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28th February, 2022

National Stock Exchange of India Ltd
'Exchange Plaza', C-1, Block – G
Bandra – Kurla Complex
Bandra (E), Mumbai 400 051
**Code : IFGLEXPOR**

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001
**Code: 540774**

Dear Sirs,

Re: **Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

In compliance of above, please find enclosed herewith transcript of Earnings Conference Call on Company's financial performance for Q3/FY2021-22 held on Wednesday, 16th February, 2022. A copy of this is also being hosted on Company's Website: www.ifglref.com.

Thanking you,

Yours faithfully,
For IFGL Refractories Ltd.,

(R Agarwal)
Company Secretary

Encl: As above

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# "IFGL Refractories Limited
# Q3 FY2022 Earning Conference Call"

February 16, 2022

**ANALYST:** **MR. NAVIN AGARWAL – HEAD, INSTITUTIONAL EQUITIES – SKP SECURITIES LIMITED**

**MANAGEMENT:** **MR. KAMAL SARDA – DIRECTOR & CHIEF EXECUTIVE OFFICER – IFGL REFRACTORIES LIMITED**
**MR. JAMES MCINTOSH – MANAGING DIRECTOR – IFGL REFRACTORIES LIMITED**

**Moderator**: Ladies and gentlemen, good day and welcome to the IFGL Refractories Limited Q3 FY2022 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Navin Agrawal, Head of Institutional Equities at SKP Securities Limited. Thank you and over to you Sir!

**Navin Agrawal**: Good afternoon ladies and gentlemen. It is my pleasure to welcome you on behalf of IFGL Refractories Limited and SKP Securities to this financial results conference. We have with us Mr. James McIntosh, Managing Director and Mr. Kamal Sarda, Director and CEO. We will have the opening remarks from Mr. Sarda followed by a Q&A session. Thank you and over to you Mr. Sarda!

**Kamal Sarda**: Thank you. Good evening, ladies and gentlemen. Thank you for joining us on the IFGL Refractories Limited Q3 FY2022 earnings conference call. I hope you and everyone around you are safe and in good health. Along with me on the call for the first time, we have Mr. James McIntosh, our Managing Director. James has been appointed as the Managing Director in September. Before becoming Managing Director, he was our President of our US subsidiary EI Ceramics and MCI. Also on the call, we have SGA, our investor relation advisors. We have uploaded the results and presentation on stock exchange and I hope everyone had a chance to go through the same. I would now request Mr. James McIntosh to give a brief overview. Over to you James!

**James McIntosh:** Thank you Kamal. Good evening, everyone. It is a pleasure for me to interact with you all for the first time. Let us now share a few of the business highlights for the quarter. As we all know, steel is one of the most recyclable materials and existence here in India. Our domestic steel production has witnessed very strong demand growth in the past few years, which will continue for the long term. In support of this statement, I think one of the most important matrices is the per capita steel consumption for India, which is 34% of the world average and only 14% of China average. We have also in recent times seen a very strong bounce as many of the world economies bring back to normal after the last one and a half years of being impacted by the COVID-19 pandemic. Again, you all know that refractories are a key product used in steel making process and therefore we have also witnessed strong demand in our products worldwide, however, at the same time challenges to the supply chains have caused significant escalation in our costs of raw materials and services throughout the world. This has led us into a situation and we were compelled to increase pricing for our products and services to maintain our position at related to these unprecedented increases. Due to the strong relationships we enjoyed with our customers, we have got great support worldwide and I think all of the price increases that we have requested have been granted by the customers, which is a good situation to be in. We would point out, in all of these cases there is a time lag, which exist between the impacts of cost increases to the company. The realization of the actions is acquired by the company and the actions that we take unless although our revenue increased on a standalone as well as our consolidated level as you can see in the figures. Our profitability was affected and on account of these increased expenses some countries fared better than others. We will see a normalization of our profitability levels in the coming months as the price realization that we have requested from the customer catch is all because increase in the operating expenses were higher in the overseas subsidiaries as compared to our domestic business. The rate of global logistics element and their business cycles hence the negative impact to profitability was higher in those subsidiaries as compared to the domestic business so to recap. We see a continuing growth in our revenue with an improvement in our income during the coming months and beyond. Now first let me now hand over to Mr. Kamal Sarda for his comments.

