

# A TALK WITH

Umesh Srivastava Chairman & Managing Director

HOLTEC CONSULTING PVT. LTD.

**M**r. Umesh Srivastava is the founder of **Holtec Consulting**, a company that has carved out an enviable reputation for itself both within and outside India as a consulting thoroughbred. Since its inception in 1967 as an engineering consultant, the company has, over the ensuing period, grown to become a full-service, engineering & management consulting firm, delivering integrated services to the cement, construction and infrastructure sectors. Holtec's exemplary track record of over 2,200 consulting assignments, global exposure to 67 countries, ISO 9001 certified quality standards and world class I.T. & communications infrastructure differentiates it sharply from its competitors and allows it to cost-effectively deliver high value and timely services to its 450-strong ever increasing client base.

A director on the Board of several reputed companies, Mr. Srivastava has been the President of the National Association of Consulting Engineers. He is also a founder-member of the Consultancy Development Center, a member of the Governing Council of the Consulting Engineers Association of India, a member of the Expert Committee of the National Productivity Council for Productivity Awards and an active member of the Harvard Club of India, the Swiss Business Forum, C.I.I. and various other congregational entities.

Widely traveled in all 5 continents, Mr. Srivastava has led consultancy and export promotion missions to various countries, has participated in numerous international conferences and has held face-to-face, offshore dialogue with various international companies in the private and government sector as well as financial institutions such as The World Bank, the International Finance Corporation and the Asian Development Bank.

Mr. Srivastava had a brilliant academic record. He graduated in Engineering from Banaras Hindu University with honours and received post-graduate education and professional training and grooming for over four years in West Germany, Switzerland, Canada and USA. He is also an AMP graduate from Harvard Business School, USA.

Complementing his professional career, Mr. Srivastava takes time off "to smell the flowers" by being a keen music aficionado, an avid golfer and a committed "all-sports" enthusiast having played Cricket, Hockey, Tennis, Badminton and Table-Tennis in school and college days.

On the occasion of Holtec stepping into the 5<sup>th</sup> decade of its existence, Suresh Kadam, Chief Editor & Managing Director, Process & Plant Engineering talks to Mr. Umesh Srivastava to learn more about his Company, his views about the Indian Cement Industry and Holtec's contribution towards making it the second largest cement industry in the world.





**SK:** Mr. Shrivastava, first of all I would like to congratulate you on the occasion of Holtec stepping into the 5-decade of its existence. Could you please recall your initial period of the career before establishing Holtec, and share your experience with the readers?

**US:** Thank you Suresh for your congratulations. Time does fly, doesn't it? Having received my education in civil engineering, I undertook on-the-job training together with various professional courses for a period of 4 years in West Germany, Canada, USA and Switzerland with various reputed companies. Subsequent to this, I moved to Kolkata and was associated in the design engineering and contract management activities at Thapar Group. Other than enriching my professional skills, this initial period of apprenticeship contributed to several important learnings – the value of precision and work discipline, the significance of grace in human relationships, the importance that a human being accords to independence and the business potential for a focused consulting firm in the Indian environment.

**SK:** Mr. Shrivastava, what are your recollections of the Indian cement industry scenario in the late sixties when HOLTEC was born?

**US:** You may be aware that the cement industry in India goes back to 1904 when the first cement plant, with a capacity of 30 tpd, was set up near Madras by South India Industrial Limited. Key events in the evolution of the industry included the 1936 amalgamation of eleven companies into what became known as the

Associated Cement Companies, the imposition of price/ distribution control in 1956, partial decontrol effected in 1982 with total decontrol following in 1989 (incidentally, at the time Holtec was created, there was an interim 2-year period of decontrol), the commencement of post-decontrol, M & A activity in 1990 and the first significant investment by an overseas major in 1999.

In the late sixties, most plants were engineered by equipment suppliers and there was an almost complete dearth of impartial consulting services. At that time, installed capacity was of the order of 16 mio tpa, demand about 13 mio tpa, the capital cost per annual installed ton about Rs 250, 80% of the plants employed wet process technology and only 3 of the 100 plants had a capacity greater than 1,000 tpd. As against this, the installed capacity today is of the order of 160 mio tpa with demand being in excess of 145 mio tpa. The capital cost per annual installed ton is about Rs 4,000 with nearly all plants employing dry process technology and most having a capacity exceeding 3,300 tpd (going upto 10,000 tpd in the latest initiatives). From a 2.2% share of the globally installed capacity, India today commands a share of almost 15%.

