

big interview

MALAV PATEL
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We wanted to make ourselves stand apart by executing projects which not many had the expertise or capability of handling, and in doing so, we learnt that we were reasonably good in delivering complex projects, says MALAV PATEL, Managing Director, Phenix Construction Technologies. [Read more...](#)

delivering complex projects
is the name of the game

Q How has been your journey so far?

A We started commercial production of our steel construction division, namely, Phenix Construction Technologies in the year 2008. In the first six months, prior to going commercial, we embarked upon a collaboration with Varco Pruden Buildings of the US, with whom we had a technology tie-up wherein they gave us all the design support by providing the designing software; showed us the way how on manufacturing systems standard operating procedures and operation practices go; and also trained our people on installation of pre-engineered buildings.

Fortunately, in the first year, we were able to get some good amount of work bagging couple of large orders which gave a good booster for setting up the organization, and have our feet grounded in this industry. Since then, it's been an upturn, as even during the recession time, we have grown, of course not to the desired level, but, we managed to get growth at about 15-20 per cent every year, barring the last year wherein it was only about 8-10 per cent. Ours is a derived industry, and our business depends on the volumes and the investments that happen in other industries like ship building, power, manufacturing, food processing or pharmaceutical sector, and our demand depends on the growth plans or expansion plans of these industries.

The next investment cycle is not too far off, probably in the first two quarters of next year, and a real good turnaround should be witnessed by industries across. We do have expansion plans, but first, we will see the direction in which the budget is driving the country, what kind of reforms are being considered, and what the timeline is going to be for such reforms to be implemented by the new government before going full throttle.

Q Assuming the market picking up next year, do you still see the gap between demand and supply as far as PEB is concerned?

A The changes are not going to happen overnight, and we should first start seeing the signs of improvement. Ours is a large country, wherein the government has a lot of things on its plate to deliver, and somehow it has to take quite a few steep measures to put things in place. I don't foresee the same kind of recession phase that we all witnessed during 2006-2008 in next few decades to follow. But yes, picking up of the market is going to be a slow process, and I would personally proceed with caution. There are a lot of companies today which experienced results which

they would never have expected. As far as the PEB industry is concerned, there have been very strong setbacks when it comes to business performance. Even when I am planning for an expansion, a feeling of caution will be there until the industry gains the required confidence of going bullish. I am confident of the new government that it will take measures to implement changes which are required for a stable economy, as well as making India globally competitive because without that we cannot survive. Having said that, it is going to take a couple of years till there is a real upswing in the demand.

Q What has been your USP over the past few years? What edge does Phenix have over its competitors?

A Our major USP was our collaboration with Varco Pruden, the second largest company in this field in the US, having around 250,000 tonnes of capacity and around 18-19 per cent of market share which in itself is pretty huge. We used to get great mileage in the Indian market having been associated with this name. Initially, we learnt a lot of things from them, wherein, we brought in good engineering practices in terms of design, and used their own proprietary software which had advantages of its own in optimization, economy and steel consumption. During the course of time, we got to improve our own practices, and at the same time, we were also able to demonstrate our expertise in some critical projects which gave the market enough confidence in our company. In the second year of our incorporation, we were given the opportunity to work on the Tata Nano Plant which got shifted from Sindoor to our own backyard in Sanand, and we delivered as per our commitments, and this eventually gave a very good mileage to our brand and made us known in the India market. Getting a note of confidence from a Corporate like Tata Motors in itself is a great USP.

Our philosophy or belief is that we want to make ourselves stand apart by executing projects which not many have the expertise or capability of handling. We always used to scout for such projects, and whenever they came by, we tried our level best not to lose them so that we can further demonstrate our expertise to the industry. In that time, we learnt that we were reasonably good in delivering complex projects. We executed a project for Garden Ridge Builders and Executors based out of Kolkata, wherein, we delivered a structure which is one-of-its-kind, and probably a first timer in India. It is a very small building, but, a very complex one in the sense that the entire roofing system had to be designed and executed in three

segments. Whatever activity was carried out inside the building, and whatever components they manufactured inside the building were to be taken out from the roof, and hence, the entire system was mechanized. Our structural designers from Hyderabad designed it in-house, and we imported the entire mechanism of retraction from Demag Company in Germany. We were successfully able to deliver the building to the client's satisfaction which also got covered in the local newspaper with the defense minister inaugurating that factory, and this was another feather in our cap.

We project ourselves to be a company who can deliver the most complex projects that are out there in the market, and when we realized that we have the required expertise to be able to deliver such complex projects, we came up with a tagline: 'Creation Simplified'. What it means is that we help our clients turn complex projects into simple buildings or facilities, and that is our USP today.

Q The industry is slated to take PEB concept to the next level of growth? What are the factors you think will drive this change?

A I would say demand, as the next level is the growth of PEB industry itself. The demand will drive the volumes of all the companies in the industry, and that will define the future of PEB. As such, the entire PEB industry is a volume game, where the bigger the volume available in the market, the better the industry players will be because as and when their kitty is filled with orders, the price levels will also improve, and there will be an upsurge in top and bottom line as well, which has not been the case for many years, thereby, putting companies in a very difficult situation. It is a very heavy overhead industry, and volumes will really change the scenario.