**Kamal Sarda**: Thanks. Let me give you a short brief on the capex. In FY2023, we planned to spend about Rs.10 Crores in our Odisha plant and also in our Kandla plant. At Visakhapatnam, the phase one where we have already announced the commercial production. The phase two expansion, we are talking of spending about Rs.20 Crores and it should be completed by FY2023. Our focus remains to complete these capex and projects in a time-bound manner and continue ramping up our existing capacities. We expect the demand for the refractories to be steady and growing with the continuous unlocking of the economy. With the enhanced capacities and new product capabilities, we expect to improve the scale of the business, which will lead to scale benefit and operating cycle playing out in the long term of the company.

Let me give you a brief of the financial highlights. On a standalone basis, the total income increased by 8% year-on-year to Rs.196.5 Crores. Sequentially, it was down by 2%. EBITDA was down by 19% to Rs.35.1 Crores. EBITDA margins stood at 17.9% compared to 23.8% in Q3 corresponding quarters. However, it increased from Q2 FY2022 margin of 17.1%. PAT was also down by 29%. On the consolidated financials, these include our international subsidiaries in US and Europe. The total consolidated income increased by 6% year-on-year to about Rs.317 Crores. Consolidated EBITDA was down by 34% and consolidated EBITDA margins were at 12.4% in Q3 FY2022 as compared to 19.9% in Q3 FY2021. PAT was also sequentially down.

With respect to the liquidity positions, we remain net debt free with a very strong cash balance in our balance sheet. Cash balance stood at about Rs.267 Crores as of December 2021 on a consolidated level. I think I now leave for any question and answers. Both James and I will be happy to answer. Thank you.

**Moderator**: Thank you very much Mr. Sarda. Ladies and gentlemen, we will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Subham Agarwal from Aequitas India. Please go ahead.

**Subham Agarwal:** Thank you for the opportunity. Good evening team of IFGL. Sir, my first question is slightly at the macro end. If we see the Chinese production of steel, which is going down year-on-year and they have already mentioned that they can reduce substantially the steel production this year. What I wanted to understand in this context is how does the refractory industry get impacted because of the Chinese refractory players? There is a hypothesis which says that there may be a huge amount of spare capacity in Chinese players and because this is not a high-power intensive company, they may dump product in various other countries so I wanted to know given in context that our 60% of revenue is global, so how does it impact us and your views will be appreciated around it?

**Kamal Sarda**: James.

**James McIntosh:** I think that the Chinese refractory companies have been very aggressive for many years in the global scale. Certainly, and most of our markets that are Chinese refractory suppliers. Our product area, we have a very great advantage at the moment on the performance side of the products. Our objective for the future is to look at ways that we can increase our technology and increase the performance of the products in the future obviously to combat that, but generally speaking I would say that the Chinese suppliers are already very, very strong worldwide and I do not think the effect of the Chinese market will be such that it is going to make a major effect on the global scale. Kamal what are your thoughts?

**Kamal Sarda**: I agree with you James. On the power front what you mentioned it is not so power intensive as far as refractory industry is concerned but the real impact would be on the raw material side, which I think will be impacting the refractory industry both worldwide not only in China, but also worldwide, but the situation has eased up over the last few months, so the situation is not bad as it used to be projected in the month of October and November last year so the situation has eased up. On the Chinese competition, we do not think that the competition which we should worry about that has been there for ages now and that will continue to remain there. It is only the technology front, which will make us different.

**Subham Agarwal:** Fair enough. Sir do we have any ADD in US and Europe against Chinese import as of now?

**Kamal Sarda**: You are talking of antidumping duty.

**Subham Agarwal:** Yes?

**Kamal Sarda**: Yes.

**James McIntosh:** Yes, we do in America.

**Subham Agarwal:** Fair enough and secondly coming to the raw material part, how much of our raw material do we import from China?

**Kamal Sarda**: On a quantity term, it would be around 50%.

**Subham Agarwal:** 60%?

**Kamal Sarda**: 50%.

**Subham Agarwal:** The realization as you mentioned in the opening remark is dependent upon the contract with your customers, so what is the time lag between increase in raw material price and your negotiation with customer and in the current environment?