We, at Holtec feel honoured to have been significantly associated with the evolution of the industry and feel proud to have pioneered the era of cement consulting in this country.

**SK:** Could you recall and tell us about some of the important assignments executed during initial years?

**US:** I still recall, with distinct emotion, the first assignment that Holtec received. It was a material handling assignment for the raw material stacking & reclaim system at Panyam Cements. Then followed plant upgradation assignments from Bagalkot Udyog, Jaipur Udyog, Rohtas Cement, Kalyanpur Cement and six units of ACC. The first overseas assignment that we received was from Birla Brothers for a Techno Economic Feasibility Study for a cement plant in Nigeria. Our first international customer was the Nepal Bureau of Mines. Some of the first complete plant engineering assignments that Holtec undertook were the first 1200 tpd dry process cement plant for Madras Cements Ltd at Thulukapatti and the UPSCC split located plant at Dalla/ Chunar (U.P.). While new comers to the industry would find the scope of work as well as the revenues earned from these assignments to be amusing, I must stress the fact that these were the foundation stones on which a sustainable consulting practice was subsequently built.

**SK:** Today, HOLTEC is considered to hold the pole position in international cement consulting. We understand that over 60% of the company's revenue is earned in foreign exchange. Could you please



L to R: Suresh Kadam, Chief Editor & Managing Director, PPE talks to Mr. Umesh Srivastava, Chairman & Managing Director, HOLTEC.

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tell us about the major projects executed abroad?

**US:** Year 2000, was a watershed in the evolution of Holtec. Till then, a majority of our overseas assignments were executed for Holcim's group plants, Holcim's clients or with Holcim's technical support for third party clients. Thereafter, we have been operating with complete independence.

Our first focus country for our Cement Engineering Services was Pakistan where we undertook a variety of rehabilitation & upgradation assignments for almost the entire industry. Thereafter, we moved into Iran and Vietnam where we remain associated with both greenfield and brownfield assignments. Then followed Saudi Arabia and the UAE. We hold dominant positions in the cement industries of both these countries and are mainly associated with setting up 5,000 - 10,000 tpd greenfield units. Other countries in which we have been operating lately include Syria, Algeria, Oman, Sudan, Northern Iraq and Yemen. Very recently, we have commenced service deliveries to greenfield and brownfield units in Venezuela, Mauritania, Mali, Uganda etc.

Cement Studies constitute a major item in our service portfolio. These include Geological Studies, Environmental Studies, Techno Economic Feasibility Studies, Plant Audits, Investment Opportunity Studies, Marketing Studies, Human Resources Studies, etc. These have been executed, on a distributed basis, in over 50 countries in Asia, Africa and Europe.

Our Engineering Support Services, from which we earn a significant

component of our foreign exchange, employs the Business Processing Outsourcing model for steel detailing assignments and computer aided design work. It primarily focuses on North American and Canadian clients.

Other than this we also have a Diversified Management Consulting Group, which operates mainly in the social sector, and has as its clients, international donor agencies from Germany, Switzerland and most recently, Finland.

**SK:** We understand, that right from inception, HOLTEC has been associated with the Holcim Group. What is the nature of the association and how many projects have so far been executed?

**US:** Our partnership with Holcim commenced in 1967 and remained unaltered till 2000. During this period, the dimensions of this partnership included financial collaboration (equity stake), technical collaboration (exchange of consulting concepts & tools, participation in group seminars, skill upgradation & experience sharing programs and access to mutual databases), project collaboration (approximately 200 consulting assignments for group companies & third party clients) and collaboration in mutual business development.

Post 2000, the relationship has changed to that of a client-consultant, in which Holtec services the consulting needs of the Holcim group.

**SK:** As an expert, what is your view of the present and future scenarios in the Indian cement industry?

**US:** The cement demand of India, during the Financial Year 2005-06, was of the order of 136 million tons. The demand has grown steadily and has exhibited a cumulative average growth rate of 8.0 % pa over the last decade. In the last 5 years, the average growth rate has been 8.5 % pa.

