

# Expanding horizons

**I**FGL Refractories, which makes specialised refractories, ceramic components and operating systems (used mainly in the steel industry), has emerged as an international player with a world market share of 6 per cent. With its new Kandla plant exporting since November, IFGL has transitioned from a global service and trading company to a serious player in the industry. In addition, with the acquisition of EI Ceramics in Cincinnati in the US, it now has a manufacturing foot-print across the globe.

The ₹30 crore Kandla unit, which will produce about 100,000 pieces annually, complements the IFGL plant at Rourkela, Orissa. Rourkela has grown from 350,000 pieces to 675,000 pieces annually from 2008. As much as 60 per cent of the production is exported, while it has a 20 per cent national market share. IFGL also produces refractories for the steel industry in the UK, US, China and Brazil. It has a significant production, trading and service presence in all major markets, except perhaps the former Soviet Union.

With all these activities, IFGL has chalked up a consolidated turnover of ₹468 crore for FY11 – up from ₹380 crore in FY08 – with a net profit of ₹24 crore. Its current second quarter sales were at ₹285 crore, as against ₹215 crore last year.

IFGL is publicly listed, with a 72 per cent equity stake held by the Bajorias, who are the promoters of the company. The share quotes at ₹34, but is lightly traded. Its performance is just below the BSE small cap average, but the company has invested its spare cash wisely to build capacity by buying local players in the world's biggest steel markets. "We have grown 13 per cent, against an industry growth of 6 per cent. We expect to hit a ₹600 crore turnover in FY12, as our investments

are beginning to pay off," says Pradeep Bajoria, managing director. "IFGL is comfortably placed with regard to its debt-equity ratio and can fund further acquisitions for high value steel industry refractory products," says Paulastya Sachdev, director, Aadhar Securities, who has been tracking the company.

IFGL acquired EI Ceramics and CUSC International Limited, both of Cincinnati, Ohio, for \$13 million (₹65 crore) in 2010. EI Ceramics makes 90,000 pieces of high-end ceramics, including thin-slab continuous steel casters, while CUSC handles the raw materials, warehousing packaging and service for EI Ceramics LLC. "The thin slab caster technology is gaining popularity in India, which will give us an advantage in future," says O.P. Agarwal, vice-president. "Thinness reduces the rolling process for the steel manufacturer and saves 10-15 per cent of production cost."

In an area completely different from steel, IFGL has set up a small bio-ceramic plant making ocular implants, hip joint and dental granules, in collaboration with the Central Glass & Research Institute of Kolkata. In India, 80 per cent of the people who suffer from arthritis are from low socio-economic groups and are deprived of such expensive artificial ceramic joints manufactured abroad. Indigenously manufactured IFGL's ceramic joint is now expected to be available at affordable prices. These low-volume, high-value, products are sent for applications in hospitals. The company claims that its niche products have gained popularity within the healthcare fraternity.

IFGL, which had first moved up the tonnage business to establish long-term viability, then climbed the value chain in India is now beginning to find its feet globally.



SAJAL BOSE

*Bajoria: 'our investment is now paying off'*

*In December 2008, Business India had written about the contrarian strategy of the Kolkata-based IFGL expanding in a bear market. With low leverage, it is now putting itself in a position to exploit the revival of the steel industry*