**James McIntosh**: It depends on contract-by-contract basis.

**Subham Agarwal:** How long is the contract for typically?

**James McIntosh**: It depends on customers and countries as they are all different.

**Kamal Sarda**: It range between three months to one year, so that is how is the range is. Any new pricing strategy would happen in the new contract only and that is the time lag we were mentioning about.

**Subham Agarwal:** Why I am asking this because one of our competitors reported increase in margin where as our standalone margin remained constant, so I wanted to understand when can we increase our realization to match up with the competition?

**Kamal Sarda**: If you look at the competition, I do not know whether you have gone through our report by one of the analyst groups very recently, they had some, one-off transaction. I would not say transaction, one-off income which has been booked there in this quarter. I do not whether that was the impact of only this quarter or a cumulative impact from beginning to the end, but that is one of the reasons. I think that is the only thing which I can know of, but having said that they had always been a slightly on a higher margin than ours.

**Subham Agarwal:** But our December consolidated margin was around 11.4% EBITDA level and you have guided for somewhere around 13% to 14% so by when can we achieve that level of margin?

**Kamal Sarda**: It should be soon I think as our Managing Director mentioned that the normalcy should soon come when we have all the price increases in place and the cost becomes normal.

**Subham Agarwal:** Fair enough? Now coming to the goodwill part for the process as we know is in NCLT where has the reach and when can this transaction take place?

**Kamal Sarda**: It will take some more time. I am unable to give any kind of time frame. There are some discussions going on with few agencies. It may take some time.

**Subham Agarwal:** But this will happen now only in FY2023 right?

**Kamal Sarda**: Yes. Even if we file in this quarter, it will not happen in this quarter.

**Subham Agarwal:** Regarding the goodwill of subsidiary, we had taken, last year FY2020, Rs.20 Crores write off, do we expect any further write off in the subsidiary goodwill part?

**Kamal Sarda**: No.

**Subham Agarwal:** Okay, lastly on the capacity part, given that we are doing phase II of Vizag and recently commissioned phase I also and also we are doing debottlenecking, so out of the entire capex that we have done recently and that we are supposed to do what is the incremental revenue that we expect out of this in absolute terms?

**Kamal Sarda**: It will be very difficult for me to quantify that right now, but I think mentioned in my previous calls on a Greenfield project you can look at a three to three and a half times. On a Brownfield project you can always look at five to six times.

**Subham Agarwal:** Okay, Thank you. Lastly on the European and American subsidiary, what was the exact reason for reporting EBIT loss in American subsidiary and when can we expect the normal EBIT to return?

**James McIntosh**: In America, they were partly impacted by raw materials and all of the price increases have already been agreed with the customers. We fully expect to see a return in the next quarter?

**Subham Agarwal:** Next quarter that is Q4 right?

**James McIntosh**: Yes,

**Subham Agarwal:** Okay perfect. Thank you.

**Moderator**: Thank you very much. The next question is from the line of Abhisar Jain from Monarch AIF. Please go ahead.

**Abhisar Jain:** Thank you so much Sir for the opportunity. Sir, just wanted to understand the issues that we might be facing at EI Ceramics because FY2022 till date has been a very rough year at EI whereas generally EI Ceramics has been one of our best overseas subsidiaries with margins in the mid teen range between 13% to 15% if you look at a long-term tract record of that subsidiary. Do you believe there were some operational issues and if you can mention that whether are those are addressed and by when EI can return to its normal level of profitability?

**James McIntosh**: Every country was affected definitely by COVID and in some countries there were certain programs, which were initiated by the government to help during the following period of companies we never furloughed in America at all, but even so there were existing in some general employee base where, I think it is fair to say that the employee base available in the United States has reduced. Many people have decided not to return to the work place following the period that they had been under the government schemes and so there were some areas where certainly on the manpower side were affected and in the US we were heavily affected on the raw material side and on the price increase side now we have these in place, we will see that return again. It was just affected by the global situation where raw material and freight. It is like a perfect storm almost.