The total effective capacity (as different from installed capacity) of all large cement plants in India, at the end of March 2006, was about 165 million tons. However, the total cement production from these plants was about 142 million

tons. Of this, around 136 million tons was consumed within the country and 6 million tons was exported. Additionally, a little over 3 million tons of clinker was also exported. Of the cement consumed domestically, approximately 60% was blended cements, with either fly ash or slag constituting the primary blending materials. In recent times, we have also witnessed a fresh wave of M&A activity. The most dramatic of these, of course, was Holcim's acquisition of controlling interests in both ACC and Ambuja Cement. With this acquisition, Holcim and Grasim, between them, control approximately 50% of India's installed capacity.

With the current boom in construction activity, India is expected to witness a cement demand growth of over 9 % pa in the coming years. In volume terms, this implies that consumption would increase to over 190 million tons by 2009-10. The cement industry is already preparing itself to meet this increased offtake. The effective cement capacity, by 2009-10, is expected to increase to around 235 million tons. Most of the capacity increase would come in the form of mega clinkerisation units (6,000 - 10,000 tpd) feeding split located, grinding/ blending stations. The consumption, and thus the production, of blended cements is expected to increase to over 75%. With the massive capacity expansion in the Middle East, exports are likely to drop to a level of 3-4 million tons per annum by the end of this decade. Increased consolidation is likely to be witnessed in the market place, which could run parallel to heightened M&A activity.

Significant shortages are likely to be experienced on the energy front. Consequently, to service its electrical energy needs, higher captive power generation is clearly on the anvil. Consolidated captive power generation, with capacities exceeding 500 MVA, designed to feed a group of operating units through the national grid, could well be a strategic initiative undertaken by the larger cement groups. Possible shortages in fuel energy would increasingly be met through increased coal imports, greater utilization of lignite and petcoke, burning of industrial, agricultural & municipal waste and, at some strategic locations, by gas. Astute

control of strategic resources (limestone, fuel, blending materials, land, skilled manpower, transport capacity, coastal jetty locations, etc) is expected to become the key mantra for success, in the times ahead. The transport of cement by the sea route is also expected to increase with clinkerisation units in coastal locations servicing grinding/ blending facilities located at other locations on the western/ eastern coasts. Environmental norms are expected to become significantly more stringent and emissions trading could become a much more common phenomenon than what is being witnessed today.

**SK:** *Could you please tell us about the Cement Industry procurement services being offered by HOLTEC?*

**US:** Procurement services provide the essential linkage between the basic engineering and the detail engineering phases of the project. It refers to the project activity in which, the equipment assets/ services and their respective suppliers are decided. Its importance therefore is strategic, since errors and omissions could irretrievably affect project performance, deleteriously.

Holtec has been rendering these services since its inception. Other than the extensive database that has been developed over 4 decades, Holtec has a team of experienced specialists, well versed in international practices and FIDIC norms, to support its clients in each component of this strategic activity. These include the formulation of procurement guidelines, vendor pre-qualification/ shortlisting, preparation of tender documents, weak-point analysis & techno-commercial evaluation of bids, purchase recommendations, contract negotiations, preparation of contract documentation and post-contract support.

**SK:** *Uncertainty in utility-based power supply has always posed threat for smooth functioning of the cement plant. What is the scope of Holtec's consultancy services in this area?*

**US:** You are absolutely right about the constraints posed by state utility-based power supply, a factor that has impeded performance in the cement industries of most developing economies. India is a

specifically relevant example, with its cement industry being the second largest in the world and its power supply situation being far from satisfactory. Severe constraints to production are faced due to power restrictions, voltage and frequency fluctuations and unscheduled power outages. To compound matters, power tariffs in India are also very high. With capacity utilization severely threatened, and with power constituting about 25% of cement manufacturing costs, the need for reducing dependence on state utility-based power supply, is very high. This is being increasingly effected through the process of setting up captive power plants. Investment paybacks on such initiatives are extremely attractive.

Holtec provides the entire portfolio of consulting requirements for establishing such captive power generating units and is currently involved in over a dozen CPPs for various clients. The services availed by a large number of domestic and international clients include Techno-Economic Feasibility Studies, Basic Engineering, Procurement assistance, Detailed Engineering, Construction Supervision & Project Management, Commissioning, and Performance Enhancement.

