



# IFGL REFRACTORIES LIMITED

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8<sup>th</sup> April, 2021

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**

Reference decisions taken by the Board of Securities Exchange Board of India in their meeting held on Thursday, 25<sup>th</sup> March, 2021 and following principles of Good Corporate Governance practiced by the Company, please find attached Transcript of virtual discussion between Research Analyst, Mr Sahil Sanghvi of Monarch Network Capital Ltd, Mumbai and Director & CFO, Mr Kamal Sarada of the Company held on Friday, 2<sup>nd</sup> April, 2021 afternoon, which is also being hosted on Company's Website [www.ifglref.com](http://www.ifglref.com).

Thanking you,

Yours faithfully,  
For IFGL Refractories Ltd.,

(R Agarwal)  
Company Secretary

Encl: As above

**TRANSCRIPT OF DISCUSSION BETWEEN RESEARCH ANALYST, MR SAHIL SANGHVI (SAHIL) OF MONARCH NETWORK CAPITAL LTD, MUMBAI AND DIRECTOR & CFO, MR KAMAL SARDA (KAMAL) OF THE COMPANY HELD ON FRIDAY, 2<sup>ND</sup> APRIL, 2021 AFTERNOON**

**Sahil**

Good afternoon. Hi, Sir.

**Kamal**

Good afternoon.

**Sahil**

You're doing good over there. The COVID cases, are they too much?

**Kamal**

Yeah, they're there.

Getting a bit more scary.

**Sahil**

Right. It's very bad over here.

**Kamal**

You're in Mumbai. I mean, it's almost like 9000 cases here.

**Sahil**

Yes. You're right.

Okay, so shall we start? And I've kept it on recording mode. I have gone through the transcripts. So I won't be repeating those questions. These will be just the things that I want to understand and have understood. I've also gone through the presentation and reports, all of that.

**Sahil**

And I limit my questions strictly, Sir. First of all, and I understand there have been operational changes that have been from the business perspective that has been happening in the last one, two years. So, has there been a major change in the ratio of mini mill customers versus the integrated mills? Now as compared to two three years before?

**Kamal**

There is no major change as such.

**Sahil**

Okay.

**Kamal**

So it's I think it's a part of the usual business change. But I wouldn't say that it has been a very, very significant change. Yes in the mini mill segment we have made some inroads, but if you ask me a great percentage of this turnover has come from there, no, but yes that segment is now taking a good shape.

**Sahil**

Okay so would it be? How much percent of revenue? Would it be? Mini Mills, some ballpark number, if you can give.

**Kamal**

Possibly, Don't have the ready answer. Nothing, nothing more than I think. I wouldn't say that. But I don't I don't have the ready figures, so let me put up this.

**Sahil**

Okay. Okay But less than less than 20%, less than 30%

**Kamal**

No, No, could be less than 10% of the total.

**Sahil**

Sir, three years back, we were completely not present in the mini mills. Is it true?

**Kamal**

Very, very small.

It was not that we were not present at all, we were always present but not in a very big way.

**Sahil**

Okay, Okay. And so what is Sir, how have we ramped up on the mini Mills now? I mean, is it simply the marketing side of our team? Or, I mean, how are we trying to ramp up on these customers? Like, what's our strategy on that front?

**Sahil**

Do we aim to increase the mini mills clients? I mean, is there any such strategy that we have going forward?

**Kamal**

Yeah. So that's a business segment which we would we would keep on, you know, adding. New customers all along.

**Sahil**

Okay.

**Kamal**

So that that we will keep on adding the, this segment? There have been a lot of new customers, not that everything is new for us. So lot of customers have got added in this financial year.

**Sahil**

Okay.

**Kamal**

Obviously, we will keep on adding customers. We have created, we have created a network for that.

**Sahil**

Okay. And would you be able to give a number Sir are on the customer front, like last two years would know how much?

**Kamal**

I don't, honestly, I don't have number.

**Sahil**

Okay. Thank you. Okay. But on both fronts, we'll be trying to add customers Right Sir, integrated, also, we are equally focused on mini mills also.

**Kamal**

Right. Yes. Yes, absolutely.

**Sahil**

Okay. So, on the product front.