**Abhisar Jain:** Right okay. I understand and Sir in that context, given that some issues still persist in terms of not sure about the employee ability that you talked about in America and also the freight issues, I think that many of them?

**James McIntosh**: They do not exit. Generally I would say that as I said earlier on we fully expect that the next quarter will be returning back to their normal position.

**Abhisar Jain:** Sure, good to know Sir and then going forward for the next few years do you expect EI Ceramic to be returning to its normalized margin levels that we used to do earlier through the last decade?

**James McIntosh**: Absolutely.

**Abhisar Jain:** Okay sure. Sir, the second thing I wanted to confirm, Kamal Sir, is on the Vizag plant. While we have announced the commercial start and the trial run, etc., are going on just wanted to confirm that did we have any revenues from Vizag in Q3 and when do we see the revenues from Vizag in the P&L?

**Kamal Sarda**: The dispatches from Vizag continues. As of today, there is a consolidated order at IFGL level so all the orders are built through our Kalunga plant because of GST issues, so we have not taken any direct order so all the billings are happening from there so there are sales going on. Gradually at a later date we may shift all the billings because at the customer level commercial issues happen, so we do not want to complicate issues, so we are happy billing it from one place. Yes, sales is on a consolidated basis between Vizag and Kalunga.

**Abhisar Jain:** Right Sir, understood and in that context only since we have new plant at Vizag plus we have been expanding at Kandla and Odisha also in the last two years also apart from whatever you indicated that you will be doing further capex in 2023, but we have been doing the capex at those two locations in the last two years also. Given that Sir, where do you see the domestic revenue trajectory given that the domestic demand remains quite strong from the steel industry, I believe?

**Kamal Sarda**: I think we will grow with the trajectory only. We will grow with whatever new capacities get added in India. We will grow with that and definitely our target is to grow faster than that.

**Abhisar Jain:** Okay, Sir just last question on this price increase that was part of your opening remarks. Any indication of the quantum that we had to take and did we also get some hike or some compensation of the freight part, because one of our peers has been able to get? I understand they may have been able to benefit from their MNC parentage, but does our price hikes also budget for some bit of freight element because that has been hitting us quite badly right?

**Kamal Sarda**: Yes, so definitely the price hikes into account the raw material prices, which are hiked on a basic level as well as ocean freights. Our competitors have specifically mentioned to you because they import lot of material and sell directly to the customers, so there is a one-on-one freight impact but, in our case, we do not have such kind of things. The price includes the ocean freight price increase impacts.

**Abhisar Jain:** Right, so I just wanted to confirm that the quantum of price hikes, if any indication of a range?

**Kamal Sarda**: It depends on customer to customer, I think ranging from 10% to 12% to about 22% to 23% also we have got.

**Abhisar Jain:** Sure, Sir understood. Best wishes Sir. I will come back in the queue.

**Moderator**: Thank you. The next question is from the line of Gokul Maheshwari from Awriga Capital. Please go ahead.

**Gokul Maheshwari:** Thank you for the opportunity. Sir could you comment on the demand trends in the near term from the steel industry? Are you seeing strong demand continuing from your customers?

**Kamal Sarda**: Sorry. James, can you take this.

**James McIntosh:** There is no indication that the steel is not going to continue its growth trend. If you look at the steel in the last five years, the annual growth is somewhere in the region of 4% or 5% thereabouts and there is no reason to believe it is going to be any tough from there. Obviously, we have seen a massive increase in demand this year relative to the last year just by virtue of the fact that many countries were affected and through the COVID saturation and so even if you look at the difference between 2019 and 2021 you still got growth there, so I would say that the demand will continue to grow especially in India. Everybody would agree in any of the literature that you read India is rightly identified as one of the major growth areas in the world and will continue.

**Gokul Maheshwari:** With respect to the competition in the domestic industry, are you seeing any changes in the local competition? Anyone who is getting aggressive or easing off competition or it remains broadly the same?

**James McIntosh:** The competition scenario remains the same. There is nothing no major changes happening here.

**Gokul Maheshwari:** Good and just lastly, I just wanted to reconfirm you mentioned about the RM pressures easing off and the price hikes which had been taken will help you allow restore your margins which you have been doing in the past? It is more like a blip right now?

