

Managing Director's Overview

Delivering Aspirations, Achieving Scale

As we prepare this year's annual report, the world is confronting the greatest pandemic of a generation, one that will hugely impact the economy and people across the globe. Our thoughts remain with the people affected by the COVID19 crisis and with the frontline team of doctors, police personnel, the government agencies and all others involved in the essential services.

Throughout our history, Tata Consulting Engineers (TCE) has built its reputation on being there for all its stakeholders in the most critical times. This unique environment is no different. Our actions during this global crisis are essential to keeping the economy going, and we are already on it.

Looking back at 2019, I am proud to say that we delivered on aspirations of our stakeholders and scaled newer heights. Over the last few years, we built TCE 2.0, a more future-ready, next-generation company disrupting the engineering consultancy space by offering Industry 4.0 engineering solutions. TCE has always had the privilege of associating itself with several landmark projects, this year too, we bagged some significant projects. New order wins in FY 2019-20 was close to 1000 cr.



Talent retention and profitability are significant challenges faced by the highly fragmented engineering consulting industry. TCE took it upon itself to work on these challenges and successfully managed a reduction in the attrition rate by 35% to reach 13%. Our profitability, on the other hand, grew by 22%.

Performance Review

FY 2019-20 saw the highest growth in the company's 58-year history. Total revenues (excluding other income) grew 11.4% over the previous year closing at Rs 782 crores (772 excluding revenue from consortium contracts) for FY 2019-20. A well-balanced portfolio and the right mix of domestic and international projects helped us achieve these numbers.

- We took part in the Tata Business Excellence Model (TBEM) Assessment 2019 and were assessed as 'Emerging Industry Leaders' after crossing over to the 551-650 band. Excellence is a journey and while we are still working to improve ourselves in many areas - the firm foundation of processes, system, tools and culture we have built will undoubtedly enable us to achieve new milestones in coming years.
- TCE moved up in rank in the ENR Top 225 International Design Firms to 127. In FY 2019-20, 42% of our revenues and 49% of our FY 2019-20 business acquisition came from international markets. Our niche capabilities ensured large businesses from international marquee customers.
- TCE is proudly associated with ITER the world's massive fusion experiment with a collaboration involving thirty-five nations. Fifty of our young and bright minds are working on the project. ITER ("The Way" in Latin) is one of the most ambitious energy projects in the world today. Located in southern France, 35 nations are collaborating to build the world's largest tokamak, a magnetic fusion device that has been designed to prove the feasibility of fusion as a large-scale and carbon-free source of energy based on the same principle that powers our Sun and stars.
- TCE has been increasing its focus on Opex projects to move away from the cyclical nature of Capex investments. 27% of FY 2019-20 revenues came from clients' opex investments (operational investment of customers in their asset lifecycle management).
- We now have a fair share in the development of infrastructure in India with 14 Smart Cities, 50 Amrut Cities, millions of metres of piping, multiple GWs of power generation, millions of litres of water and wastewater management, etc.
- TCE has promoted the use of smart project management applications that help reduce the exchange of paper. We launched TCE SmartSite™ to manage and track all steps, encourage collaboration and show real-time status with the help of interactive dashboards. We also use Suraksha App for daily tracking of site safety indicators. We promote increased use of drones and fixed point photography to reduce the need for manual inspection.
- This year, we bagged our first metro rail project (Agra Metro), not only a prestigious project but also a successful start of a new sector. We are building our capabilities in the transport sector and are successfully bidding for a larger share of the pie.
- 44% of our total revenues were derived from strategic relationships, providing consistency in earnings and establishing TCE as a reliable, long-term and trusted associate globally.
- TCE expanded its footprint in the Middle East with the setting up of a subsidiary and an office in Saudi Arabia and signing of an MoU with Saudi Aramco for various identified areas such as Power, Digitisation, Smart Cities, Energy Management, Water and Environment, etc.
- Streamlined Delivery Operations ensured high revenue productivity and Optimised Establishment Costs ensured establishment overheads remained flat, contributing to a robust bottom line.
- A strategic focus on customer centricity and increased thrust on opex services across the businesses lead to all business units within TCE being profitable.
- Sturdy order book in FY 2018-19 of 1096 crores provided a good head start for FY 2019-20 and the year closed with another good order booking number of 990 crores.