The new products that we have introduced in the last two, three years, there are a lot of new products that we have come in with or is that one of the reasons why we have ramped up

**Kamal**

I think, there is no major new products that has been added. It just in the in the existing product network only we have improved? The, the, I would say, competitiveness,

**Sahil**

Okay. Okay,

**Kamal**

which is, which is what?

**Sahil**

Yeah. Okay. And, and that's, that's by means of our sales team or by the quality of product or what would have gone behind that, Sir, if you can give me a bit more detail. If you don't measure.

**Kamal**

It will be it will be more the sales network, as well as the the product competence in terms of like, cost of the product to the selling price earlier, we thought that it's not a good idea for us. So we have worked on the cost front. And that's how that that market we are able to penetrate.

**Sahil**

Okay, okay. Okay. So would it be fair to say that some of the, I mean, the selling price of some of our products would be lower than our competitors.

**Sahil**

I mean, or is it a very difficult thing to say?

**Kamal**

Come again, please.

**Sahil**

Would it be fair to say that the I mean, the pricing of some of our products will be lower than our competitors. In that case, or it's very difficult, there are a lot of products.

**Kamal**

There are variety of products. It's not one product, it is a basket of refractory products.

**Sahil**

Yes, yes. Yes. Yes.

**Kamal**

So maybe kisi may jyada hoga kisi me kum hoga. Overall, you know, the market segment we are able to compete in in a good way.

**Sahil**

Okay. Okay.

Okay, got it. Sir. Sir, regarding the new plant that we're coming up with in Vizag, you know any kind of you know, business strategy that you have defined for that land because, you know, one it's closer to the port we didn't have any facilities in the south as such, so catering to customers in south and thirdly, from the product front also. So, can you, can you give some more detail on the strategy what do you aim to target from this facility at Vizag.

**Kamal**

So strategy in the sense we know the market

**Sahil**

okay.

**Kamal**

Our marketing network is very strong.

**Sahil**

Okay.

**Kamal**

But the because of the competition sometimes that becomes a challenge with that put up in Vizag near to port So, again the logistics cost to these range of products you know as a comparison to the cost is also high. If we are able to save the logistics cost that will give us a bigger advantage plus it's my it's a much more modern plant, Rourkela has been slightly I would say older plant so, the productivity overall So, which means overall cost of production also we need to work on that which is which is much better which should be ideally high productive plant in Vizag and from there we also have the options of exporting in case you want to export, some product line we would add into that particular plant.

**Sahil**

Okay,

**Kamal**

Where in the scope of exporting will also be very good, for that also, there also the logistics costs will play a significant role, very similar to the plant which we have in Kandla near the port.

**Sahil**

okay.

**Kamal**

So that that that that would be another advantage.

**Sahil**

Okay. Okay. Okay. So, the last thing that you said that you you plan to add some products you know, through which you can get the export advantage, which would that be, would that be some new ones.

**Kamal**

Yeah, We have plans to introduce some new products in that plant.

**Sahil**

Okay. Would you name, Would you kindly name some, you are looking at.

**Kamal**

You know, we have a lot of products in mind gradually we will put in there. So, some of the product line likes like we we have technology of Monocon in Lance's. So, that we will we intend to make at Vizag even for the Indian customers also for some overseas customers, wherein Monocon is not competitive, bringing from UK is not competitive. So, there are options available for exporting the product from there. We will make a large precast shapes where again the cost of logistics plays a significant role, transporting them and as well as you know, there are scope of exporting the same products, we tend to introduce a product called Snorkel.

**Sahil**

Okay, okay,

**Kamal**

That also has a good potential in the Indian market. And there is a significant portion of imports involved into it. So there'll be a cost saving so there are few product range we have in mind. Maybe in the next few months, we really start working on the facilities of these.

**Sahil**

Right, so are we are we on track Sir? Q1 fy 22. The phase one to phase two.

**Kamal**

Yes.

**Sahil**

Okay, okay. So, as I understand Sir, I think monolithic and precast is what we aim to manufacture in the phase one Is it is it that is that correct? Understanding?

**Kamal**

Yes, yes.

**Sahil**

Okay and Phase 2

What what would we be targeting product wise, at Vizag.

