



With investments totalling ₹39.2 lakh crore lined up in urban infrastructure development as well as in the power, pipeline and oil and gas sectors, valve manufacturers have reason to rejoice. PHOTO: REUTERS

Small valve manufacturers gear up for explosive demand growth

Focus on expanding their manufacturing capacities and upgrading technologies

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With huge investments lined up in urban infrastructure development, estimated at ₹39.2 lakh crore over the next 20 years, as well as in the power, pipeline and oil and gas sectors, valve manufacturers in the country are riding on a new high.

They are now focusing on expanding their manufacturing capacities and upgrading technologies to gain a share of this opportunity. India has about 600 valve manufacturers, of which more than 95 per cent are in the micro, small and medium enterprise (MSME) category.

According to a report on 'Indian urban infrastructure and services' drawn up in March 2011 by an expert committee set up by the ministry of urban development, investments totalling ₹39.2 lakh crore investments are lined up for urban infrastructure

development over the next 20 years. This apart, the Central Electricity Authority (CEA) has plans to add 100,000 Mw in power generation capacity during the 12th plan.

"Out of this total ₹39.2 lakh crore investment, 10-15 per cent will go towards water-related projects. And the valves segment constitutes 2 per cent of the total cost of the water projects," said an official of a Hyderabad-based valve manufacturing company.

Keeping this in view, Chennai-based Propel Valves Private Limited, a small valve manufacturer with an annual turnover of ₹3 crore, plans to upgrade technology to international standards, and expects turnover to climb to ₹5 crore in the next two years.

E S Narayan, head (marketing), Propel Valves, said, "We are looking to add 500 units to our 3,000 units annual production capacity. And we expect sales to go up to ₹5 crore from the current ₹3 crore."

"The demand for high-quality industrial valves is growing. There is

demand from across all sectors, including oil and gas, energy, water, waste water and infrastructure development. So, we are planning to upgrade our technology," he said.

Currently, the Indian valve industry is pegged at ₹4,500 crore (with exports contributing about ₹1,000 crore) and growing at 10-15 per cent year-on-year. The industry is expected to retain its double digit growth in the next few years owing to these projects.

The export market is expected to grow at 20 per cent a year, compared with 12-14 per cent annual growth for the domestic market, Narayan said.

"India is turning into a hub for quality valve manufacturing with its triple advantage over its European counterparts — low-cost labour, skilled manpower and a 25-30 per cent price advantage," V Sessaiah, managing director of Hyderabad-headquartered VAG-Valves India Private Limited, said.

VAG-Valves, a subsidiary of Germany-based VAG Armaturen

GmbH, which has a manufacturing unit at Pattancheru in Hyderabad, also plans to double its production capacity to 100,000 units of valves in the next two years, with an investment of ₹18-20 crore.

Pune-based Virgo Engineers expanded manufacturing capacity at its Chennai plant last month. V R Jayaramam, director (technology and new projects), Virgo Engineers, said. "The boom in the valve industry is happening for both MSME units and big players." Virgo has recorded a ₹300-crore jump in turnover over last year to reach ₹1,000 crore.

However, despite the booming market opportunities, the valve industry is characterised by low profit margins, lack of innovation and technology upgradation, and problems relating to supply chain management, logistics and increasing raw material costs. "Increase in raw material cost hugely affects production, as it constitutes 60 per cent of the product cost," Sessaiah said.