

11th Foundry CEOs Meet

6th April, 2018

Hotel Radisson, Coimbatore

The 11th Foundry CEOs Meet was organized by The Institute of Indian Foundrymen (IIF) at Hotel Radisson, Coimbatore on 6th April, 2018. Approx 45 CEOs from leading organizations such as Kirloskar Ferrous, PSG Institutions, Sakthi Auto, Elkem, Kutch Oresclay, Kastwel Foundries, Bhagwati Spherocast, Gargi, Ammarun, Nelcast, Sri Seetha Lakshmi Steel Casting, Ultimate Alloys, Bharat Chemicals, CRI Pumps, Indoshell Castings and many others from across the country participated in the CEOs Meet.

Mr. K. Samaraj, Past President IIF, welcomed the participants and thanked them for sparing their valuable time and travelling from different parts of the country to participate in the CEOs Meet at Coimbatore in large numbers. In his opening remarks, Mr. Samaraj mentioned that in spite of good increase in demand, the bottom-line has shrunk by over 10% instead of top line up by over 30% in last few years. There are several other challenges like protectionism, uncertainty in EV mobility policy, steep hike in raw material prices & other inputs and therefore the industry needs to formulate strategies to tackle these challenges.

Further he said, there is usually tendency of the customers to defer reasonable price adjustments in case of increase in input prices and by the time the customer agrees to partly compensate for input increase, two quarters are already gone and another price hike comes in force. Therefore, the industry needs stable and predictable prices to overcome the issue of price increase. He asked, can we think of quarterly contract with material supplier for future's market for raw material?

Dr. M. Manickam, CMD, Sakthi Auto Components, one of the leading foundries producing over 1.0 Lakh TPA of castings, having overseas units shared his thoughts. He mentioned that main challenge today is reasonable profitability and main challenge is being posed by commercial vehicle industry. He stressed on the need of right manpower and mentioned that their organization has started training schools and training centres where they have trained over 900 engineers and supervisors, out of which over 300 have been absorbed in their own organization. Skilled manpower is absolutely necessary for competitiveness. He also laid emphasis on benchmarking of various operations for profitability and competitiveness.

After this the house was thrown open for discussion.

Mr. Gautam of Elkem mentioned that productivity in India is lowest per person per year and this needs to be improved. Mr. Gautam also responded that it is possible to have quarterly contracts, however, sometimes if there is an abnormal variation in demand, there needs to be a suitable provision in the contract to make adjustments for the variation.

Mr. S. R. V. Ramanan also mentioned that RIO TINTO offers quarterly prices which gives stability and comfort.

In response to Mr. K. Samaraj comments that sometimes the suppliers supply same material under different trade names with different pricing, Mr. Ramanan responded that sometimes tailor made products have to be manufactured to meet the specific requirement of customer and accordingly they attract different prices.

Mr. Sanjay Shroff mentioned that several foundries are having quarterly contracts for raw material, however in such cases, the customer has to commit the quantity and other terms and accordingly adjustments in the contract has to be made.

Mr. Jain of Porwal Auto mentioned that major cost of inputs is scrap. Earlier there were annual prices for scrap, which changed to quarterly, then monthly and now these are valid only for fortnight. And therefore, quarterly contact for this major input is not possible.

Mr. K. Samaraj, agreed that scrap is a big question mark but we can start with other inputs.

Dr. Nithyanandan of Bradken Ltd., explained that they have started a platform for reverse auction of various raw material prices, where approx 12 foundries have come together and are clubbing 3-4 items. This has helped them to stabilize prices in last few months and they have already done transactions worth about 72 crores during last 12 months and saving them approx 3-4% of input cost of raw material. He also mentioned that his organization, Bradken Ltd., has several units overseas and the Indian manufacturing facility has lost its competitiveness from fourth low cost unit to third low cost unit. He emphasized the need of control of operational parameters such as, melting operating time, furnace hold time, reduction of sand and other consumables and restricts specialization on selected items only. He added, minimum wages and other costs will only go up, therefore there will be tremendous pressure on increasing productively.

Mr. Shashi Kumar Jain, Vice President IIF said, similar experiment has been successfully done in Faridabad by aggregating the requirements of the foundries, which has given negotiating power as a result of collective buying which has translated into stabilization of major input prices to some extent.

Mr. Raghav mentioned that all medium foundries have 3-4 customers and we have negligible negotiating power. The average payment terms of 30-45 days are not honoured and these are delayed in several cases and go even upto 90-120 days. He mentioned that like CEOs Meet, why can't IIF organize Customer's meet for better communication with the clients and better understating from the customers for mutual benefit.

Mr. Amish Panchal, President IIF, mentioned that, IIF have created a pricing index committee; however the response from industry is very tardy and scanty. He also mentioned that, we should explore establishing a costing centre which will be responsible for collecting data and publishing in IFJ and should explore development of APP for data sharing.

The key take away from meet were:

1. The foundries should explore entering into quarterly contacts with their key raw material suppliers to the extent possible to ensure stability of prices.
2. IIF should organize quarterly interaction with the major customers for better understanding and dialogue for promoting mutual cooperation.
3. Prices indices possibility may be published in IFJ

Mr. Shashi Kumar Jain presented the vote of thanks.