**SK:** *Considering the expertise, the in-house facilities and the expert personnel available one wonders as to why Holtec, so far, has not diversified its activities in the construction and infrastructure sectors (realty business, roads, bridges, flyovers, dams, airports etc..) which appear very promising. Please comment.*

**US:** With the Holtec brand being interminably associated with cement, it is possible that our diversification initiatives over the last decade are known only to the relevant target sectors. Our business areas, today, include Cement Services, Infrastructure Services, Consulting Services to the Non-Cement Sector and Engineering Support Services.

In the construction sector, other than our services in Ready Mix Concrete, we have delivered a variety of consulting assignments for domestic and international clients in the area of low cost/ energy efficient housing using alternate building materials. Besides this,

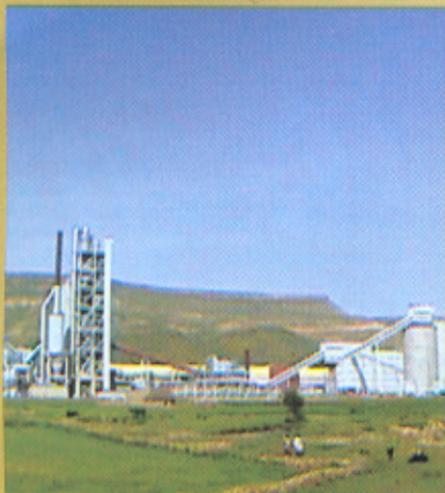


we have an exclusive, 40-strong department, modeled on BPO lines, which addresses steel detailing and computer aided design work outsourced by large construction companies in North America and Canada.

We are extremely active in the infrastructure sector as well. Services offered include Feasibility Studies, Traffic & Transportation Studies, Environmental Studies, Topographical Surveys, Geo-technical, Soil & Material Investigations, Road Condition Surveys, Basic and Detailed Engineering, Construction Supervision and Rehabilitation Work. We have an entire department, with a manpower strength approaching 100 persons, exclusively dedicated to such consulting assignments in this sector.

**SK:** *It is said that Holtec, with years of experience in the cement industry can successfully operate cement plants in India and overseas on a contract, profit sharing basis. Please comment.*

**US:** We recognize the business potential offered by this area and are currently in the process of examining it more closely. We are aware of several global economies where massive capacity expansion plans are currently under implementation, with commensurate operating skills not being domestically available. The customer relationships and rapport that we have developed in these countries are high. This, coupled with our bench strength of employees, with significant operating experience, underlines our generic competence to win and successfully undertake such assignments.



**SK:** Looking at the present status and reputation of the Company and further scope of business, one would certainly like to ask you about your Management style.

**US:** If I were to epitomize our management style in one word, I would choose the term "participative". One of the reasons why I decided to start Holtec was the innate desire for professional independence. Realizing the fact, that

there would be many others who share this desire, I have personally initiated, and continue to reinforce, "working independence and participative decision making" as the operating style at Holtec. Integrity, congeniality in relationships, a no-no to inhibitive hierarchy and a passion for excellence are some of the other tenets of our style that we assiduously practise and continuously fine-tune at Holtec.

**SK:** Mr. Shrivastava, what are your hobbies? Given your hands-on responsibilities at Holtec and your active involvement with a large number of professional bodies, how do you find the time for your hobbies and family?

**US:** To be frank with you Suresh, I have more hobbies than I can handle. Institutional development, consultancy promotion, travel, sports and music, are a few on which I continue to indulge myself. Appropriate delegation and competent colleagues allow me to find the time to pursue these extra-curricular interests.

**SK:** Last but not the least, do you think that you have achieved the goals that you dreamt about in the initial days of your career?

**US:** While I have savoured the achievement of each goal, whenever it happened, I am a personal proponent of the dynamics associated with goal setting – you achieve one, you set for yourself a loftier one! Thus, far from complacently basking in the afterglow of goals achieved, I am exhilarated by the challenge of pursuing new ones. The way I feel is, perhaps, best described in the words of Robert Frost. "The woods are lovely, dark, and deep, But I have promises to keep, And miles to go before I sleep, And miles to go before I sleep".

**SK:** Mr. Shrivastava, thank you for having spared your time for this interview and expressing your expert comments lucidly and with such sincerity.

**US:** It was my pleasure, Suresh. Thank you. □