs, because we believe we must have people with the right skills. Again, entry level salaries were enhanced after benchmarking. We offered them challenging tasks, training and tools such as software and computers. The result is that we are today a Day I company in all these institutes. We are also hiring students of the General Management Programme from XLRI. 21 engineering graduates and four management graduates have joined us recently.

To strengthen our design capabilities we now recruit students of M Tech in Design from NIIT and IIT, Guwahati. In Finance as well it is these whiz kids who provide the top management with the analysis and inputs in areas such as mergers and acquisitions. We are implementing the Theory of Constraints and have their consultants working with us. All this costs money but we are sure we will make much more money as we can already see that it is changing the way projects are being managed. If we are to handle huge projects we cannot afford delays. I firmly believe if we do not prepare our people we cannot fulfill our dreams and Vision. There is already a culture change happening across the organisation.



INTEGRATION

Q: With different companies under the TRF umbrella how do you intend to achieve integration or synergy?

A: We would like synergy in design and procurement to begin with. None of the organisations are competitors; therefore, by working together we can create value. There are some extremely competent individuals in all organisations and we should utilise their expertise. A good Design Centre, for instance in Pune, India, would benefit the entire TRF Group.

In Procurement, we are currently studying the possibilities of combined buying.

PERFORMANCE IMPROVEMENTS

Q: Where are the critical constraints for future performance improvements?

A: We are addressing performance improvements in three areas . Firstly, in BMHE, we are essentially producing the same products, with the same materials as we did years ago, even though the steel making process is vastly different today.

Therefore we have taken the help of the top metallurgists and designers in the country to look at ways to reduce the cost of equipment, similar to the weight.

Secondly, the manner in which clients view projects has changed dramatically. No longer does India believe that it requires 10 years to set up a power plant. Clients want projects done in time and we are building our project capability to manage big projects, through the implementation of Theory of Constraints.

Thirdly, as explained earlier we will continuously improve the capabilities of our people by picking the right material, offering them challenging tasks, training and engaging them in challenging work.

BRAND BUILDING

Q: Given the speed and range of the transformation in TRF what advice do you have for employees on the shop floor to manage it and to understand how they can contribute?

A: Workers today definitely have a sense of pride in being a part of TRF. They are part of the decision making process, because everything that is happening is due to their hard work here. We have taken a number of initiatives through Small Group Activities and Quality Circles. We are constantly building excitement around them by going out to the shopfloor to meet the teams which have done well. As a result others get interested and work towards participating in these activities.

We have also restarted induction of youngsters in the shop floor and motivated them with the belief that they will be running the Company in the future. We are considering a scheme to upgrade senior, experienced and qualified workers with the hope that such a move will galvanise other workers to aspire

for higher positions and responsibilities. The Wage Agreement with workers has been our best-ever. I must say that the Union has been extremely supportive, constantly telling the workers that, all this has been made possible because the Company is doing well.

The annual bonus scheme for officers has made the rules of the game very clear. Higher profitability will translate into a higher bonus. The project team received unheard of bonuses.

But I am glad others are not demotivated because they have told me that they intend to prove their worth!

LOOKING AHEAD

Q: With private sector sentiments down, do you think the Government's infrastructure outlay will benefit TRF?

A: All the areas of business we are in have to grow. Roads will be built so trailers will be needed, power plants will happen, the country needs ports and the steel industry will grow. With all this growth we will certainly become big. The MD's job is to find the right opportunity and then the right people to run it. I am looking for the opportunities from this growth.

For instance, in BMHE, technology will change and one has to anticipate what will come. In the projects we have all the requisite expertise except Civil Engineering, even though we design everything.

Q: With this growth expected, how will TRF contribute to making it sustainable?

A: In equipment manufacturing we are looking at total cost of ownership of the customer. Therefore, we are working at reducing the energy cost of running the machinery. We are also examining new technologies for greater efficiency and weight reduction of material to reduce the overall footprint of our products. While exploring new technologies and new products we are actively considering equipment such as pipe conveyors, which will significantly reduce dust and environment pollution at the work site of customers. At our Jamshedpur plant and TRF colony we have invested in rainwater harvesting and undertaken plantation activity to address both water consumption and greening of TRF.

- Courtesy: Speed@TRF