FGL Refractories Ltd, manufacturer of specialised refractories and requisite operating systems for the steel industry, offers total solutions for flow control in steel teeming and continuous casting of steel.

The company manufacturers slide gate systems and refractories with the latest know-how from Krosaki Harima Corporation, Japan, a subsidiary of Nippon Steel Corporation. The continuous casting refractories plant set up in technical collaboration with Krosaki Harima Corporation, Japan (then known as Harima Ceramics Corporation) started production in 1993, manufacturing isostatically pressed continuous casting refractories and magnesia carbon tap-hole sleeves.

In 2005, it acquired the Monocon Group, with production facilities in Brazil, China, the UK, the US and
What is the current status of the refractory industry in India?

I would put it this way... the refractory industry in India is now very matured. It has really upgraded itself, technology-wise. The best players of the world are now here... Biggies like Vesuvius, RHI, Krosaki... Other large players are exporting to India ... for instance, Pohang Refractories which manufacturers from China and Chosun Refractories from South Korea. Other players are looking to enter the Indian market to set up their manufacturing or trading base. The Indian steel industry has really matured and upgraded technology-wise.

What is the most important concern of the refractory industry in India?

The refractory industry anticipated an increase in steel production. Unfortunately, the refractory industry has expanded but steel production has not done so in a similar manner. Moreover, steel plants are not doing well. Most of them are in the red. So the biggest concern is capacity utilisation and price pressures. If the steel plants are not doing well, refractories will face price pressures.

How is IFGL placed in the current scenario?

The situation at IFGL is not as alarming because of the group’s diversified location. IFGL is not only located in India but Europe and America as well. The European and American steel industry is going steady – so our overseas operations are steady. Of our Indian operations, we export almost 55 percent, which has been helped by the devaluation of the rupee. So that is the scenario at IFGL, compared to other
manufacturers. We are in a niche market, not in the project segment, like TRL or ACE. We are very positive at present, and the sentiment across the country is also positive that the steel industry will pick up and thus it will be good for the refractory industry.

What are the other negative factors worrying the refractories sector?
As I have said earlier, capacity utilisation and price pressures are the two challenges being faced by the industry. I would say capacity utilisation at present in India is no more than 60 percent. This is true for the overall industry as well.

What is the percentage of raw material cost in the cost of production of a refractory maker?
The Indian refractory industry continues to import raw material from China and currently raw material prices in China are steady. So there is not much to worry about on this aspect. The Chinese industry is also on the downtrend, so with regard to raw materials availability and prices, the pressure is not that much.

To what extent is quality manpower available in the refractory industry?
One of the biggest worries in the refractory industry in India is the quality of manpower. This is because less and less people are taking up ceramics. Quality students are going into information technology (IT) and mechanical engineering. So this industry needs to train people and develop quality manpower. This is one of the biggest concerns in the industry.

What are main technology forms adopted by refractory makers in India and who are the technology providers?
With the advent of Krosaki, RHI, Chosun, Pohang, India is getting rich in technology and the aim is to reduce more and more per kilogram consumption of refractories per ton of steel from the point of view of environment as well as production costs. The refractory industry, keeping these two points in mind, has taken up recycling of material. It is beneficial in terms of both environment and costs. This means that used refractories are re-utilised. They are crushed, grounded and re-used.

What are the important export markets for IFGL?
IFGL is mainly into functional refractories. Globally, our share in this category is 5 percent. So we have a huge upside to grow. In India, in this area, we probably have around 20 percent share. Our export markets are mainly Europe, Middle East, Africa and America. We have our own company in America which caters to those markets.

Where are IFGL’s production units located? What is your total production capacity in India and abroad? What is the status of capacity additions at Kandla?
If you see our main product line – it continuous casting refractories. So, currently, at our Kalinga plant we have capacity of around 300,000 pieces per annum. At Kandla, about 84,000 pieces per annum and in the US, another 84,000 pieces per annum. We are already doubling capacity at Kandla which should be ready by the next financial year. Similarly, we are doubling capacity in the US. This will also be ready by the next financial year.

What would be the likely investment in this two capacity expansion plans?
It is not very big. In India it is about ₹5 crore and in US about half a million dollars.

