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Sanmar plans niche offerings to fuel growth

G Balachandar /01 July 2011

TIRUCHI: After exiting a few ventures and ramping up capacity in its core businesses, Sanmar Engineering, a diversified manufacturer of critical equipment and steel castings, seeks to sustain its strong double digit margin levels over the next five years, as it bets on 21 per cent top line CAGR (compounded annual growth rate) during the period on account of favourable growth outlook in its business segments.

The Rs 1,225 crore company, part of the Chennai-based $1 billion industrial conglomerate Sanmar group, has been engaged in manufacture of a host of process equipment as niche product offerings in the country through a collection of engineering companies and steel foundries. The company, which has seven legal entities and five joint ventures, has tied up with Flowserve, BS & B Safety Systems, Tyco and Xomox, who are world leaders in their chosen field.

"Sanmar Engineering is a complex business and scale doesn't come easily as our products are application-critical at customers' end," Vijay Sankar, vice-chairman of Sanmar group, said.

It offers niche, specification-driven and high margin products for the sectors such as oil & gas, refineries, petrochemicals, power, process and defence. As the sectors that it address are expected to attract more investments, the company hopes to sustain the 21 per cent top line in CAGR to achieve the revenues of over about Rs 1,500 crore by the end of this financial year and over Rs 3,000 crore by 2016.

"We are targeting ebitda margins of 22-25 per cent during this period," he added. To support its growth in the coming years, the company has ramped up the capacities across units. It has its own foundry units that were initially set up for captive requirements.

Eventually foundries have started serving the needs outside the group and presently about 90 per cent of production goes to customer segments. Meanwhile, the company exited auto iron foundries business recently citing strategic reasons.