



“REFRACTORY INDUSTRY IS FRAGMENTED AND WE SEE SCOPE FOR CONSOLIDATION.”

Dalmia-OCL, the refractory business of Dalmia Bharat Group, offers end-to-end refractory products and solutions to customers in more than 40 countries. A leading player in several mission-critical refractory product categories for steel and cement sector with 7 manufacturing plants (5 in India, 1 in Germany and 1 in China), the company has recently been investing in technologies and capacities to serve the increasing need from high-quality steel makers. **Sameer Nagpal, CEO, Dalmia OCL, spoke to Steel Insights on the current challenges and opportunities being faced by the sector**

In a post Covid-19 world, there would a greater call for the Indian steel industry to become self-reliant and produce increasing amount of high quality steel to reduce import dependence. How Dalmia OCL, focusing on high standard refractories, rise to this challenge?

To deal with the slump in demand for steel in the post Covid-19 world, the government must work to fast track investments in the infrastructure sector. This can be done by front-loading the investment in National Infrastructure Pipeline and by letting the construction industry operate with

precautionary measures as per the guidelines laid down by the government. As the lockdown 3.0 starts, this fast tracking of operations of all steel-consuming industries is absolutely indispensable in the current scenario.

In order to reduce the import dependency and cut down on production costs, the refractory and steel sectors in India need to work in complete synergy. Self-reliance in terms of refractory capability is key to steel ministry's target of 300 million tons by 2030. Towards this, Dalmia OCL is continuously investing in its operations to strengthen its Make-in-India capability.

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Industry body FICCI has also recommended to include the entire supply chain of the sector - integrated steel producers, secondary steel makers, loha mandis etc - amongst essential services and allow them to operate in line with directives issued by the Government. It also recommended an extension of moratorium granted on payment of interest and repayment of loans for another three months and interest-free financing/at nominal rates for MSMEs to revive.

Dalmia-OCL is relatively well protected from the Covid-19 impact due to the industrialised nature of its products. Even though the raw material supply chain is very much dependent on China, there have only been minor disruptions other than the impact of lockdown.

The refractory division a year back launched ‘first-of-its-kind’ facility in India equipped to manufacture a wide range of advanced monolithics at Katni in joint venture with Seven Refractories. What has been the acceptance of these products and how you see the demand coming back from the steel sector for such products?

As an immediate aftermath of the Covid-19 pandemic, the demand for steel is expected to plummet by 7.7 percent in 2020, as per a study done by Indian Steel Association (ISA).

However, the demand for high grade steel will pick up once the economy reopens.

Our facility in Katni was designed to substitute imports and with an enhanced capacity of 45000 ton a year, the expansion will be able to address the demand for high grade refractory products from iron and steel and cement producers in India.

Products from Katni facility have been well accepted by Steel and other industries. For example, our trial at JSW Dolvi plant to increase life of Ladle refractory saw us reach a life of 171 heats, which is a record as it is 25% higher than the best ever in the past.

It must be noted that since most of our customers are from the industrial segment - steel and cement makers - if they scale down their production due to non-availability of workers in post COVID 19 period, there would obviously be some impact. But as of now, we have not seen any major disruption.

Dalmia-OCL is the second largest in the country and we have introduced several strategically innovative models in our production processes and services. In addition, we have brought in best-in-class capabilities from Europe. We expect to register positive growth despite degrowth in overall demand.

Tell us about the likely contribution of the integrated Snorkel manufacturing line in Odisha as an import substitution product.

As we know, steel makers in India are increasingly opting for high grade steel manufacturing and for that, they require customised refractory solutions which not only support high performance, but at the same time, ensure local availability. Snorkel is a crucial product used in RH Degasser for clean steel production.

Our globally competitive and sustainable manufacturing capabilities at the new manufacturing line in Odisha, which has an annual capacity of 240 sets (20 sets per month), will allow Indian steel producers to source high-quality indigenously manufactured Snorkels and eliminate the need for imports.

Snorkels were primarily imported from

China. With the state of the art production capability now available in India, we see steel makers preferring to source locally, both for de-risking of supply chain but also for just in time inventory management.

This initiative is in line with the Government’s ambitious Make-in-India program. By eliminating the import of high quality Snorkel products, need for logistics will contract, lead times will come down, environmental impacts will minimise while at the same time, it will ensure that the Government’s mission to promote indigenous manufacturing gets a big boost.

The Odisha facility features high-accuracy automated equipment like zero-tolerance grinding machines and high-temperature dryers to produce Snorkels that match global standards. Dalmia-OCL’s onsite R&D centre, Dalmia Institute Scientific and Industrial Research (DISIR), also helps accelerate further innovations in refractory technology for clean steel production.

There is also growing global demand for making cleaner steel. With the acquisition of GSB Group GmbH last year, how Dalmia OCL has contribute towards achieving that in Europe and India?

With the international acquisition of the German specialty refractory manufacturer, GSB Group GmbH, not only did we solidify our expansion in Europe, but had also gained access to global steel makers such as ArcelorMittal & Thyssenkrupp.

As GSB Group GmbH is a German specialty refractory maker and a global leader in lance production, essential for producing good quality and clean steel, we have been able to significantly address the demand for clean steel making coming from Europe and India.

With this acquisition, Dalmia-OCL has access to the heart of steel and refractory making belt in Europe and state-of-the-art technology to make cleaner steel. Since India is currently the fastest growing market

for refractories in the world, the acquisition has allowed us to gain ground in procuring newer resources and talents in Europe, which in turn has helped us in strengthening our capabilities in India.

The refractory industry is dependent on import of key raw materials like high grade alumina, bauxite, magnesite, silicon carbide, etc. China is a major supplier of imports and imposed heavy taxes on export of raw materials for refractories. What steps can be taken to reduce import dependency?

China is the major raw material supplier to refractory industry worldwide and also the biggest refractory producer. However, most markets in the world are de-growing in steel production, while India continues to be on an ambitious growth trajectory.

Hence it is imperative for India to de-link, to the extent possible, from the refractory material sourcing from China and develop local resources. While we continue

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Dalmia Seven's new monolithics production line at its facility in Katni, Madhya Pradesh.

to invest in enhancing local refractory production, much needs to be done on the raw material side.

The government needs to support easier exploration of raw materials and also ease auction of the mines, especially in minor minerals which are critical for refractory usage.

In order to reduce the import dependency and cut down on production costs, the refractory and steel sectors in India need to work closely with each other in complete synergy. As the steel sector consumes about 65 to 70 percent of refractories, if India aspires to achieve the target of 300 million tons of steel production by 2030, synergy between the two sectors is absolutely critical.

With entry of global players like RHI, Krosaki Harima and Calderys of Imerys,

how do you see shape of the industry evolving in coming years?

In the coming times, various industries are expected to grow, buoyed by growing per capita expenditure and rising urbanisation in the region. Owing to the Covid-19 pandemic and the lockdown, near term and mid-term growth had been impacted. However, the situation will definitely improve in the coming times.

Refractory industry has been consolidating for many years as it evolves to keep pace with changes in the steel industry. However it is still quite fragmented and we see a lot of scope for consolidation. Dalmia OCL will actively continue to pursue M&A opportunities both inside and outside of India. Our breadth of products, depth of services and multi locational manufacturing capabilities makes us one of the preferred suppliers for our customers. ■