

Foundry CEOs Meet – Brief Report

The Institute of Indian Foundrymen (IIF) organized the 6th Foundry CEOs Meet at Hotel Gateway, Kolkata on 11th Aug, 2016.

Approx. 50 CEOs from leading companies like Magna Electro Castings Ltd., Wesman Engineering Co. Ltd., Om Besco Ltd., Texmaco Ltd., SE Forge Ltd., Nelcast Ltd., R. B. Agarwalla & Co., Forace Polymers, Peekay Steel Castings, Indsat Corporation, Kastwel Foundries Ltd., Gargi Huttenes Albertus besides others participated in the CEOs Meet.

Mr. Vikas Garg, Chairman, Policy Advocacy Committee- IIF, in his welcome address, briefed the CEOs on various initiatives taken by IIF with regard to policy advocacy with the Government and he highlighted the various outcomes, which were also circulated to members.

He informed the CEOs that 16 training modules have been developed on foundry operations supported by the office of DC MSME. IIF has also formed committees to take up the discussions on foundry specific research and low cost automaton with CITD-Hyderabad & CMTI-Bangalore further to the discussions with DC MSME and DIPP. IIF has also constituted a committee under Prof. B. Ravi of IIT, Mumbai. The committee under Prof. Ravi will meet the Director NIFFT-Ranchi later in Aug, 2016 to review the curriculum and infrastructure and will send its recommendation for further perusal by IIF with concerned Govt. Ministry.

He also informed that IIF is promoting the scheme of Department of Heavy Industries (DHI) for setting up of Centre of Excellence for castings and is also promoting Zero Defect Zero Effect (ZED) scheme of Ministry of MSME to enhance competitiveness of MSMEs.

IIF has proposed for setting up of task force for indigenization of castings for railways and defense which will have huge potential in near future.

GST will soon become reality. IIF has appointed tax consultants M/s. Grant Thornton to study the impact of GST on foundry operations and after due consultations with industry leaders they will send their recommendations for submission to the concerned Govt. authority.

He also informed CEOs that Ms. Sheela Bhide, Retired IAS Officer, has been appointed as advisor to help IIF in policy advocacy matters and Mr. Garg requested CEOs to nominate a nodal person in their respective organizations to coordinate with IIF and submit feedback from time to time.

Mr. K. Samaraj, outgoing President IIF welcomed & thanked the CEOs for their participation and mentioned that together we can solve many issues.

Mr. Anil Vaswani, Incoming President IIF in his address mentioned that CEOs forum is the opportunity for IIF to listen to the views & voice of the industry and draw action plan to deliver value back to the industry. He also mentioned theme of the year 2016-17 will be "**Converting Challenges into Opportunities**".

Mr. K. Samaraj mentioned that in order to have a focused discussion, it is better we discuss on following three issues: -

1. **Product costing** – costing of products has to be done scientifically and for this IIF will come up with 2-3 modules as guidelines.
2. **E-Procurement** – How can foundries save cost by collective procurement and he mentioned that it is possible to save 15-20% cost. Coimbatore is working on this model and outcome will be shared soon.

3. **Environment** – The re-categorization of foundries from Red to Orange puts a lot of responsibility on foundry industry and it does not give license to pollute. Ultimately, it is the public living near to the foundry cluster who will decide whether polluting industry will be allowed to function.

Mr. Deepak of Nelcast Ltd., giving his views on costing mentioned that they have started intensive process of audit in their foundry operations, which has taken more than half year of audit. We need to see beyond rate per kg and go into minute details of each operations and measure each operation in detail, install sub-meters and also consider hidden costs like maintenance, indirect labour, rejections etc.

Dr. Nithyanandan of Bradken Ltd., mentioned that in the costing we also have to consider melting losses, foundry returns, health, safety & environment costs, delivery cost and logistics cost etc., which have become significant.

He also mentioned that some customers in auto sector are increasing the cost of their product by approx. 20% on various models, whereas they are asking foundries for reduction in cost.

Mr. O. P. Agarwal mentioned that the power cost in West Bengal supplied by various agencies is varying widely from Rs. 7 per kwh to Rs. 13-14 per kwh, which is a challenge for the units located in various geographical areas. There is no power exchange in West Bengal. As such the cost of power is major cost for these foundries.

