

FOUNDRY CEOs MEET

29th Nov. ,2019 at The Orchid Hotel, Mumbai



Foundry CEOs Meet was organized by The Institute of Indian Foundrymen (IIF) on 29th Nov.,2019 at The Orchid Hotel, Mumbai, which was highly successful. Foundry CEOs Meet is a unique platform for the captains of the foundry industry to meet and interact with various stakeholders, share knowledge and thoughts to formulate strategies for sustainable growth and development of foundry sector.

The Foundry CEOs meet was attended by more than 80 delegates from across the country including CEOs from various leading foundry units& material/ equipment suppliers, National Office Bearers of IIF, Representatives from Engineering Export Promotion Council (EEPC) and OEMs from auto& tractor sectors, which are the major casting consuming sectors in India.

Mr. Vikas Garg , Chairman Policy Advocacy Committee & Past President-IIF, extended warm welcome to all participants, invited speaker Dr. Rajat Srivastava, Director-WR, EEPC India and panellists Mr. Sagar Chudiwal, Head Sourcing & SCM, Involute Technologies (P) Ltd.; Mr. J. Ramprasad, Associate VP-International Business Unit, TAFE ; Mr. A.Makesh, Sr. VP-Materials, Rane (Madras) Limited ; Mr. M.Niruban, Dy. GM- Sourcing & Supply Chain, Ashok Leyland Limited ; Mr. Mohan Kadam, General Manager-Materials, Dana India

Mr. Garg remarked that the meeting is being held in the backdrop of unprecedented slowdown in the industry and we can explore new opportunities, such as tapping export markets in new and developing countries. He also briefed the members about the various ongoing policy initiatives by IIF and various outcomes in the recent past.

The detailed note on the same was circulated in print to all the participants.

In his opening remarks, Mr. Sanjay Shroff, President-IIF mentioned that we are passing through slowdown which is cyclic in nature and it's not really a recession and he sees the next decade very strong for Indian Economy. The current regime is very supportive for the industry, however, the present govt. enforcing various regulations has caused slight temporary subdued sentiments. Banks are also very cautious as they are not extending credit without due diligence because of past NPAs. He however mentioned that personally he is very bullish on Indian Economy as fundamentals of Indian Economy are very strong.

Dr. Rajat Srivastava, Director-WR, EEPC India was then invited to present his views and thoughts on the opportunities for Indian exporters of castings. He mentioned that Indian current exports are merely 2.5% of total global trade and hence there is huge potential for Indian casting items in unexplored&new emerging markets in Countries like Bangladesh, Srilanka, Panama, Egypt, Senegal, Ghana, Cambodia, Mangolia, Maldives, Guyana etc. He also mentioned that EEPC is organizing various exhibitions in these countries to promote and explore new markets and such exhibitions are many times financially subsidized.

Presentation as given by EEPC is attached.

Thereafter a panel discussion was held which was moderated by Mr. Prem Kumar, National Council Member-IIF & Vice President- Nelcast Ltd. The panellist were Mr. Sagar Chudiwal, Head Sourcing & SCM, Involute Technologies (P) Ltd. ; Mr. J. Ramprasad, Associate VP- International Business Unit, TAFE ; Mr. A. Makesh, Sr. VP-Materials, Rane (Madras) Limited ; Mr. M. Niruban, Dy. GM- Sourcing & Supply Chain, Ashok Leyland Limited ; Mr. Mohan Kadam, General Manager-Materials, Dana India & Dr. Rajat Srivastava, Director-WR, EEPC India. Most of the panellist were from auto sector, as auto is the major casting consumer and is currently undergoing unprecedented slowdown and therefore interesting discussions held between the OEMs and casting suppliers.