**James McIntosh**: I do not remember saying that the raw material would ease off. The raw material price increases we cannot say that.

**Kamal Sarda**: We cannot say that.

**James McIntosh:** I do not know if he got the misinterpretation.

**Gokul Maheshwari:** I heard saying that the prices have eased off since October and November what they were a few months back?

**Kamal Sarda**: That was on a different context altogether.

**Gokul Maheshwari:** Fine. Sir these raw material pressures still continues, but you have taken corresponding price hikes as the contract renewals are coming up?

**Kamal Sarda**: Yes, the raw material pressures are still there so the corresponding customers are agreeing to price increase that is what we said. The raw material pressure is still. There are no easing-off issues as such.

**Gokul Maheshwari:** Great. Thank you so much and all the best.

**Moderator**: Thank you. The next question is from the line of Gunjan Kabra from Niveshaay. Please go ahead.

**Gunjan Kabra:** Thank you for the opportunity. Sir a couple of questions; I have been reading that raw material pricing has been difficult because of the freight disruption has increased so what is your sense on this, industry consolidating or can we increase market share going forward like the way we have done in the last five years going forward?

**Kamal Sarda**: I honestly did not get your question. What do you want to know sorry?

**Gunjan Kabra:** Sir I am asking that raw material sourcing has become difficult after the pandemic or because of the freight in disruption, so is the industry consolidating at the macro level in our country is what I wanted to gain and can we gain market share going forward like we have done in the last five years?

**Kamal Sarda**: On the raw material situation, I do not think there is a pressure. There is only a pressure on the logistics part. Availability is still there. May be the logistics is getting delayed. The shipment time from China to India it used to be about 20, 25, 30 days. Now it has gone to 35, 40, 45 days. We are taking care by keeping additional stocks, so that is there. On the consolidation, I think it is continuous process. I do not know what more consolidation will happen. I do not have any news as such.

**James McIntosh:** I would agree. I think that the supply and demand is obviously what causes these prices to significantly change and when you have a saturation where there is a lack of supply for whatever reason then the price increases are going to occur in that particular product area and certainly in raw materials, it has been impacted quite heavily. Hopefully as freight starts to release in the coming quarters, then I do not get the feeling that there is any end in sight there with regard to changes in the freight and therefore it will be very difficult for someone to indicate that the price or the costs saturation with regard to the raw materials is going to change significantly in the coming months.

**Gunjan Kabra:** Okay. Sir I also wanted to ask that we are keen on using the recycled raw material too, so what is the margins that you get and how is the availability over there? Do we have access to it or all companies have access to it recycles are included?

**Kamal Sarda**: Recycle materials are available, but definitely we cannot talk of the margin impact because that is the part of the cost structure built into the product but recycle materials are available. I am not saying you will get in a freeway, but then you have to do some processing in-house processing and then recycle it. We can get some recycle material.

**Gunjan Kabra:** Okay. Sir also in terms of outlook like for the next one or two years we are seeing that steel companies are doing a lot of capex and there is a lot of focus on capital expenditure in our country or may be investment cycle, so how do you see the outlook from like one to two years going forward for the refractory company?

**Kamal Sarda**: Personally, the market seems to be very good. The government you know this budget they have announced huge capital expenditure one of the highest ever, so I think the market seems to be very good for the user industry and then resultant that the refractory industry will also get the benefit, so I do not think in the next one or two years we should impact. We should be happy that the government is spending so much and we have a huge demand of steel coming up. In fact, the government still continues to remain buoyant on the steel capacity expansions as per the national steel policy, so I think industry should look for a good growth.

**James McIntosh:** From IFGLs point of view, we have formed groups, which are currently analyzing and looking at ways we can expand and grow in the future. Obviously, there are many factors that have to be taken into account and in the coming quarters once we have those clients finalized and we can announce them then we certainly will let you know.

**Gunjan Kabra:** Sir I think I missed a point in the beginning so what could be the percentage of raw material increase from quarter on quarter like if you can raw material size increase?

