

EXCERPTS OF CHAIRMAN'S SPEECH AT IRMA ANNUAL GENERAL MEETING 2008

We all are aware of the prospects of slight economic slowdown in our country. Earlier the Government had set a target of 9 per cent GDP growth during 11th Five-Year Plan (2007-2012) with the 2006-07 growth rate of 9.6 per cent being the highest in the last 18 years. RBI's Annual Credit & Monetary Policy has pegged the growth rate for the year 2008-09 at 8.0-8.5% the main reasons for deceleration being high inflation, rising interest rates and slow credit growth. This deceleration has been witnessed in all the sectors of industrial production except, of course Coal and Petroleum. However the growth story of India Inc remains intact as pointed out by a recent survey of CII analyzing the last 8 quarters financial results. Goldman Sachs, the global investment banker in its recent report has also said that India's growth prospects remain strong despite adverse global developments since much of the growth is driven by domestic demand.

I will take this occasion to make a quick review of the refractory industries' performance during 2007-08. Production of refractories for the year 2007-08 was 1.30 million tonnes compared to the production figure of 1.08 million tonnes for the year 2006-07 which shows that there had been approximately 17% growth in production. The sales turnover, which was Rs.2370 crores in 2006-07, rose to Rs.3000 crores in 2007-08 (approx 21% Growth).

The growth in sales turnover which has been buoyed by the growth in demand of major consuming industries like steel, cement, aluminium, sponge iron etc. has not been commensurate with the profitability of the companies due to compression in prices and abnormal increase in the price of raw materials and fuel. I would like to put forward some data

to show the quantum of rise in price of raw materials.

Material	Price (INR /PMT)	
	April 2007	August 2008
DBM 93	10181/-	30295/-
DBM95	11951/-	31453/-
DBM98	15251/-	34761/-
Calcined Bauxite	10334/-	30650/-
BFA	18245/-	40882/-
Graphite	20525/-	27321/-

Recently the cost of sillimanite sand has been raised from Rs.6000 per tonne to Rs.11000 per tonne.

Needless to say that this staggering rise in price of raw materials has greatly affected the profitability of all the refractory producers since there has been no corresponding increase in the price of the finished products. The Association has been duly representing to the steel plants for the need of a Price Variation Clause to be incorporated in the supply agreements to ensure them get the right and consistent quality of refractories at the right time. I personally met senior functionaries of Durgapur Steel Plant and interacted with senior functionaries of other SAIL plants and RINL to point out the need for a Price Variation Clause in the Supply Agreement. The said Clause has already been formulated and sent to various steel plants for their consideration and the IRMA Secretariat is presently following up with the respective steel plants. The Clause has also been given in the Annual Report of the Association for your kind perusal and valued opinion and further suggestions on this matter.

We should also take a close look at some of the other issues being faced by the industry. There have been a number of discussions during the last 3-4 years over the steady rise of imports of finished

refractory products. Some divergent trends were observed regarding import of finished refractories from April 2007 to December 2007. While the import of silica bricks declined, a sharp increase has been witnessed in case of import of magnesia carbon bricks. Import of high alumina bricks and shapes as well as monolithics have remained stagnant during the period. The total import of refractories for the period April 2007- March 2008 stood at Rs.818 crore. The total export of refractories for the year 2007-08 was approximately Rs.452 crores compared to previous year's figure of Rs.314 crores. There has been a surge in production of crude steel for the year 2007-08. Crude steel production which was approximately 51 million tonnes in 2006-07 went up to 54 million tonnes in 2007-08 which clearly shows that the future augurs well for the refractory makers. The Association has been constantly interacting with the steel plants as well as Ministry of Steel to draw their attention regarding the competence of the Indian refractory makers in terms of quality and performance of their products. A meeting was held between the then Joint Secretary, Ministry of Steel, Mr. Ajoy Kumar and representatives of the Association in October 2007 at New Delhi to discuss the demand for refractories being generated for new construction/ rebuilding of blast furnaces/ coke ovens and the various problems being faced by the Indian manufacturers to supply the items.

We the Indian refractory makers have already geared up for meeting refractory requirements for the green field and brown field expansions of the steels plants apart from meeting the needs of other user industries like cement, aluminum and copper. In this respect may I again reiterate the need for the domestic industry to claim its rightful stake in the growth story of India Inc.? The price is increasing for all of us and this is the right time for the entire refractory industry to be on a higher trajectory of growth and

development. Assessing the future growth potential, I can say with certainty that refractory industry should be treated as a 'Sunrise Industry' and our strategic planning and action needs to be poised on the said premise. The business environment has rapidly changed in the past few years and our strengths and weaknesses need to be re-assessed in the changed milieu. Greater emphasis needs to be put on research and development especially on developing value-based indigenous raw material aggregates based on available bauxite, kyanite and magnesite reserves of the country. The development of innovative materials (new raw materials, new formulations with combination of new additives), to serve the emerging market segments is the need of the hour. In this era of globalization, technology and economics are no longer considered as separate entities. Perhaps many of us are aware of the fact that Government of India has set aside certain funds from the interest proceeds of the Steel Development Fund for financing R&D proposals for the development of the iron and steel industry. This could be a good stepping-stone for initiating researches for process development, development of indigenous technology and assimilation of imported technologies to retain the competitiveness of the domestic refractory industry. A wide range of possibilities are now being explored for product manufacturing, installation techniques, maintenance and recycles techniques where the support of research institutions like CGCRI would be crucial. This also calls for detailed understanding of the needs of our customers going much beyond the conventional supplier-user relationship.

Any product and process development needs to be simultaneously accompanied by Human Resource Development particularly at the shop-floor level. This has become even more important with the increasing popularity of "Total Refractories Management" concept.

The Association recently organized a 9 days Junior Level Technical Training Programme at J.J. Irani Learning Centre, Belpahar in August 2008. This was the fourth of its kind, till conceptualized. I am happy to inform you that the recently concluded programme received overwhelming response from our member companies. Participants from the user industries also attended the said training programme. The Association would continue its focus on Human Resource Development and is considering designing a more varied training spectrum in future to include more tiers of the organizational hierarchy for meeting the needs of the new organizational services.

Much new horizons are to be explored and a number of techno-economic challenges are awaiting the refractory makers. I am confident that our members have the resilience to meet the challenges and help the industry reach its pinnacle of glory.