

“Anup Engineering is aiming for 25% growth Y-o-Y for next few years”

The Anup Engineering Ltd (erstwhile subsidiary company of Arvind Ltd) - a part of the Lalbhai Group - is one of the leading manufacturers of top-end process equipment (such as reactors, heat exchangers, columns, pressure vessels, etc). The company, which commissioned the phase 1 of its new manufacturing facility at Kheda (Gujarat) in Q1 of FY24, is targeting to increase its exports' contribution (to its turnover) to at least 40 per cent in the next two years. In this interaction with Rakesh Rao, **Reginaldo D'Souza**, CEO, The Anup Engineering Limited, highlighted the changing dynamics of the process industry and how the company is gearing up to tap new opportunities.

How is your company fulfilling the needs of process industries?

The Anup Engineering Ltd is a manufacturer of static process equipment for oil & gas, refinery, petrochemicals, fertiliser, specialty chemicals, power, aerospace, paper and pulp industries. The products offered include heat exchangers, reactors, pressure vessels, columns, piping spools and reactor internals. We also offer a rotary product, centrifuge, for starch and chemical industry. We have two manufacturing plants located in Gujarat at Odhav (Ahmedabad) and Kheda District. The state-of-the-art manufacturing facilities with proximity to national highways allow us manufacture and transport large sized ODC (over dimensional consignment) cargo to our customer sites and sea ports. We supply our equipment to over 30 countries making us truly a global supplier for such critical equipment. This year, we expect exports, which have been growing steadily over the years, to contribute 30 per cent to our sales revenue. Our impeccable performance on timely delivery of quality products helps us win repeat orders from our esteemed customers, globally.

As a pioneer in the industry, how do you see the performance of the Indian process equipment industry? Which industrial segments are driving the demand for your products?



Undoubtedly, we are seeing one of the good capex cycles in our related industries. With India aiming to double the refining capacity and be one of the leading players in petrochemicals, the focus surely is on new projects, which is helping players like us in this field. We are seeing some good traction in terms of new projects hitting the ground. The energy transition to cleaner sources, especially hydrogen economy is also boosting projects, green and blue hydrogen both. We are executing sizeable business in hydrogen projects for countries in the West. With focus on electrification, we see a good focus on power projects across of which nuclear power will be an important pillar for energy sufficiency. As the move towards cleaner energy intensifies, the conventional hydrocarbon industry is

also set to continue good demand, especially in the developing economies of the world to fuel their high GDP growth aspirations.

Green hydrogen is gaining traction as an eco-friendly energy source. How is your company planning to support this industry?

Yes, green hydrogen is a process of generating hydrogen through the process of electrolysis using electrolyzers (that run on renewable energy), where water is broken down to separate hydrogen. Green hydrogen process basically has three stages namely generation, storage and transmission to the point of use. We, as manufacturers of static process equipment, play a very important role in building equipment for the storage and transmission of hydrogen. We have commissioned our new state-of-the-art manufacturing facility in the first quarter (Q1) of this year adding about 30 per cent to our capacity with close proximity to national highway. This helps us address larger requirements from our customers globally. We are currently manufacturing equipment for a landmark green hydrogen project for a reputed customer in the Middle East.

How Anup Engineering, as a supplier, is helping its customers from process industries to solve of their problems?

The dynamism of this industry over

the last few years with hard choices on timely investment, meant projects are always hard pressed for time. New benchmarks are constantly set on project completion timelines, only to be broken for a new benchmark. When one sees from a customer lens, timely supply of a good quality product is the biggest concern. Also, managing the budget constraint is an ongoing challenge. We, as suppliers to our customers, clearly understand these concerns and how important our role is towards the success of these multi-billion-dollar projects. This is the reason why we, at Anup Engineering, are so obsessed with on-time delivery. We strive hard to be a reliable supplier to our customers providing timely quality product at a competitive price.

What are key challenges before process equipment manufacturers today?

The key challenges today before process equipment manufacturers are:

- ❑ **Skilled manpower shortage:** Our manufacturing process being custom built products, involves very specialised designing and welding skills. The availability of design engineers and skilled labour in terms welders and fitters is a constant challenge. Multiskilling and upskilling are the need of the hour. Continuous improvement in our processes and automation using new technological development are the key to overcoming this challenge.
- ❑ **Non-availability of high-grade materials locally:** As we move up the ladder into more complex products of higher material grades, the availability of such material locally is a challenge. We have to rely on imports which surely impact the cost and more importantly our cycle time for manufacturing.
- ❑ **Volatility in raw material prices:** Our contracts with customers being a fixed price contract, we are always at a

risk of raw material price escalation mainly due to commodity fluctuations. We, at Anup Engineering, mitigate these risks through a good material price forecasting model and shortening the time duration from our customer purchase order to our purchase order on sub vendors thereby shortening the risk period.

- ❑ **Maintaining a healthy cash flow:** Our contracts being material intensive, it is always a challenge to maintain a healthy cash flow. Timely collection of outstandings and collection of the last 10 per cent payments linked to documentation is always a hard battle.
- ❑ **Cyclicity of business:** Historically, we have witnessed heavy cyclicity in this business mainly due to the lumpiness in the investment into capital goods. Of course, this is due to the viability of projects at a point in time. This cyclicity implies we need to be very watchful on expanding our resources beyond a point to ensure that our fixed cost does not hit us badly in the times of not so good capex cycle in the market.

What are some of the emerging trends in the process equipment industry?

Over time, we have witnessed a big push on sustainability and need to reduce the carbon footprint in the whole supply chain. More and more customers want to know about our carbon foot print. We, at Anup, are strongly committed to this cause through our strong value systems. We have embarked strongly on renewable energy projects, wind as well as roof top solar. About 50 per cent of our energy requirement would be met from renewable energy sources within the eight months' time from now.

In this industry, documentation means a huge number of hard copies consisting of stage inspection

documents, material records etc. We now offer to all our customers an option of documentation in the soft format thereby avoiding prints of large number of hard copies and, thus, limiting the environmental impact.

Another important trend is automation and use of IoT (Internet of Things), encompassing latest technological developments to improve productivity, quality and avoid dependence on manual skills.

How do you intend to take your growth story further?

We commissioned the phase 1 of our state-of-the-art new manufacturing facility at Kheda, Gujarat, in Q1 of this financial year. This will add almost 30 per cent to our existing capacity. The master plan at Kheda facility consists of 7 manufacturing bays of which 1.5 bays have been commissioned in the phase 1. This means, effectively we have built 20 per cent of our planned facility and wish to complete phase 2 3 in the next few years depending on how the market shapes up.

With the current capex cycle in the industry and based on the forecast, we are confident of very good traction going forward. We wish to have a minimum 25 per cent revenue growth YoY for the next few years. The growth would come by the company moving into the niche segments of more complex metallurgies and products. We also wish to grow our geographical base and reach exports of at least 40 per cent in two years' time. Productivity improvements at all levels would be a key driver triggered by low cost automations, infusion of new technology especially in manufacturing and developing a strong ecosystem of reliable partners around the world to facilitate our growth plans.

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