CHAIRMAN'S LETTER 2023-24

During the year, our consolidated net worth decreased by Rs.34 crores, which decreased the per share book value by twenty-eight per cent. Over the last sixteen years (that is, since the present owners took over) per share book value, has grown from Rs.260 to Rs.269, which, after factoring in dividend paid during this period, works out to a rate of 0.4% compounded annually.

A small note on how the above figures have been recalculated after the demerger of the Revathi business from the erstwhile Revathi Equipment Limited. Section 49 of the Income Tax Act, 1961 specifies how the net worth of a company is to be split into the net worth of two companies when a company is split into two independent businesses. Following the prescribed guidelines, thirty-two point five per cent of the net worth of the combined businesses is to be allocated towards Revathi shares and the balance sixty-seven point five per cent is to be allocated to Semac shares. We have gone back to FY03 and recalculated the gain in book value per share for both companies. However, given we acquired Semac only during FY09, we have taken that as the base year for the above calculations.

I have not witnessed such a dramatic (and sudden) shift in the trajectory of a business as we witnessed at Semac in FY24. Just when everything looked like it is falling into place, one by one, things started unraveling. We had bid for projects worth over Rs.2,000 crores, the team was delivering projects to the satisfaction of our clients and it felt like we should be able to accelerate our pace of growth in the coming years.

Instead, delays in project closures started a vicious cycle during the third quarter. As older projects reached closure and not enough new work in hand, the senior team that was running the business day-to-day started feeling the heat and started to step down. Over the course of six months, three members of the leadership team stepped down. When seniors leave in quick succession, the people reporting to them also start to feel uneasy and start looking for opportunities outside.

We had to deliver the projects we had in hand, rebuild the leadership team, try to win new projects and also manage cashflows to keep the wheels turning.

When Revenues fall, the first thing to do is to cut costs. We started sensing that things were a bit off as early as the second quarter. However, when there were almost no wins till the end of the third quarter, we realized we will need to cut costs. The reason we did not initiate this exercise sooner is obviously that we believed it is a matter of time and we will win some of the

projects we had bid for. So, we had to give ourselves time to win before we reach the point where we are forced to recalibrate and rejig our cost structure from a “building for growth” scenario to a “revenue degrowth” scenario.

Towards this goal, at India level, we cut fixed costs from about thirty-seven crores to twenty-eight crores, or a reduction of about twenty five percent. We were able to capture only a part of the savings within the financial year as the rationalization exercise continued into the new financial year. We are targeting to keep our fixed costs below Rupees Twenty-five crores for revenues up to Rupees Two hundred crores.

While we have hired some people to replace the senior team members who moved on, the job of team building is ongoing. Ultimately, a CEO is only as good as his/her team and therefore team building is perhaps the most important role of the CEO. I have attempted to build the team a couple of times. Unfortunately, it has not worked out as well as I would have liked. So far. That will not stop me from trying again.

This is the time to put our heads down and work harder to make the business fly. I remain sanguine about our prospects and hopefully next year’s commentary will be more positive than this year’s.

MR. ABHISHEK DALMIA
Chairman and Managing Director
DIN: 00011958

PLACE : New Delhi
DATE : 06.08.2024