THE HINDU

We will try to live up to a strong legacy: Vijay Sankar

K.T. Jagannathan / 01 July 2011

CHENNAI: Growth is important. However, profitable growth is more important than a mere growth for Vijay Sankar, the Deputy Chairman of the over Rs.1,200-crore Sanmar Engineering Corporation (SEC).

The Chennai-based Sanmar Engineering is part of the $1 billion Sanmar Group.In an interaction with this correspondent here on Thursday, Mr. Vijay Sankar said, “We don't believe in growth for the sake of growth”. He said that “we will be very careful in choosing growth over profitability”.

SEC, he said, had grown by an average 21 per cent over the last 10 years. He was confident that SEC would continue to see this level of growth over the next few years. SEC had also seen an operating margin of 25 per cent.

While cautioning that the operating margin varied depending on the business, Mr. Vijay Sankar, however, said that “the structure of our profitability has not gone into too many changes”.

His optimism stemmed from his conviction that India needed large capacities in areas such as power and refinery. Short-term blips notwithstanding, he expected the end-user industries like these to post robust growth in the coming years.

His confidence also was partly aided by the huge installation base that was already there in the country. Over a third of SEC's revenue came from servicing the existing installation base, he said.

To a question, he said, the five joint ventures contributed close to Rs.500 crore to SEC. The remainder came from the foundry business.The company had already ramped up capacities across units. It has its own foundry units. Initially, they served its captive requirements.

Eventually, these foundries had started serving the needs of others. Today, nearly 90 per cent of production went to customer segments. The foundry business of SEC comprised its business in the U.S., a plant in Mexico and another factory at Viralimalai near Tiruchi in Tamil Nadu.

They together have a combined capacity of about 60,000 tonnes a year.Mr. Vijay Sankar claimed that SEC enjoyed "leadership position in all our businesses in India". Mechanical seals, rupture disks and steel valves were among the products SEC made.

The manufacturing of these involved not just the engineering skill but also fine art, he said.The Deputy Chairman acknowledged the immense contribution especially of his father N. Sankar to the art of joint venture management. "He has made this joint venture management into some sort of a fine art," he said.

On the influence of the joint venture partners on SEC, he said, "it has always been only positive". He felt that the core philosophy of joint venture was relevant even today. "We would not have access to these critical products without these joint ventures," he acknowledged. "They were sold on their brand names, history and trust," he said.

He felt that even today it would be difficult for Indian companies to access critical products without such joint venture arrangements. SEC, he said, offered them comfort in terms of management bandwidth, relationship with customers and direct sale experience. "Our partners feel that India is the hottest of the hot markets and best place to make products," he said.

"Our understanding of the Indian process industry and our relationship with customers will keep us in good stead," he added. He justified the acquisition of foundries in the U.S. and Mexico. He admitted that many foundries in the U.S. had in the past moved to India and China for assorted reasons.

This saw many customers going through pain. "This model won't work any longer," he felt. "Certain castings need to be made closer to where the customers are," he said. Both these foundries were profitable, he said. These acquisitions were the result of recommendations of an outside consultant. SEC, he said, could be introducing a few more products to fill the gap in its offering.

"This will happen through more joint ventures," he added. SEC, he said, was focussed on the higher-end of the process control industry. This was a small and niche market. Any foray into non-niche areas depended on industry needs, regulatory compulsions and machining standards, he said "We have a strong legacy. That is the fortunate part of us. The difficult part for us will be to live up to it," summed up Mr. Vijay Sankar.