Our continued pursuit for excellence, focus on the customer, targeting strategic geographies and unique delivery models specific to each geography, augured well.

Management

The greatest asset of TCE are its employees, the highly skilled workforce of engineers coming from diverse backgrounds. In today's competitive environment attracting and retaining talent is the key to success. In FY 2019-20, we recruited 173 fresh graduate engineers from leading engineering institutes across India, and 78 new diploma holders. We put the recruits through our rigorous flagship induction programme, the Young Engineers Development Programme (YEDP) before they began work.

With the ever-changing technologies, the need to re-skill and re-bond is a necessity. We forged strategic tie-ups for upskilling our engineers and also design in-house technical workshops. More than 19000+ programmes were made available to our employees with an average 20+ person-days training per employee. We have also seen an encouraging increase in employee retention and employment longevity, increase in employee satisfaction scores, and we hope to leverage these positive trends as we look ahead and beyond the post-COVID times.

Strategy and Operations

COVID19 has impacted both CAPEX and OPEX spends by our clients. However, with a well-diversified sectoral, regional and client spread, TCE will be able to sail through these unprecedented and ambiguous times. After a record FY 2019-20 year where TCE achieved highest revenues and profits, the company has taken prudent measures to ensure it can sail through FY 2020-21 amidst challenging market conditions.

We were able to switch to "Work from Home" within weeks of the lockdown announced in mid-March 2020. A detailed impact analysis was conducted early in the year with various scenario-based financial modelling, precise actions, responses and goals.

Following COVID19 specific measures were taken with effect from the beginning of FY 2020-21, and we believe that these will ensure TCE remains profitable and sustainable in the coming year as well.



COVID19 Specific Measures

Revenue measures

- Enhanced revenue measures across the ecosystem – sales, delivery and enabling functions as champions. While we focus on the optimistic scenario we continue to keep a close watch on actual outcomes
- Focus on the domestic market working closely with our existing customers and GOI projects – especially infra, smart cities, transportation. In the current times, we are also keeping a tab on the possible China relocations (Korean/Japanese/US players)
- Deepen relationships and connect with existing international key customers (OPEX/DEC)
- Group customers/synergies
- Leverage digital, process, asset digitisation and plant sustenance opportunities
- Specific short-term sales strategies
- International engineering outsourcing
- Plant digital and IIOT
- Project revival services
- Plant sweating, extension, restart and expansions
- Project audits and reviews

Adjacencies being targeted with Digital, Modular and Low-Touch economy principles as relevant to Architecture-Engineering & Construction sector

- Digital twin, asset digitisation, digital handover
- Mini-EPC (~100 Cr) – modular units, skids, pre-cast/pre-fab, mini-plants and warehouses
- Explore new geographies especially in Europe
- Enhanced 3D, 4D and 5D conversion and simulations

COVID Specific Focussed Actions

- CSR & emergency support for COVID specific quarantine and ICU wards working and in line with group efforts.
- Hospitals, clean-rooms, air-lock spaces, isolation & containment facilities
- Import substitutions / localisation

- Paperless digital project site and low-touch shop floor SOP
- GMP/GMA certification for existing pharma / medical device units

Cost Measures

- Optimise contract staff / farmed out work + revised terms for contract staff that are required as a must (CV / PQ)
- Optimisation of all costs mainly travel and site guest house rentals and office space with Work-From-Home (WFH) as a new normal
- Enhance collection efforts and explore mechanisms to recover old debts
- Salary restructuring (keeping CTC constant – restructure fixed & variable)
- No employee reductions or any adverse measures, however no increments or promotions for FY 2020-21
- Fresh Graduate – All offers to be honoured – joining deferred to Q4

Future Readiness

COVID19 will redefine the economy and business in many ways. The New Normal bet will be more digital and less physical, possibly in the short term more OPEX focused and less significant CAPEX, and as a silver lining more green, sustainable and circular than the pre-COVID19 times.

In the physical realm as well, it will be standardised and modular, to be more efficient, sustainable and greener. As we enter Industry 5.0 era, which refines the collaborative interactions between humans and machines we are working towards creating newer opportunities and changing the way we respond and remain agile, lean and sustainable as an organisation.

Our strategic plans for the coming year factor in these global trends and we are confident and well prepared to embrace the new Normal.

Sincerely yours,
Amit Sharma