



“We have orders worth ₹580 crore from the Oil and Gas sector in 2010-11”

Petron Engineering Construction Limited is a key player in the Oil and Gas construction field in the country. The company has executed more than 400 construction projects in this sector over the last 34 years and has several more in the pipeline. **T. S. Das**, MD, Petron, in a conversation with **Manjushree Naik**

Which are the major projects you are handling in the Oil & Gas sector?

We have completed more than 400 construction projects in this sector over the last 34 years. Currently we have the order backlog of around ₹1,430 crore out of which around ₹800 crore of orders are from the oil and gas sector. We are also doing EPC projects in fired heaters for oil and gas sector, worth around ₹520 crore.



Mechanical works for HCU DHDT heaters for Bharat Oman Refinery, Bina, M.P.

We are presently executing the contracts for some major new grassroot refineries such as HMEL-Bathinda refinery, IOCL-Paradeep Refinery, NOCL-Cuddalore Refinery and BORL -Bina which will increase the refining capacity of the country by around 36 MMTPA. These projects have given our company an opportunity to get the business for capital goods like fired heaters which are one of the critical units in the refinery. We are also undertaking large-scale construction work in these and some other refineries.

Besides oil and gas, we are also executing many projects in core sectors such as power and cement.

With regard to your key projects, give us details such as client, cost, beginning and completion and so on. Following are the major projects being executed by us currently in the Oil and Gas sector:

- A project of fired heaters for AVU for IOCL Paradeep Refinery of around ₹200 crore. Its start date is April 2010 with construction period of 20 months. This is the EPC order i.e. design-engineering, procure-

ment, construction and commissioning of heater.

- Fired heaters for NHT/CCR unit on LSTK basis of IOCL Paradeep Refinery valued at ₹160 crore. We bagged this order in May 2010 and the completion is scheduled by Jan 2012.
- Another major LSTK order being executed by us for the Paradeep Refinery pertains to VGO-HDT heaters for ₹60 crore. Secured in March this year, this order is slated for completion in Dec 2011.
- Recently we have bagged the biggest single domestic order in our history for a vertical construction contract (V2) for FCC/Merox and other units. This order is valued at around Rs 230 crore and the customer is Nagarjuna Oil Corporation Limited for their Cuddalore refinery. This was booked in July 2010 and the completion period is 18 months, which is quite challenging, considering the amount of site work involved. We are however confident of completion of this project in time.
- Incidentally, we had secured two smaller supply orders for DCU/DHU fired heaters, from NOCL Cuddalore for around ₹55 crore with completion period of 15 months from the start of the project i.e. of March 2010.
- We had earlier secured CDU/VDU, DHDT and NHT/CCR heaters from Hindustan Mittal Energy Limited, Bathinda, which are on the verge of completion. These project

orders are of about ₹200 crore.

- We have almost completed the mechanical work for HCU/HDT units from Bharat Oman Refinery Limited (BORL) at Bina in Madhya Pradesh. Earlier, we had successfully completed the EPC of fired heaters for HCU/DHDT units and the electrical jobs for off-sites. The value of all above jobs is around ₹235 crore. The refinery units will soon be ready for commissioning.
- We have already completed the equipment erection and piping work (around ₹90 crore) for HGU/DHDT project of IOCL Gujarat refinery to meet their Euro IV emission norms. The salient feature of this project is the erection of two heavy reactors of 800 MT & 700 MT in single piece.
- We have also completed the composite mechanical work (around ₹76 crore) for Chennai Petroleum Corporation Limited (CPCL) to meet the stringent Euro-IV emission norms. The salient feature of this project is the successful erection of DHDT reactor (580 MT single piece).

Highlights in 2009-10 for Petron were as follows:

- We achieved maximum man-hours of 16.47 million without any lost time injury.

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“We have orders worth Rs 580 crore in 2010-11”

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- We were successful in getting certification of ISO 9001:2008 for quality system management.
- We were awarded OHSAS 18001:2007 for Health and Safety Management system certificate awarded during Oct.
- PECL was accredited with ISO 14001:2004 for environmental management system.
- Petrofab, a division of Petron, was accredited with U, R and NB stamps by ASME.

How has been the growth in the sector this fiscal?

We have already bagged orders worth ₹580 crore from the oil and gas sector in this fiscal year i.e.2010-11. This compares well with the ₹305 crore orders secured by us in the same sector during last year. There has been a remarkable growth in order booking in this sector, due to the new grassroots refineries of IOCL Paradeep and NOCL Cuddalore. The other promising sectors



MEG project for naphtha cracker at IOCL Panipat (Client: Samsung)

which we are also targeting this fiscal year for order booking are power and cement.

How was it last fiscal in terms of turnover?

The shift towards EPC projects by our company has resulted in increase in both the top line as well as the bottom line. To illustrate, our turnover in 2009-10 grew by 16 per cent in spite of the downturn, but more importantly the PAT has grown by 269 per cent over last year i.e. 2008-09.

We have recorded a 16 per cent growth in 2009-10 as compared to 2008-09. The turnover of the company grew from Rs 461.8 crore to Rs 533.75 crore. We have recorded a jump in PAT by 269 per cent in the FY 2009-10. The PAT is Rs 23.8 crore as compared to Rs 6.46 crore last year.

What kind of business are you looking at in fiscal 2011?

We are active in the field of refineries and power projects and we are optimistic about increased share of power projects in fiscal 2011. The outlook for 2010-11 remains positive and as per the Reserve Bank of India, GDP growth rate for 2010-11 will be around eight per cent with an upward bias.

In line with the project investments published by *Projects Today*, strong growth rates are expected in power, cement and steel sectors by about six-10 per cent.

In terms of figures, we expect around 30 per cent growth in our turnover for 2010-11. The major contributor to this turnover are the oil and gas sector and power sector, the orders for which we are executing this year. As far as the new order booking is concerned, the bulk of the new orders will come from power, cement and some from oil & gas.

Give us details about your order book.

We have orders worth ₹1,430 crore as on July 1, 2010. This financial year, in the first four months itself we have booked orders worth ₹620 crore.

We have ongoing major EPC contracts for heaters and construction orders from refineries like Paradeep, Cuddalore, Bina and Bathinda totalling about ₹790 crore. We also have substantial order backlog in the power sector of around ₹550 crore.

Additionally, we are executing some construction contracts in cement plant of around ₹75 crore.

What new areas pertaining to the Oil & Gas sector or any other related sector are you planning to enter into?

We are planning to enter into EPC of captive power plants. Another emerging sector is nuclear power in which some activity in the form of new projects and revamps is expected in this year. We are also betting on the Gulf market for our growth in the near future.

What more can be done to improve execution of projects in the sector?

In our opinion, in most of the projects, the delay in engineering and procurement phase has a snowball effect which affects the construction phase and which in turn puts a strain on the construction resources, which will finally lead to delay in project execution. If proper care is taken in the initial phases, this can be avoided.

Also vertically split contracts should be encouraged by owners because of their advantages such as single-point responsibility, faster execution and lesser interface with other contracting companies thus avoiding delays, and so on. All of this could result in saving in time for the project to go on stream earlier. ■