Are these being funded mainly through internal accruals?
Mainly, yes.

Who are your main competitors?
Our main competitors in this product line are Vesuvius and RHI. In India, they are Vesuvius, Orient Refractories and OCL.

What do you have to say about the growth prospects of the refractory industry in India?
The growth prospect of the refractory industry in India will depend entirely on growth of the steel industry which is entirely dependent on growth in the infrastructure sector. I think, eventually, that has to happen and, therefore, the refractory industry should have good prospects.

What is the current growth rate in the industry and what are the expectations like?
It depends on the steel industry. It can double or triple if the steel shows very high growth rate. Today, all the major players have a presence in the Indian refractory space and those not present are looking for an entry and are ready to pay any price for
it. Calderys is among the top five in the world. There are Vesuvius and RHI as well. Krosaki, technology-wise, is the strongest with Tata Refractories. Chosun and Pohang are exporting in large volumes to India. Pohang has set up shop here. Everyone is eyeing a presence in India, which seems to be THE destination. On the foundry side, Allied is doing big business. It is setting up shop in Gujarat. Saint Gobain is expanding. Major players like TRL and Vesuvius too are expanding.

One major factor is the expansion in ports since the refractory industry is dependent to a large extent on imported raw materials. This is one of the main reasons why the major players are expanding in ports. Logistics costs are very high these days.

Tell us something about yourself. How you have grown over the years, what are the challenges you faced during your early years in business and how you inspire others?

My passion is sports. In my early days, it was tennis, now it is golf. Whatever you do in life you have to enjoy. My advice to youngsters would be that, for anyone to succeed you will have to concentrate on customer satisfaction. Success will automatically follow.

Tell us about your growing up years, when you just entered this industry. How did you take up challenges and what vision did you work towards?

When I started my career, ie, in the early ‘80s, the most challenging factors in this industry was technology and, availability of good quality raw materials. But the Indian industry has overcome this. Technology-wise, we have become quite strong and because of the relaxation in imports, the industry has full access to quality raw materials.

When we started out, the import duty was 100 percent. But now the duty is only 5 percent. So the problems of technology and raw material are now overcome.

So what is the next biggest challenge?

The challenge is refractory management, ie, installation and managing the refractory at the customer plant-end. We have to interact with the customer, provide manpower for maintaining the products. This has become the most challenging factor in the refractory industry.
Import Duty Anomaly Must be Removed

The refractory industry is inextricably linked to the iron and steel sector, which consumes 75 percent of its production. There are more than 100 players in this space in India but only around 14 are major and 33 medium-sized. The slump in steel markets in the US and Europe has led to a global scenario of oversupply in refractories, making domestic producers contend with increased import volumes. Domestic production has not grown much during the last couple of years, dropping to around 1.28 mt in 2012-13 against 1.42 mt in 2011-12. Though production decreased, the industry’s turnover increased due to demand for more specialised items. Moreover, the import duty on the finished products is almost on par with that on raw materials, rendering domestic players even more uncompetitive. However, with the passage of time, the industry has matured and has been doing reasonably well and the presence of leading global players will only help competition to hot up in relation to supplying quality refractory material, Kamal Sarda, Committee Member and ex-President, Indian Refractory Makers Association (IRMA) and CEO, IFGL Exports Limited, tells Tamajit Pain and Madhumita Mookerji of Steel Insights.

Excerpts:

How has the refractory industry been faring against the backdrop of the fact that the steel, cement and other user-industries have been performing poorly over the last few years? The industry has been doing fairly well of late, essentially because Indian refractory-makers have also been exporting a great deal over the last few years. I would say... the industry has been doing reasonably well.

How big is the refractory industry in India and what is its growth rate?

At IFGL, over the last five years, we have seen a compound annual growth rate of 15-16 percent. I think, most of the large refractory companies have also registered similar growth. Vesuvius India, Orient Refractories etc have also grown quite well.

The refractory industry for steel and non-steel together has a turnover of around $1 billion. Indian Refractory Makers Association (IRMA) has industry representation of close to 70 percent of the total refractory industry.

What are the key issues plaguing the sector at present?