**Kamal Sarda**: I do not think we mentioned that. We have not calculated the size in fact as such.

**James McIntosh:** It is very difficult.

**Kamal Sarda**: It is very difficult to assess that.

**Gunjan Kabra:** Thank you so much.

**Moderator**: Thank you. The next question is from the line of Surbhi Saraogi from SMIFS Capital. Please go ahead.

**Surbhi Saraogi:** Sir my question has been answered. Thank you.

**Moderator**: Thank you very much. The next question is from the line of Sanjay from Ratnabali Capital. Please go ahead.

**Sanjay:** Good evening, Sir. Thank you for taking my question. Sir what is your percentage of our high-end refractories in our total basket of products?

**Kamal Sarda**: What do you mean by high-end refractories? I think if you ask us, all the products are high-end refractories.

**Sanjay:** Alright? If we compare this quarter's performance vis-à-vis our RHI Magnesita so they have posted some fabulous set of numbers with a significant expansion in the operating margins, but where are we lagging for this quarter?

**Kamal Sarda**: I think I answered in my previous answers.

**Sanjay:** Sir if you can kindly come again Sir because I might have missed out as I joined the call late Sir?

**Kamal Sarda**: We really do not know. As I mentioned that they always have a slightly higher margin than ours. If you look at one of the analyst reports which has come up after their results, they have got some freight surcharge increase booked in this quarter a huge amount. I do not recollect what is the amount and that could have resulted in their higher margins. I really do not know. I do not know about what our competitor does, but going by the analyst report it seems that they have got one time income for others.

**Sanjay:** Right. Sir if I am not wrong, so we import basically 30% of our total refractory needs as on date, which is roughly Rs.2000 odd Crores, so do you feel like going over there is an opportunity in India that we can ship on from that import to manufacturing in India as Make in India theme?

**Kamal Sarda**: Yes, in our range of product there is hardly any imports.

**Sanjay:** Got it Sir. Thank you. That is from my side. Wish you all the best.

**Moderator**: Thank you. The next question is from the line of Sahil Sanghvi from Monarch Networth Capital. Please go ahead.

**Sahil Sanghvi:** Good evening to the management. My call is specifically to Mr. James McIntosh? Sir I would like to just understand that becoming as an MD for IFGL refractory; what are the few areas where you would like to target, one of the few specific targets you have now that you take over operations, specifically if you can give some color on a product wise or customer wise or technology wise, so what are the few goals that you are looking for?

**James McIntosh**: I think at the moment we have a lot of discussions going on regarding the company and the future for the company. Obviously, the domestic market for India, IFGL is very proud possession. We are one of the fast refractories manufactures in India. It is a very accepting situation to be and Kalunga being the main plant for IFGL. Kandla has really come on well since we started and as you can see from the capex plans there, we will get back for product expansion in Kandla. Visakhapatnam, we are currently looking at because it is a phased expansion. You know what currently we are looking at the next phase of expansion there and the next basket of products that we would like to move into. We hope to make the decisions on those product areas, over the coming month and start to move forward than that and then phase three discussions has started also with regard to identifying the different market areas and the dynamics in the markets available for us, but one may be that for sure in the company already at a high dose that maybe I am moving to high technology products and what that would require for us to do as company. IFGL has got a very salient business model. If we have a look at the structure of where IFGL fits and the technology scale we would sail some possibility there for us to move up the scale and to higher performance products and higher profit products and for that we are currently identifying the requirements for the company and again as I said earlier on in the coming months we will be able to announce these initiatives and programs once we have finalized them, but they are still going through management discussions at the moment. Certainly, just to answer your question, if you keep your eyes for the next meeting and also the next two meetings, I would say that there is probably going to be further announcements in terms of new investments for the company.

**Sahil Sanghvi:** Thank you so much. My second question is related to the cash that we have in our balance sheets, so are we looking at some kind of acquisitions also or do we also aim to divide out more returns to our shareholders in terms of buybacks or more dividends? Are we exploring those areas?

**James McIntosh**: It is definitely a great question and we will certainly from the company it is one area that we are discussing again at great lengths because there are for sure. It was always an area for the companies to determine the way look at expanding our own operations and look at acquisitions and I would say that we have at the moment a group of people who are looking into the expansion of the company and for sure using the cash balance that we enjoy is something that is going to be certainly a very strong point for IFGL If we look around at different market areas. We have already identified several areas that we could possibly move into, but again this is after being discussed and finalized and analyzed through our own company before we announce any moves.

