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Maithan Alloys Limited

“ The strengthening of our value systems over the years has helped us grow to be India’s leading manganese alloys company. The complete trust of our employees and the endless support of our customers has helped us keep going ahead. ”

How has the performance of the ferro-alloys industry been and how does Maithan Alloys fit into this ecosystem?

The growing construction industry in emerging economies of the Asia-Pacific region is a critical factor influencing the growth of the ferro-alloys industry. The global ferro-alloys market is poised to exceed US\$70 billion by 2025.

30-40% of the ferro alloys manufactured in India are exported. The Indian market size for Manganese Alloys stands at ~2.8 million tonnes. The industry is fragmented with about 80 players, mostly small unlisted producers and a few large companies. Maithan Alloys, with a differentiated business model and a strong product portfolio, enjoys the position of preferred supplier in this competitive market with a market share of 8%.

Maithan Alloys has been one of the leading players in Ferro Alloys industry. How has the journey of Maithan Alloys been since its inception?

It was a dream of our founder and

current Chairman, Mr. S.C. Agarwalla, to establish a scalable business that will make its mark in India’s then emerging steel industry. It was this dream that marked the beginning of a journey from where there has been no looking back.

We started our journey with a 10 MVA capacity in West Bengal in 1997. This was slowly but consistently scaled up to 49 MVA within a decade. In the next decade, we set-up a 16 MVA capacity in Meghalaya and a 72 MVA capacity at Visakhapatnam.

Who are your major clients?

Our client base across India is marked by long-term relationships with SAIL and Tata Steel. Other prominent domestic clients are Essar Steel, Vedanta (Electrosteel), JSW, JSPL and JSL. Almost 100% of our domestic sales are to clients who have been associated with us for over seven years. SAIL is the biggest customer and contributes to more than 75% of our current domestic revenues.

What has been the company philosophy that has helped it command respect and achieve success over the past two decades?

The strengthening of our value systems over the years has helped us grow to be India’s leading manganese alloys company. Our journey has been dotted with several new customers, certifications and manufacturing units. The complete trust of our employees and the endless support of our customers has helped us keep moving forward. Our people are our biggest asset and our success depends on them. We are committed to providing a positive, productive environment to our employees and strive to make Maithan Alloys a great place to work. In our dictionary, ‘getting bored’ does not exist - we adopt new technology only after visualizing enhancements to our business proposition.

The infrastructure industry has seen many ups and downs in recent past. What has been your strategy for cost

optimization in such conditions?

Many factors contribute to making a company a 'low cost producer' in the commodities market:

- Minimizing logistics cost: We worked out the best possible location for setting up the manufacturing facility in a potentially large but geographically constrained market.
- Control on fixed costs: We procure only bought-out items from reliable vendors and design and construct our own furnaces.
- Keep employee cost in check: In a non-bureaucratic motivating environment, people are happy to work and costs can be kept down.
- Maximizing variable margin: We have always invested in R&D and evaluated multiple output products as well as incoming raw materials.
- Minimizing production loss: We use our knowledge pool for continuous

improvement and ensure minimum bottlenecks and breakdowns in the operation equipment.

Recent pandemic and subsequent lockdowns have added to the woes to the infrastructure and allied industries. How do you sustain margins during the down cycles?

We have a benchmark setting low fixed cost of 5%. With raw materials, power and variable component of 'other expenses' forming 80-82% of revenues, the outcome is an average 13-15% pre-tax profit and Operating ROCE exceeding 40%. Steel and ferro alloys have a 4-5 years cycle. Fluctuations are inevitable and even with a 25% variation from the mean, a worst year operating ROCE >25% are inevitable. During down cycles, when competition is forced to reduce capacity by 20-30%, we continue operating normally.

What has been your strategy of de-risking Maithan Alloys' proposition in the long run?

We conduct our commodity business in a manner that is refreshingly distinct. This differentiation is reflected in the kind of products we have selected to manufacture, the high throughput we have consistently reported, the nature of long-term customers we cater to and our keen emphasis on process excellence.

We are also very conscious about a few key points:

- Visibility of revenue stream: Achieved by maintaining a 2-3 months order book
- Commodity risk: Minimized by having contracted raw materials in line with the order book
- Forex risk: Covered by having a similar value of exports and imports and hedging the balance open position.

