

“The water-injected compressor was introduced to eliminate oil in the system and be environmentally friendly”



...says **Dr Jairam Varadaraj,**

Managing Director, Elgi Equipments.

In an interaction with Neha Basudkar Ghate, he explains the significance with a series of strategies to globalise while remaining relevant in India.

You have mentored the organisation's business strategy for nearly 30 years now; looking back, how do you trace this journey?

The journey started in the early 90's when India was going through a lot of changes. It was opening up its economy and integrating itself into the world at that time. Until then, there was a licensing system with the markets protected and high import duties for all products. Since this was being dismantled, we had to rethink our strategy. We were into eight to nine different products at that time, and we decided to sell or shut down quite a few.

We anticipated an opportunity in our compressor and automotive business and retained them at the time. We identified that our automotive segment would be a dominant, India-centric business while compressors would be a global business

for us. While the global opportunity was significant, even to remain relevant in India, we invested in the backend with a focus on technology, processes, and products that were world-class.

Then, with a series of strategies to globalise, we experimented with a lot of markets and realised that the strategy we are focusing on today is the right one for us. We tested this strategy in select markets internationally and gained confidence that the markets accept our products, and the value propositions we give to our distributors and customers are quite compelling. Therefore, from 2012 onwards, we truly started expanding globally.

Today, we have identified six key strategic geographies for us to focus on - North America, Europe, India, Indonesia, Thailand, and Australia. While we continue doing business in 100-plus countries across the world, these are the geographies where our focus will remain strong, and we will deploy our resources accordingly. In the last ten years, we have systematically implemented this strategy, and it's consistently going where we want it to go.

How vital is the Indian market for achieving your long-term revenue targets, and how is your company working towards this?

We have just completed our financial year and crossed INR 3000 crores in revenue. Our goal is to hit US\$1.6 billion by 2035–2036. The Indian market is a very small percentage of the global market, but it is our home market, and we want to be dominant in our home market. But in terms of financial numbers, the Indian market is not big enough to contribute significantly. Hence to reach our goal of US\$1.6 billion by 2035–36, a bulk of it will come from outside the country.

How do you position ELGi today? How are your products benefiting the environment, thereby creating sustainability?

One of the biggest portions of the life cycle costs of a compressor is electricity consumption. If we can keep improving the efficiency of our product, then we reduce energy footprint for the customer and, in turn, contribute to a greener environment. We have been continuously improving the energy efficiency of our compressor over the last 20 years, and it is an important goal of our overall ESG Program.

The second goal is the elimination of oil. When you don't have oil in the system, then it is more environmentally friendly. Hence, we introduced a water-injected compressor four years back. Along with these, there are many programmes

that we are currently running that really contribute to the environmental well-being of the planet.

What are the key things to consider while developing the business objectives to achieve better ROI, revenue, and margins?

Well, the only way to improve your profitability is to provide better value to your customer. If you can provide better value, the customer provides a better price to you. If you are going to drive low cost, then your profitability will be low because the cost of producing a product can't be significantly different. So, the question is, what value can you provide to the customer?

How is the vocational training school in Coimbatore helping in creating the right set of technical expertise? What do you think about women's participation on your company's shopfloor?

Situated in Singarampalayam, India, the ELGi Vocational Training School strives to provide holistic development to young students from underprivileged backgrounds by equipping them with technical training and on-the-job skillset. At the centre, students receive technical training. They get to learn basic engineering concepts and production technologies. This is augmented by the centre's facilities, such as multimedia classrooms and training spaces for fitting shops, machining, welding and electrical work.

We also realise the importance of diversity and see value in initiatives that will lead to more women joining the workforce. Today 50% of the students in our vocational school are women. When all of them join our shop floor, over the next two to three years, close to 30% to 35% of the employees on the shop floor will be women. Even now, all women employees working at our shopfloors work at par with our male employees, handling the same tasks without any difference.

What are the company's plans for future growth and expansion, and how do you plan to achieve them while maintaining profitability and business development?

Well, the goal for the company is to expand its business globally, and we have already identified the markets we want to expand in North America, Europe, India, Indonesia, Thailand and Australia. These markets constitute close to 90% of our revenue and 70% of the global opportunity. We will continue to invest in these markets to reach our goal of US\$1.6 billion by 2035–36. □