**Sahil Sanghvi:** Thank you so much. That answers my question. All the best.

**Moderator**: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Namaskar. Good evening. Sir if you could summarize what the discussions has already been? This could be treated as a one of quarters wherein the margins lift for our business outside India will return to normalcy in the next quarter itself with the revision in the finished product cycle? Is that assessment correct Sir?

**Kamal Sarda**: Yes, in the Q4 we are looking at a normal situation.

**Saket Kapoor:** Sir coming to the margin profile when we look at the margin profile for our businesses outside India, Europe and the Americas, the profile is significantly lower than what we are doing for India. What are the key reasons for these margins and do the global players also have similar margins the ones who are competing with you in Europe and America are of the same margin profile if you could explain this Sir?

**Kamal Sarda**: Global players also will have a lower margin than what they have in India. If you look at their results compared to Indian results and overseas results whereas the overseas market, they are impacted by the raw material costs are higher there. The ocean freight impact as Managing Director mentioned is also higher. One of the other impacts compared to India is their manpower costs is significantly higher than India. Overall, the margin will be different than India. There will be impact of a product. The margins also depend on product to product. In our case, EI Ceramics has a better margin than the other foreign subsidiaries, so that also depends on product to product also, but in overall situation, I think all the overseas companies and if you look multinational companies their overseas operations their margins would be significantly lower than their results in India.

**Saket Kapoor:** Right Sir and Sir if we look at the capacity utilization levels domestically and also in other geographies of the world for our company, how have they faired up for this quarter and for the nine months average?

**Kamal Sarda**: It is very similar to the last quarter.

**Saket Kapoor:** In percentage terms Sir, can you quantify for India?

**Kamal Sarda**: Ranging from company to company and product to product. We have various products range. You can say anyway between 65% to 75% to 80%.

**Saket Kapoor:** Actually, Sir my question was if we find that there is a proportion of fixed cot and the variable cost, so at what levels are we going to see incremental margins flowing to our bottom line?

**Kamal Sarda**: Difficult to answer that question. That is a very, very difficult question.

**Saket Kapoor:** Sir looking at the demand scenario especially for India and also Sir, which I think so two plants, one of the plants, NINL and also the other plants are coming up Sir? Do these plants with 1 million and 3 million tonne capacity create any buoyancy in the refractory market for the time being since these are the new capacities?

**Kamal Sarda**: In any new capacity addition in that will be refractory consumption. They will definitely add to the refractory requirements and we had been a supplier to NINL in the past before they closed down.

**Saket Kapoor:** They are running at their full capacity what kind of increase volumes do we expect from say 1 million tonne plant bearing full throttle for the year?

**Kamal Sarda**: They require lot of other refractories which we do not make. There are a lot of refractories. It is not that we can supply them all the refractories what they require. We can only supply them the flow control refractories what they require and that is what we were supplying and in fact this plant has been running limping for the last many years now. They never, never ran at full capacity as such, so I think we will have to see when the plan comes to normalcy what kind of requirement comes ups and mind if they also have a scope for expansion and the reason why Tata has bought that they will use this facility to expand there also. It is not for 1 million. I think they are talking of much more there.

**Saket Kapoor:** Sir currently if we take the profile of our domestic business, is it feasible for you to quantify what percentage is from the Tata's?

**Kamal Sarda**: Tata could be somewhere around 10% of our domestic sales. I am just giving you a rough figure.

**Saket Kapoor:** I will take it as a ballpark number. Thank you. I will come in the queue and all the best Sir.

**Moderator**: Thank you. As there are no further questions, I now hand the conference over to Mr. Sarda for closing remarks. Over to you Sir.

**Kamal Sarda**: Thank you everyone for participation and it was I think very good question and answer session and I hope I have been able to answer most of your queries to your satisfaction and thanks to our Managing Director for joining and we look forward to all of your participation in the next call. For any queries if you have you may contact SGA our investor relation advisors. Thank you all and have a good day.

**Moderator**: Thank you Mr. McIntosh and Mr. Sarda. Ladies and gentlemen, on behalf of SKP Securities Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines.