

Ramco Group will double in size in 5 years: Chairman

While Cement And Textiles Are Under Stress, Raja Promises Markets Of Better Performance Of Ramco Systems Via Innovation And R&D

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On the face of it, the 53-year-old chairman of Ramco group, PR Venketrama Raja hardly displays the challenges he faces — some seasonal, some decades old. Heading a group that is largely commodity driven, Raja is hemming together the strategy that will help Ramco move up the value chain. Taking over as the chairman after his father's demise in May 2017, the soft spoken and media shy Raja tells TOI the current status of operations at the group. Excerpts:

■ How is the overall business scenario?

The business climate is definitely more challenging than before. You have to be innovative, focus on cutting costs, invest in innovation and R&D. Digitisation is becoming very important. Unless you become champions in quality and costs, it will be difficult. I am not thinking too far ahead right now. Businesses that we are currently in are in transformation phase. Over the next five years, the groups profits and revenue should double from the current 6,000 crore.

CEMENT BUSINESS:

The sector is under stress now. The sale price is under severe pressure while costs are rising. The problem is compounded with surplus cement in the market. In this scenario, you must be innovative, find new markets, invest in R&D and systems in place. All these should be aimed at bringing down the cost. We communicate with our customers and tell them that all cement brands are not the same. It is our duty to go show them why Ramco is superior to other brands.

We are investing in additional capacities. A new 3.15 million tonne plant in Kurnool is coming up

and we plan on increasing the capacity of the existing unit in Jayanthipuram. We can now make 12 to 14 million tonnes a year (depending on what variant is being produced). We hope to get to 18 to 20 million tonnes a year if our new projects come on stream over the next year or two. We are investing 3,500 crore for this, funded through internal accruals and borrowings.

TEXTILES: Yarn is also under big stress. Only few mills are profitable. We are transforming our entire operations where the focus will be on value added products like yarn dyed fabrics. If all these initiatives work out, we will be back with a very powerful story in textiles.

The government unnecessarily interferes in the markets. They have now increased the minimum support price for cotton. This may be OK for this year, but the chain gets killed. What about next year and the year after? If buyers don't come to you for two-three years, they move to other products, the entire chain gets killed. The long term is much more damaging than the immediate term. As a group we have more than 4 lakh spindles capacity.

We are putting up a factory in Rajapalayam to make yarn dyed fabrics. Our operations now are barely enough pay our debt and keep our head above water. The challenge now is to ensure our margins don't drop any further.

We will invest 250 to 260 crore in textiles for all these.

RAMCO INDUSTRIES:

This company is doing well. We are introducing new products, special partition boards, calcium silica boards, which can be more cost effective than plywood. We are exploring the option of putting up a new factory in Gujarat. With roofing sheets as a business slowing down, we are using this opportunity to get into rapid dry construction. We are now rolling our product

where a house will get built in 3 months as against a year before. This is on beta mode now. It will be available for mass deployment in 5-6 months.

RAMCO SYSTEMS: The products are maturing and there is lot of interest in the products. There was a flat period and suddenly interest levels in the products have peaked. Orders are coming in. So capacity build up is necessary. We don't have a huge bench. In this transition phase we have to build capacity.

But the stock markets have been quite tough on us. In our business model, we work on long sales cycles, which frustrates the stock markets. The markets believed us, they waited. I am confident that we are moving in the right direction.

If a stock price of a group company falls, I can't say they (the investors) took a risk and walk the other way. It is a fundamental responsibility for me to ensure the guy who bought the stock does not lose. We also know their patience is running thin. We must perform.

We haven't raised equity in any of the group companies except Ramco Systems. Somehow we have to make sure the potential to grow is converted to growth. It is always threatening to grow; there is something that is holding it back.

If we wanted to exit, we could have done it long ago. We just cannot give up. It is such a powerful product that we cannot recreate. Once it is gone, India will never get a system like that again. It is dominated by Oracle, SAP, Microsoft. Our task is to ensure this asset starts performing.



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