

# IMFA to surpass operational challenges to scale new highs in global market

**I**ndian Metals & Ferro Alloys Ltd (IMFA) engaged into mining & power generation as well as into in-house transportation has now spun off these operations into separate divisions under new heads. The manufacturing cycle comprising of chrome ore mining, power generation and ferro alloys smelting are intertwined particularly given the captive status of its mines and power generation. Established in 1961 in Odisha, known for its rich natural resources, IMFA is India's largest, fully integrated producer of ferro alloys with 187 MVA installed furnace capacity backed up by 138 Mw captive power generation and extensive chrome ore mining tracts.

IMFA - a pioneer in producing silicon alloys, is focusing on ferro chrome which imparts the non-corrosive property to stainless steel. A significant portion of its output is exported to the Far East (China, Japan & Taiwan). The company expects domestic consumption to go up sharply and is ideally positioned to cater to this demand.

In order to enhance operational efficiency, IMFA is embracing a new organisational restructuring with effect from April 2013 in order to push down authority, responsibility and accountability in a cascading manner and free up senior management bandwidth to focus on strategic priorities.

While commenting on the

*"With the long-term contractual support from Posco along with Far East Countries led us to maintain our 80% revenue generation from export market, which was largely driven due to our integrated approach (ie. control over key inputs like ore and electricity) along with a sharp focus on costs"*

**Subhrakant Panda**  
 Managing Director & CEO, IMFA Ltd.



developments, Mr Subhrakant Panda, Managing Director & CEO said: "The new organisation structure will bring about greater efficiency, agility & accountability at the operating level with Business Unit Heads being largely responsible for routine matters so that senior management bandwidth is freed up to focus on strategic priorities including growth from areas other than existing businesses. This organisational restructuring will help us in

delivering superior growth and more effectively discharging our responsibility to all stakeholders."

Based on the concept of "external facing business", the newly formed Ferro Alloys Business Unit will be headed by Deepak Mohanty, while the Power Business Unit will be led by B D Sahoo. Captive chromite mining, an essential aspect of IMFA's core competitiveness, will now come under the Ferro Alloys Business Unit so as to give the BU Head end-



to-end responsibility.

The BU heads will report to Jayant Misra, Chief Operating Officer while Prem Khandelwal will be the Chief Financial Officer. The management team will be led by Subhrakant Panda, Managing Director & CEO.

While responding to the new role, key management personnel have expressed their views on their elevation as heads of their respective divisions with Minerals & Metals Review -

**Mr Deepak Kumar Mohanty, Head, Ferro Alloys Business Unit**

"Under the new responsibility, there will be more focused operations capitalizing on synergies across the ferro alloys business units. There will be better planning of operating the furnaces at Therubali and Choudwar which in turn will ensure better management of resources including captive chrome ore and lead to better cost structures. We plan to focus more on compliance considering fast changing environment as well as the nature of business."

**Mr B D Sahoo, Head, Power Business Unit**

"We see tremendous business potential for our Power Business Unit going forward. Presently we are in the advanced stage of commissioning and operationalising our 120Mw PP which will bring our total operating capacity to 258Mw out of which we will be able to sell 49% electricity after meeting our in-house FA power demand."

**Mr Jayant Misra, Chief Operating Officer**

"We expect to bring operational focus to two products i.e. ferro chrome and power, to build a common culture and esprit de corps within the business unit for better performance. Priority towards strategic planning by top leadership shall enable us to capture emerging opportunities, for realising our growth potential."

**Subhrakant Panda**, MD & CEO, IMFA shared his key insights with **Pramod Shinde** about IMFA's strategy towards long-term purchase contract from Far East countries and the transformation of the ferro chrome market. He also threw light on his innovative strategy to combat cost pressure on ferro alloys industry due to rising power cost.