**Kamal**

Phase 2, I think it should be end of quarter four or beginning of quarter one of the next financial year.

**Sahil**

Right. Sir, Right Sir

I was asking from the product side of the thing, I mean, what do you aim to manufacture over there would it be same monolithic same precast or something else. Sir product wise would you be manufacturing the same, monolithic and precast or

**Kamal**

Monolithic product would be very similar.

**Kamal**

But precast I as I mentioned, we may intend to make some larger products.

**Sahil**

Okay, So phase two phase two product portfolio will be somewhat similar to phase one.

**Kamal**

Yeah.

**Sahil**

Okay. Okay. And we would target both exports and domestic, right Sir or more of exports.

**Kamal**

No, only it will be more of a domestic market.

**Sahil**

Okay. Okay.

**Sahil**

Okay, got it Sir would you would you would we be so now that we come into South? Is there some, I mean, we are catering to a lot of players across India. But do we stand a chance to pick up on some South steel players? Now that we have a plant over there before we didn't have So, any kind of that advantage we can have.

**Kamal**

There will be some advantage having a plant in South like Vizag Steel Plant is there.

**Sahil**

Correct

**Kamal**

Based on doing Bellalry, these are the two large Steel Mills.

**Sahil**

Correct? Correct.

**Sahil**

Hello, can you hear me Sir?

**Kamal**

Yes.

**Sahil**

Okay. Okay. Sorry, your last statement.

**Kamal**

I said that there will be definitely a big advantage in terms of cost.

**Sahil**

Okay.

**Kamal**

You know, for supplies to Vizag plant and JSW.

**Sahil**

Right? Right. Got it. Got it. Okay, okay.

**Sahil**

Sir,

Okay, you have already told that you are looking to add new customers Okay. Okay. Sorry about that.

**Sahil**

So, any kind of main focus you have on the strategy front? I mean, how do you aim to ramp up next two, three years, would it be more customer acquisition would it be more introduction of products or mix of both or

**Kamal**

It will be more tilted towards adding new products? See Keep adding customer and all are regular things. Introducing new product will be our major focus.

**Sahil**

Okay, Got it Sir.

Sir, shaped versus unshaped? Would one of that have higher margin? I mean, which one would have higher margin or nothing like that?

**Kamal**

I don't think there is anything which is like that. Dekho, aisa margin apne calculate nahi karte hein. So honestly speaking, if you ask me that higher margin kaha hoga, we do not calculate like that.

**Sahil**

Okay.

Now, Sir, regarding the capex that you've already announced. So, you are doing a 10 crore spending on debottlenecking at Kalunga, Odisha that would be Sir, what exactly do you aim to achieve. Over there I mean, which product or I understand what debottlenecking is, but I'm just trying to understand.

**Kamal**

It's in the light. Like, we are now almost working on at a very good capacity level there.

**Sahil**

Okay. Okay.

**Kamal**

So, we need to you know, increase the capacities there so that to take care of any kind of additional business and the business volume looks very good. It's the market looks very good. Okay, so that's where we are creating additional volumes.

**Sahil**

Okay.

**Kamal**



Isostatic product, Slide Gate product which is exclusively made in Kalunga only. So we would like to increase the capacities there. So that's that that will be our major product line where we will spend money.

**Sahil**

Okay, okay. Okay. And the current utilization at Kalunga would be around 75-80% Sir or more more than that.

**Kamal**

You can say so on an average Yes.

**Sahil**

Okay. Okay.

**Kamal**

So in some product line it could be slightly more.

**Sahil**

Okay. Okay. Average could be 75-80%.

**Sahil**

Okay. Sir. Out of the approximately 500 crores or something like that I think we make from the standalone business, the split between Kalunga and Kandla, is it roughly around 400:100 or 350:150 sort of number.

**Kamal**

Kandla would be close to close to 20 to 25% of the total turnover.

**Sahil**

Okay, okay. Okay. Got it. So 100 crores.

**Kamal**

Something around that. You know that the final figure is still not with me.

**Sahil**

Right, right, right.

No, so my question was that Sir, supposing if we assume, you know, say approximately 300/350 what you're doing from Kalunga right now, full scale production can ramp up to 500/550 crores.

