

The last of a three-part series on export slowdown is a report from the forging & foundry units in Howrah, to assess the losses and job cuts

Metal conundrum in the time of two wars

ISHITA AYAN DUTT

Howrah, 7 November

It's a Durga Puja that Sanjib Hazra would rather forget. The orders from the US slowed down at the engineering product manufacturing unit in Howrah where he works, translating into lower production and in turn, wages.

Hazra doesn't know why business slackened, but till about two months back, it all seemed fine. "We were working 12 hours a day and now it's down to eight hours."

The stress is not just confined to the unit in which Hazra works — hundreds of units in Howrah, the hub of forging and foundry, in West Bengal, are feeling the heat of the Ukraine war and the global slowdown. The lack of demand in the international markets has even sent workers at some units packing to their native villages.

Howrah thrives on contractual labour — no work means no pay here. But in this once-upon-a-time Sheffield of the East,

it's not just the workers who are in a spot.

"The downturn in the exports is the worst since the global financial crisis of 2008," says Girish Madhogaria, who owns four units — three in Howrah. About 90 per cent of the production at Madhogaria's company, NIF Ispat, is geared



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to cater to the export market — the US and Europe being the key ones. Now, exports are down to half, and as a consequence, the manpower is down by about 35 per cent.

"We had a discussion with our customers in the US and Europe. Europe is not very hopeful even about 2024. But customers in the US are optimistic about next year. A clearer picture will emerge in January-February," he says.

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**FROM THE HUB
PART-III**

Metal...

On the Benaras Road, a narrow congested stretch that connects river Hooghly with National Highway 6, some of the smaller units that don't export directly, are also feeling the ripple effects.

Abhishek Iron Foundry doesn't cater to the export market. But it does make products for export oriented units. "There has been zero-lifting from these units," says Amalesh Dutta, managing director, Abhishek Iron Foundry. The impact: a year and a half back, the unit's sales were about 100 tonnes a month which stood at 62 tonnes in October. First, the Covid-19 pandemic took away some of the sheen from the business and then the Ukraine war. The number of workers has halved since then.

"I see some of them selling fish, driving cycle vans now. They have to make ends meet in whichever way they can," says Dutta, adding that not all of those skilled in export products can make products for the domestic market, and they were facing rejections.

Export orders of cast iron sanitary castings (manhole covers etc) from the Howrah units were down by 50 per cent from last year, says Akash Madhogaria, chairman, Indian Foundry Association (IFA). "This is because there are hardly any orders from the US, which is a major buyer. The UAE is also impacted."

Exports of ductile iron sanitary casting (manhole covers etc) from the units is down by

20 per cent, he adds.

The castings, forging products that Howrah specializes in, come under the broader classification of iron and steel products. As per EEPIC report for September, in value terms, exports of iron and steel products April-September 2023-24 dipped by about 3 per cent compared to April-September 2022-23. But some states such as West Bengal are impacted more.

Engineering exports from West Bengal April-August are down by 19 per cent; a major part would be on account of iron and steel products. There are myriad reasons behind this – that range from high electricity cost to lack of technology upgradation at the 50-70 year-old units stuck in a time warp.

NIF's Madhogaria points out that units that upgraded were able to make good of the demand created by the infrastructure boom in the country. "While exports have dropped by half, our domestic sales (though a small part) have doubled." It's not enough to offset the impact of the drop in exports, though.

The problem is not just on the finished iron and steel products side; the numbers are more worrisome for the primary iron and steel exports that were down by about 21 per cent, in value terms, in April-September 2023-24 compared to April-September 2022-23.

Kalyani Steels doesn't export directly. "We sell to forging units, they make auto components which are then exported," R K Goyal, managing director, Kalyani Steels, says.

"We feel that there is a significant slowdown in the

European market. Going forward, we have to see whether we can divert the material for the export market to the local market where demand is good."

A strong domestic demand is saving the day for the steel firms. Total finished steel consumption has gone up by 14.91 per cent to 64.06 million tonnes (mt) in H1FY24 on a year-on-year basis over H1FY23, points out Jayanta Roy, senior vice president, ICRA.

Jayant Acharya, joint managing director and chief executive officer, JSW Steel, argues that domestic demand was good and therefore the need to export was less. "In Q2, we liquidated 3,00,000 tonnes of inventory even with lower exports. So, the focus is on domestic rather than the international market."

India has been an exception with a double digit demand growth, says Ranjan Dhar, chief marketing officer, ArcelorMittal Nippon Steel India (AM/NS India). "Largely there has been a sharp decline in demand in the euro zone. Other economies are either flat or slightly higher."

Structurally, Indian steel capacities are planned for the domestic market. "But the home market goes through a seasonality and exports provide an opportunity then. On top of this, India has some long-term/consistent markets like the Middle East and the EU, but now with China adopting bulk of the market at lower prices, in most of the cases below cost of production, we have little scope for exports," Dhar explains.

In May 2022, the government had imposed an export duty to rein-in iron and steel prices. "The duty was withdrawn in November that year,

but steel companies have not been able to catch up in exports. And the Russia-Ukraine war hurt everyone," Arun Garodia, chairman, EEPIC India, says.

What is the outlook going forward? With two wars playing out – Ukraine and Israel – there is no easy answer here. But manufacturing units are making the most of the infra spend by the government in a pre-election year, technologically advanced foundry units in Howrah included.

Walmart...

On where the India-sourced products are sold most, Albright said the US is Walmart's biggest market for Indian exports. The categories for sourcing range from toys to bicycles; food to health, wellness, general merchandise, apparel and home textiles. "We are starting to explore electronics and shoes as additional categories as well," Albright said. To have the right alignments, Indian sellers are increasingly setting up their offices close to the Bentonville headquarters of Walmart. Among the latest Indian suppliers to have offices in Bentonville (Arkansas) is Mrs. Bector's Food Specialties. Welspun, Trident Group and FishinCo are among others.

Walmart's sourcing business operates separately from its subsidiaries Flipkart and PhonePe. In 2018, Walmart had acquired a majority stake in Flipkart.

When asked how Walmart would be able to hit the \$10 billion per annum sourcing target by 2027, Albright said: "The cat-