The following major points were discussed:-

- The demand for Commercial Vehicles (CVs) have gone down primarily because of increase in axle load & increased turnover and by this increase in utility the demand got affected. However, it is only cyclical and it is felt that from Sept, 2020 onward, there will be pick-up in demand though the next 12 months seem to be stagnant. Demand for tippers and buses was not much affected.
- OEMs felt that there is need for foundry industry to invest in technology and skills, as they need to prepare for the future requirements. Trade wars will benefit India. Industry can increase exports from 2.5 to 5% by investment in technology and improving response time for development of new value added products.
- The tractors growth was negative by 10%. Next year the sector may expect to grow by 7%.
- Some of the OEMs said that the exporters need to change their mindset. They should think rejections in PPM, focus on surface finish and cost structures.
- The exporters must take into account the supply agreements, the defect liability and must cover their risk by suitable insurance while exporting to OEMs.
- For exporters packaging should also be an important focus area, as the components can get damaged due to rusting and other physical damage while in transit, resulting in loss of credibility.
- Some of the customers are insists for warehouse near the importers plant.
- Dana mentioned that they procure 40,000 Ton of castings out of which only 18% is sourced from India and therefore there is huge potential to explore. However, it is only possible by changing mindset and willingness to understand the customer's requirements.
- Some of the casting producers mentioned that there is a need for technological and investment support from buyers.
- Responding to above, OEMs mentioned that they are extending technology support to some of their suppliers, however investment support is not possible. Only for critical castings, sometimes they do support by bearing the cost of development of tooling, dies & patterns etc. OEMs cannot be expected to extend any capital investment support other than above.
- Scrap policy was also discussed, it will be not only for vehicles but for various products and it will take quite some time to finalize. Once it comes into effect, it is estimated that demand for additional 4 Lac vehicles will be generated.
- Dana also mentioned that in some cases, the customers expect automated lines for better productivity, quality and consistency. There is need for innovative thinking, some automated line machines may cost around 6-8 cr in international markets, while development of similar kind of machines with similar functions indigenously with 1 crof investment is possible. The industry need to look into such innovations.

- Dr. Bhagwati mentioned that some OEMs have shifted their focus from quality to price and clarified that in the present scenario there is little difference between requirements of domestic buyers and importers. Both demand more or less similar quality. For exports, the risks are very high because of conditions like defect liability, which may run into several crores and customer need defect liability insurance.
- Some foundries highlighted that any buyer which comes to India expects 20-30% lesser prices resulting in shortcuts as the cost of capital is very high and Indian industry is working at interest rate of 12-15% which is very incompetent. This creates a very negative chain reaction and the foundries are forced to compromise on various factors for survival.
- Reacting to above the OEMs mentioned that most of the investment in Indian plants are very old and low and that is why the prices are low. Moreover, the customer has several options as it is a competitive market.
- It was also mentioned that Kolhapuris China of India and produces castings of acceptable quality at much lesser prices. DANA mentioned that 70% of their Indian products comes from Kolhapur and they are still profitable.
- Mr. Ravi Sehgal, National Council Member-IIF & Chairman, EEPC informed that there is need for Technology Upgradation and there are various schemes of Govt. like Cluster Development programme which can be utilized for manufacturing and testing facilities to make the units competitive.
- Dr. Srivastava of EEPC pointed out that Indian producers make 90% products which are low value added and investment in R&D is very low. The strategy to explore export market, when domestic market demand is tardy, does not work. For exports, we have to plan well in advance and gear up our infrastructure of design, costing, technology accordingly to meet customer satisfaction as deliberated. We can also export through zero duty countries.
- Mr. Shroff said OEMs can work together and collaborate. OEMs stated that they try to support the suppliers who are 80-100% dependent only on particular company as survival of supplier's is vital for OEMs. They also help in auditing the process and working of the suppliers for their sustainability.
- TAFE mentioned that they collaborate with the vendors and ensures that they won't let their suppliers down. They are helping supplier reducing rejections and inventories and supported around 100 suppliers.
- The finish of the castings need to improve as many farmers who are buying tractors & also cars, expect same quality of castings & finish as used in cars.
- There is also huge gap in industry-academia partnership which needs to be improved.

In his concluding remarks, Mr. Prem Kumar mentioned that it is estimated that the auto and tractor industry will start looking up from 3rd qtr. of 2020. Companies like Dana never faced recession and are looking to relocate some of their operations in India. Majority of their products are meant for export markets.

He further said, several foundries like Nelcast have already invested on developing state-of-the-art manufacturing facilities, as they are expecting lot of business to shift to India. The Indian economy is fundamentally strong and growth is likely to pick-up and foundry industry need to revisit their technology processes, product development, costing etc. to meet the future cycle of growth and there is no reason for gloom in long run.

Mr. Vijay Beriwal, Vice President-IIF presented the vote of thanks.

Glimpses of Foundry CEOs Meet