**Kamal**

Where.

**Sahil**

Kalunga

**Kamal**

Yeah, yeah. Any where, may be even more.

**Sahil**

Okay.

Okay. Okay. And similarly at Kandla. Sir we can go up till 200 crores.

**Sahil**

Full scale.

**Kamal**

More.

**Sahil**

Okay. Okay. Okay.

**Kamal**

More, more.

**Sahil**

Okay. Kandla will also be around 75% Sir because phase two I think should be low right. Phase two utilization. Kandla.

**Kamal**

Yeah, yeah, so Kandla the existing plant of ISOstatic we are running at 90% plus.

**Sahil**

Okay, Wow, okay.

**Kamal**

90%, as of today.

**Sahil**

Right. Right. Right.

**Kamal**

May not be on the full year basis. Last year could be you can take it somewhere around 75 to 80%.

Last three, four months, we are running at almost 85/90%

**Sahil**

Right, Sir. Phase 2 of monolithic plant. I think that should be.

**Kamal**

25% or so. 30%

**Sahil**

There's a great room over there to upgrade.

**Kamal**

That's just we've just made the plant. Just before Corona we started manufacturing.

**Sahil**

Okay, okay. Okay.

Okay, I get that Sir this magnesia bricks is something I was reading some material on the IRMA website, also.

There's a great imports happening of magnesia bricks. Do we do we manufacture that right now?

**Kamal**

No, we don't.

**Sahil**

Okay, okay. So any plans on that front? I mean, to replace

**Kamal**

We, we, we have a plan to start but not finalized when?

**Sahil**

Okay. Okay. So, nothing to be expected in FY 22 at least may be next fiscal. May be FY 23.

**Kamal**

Possibly Yes.

**Sahil**

Okay. Okay. But Sir import substitution is possible I mean, the pricing wise we are cheaper than the imports.

**Kamal**

Which one

**Sahil**

Maybe magnesia bricks or

**Kamal**

We have not started manufacturing as yet.

**Sahil**

I understand it but I was just comparing the imports versus the domestic production, I mean, substitution is definitely possible pricing wise. Some of the imports.

**Kamal**

See there is there are two parts of the, one is pricing, second is the push by the Government of India on make in India

**Sahil**

Right. Right.

**Kamal**

So like, all the public sector undertakings and some private sector players also have started under that Atmanirbhar Bharat Scheme.

**Sahil**

Right.

**Kamal**

PSU's have been, you know, there's a guideline that, below 200 crore tenders, they will procure from Indian sources.

**Sahil**

Right

**Kamal**

So, it's a need of the day that you know that your production is made in India.

**Sahil**

Got it Sir. Got it Sir over there 200 crore thing that you said, Sir that is that is just for the PSU right Sir. And I mean, I just tried to understand the I think SAIL is one of our customers but then I mean, I'm sure you have other customers but PSU customer as positive of our whole customer market. Right Sir or is it a good chunk?

**Kamal**

No, it's a good chunk. It is about 20/30%

**Sahil**

Okay, okay.

**Kamal**

Will be if I am not wrong, it will be close to 25% of our domestic sales.

**Sahil**

Okay, Wow, okay, then we definitely stand to benefit. Okay, Right. Just that I'm noting things down so just I'll just go quickly.

**Kamal**

Absolutely. Yeah, yeah.

**Sahil**

And, Sir, these facilities that we have in Tianjin, Brazil and Czech Republic. I think all of these are under the Monocon subsidiary.

**Kamal**

Yes.

**Sahil**

Okay. Are all of these manufacturing facilities are or they are simply trading also.

**Kamal**

No, no, manufacturing

**Sahil**

All of them all of them. Right Sir. All the three of them

**Kamal**

We don't have any trading wings as such.

**Sahil**

Okay,

**Kamal**

We don't have a trading company as such.

**Sahil**

Yes. Got it. Got it.  
Right.

Sir coming to raw material. Now I've I've read all the transcripts. So I know I won't be asking those questions. But could you simply tell me. I think probably clay, magnesia, alumina, resins, zirconia, these are the raw materials probably the ones that we import

**Sahil**

Yes. Which one do we

**Kamal**

Resins we don't import?