Mr. Vikas Garg requested Mr. O. P. Agarwal to submit a detailed note for taking up with the local state authority.

Mr. Dinesh Sakaria of Govind Steel also raised his concern on the power issue.

Mr. Sandeep Datta, President- Howrah Foundry Association mentioned that he had given details earlier but the situation is very very tough. DPL, DVC, CSC and WBSEB have lot of disparity in power tariff.

Additionally, there is issue of delayed payments and interest burden on MSMEs. Although there are provisions in the MSME act to protect MSMEs from delayed payments. However, it is difficult to implement these.

Mr. Subodh Panchal of Kastwel mentioned that in China the prices of some key inputs are as below:-

Steel Scrap – Rs. 18000-20000 per ton, Pig Iron – Rs. 16000-18000 per ton, River Sand – Rs. 600-800 per ton, Silica Sand – Rs. 1200 per ton, Electricity – Rs. 6.5 per kwh, Night Charges Rs. 4 per kwh.

However, the cost of labour has gone up tremendously. As such SMEs in China are getting wiped out due to high labour cost and some of them are shifting to Thailand and Cambodia.

Mr. Nagraju of Texmaco stated that while estimating the cost we have to provide for certain hidden costs and use real time data and incorporate use of IT for scientific costing.

Mr. Patel informed that the experiment was done in Baroda for procurement by aggregating the requirement but was short lived.

Mr. Anil Vaswani mentioned that for a successful model, we have to create a legal entity who will do the procurement and then it is very much possible to do the collective procurement.

Mr. G. K. Singh of Gemco mentioned that there is an aggregator model for electrodes, fasteners etc., for which Metal Junction is one of the aggregator which have resulted in savings of 8-10%. This model is working fine and it is a kind of win-win situation for both the foundries and vendors.

Mr. Deepak mentioned that it will not be possible to dump sand in future and wanted to know how we are getting rid of this problem.

Dr. Nithyanandan mentioned that majority of waste sand is being used for making bricks in Coimbatore and IIF has also taken up with CRRRI to explore the possibility of using it for road construction.

IIF will circulate the paper of waste sand for constructive purpose as being practiced presently.

Mr. Samaraj summarized the discussions as below:-

1. IIF will develop few costing models and will share in due course
2. The issue of power cost disparities in west Bengal will be taken up on receipt of details.
3. IIF is also pursuing with Central Govt. for implementing Open Access. However, it is just a matter of time before such issues are resolved.
4. Mr. O. P. Agarwal will send the detailed note on power cost in West Bengal for further perusal by IIF.
5. E-Procurement - new model is being created by leveraging technology. Case study will be shared with the industry.
6. Environment - even though Govt. has re-categorized foundry industry as Orange, it puts lot of responsibility on industry and it will be the people living next door who will be giving the real permission to operate. So, foundry industry will have to adopt new technologies and processes to be more environment friendly.

Presentation on GST was made by Mr. Sarkar from M/s. Grant Thornton. He mentioned in his presentation that 17 indirect taxes have been replaced by single tax. Real estate, power, alcohol, food not covered in GST. In order to study the impact of GST on foundry industry, inputs will be required from the members to shortlist the common pain points, so that suitable representation can be made to the Govt.

GST council has been created, which is a constitutional authority who will decide the rate of taxation.

The Grant Thornton will study and prepare its recommendations on foundry industry and the time window available is upto 1st Week of Oct, 2016.

Skill Development - Mr. Samaraj briefed the CEOs on the new initiatives taken by IIF for in-plant training of shop floor workers "**Yogyata Vikas**". It is a multi lingual training programme having 10 modules in 8 languages. Each module has 80 slides.

IIF has already conducted the training of 12 trainers. He said, we need to upscale the training programme and for that 50 trainers will be required.

The programme was formally launched at Hinduja Foundries in the presence of President IIF & CEO, Hinduja Foundries on 3rd Aug, 2016.

Mr. Jalan of Om Besco Ltd., offered to financially support the training programme of 1250 trainees in Howrah Chapter with financial support of Rs. 5 lacs.

This was highly applauded and appreciated by all present and by IIF President and members who thanked Mr. Jalan wholeheartedly for his exemplary support to this IIF initiative, which will be highly motivating.