

Pennar Industries – Engineered Components Business-ECB, **gets aggressive on fast-tracking growth and expansion**

Shivakumar K, CEO, Engineered Component Business of Pennar Industries shares his strategic business unit's ambitious goal of becoming a tier-1 supplier on its way to turning an OEM and the aggressive steps that are being planned and executed to make this dream come true... and all this while simultaneously strengthening their business foothold in the market.

Growing from a business worth Rs.50 crores to one that is Rs. 227 crores in mere 6 years - is a humongous achievement, considering that in the previous couple of years the economy and the industry were on the low due to the COVID pandemic. Pennar Industries -ECB is one of the leading player in India today recognized for industrial high precision engineered steel components specializing in safety critical and high-performance components for both domestic and international markets. The company's primary product lines are air suspension for buses and multi-axle trucks besides brakes for CVs and 2-wheelers, auto electricals for 2-wheelers and fabricated parts and hydraulic cylinders for the off- high vehicles.

Talking to Shivakumar confirms the fact that Engineered components business is undergoing a complete overhaul to get on to the fast track of growth. In alignment with the goal, four new business verticals were created and the team is focused on grabbing opportunities and developing businesses that came their way as companies shut shops in China during the pandemic.

Turning a New Leaf

Transforming themselves into a new avatar required Engineered Components Business to take a relook at the basics. A firm foundation of people, processes and systems was set in place to address global and domestic requirements in the automotive industry better. Strengthening them further was their competent team and their goal of offering value-added products, but most importantly, the business cashed in on a major USP which is - control over their access to raw material.

Shivakumar says: "From being a manufacturer of one product, we created four business verticals, namely automotive components, hydraulic cylinders, precision sub-assemblies, and white goods or what we call as a deep drop product vertical. Each vertical has the requisite space to grow on its own merit and for us, value-addition is part of manufacturing since we are adopting special processes now."

New growth in Engineered components business involves following business regimen which is four-fold in nature – bringing in new customers, expanding to new geographies, looking at products that are everlasting and being profitable.

He shares with pride: "Our aim is to focus equal attention on growing in the global markets as well as domestic. Naturally, we want the products to generate revenue, hence we opted for asset splitting and capital expenditure. The shift of the global factories from China to India during the pandemic was in our favor. We

moved fast to compensate for the slowdown in the domestic market and with growing international markets, despite severe supply chain issues. And post COVID, when the economy started opening, we grew our business from a meagre Rs. 126 crores to 240 crores – almost 93% growth.”

The actual point of differentiation is, the fact that the group buying of Pennar Industries buys roughly 12000 tons of steel from one of India’s largest integrated steel majors and reaps the advantage of converting it into multiple variations at its own processing plant.

Shivakumar explains further: “This gives us a wide range of products with different specifications. It means we are in control of the lead time, the price, and we are also able to manage our inventories. So, controlling access to raw material is a huge competitive advantage for us.”

Business Distribution

Currently, revenues for Pennar Industries through Engineering Component business are neatly split down the middle – between exports and the domestic business. And if the US is the primary market for exports, the company has limited exposure to Europe.

He adds: “We export directly to the distribution houses which are known as cataloguing companies in the US. These companies carry a mix of products and are highly popular there. And we also sell to tier-1 OEMs who assemble products such as brakes and supply to popular vehicle brands.”

And the core team at ECB are looking to establish their business in Europe more firmly in the next couple of years.

Focus Areas

The Engineered Components Business revenue plan is over Rs. 300 crores this year, with current monthly turnover clocking in about Rs. 26 crores. The managing core team aims to touch Rs. 1000 crores in the next five years with a focus on business hygiene through growth orientation, asset sweating, cash generating and being profitable.

Shivakumar explains how: “We are looking at addressable markets for each of our verticals, which sums up to approx, Rs. 4000 crores. And we can aim to grab this market with our current capabilities by adding capital expenses, people and a few other elements. Initially, we will target a chunk of this market worth Rs. 1000 crores in the next five years. Currently, our revenue from the 2-wheeler segment is 25-30%, about 35% from the commercial brakes business and the rest comes from the off-highway segment. We are clear that we can achieve this by focusing on a few areas such as hydraulic cylinders for which we have set up a new facility in Chennai, with a capacity of 300,000 plus cylinders per annum. We are aiming for extensive growth in Europe, and US markets further.”

He senses a slight slowdown in the international market in the next two quarters, hence the company is simultaneously working on the domestic market also, to mitigate any risk, where one of the focus areas is agricultural industry which is catching up globally.

He opines: “Hydraulic cylinders and fabricated parts are some of our products that are utilized across industries like agriculture, construction and material handling. And these along with precision sub-assembly verticals are likely to grow aggressively. The auto components segment has been showing good traction and continues to grow at 25-30%. ECB is already a leading supplier of disc brakes to 2-wheeler OEMs, and this segment continues to grow too. The domestic commercial segment is facing a sudden spurt in demand and we are keen on grasping it too.”

As a company that designs, engineers and manufactures, ECB advantage is a short average time of 12-18 weeks from RFQ to prototyping for the customers.

Roadmap Ahead

For Shivakumar, the journey forward deeply involves moving up the value chain by adopting technology.

He explains: “We began with making components, then products and sub-assemblies. Now we want to move on to full-fledged assemblies. Our aim is to become a tier-1 supplier and ultimately to become an OEM.”

In the next few years, Pennar Industries-ECB will be looking at not only adopting cutting-edge technology that will be relevant to all their business verticals, but also probably entering joint ventures or even opt for acquisitions besides exploring newer business opportunities such as casting and engineered stamping products.

It is for sure that the future is rife with possibilities for the engineered component business with Shivakumar and his core team at the helm.