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Renewed Confidence Of Overcoming Pandemic Giving Businesses Much-Needed Energy Boost, Says L&T CEO And MD S. N. Subrahmanyan

In an exclusive interview to Vivek Avasthi, the Editor-in-Chief of www.indianpsu.com, the CEO and M.D. of the conglomerate said L&T has deliberately and slowly enhanced its technology footprint that will see its technology portfolio increase its contribution

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Q1. L&T bagged quite a few large orders for several government projects this year. Is this sustainable given that government finances are stretched and there always is uncertainty on policies?

We have witnessed an encouraging order inflow of INR 73,233 Crore for the quarter ending December 31, 2020 reflecting an increase of 76% over the corresponding quarter of the previous year. While several of these mandates were from either the central, state governments or PSUs, they were largely laterally funded by institutions like JICA, World Bank, IMF, and others hence not over-straining the government's resources. We are extremely optimistic of this trend continuing as the government is intent on fast-tracking infrastructure development to rejuvenate the economy.

Q2. What is the outlook for 2021 given the environment that we are in?

With the advent of the vaccines, there is renewed confidence of overcoming the pandemic which is giving lives and businesses a much-needed energy boost. There are definite signs of the Indian economy recovering, and more pertinently for L&T, the government's efforts to fast-track several laterally funded infrastructure development projects has been an extremely welcome sign. With a rise in business sentiment, there has been a turnaround in India's industrial and economic activity reflected in the government's consistently larger GST collections.

From our perspective at L&T, the strong revenue for Q3 of FY21 shows a return to pre-COVID levels and we expect a sharp pick up in projects finalization in the current year largely attributable to the project proposals pending in the power transmission and distribution, water, metro rail, roads and elevated corridor spaces. Our order book at some INR 3.5 lakh crores – mainly from the government sector – is at a record high that too signals a speedier project finalization by clients in the infrastructure sector.

Globally, business sentiments are still cautious as localised repeat outbreaks of COVID-19 are forcing some countries to revert to lockdowns. The near-term outlook remains uncertainty on the trade front between US and China and forecast of subdued oil prices affecting Middle East economies.

Q3. Post pandemic era how do you envision the transformation of design / construction processes, marketing, and supply chain management, especially with the advent of disruptive technologies?

Over the last few years L&T has deliberately and slowly enhanced its technology footprint and is charting a course in the recent years that will see its technology portfolio increase its contribution vis a vis its traditional businesses. In 2014-15 the world was seeing a tectonic shift with Digital Technologies. These emerging technologies were creating new processes, new business models and entirely new businesses. Digitalization and Digital Transformation was sweeping the business world. L&T was seeing and experiencing this first-hand from its clients of the IT service companies. L&T saw the opportunity of Digital as twofold. First, to Digitally transform its own operations and use these new technologies to get better at what it was already doing well. Second, to look at Digital as a new business opportunity that could shape its future portfolio. L&T started doing both and it acted swiftly with determination, speed, and scale.

Q4. Digital is the buzzword these days. How is L&T readying for this fourth industrial revolution?

Over the last few years L&T has deliberately and slowly enhanced its technology footprint and is charting a course in the recent years that will see its technology portfolio increase its contribution vis a vis its traditional businesses. In 2014-15 the world was seeing a tectonic shift with Digital Technologies. These emerging technologies were creating new processes, new business models and entirely new businesses. Digitalization and Digital Transformation was sweeping the business world. L&T was seeing and experiencing this first-hand from its clients of the IT service companies. L&T saw the opportunity of Digital as twofold. First, to Digitally transform its own operations and use these new technologies to get better at what it was already doing well. Second, to look at Digital as a new business opportunity that could shape its future portfolio. L&T started doing both and it acted swiftly with determination, speed, and scale.

Q5. What is the outlook on private capex, are you seeing signs of revival?

We do not expect the private sector to loosen its purse strings for another 6-12 months in the infrastructure space. A very significant improvement in ground realities, liquidity, business sentiment, and confidence are imperative for private players to feel adequately safe to re-enter the fray. Till they do, we will have to depend solely on government-led initiatives and projects.

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