Globally, there is an oversupply scenario in refractory manufacturing. Supply is more than demand because, apart from India, China and a few other countries, Europe and the US have not grown to that extent in steel manufacturing. So, there is a challenge of imports of refractories into India.

And one key reason for this is that the duty on imported finished refractory is almost at par with refractory raw materials. The government has not given any sort of protection regarding this. IRMA has represented to the government but, I think, the steel industry also has to support this representation.

Could you elaborate further on the duty structure?

If we import finished refractory, the customs duty is around 5 percent. But if the refractory-makers import refractory raw materials, then the duty is 5-7.5 percent, which means, the customs duty on refractory raw material duty is more than that on the finished refractory.

What about the dumping aspects from China?

I do not think there are no such major issues here. Apart from magnesia products, imports from China are not much. Magnesia products are imported from China because India does not have a good quality of this particular raw material. Only few players manufacture magnesia carbon bricks in India. Some refractory manufacturers have magnesia carbon brick manufacturing plants in China -- like Vesuvius, RHI, Tata Krosaki Refractories, OCL etc. Also, there are players in India who import from China. Thus, dumping is not a big issue.

How can the challenges be resolved?

First, the duty anomaly must be corrected to protect Indian refractory makers. The duty on finished refractory should be at least same, if not higher, than that on imported refractory raw materials, so that the Indian manufacturers are protected.

Secondly, the steel industry has to grow faster, the new projects in the pipeline have to be completed on time, and government expenditure on infrastructure has to increase substantially and quickly. This is essential because around 75 percent of the volume of refractories manufactured go into the steel industry.
The steel industry consumes almost 75 percent of the total refractory manufactured. The steel industry is expected to grow by almost 30-40 million tons in five years’ time. That will help the Indian refractory industry.

How do you see the refractory industry faring over the next 3-5 years?
We should be looking at 6-10 percent volumes increase over the next five years in line with the growth in the steel industry.

In a steel mill, where exactly do refractories find usage?
Starting from coke oven to steel-making, in every step, refractories are required.

Is the domestic refractory industry self-sufficient in technological know-how?
Most of the world leaders are in India at present – Vesuvius, Caldeiros, RHI, Krosaki Harima etc. Other manufacturers have either purchased or developed technologies to meet the requirements of the user industry. Large international players who have the technology are coming to India directly. So, technology is not a big challenge anymore.

Where exports are concerned, which geographical locations are these sent to?
Overall, what is the share of exports in the total production basket? Going forward, to what extent is this likely to increase?
Domestic players export to various parts of the world. Except China and Japan. A big chunk of exports goes to the European region. Many players also sell in the US, Middle East, CIS countries and South East Asia as well.
Refractory exports will be around \`1,000 crore, which would be 15-20 percent of the overall industry turnover.
The Indian refractory quality is as good as anywhere in the world. We are increasingly progressing towards better manufacturing, qualitatively and so exports volumes should increase.

How much of refractory is required to manufacture 1 ton of steel?
This depends on the quality of the steel plant. An efficient steel plant would use 8-10 kg of refractory per ton of steel and this could go up to 15 kg per ton of steel at other plants.

How does the future of this industry look like? Any newer challenges likely to crop up in terms of customer support etc?
The scenario is not going to change substantially. Global players like Vesuvius, RHI, Krosaki etc have been in the Indian market for quite some time. RHI, Krosaki and Caldeiros have now acquired units in India. So, basically, these players will operate in the same market. The scenario is not that post-acquisition of the Indian units, their topline will double or triple!
May be, a scenario will emerge where this new structure will help improve the quality of refractories. Good quality refractory manufacturers will continue to remain in a strong position in the market and the steel industry can expect better quality refractory material.

Has the presence of global players made the market more competitive for domestic players?
The global players have been in India for quite a long time now and very few have set up their own manufacturing units. Rather, they have acquired Indian plants.
Competition has always been there. I do not think, there will be a major shift in the competitive scenario in India. Going forward, because of the experience and expertise of the global players, the quality of refractories will improve… The steel industry has been demanding good quality refractories and the industry will have to supply such material.
I think the competition would be with regard to supplying good quality refractory.