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Q What are the potential segments of the PEB sector that you are looking forward to explore in future?

A The structural steel segment which a lot of companies in our field are considering to explore which includes oil and gas sector, petrochemicals, onshore and offshore platforms, bridge girders, high rise buildings etc. Everywhere where steel can be consumed and is not been consumed, is an area where company like us would want to explore in the current future. Besides high rise buildings, all the other sectors are already opened up, with the major drivers being companies or the end-users shifting to the factory-made components from onsite fabrication. Also, RDSO, an R&D department of Railways, have made it mandatory to use heavy component steel girders on all the ROB's for safety, quality, time taken and several other reasons. So, this segment have opened up good opportunity in terms of the volumes which companies like us can bank upon. These are the factors which will be the governing factor in the future for companies like us to really give due importance to the structural steel segment. High rise is at a very nascent stage, and people need to have confidence in using structural steel for high rise buildings, and I think it is thing for tomorrow.

Q What are the most significant challenges faced by the PEB industry today? How do we overcome these?

A The major constraint right now is supply of steel, as the mills are cutting down on their capacity because of the slowdown, apart from their own issues on input materials like iron ore, coking coal etc. Companies are going into maintenance more often, and are remaining under maintenance for 2-3 months at a stretch, and when there are only handful of mills which supply the material required for our products, it makes the situation all the more difficult, and that is the most challenging factor for us now. Secondly, the India authorities have put a restriction on import of steel material only from the mills which have BIS certificate. Even if the foreigners undertake this process, it is going to take a while to get the required certifications. There are only handful of mills which are able to get this done. From both the angles, the local supply is a question mark, and because of the restriction in import, the imported material also is not flowing into the country.

Another factor is the foreign exchange, wherein the way it has been volatile since beginning of last year till 3-4 months back, it has hurt many companies from various industries. This has also created a huge impact on company's financials. In our

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industry per say, there is not a big intellectual pool available, and since it is a relatively new industry, compared to other industries, the expertise available to operate such a complex business involves activities like design, project management, manufacturing, logistics, installation of the building and eventually handing over the final product. In the entire chain of operation, there are a lot of complexities involved when it comes to inter-departmental and intra-departmental working. The intellect required by the human resource pool available to turn around these complexities into simple business operation is not available upto the desired level. The training process becomes all the more cumbersome, and sometimes we are not able to capture a lot of areas where a person could be trained upon. That also creates a limitation in increasing the efficiency which impacts the financials indirectly.

Q Which are the other remarkable projects that you have executed so far, apart from the ones mentioned above?

A We executed a project for Trident Industries which is one of the largest Indian textile companies. It is the largest single location terry towel manufacturing facility in the world, spreading around 1.5 lakh sq. mtrs. It is a great achievement for our company as we completed the project within the time limits and to the desired level of quality that the client was seeking, and we are looking forward to a same sized project again with Trident Industries soon. A couple of years back we did a project for Renuka Sugars, which is also one-of-a-kind in India. It is basically an A-frame structure which is 87 metres wide, entirely supportless, and three substructures in a single location which is 45 metres tall. The shape of the building is such that the installation part was very critical and complex, but, we were able to deliver upto the client's expectations.

We are into export of pre engineered buildings in structural steel as well, and have been till date catering to Eastern

African countries, GCC Nations and some of Latin American countries. One of the projects we delivered was for contracting company called Ecovix in Brazil which in turn was executing their project for Petrobras which is the fourth largest corporation in the world. The building that we supplied is for a facility that will be manufacturing FPSO's for Petrobras. We supplied around 8,000 tonnes of buildings for them and successfully delivered it in just five months time. Another prestigious project that we delivered is for Areva Solar which got an order from Reliance Power to set up a solar field in Pokhara. The total steel intake for this project was around 18,000 tones and it required components which we had never ever manufactured before in our facilities, and we neither had the knowledge of fabrication processes of such components, nor did we know anything about the raw material that was required for it. We generally use plates in our manufacturing, but here, the entire 18,000 tonnes was to be manufactured of small bay ground pipes, and these light structures required different manufacturing and welding practices.

Q How do you see Phenix moving three to five years down the line?

A Our moves will be with caution, even though we have gained some comfort in last 3-4 months, but it is not enough to say that we are going to be bullish in our expansion within this fiscal itself. We will still wait and watch how the government is acting on its agenda. A year of the new government should give us a fair idea of how successful they are, and depending on their success, the performance of the industry is going to be determined. Once the industry is in upturn, we definitely have identified the areas of expansion, but, nothing has been put in black and white as yet.

Q Any piece of advice or message that you would like to give to the industry?

A Individually, companies will not be strong enough to command terms and conditions before the client, but, if all the industry players unite to ensure taking care of the company's interests, then it would lead us somewhere. Right now, all companies are operating in a cocoon because of the pressure of not having enough work. We end up agreeing to very unreasonable payment terms or liquidated damages or penalties which is really hurting the cash flows. Especially, in times like these, the cash flows are more critical, as you keep executing and not get paid, it can put the company into more pressure than what it already is. The industry should unite in terms of commanding the terms which give results. ■