**Excerpts :**

**Could you please share your views on the global market outlook for ferro chrome?**

The ferro chrome industry, like all other sectors, has gone through a turbulent phase as a result of the European economic crisis and slowdown in India & China. However, power problems in South Africa - which is a key producer with about 40% market share - has provided some respite to producers in other countries. For the ferro chrome industry to do well, it is imperative that the economic situation stabilises and stainless steel production picks up. Within this overall scenario, it is possible to deliver superior results by following an integrated approach (ie. control over key inputs like ore and electricity) along with a sharp focus on costs.

**IMFA's value addition strategy to remain as the most favourite supplier to stainless steel manufacturers in the Far East?**

Our marketing strategy has always been geared towards stability with about 70% of the output being sold against long term contracts. In this context, Far East is an ideal destination given the logistical advantage and not to mention that China is the epicentre of stainless steel production. The relationship with Posco - our largest customer - has received a boost with the operationalisation of a joint venture to produce ferro chrome in India which will be in addition to the ongoing long term contract.

**Do you foresee the hitherto trend of exports reversing in favour of domestic market?**

Exports have always played a significant part as far as Indian ferro chrome producers are concerned with negligible stainless steel capacity addition along with captive ferro chrome production by key stainless steel producers resulting in domestic sales taking a back seat. As a result, currently more than 80% of IMFA's revenues is derived from exports. Having said that, I see the trend reversing as more stainless steel capacity comes up in anticipation of rising consumption. As such, we are ideally positioned to cater to increased domestic demand for ferro chrome.

**Could you please share some details with respect to IMFA's long term partnership with stainless steel manufacturers?**

We, currently have long term contracts with Posco and Nisshin Steel besides supplying on a regular basis - though not against a long term contract - to several key customers in China and Taiwan. As far as the joint venture with Posco is concerned, a 30 MVA furnace has been dedicated for this purpose with an off-take assurance for 25 years. Domestically, we have an excellent relationship with JSL going back many years.

**What are the challenges and opportunities for the ferro chrome market in the light of the European slowdown?**

The stainless steel industry in Europe is going through an upheaval as a result of the prolonged economic crisis. Every time there is some improvement in sight a new crisis comes up such as Cyprus! While we don't export to Europe per se, undoubtedly, the crisis has an impact on the ferro chrome industry with greater competition for a share of the Far East demand.

China's recent stimulus package of raising infrastructural spending

could spur demand for ferro chrome. Your comments.

Yes, this is certainly a positive development because China is a key market for all commodities including ferro chrome. Ferro Chrome being a value added input for stainless steel, we foresee stainless steel per capita consumption to increase demand for ferro chrome in the domestic market. The stainless steel industry in India is certainly at an inflection point as per capita income rises and consumption patterns change. If you compare per capita stainless steel consumption in China (8-9 kg) with India (about 2 kg), it is evident that significant growth is likely with a resultant increase in demand for ferro chrome.

**What is IMFA's strategy to combat cost pressure due to rising power cost?**

Our strategy has always been to straddle as much of the value chain

as possible and, in this context, captive power and our own chrome ore mines play a significant role in addition to cutting edge technology such as furnace control systems. Going ahead, operations in the captive coal block allotted to us will start this year providing a further boost to our competitiveness. Having said that, I believe our most significant resources are our people who are tremendously committed and innovative.

**Could you please share your investment and expansion plans?**

We are currently commissioning a 120 Mw captive power plant which will take our total generation capacity to 258 Mw. While this will allow us to run our entire 187 MVA furnace capacity at optimum load, in the short term there will be about 50 Mw surplus power which we plan to sell to the grid / third parties. However, we are already examining various options - from a location and

technology standpoint - to increase our smelting capacity so as to consume maximum power in-house. Another key factor is raw material security and, in this context, we also need to examine our resource base.

**Can you share more details about your policy to ensure quality, environmental compliance and occupational health & safety?**

IMFA is unique from the fact that we have an integrated policy certifying adherence to comprehensive ISO 9001 quality management, ISO 14001 environment management and OHSAS 18001 occupational health & safety standards. We have also invested significantly in pollution control equipment including online monitoring of emissions at our power plant(s) and state-of-the-art waste disposal such as fly ash bricks and an innovative project to make low density aggregates.

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