**Sahil**

Okay, that's domestic.

**Kamal**

It has very short, small shelf life. So it's only procured in India. Clay we don't import we don't use Clay much. That's all whatever else we use is, is in India.

And, and Magnesia Yes, we import

**Sahil**

Alumina, Zirconia

**Kamal**

There's some Alumina we import some Alumina we procure locally. Zirconia is fully imported.

**Sahil**

Okay, Okay, Right Sir

So, Sir, I mean, are these prices have risen again

**Kamal**

Major impact has been due to the ocean freight increase.

**Sahil**

Oh Yes, yes.

**Kamal**

Ocean freight has gone up so much, major portion of the increase is due to that.

**Sahil**

Okay, okay. Sir but I what I was trying to understand is that if in case I want to track these raw materials, like which one is the biggest in our RM cost? You know, if I want to really understand which one would impact.

**Kamal**

Different product will have a different

**Sahil**

Okay.Okay, okay. Okay.

**Kamal**

So, like some product will have Zirconia only as a major, some will have Magnesia as major.

**Sahil**

Okay. Okay. And clay is it like used everywhere or even clays?

**Kamal**

No, we don't we don't have too much of it.

**Sahil**

Okay, got it. Got it. So, I think Magnesia and Zirconia is something that I should be watchful of.

**Kamal**

Yes.

**Sahil**

Okay. Okay. Got it. Got it and China prices right Sir.

**Kamal**

Yes

**Sahil**

Okay, Right.

Sir, you have been addressing in the Q2 Fy 21 concall when when we had some margin expansions that there has been some cost optimization measures that the company has took up. So, would you be able to give some details on that like, what have you done internally.

**Kamal**

See those details, difficult to share? So I think there is something which is seen as a regular work, which we keep on doing to keep the competition afloat, but difficult to share some of these details. Hope you appreciate that.

**Sahil**

Okay, but these are sustainable, right. I mean.

**Kamal**

Yeah.

**Sahil**

Okay. Okay. Okay. Sir, speaking about Hofmann now you have also on the concall said enough about that. I mean, I'm pointing towards the the performance of subsidiary. Now, is the product acceptance one of the reasons why, you know, we've been taking time to ramp up on that subsidiary, I mean,

**Kamal**

Where

**Sahil**

It's not the routine basket of refractories right, I think it has a niche product portfolio.

**Kamal**

Yeah. So, so, the two three issues why that is getting delayed, one the overall market conditions are not I would say, favorable. Second, the competition scenario also because the market condition has got intense. And third Yeah there is a technological challenge to make the product acceptable. In the refractories industry it takes longer time, so maybe in this case, it is taking a bit more time.

**Sahil**

Right.

But anything anything like we can do more over there, or I'm sure we are doing our best, but is it just that we will wait for the market to improve? Or like we are? You know, we are we have some action plan over there.

**Kamal**

Yeah, it's the product is getting, I think more and more acceptable. In the last couple of/last three months, the product sales have increased. So I think now only, now there is a bright chance of Hofmann should come back to black and improve from there. Last two month sales have been better.

**Sahil**

Okay. Okay.

**Kamal**

So, we see a sign of improvement there. But since the market segment is so insignificant, honestly, sitting here, my knowledge about that market is very limited.

**Sahil**

Got it. Okay, okay. Go on. Go on Sir please.

**Kamal**

So that's what I'm saying. Nothing more, but things are improving there oflate.

**Sahil**

Okay. Okay. Sir, I mean, both UK and USA, there are still the COVID cases are still there. It's not that they have just come out of all of those. But the demand side, you're seeing that improving I mean in Q4 and Q3

**Kamal**

Yeah, yeah, demand has been good.

**Sahil**

Okay. Okay

**Kamal**

Demand has been good. And demand unless you know, there are like you have you know, lockdown kind of conditions in Germany, you have lockdown conditions in France, UK is easing out . But some of the some of the European countries are still not out of, you know Covid situation.

So that grey grey area will always remain, you know, today we cannot source say that there will be no lock down and our business will remain intact. But yeah, assuming the COVID conditions would be under control, the market seems to be very good.

**Sahil**

Okay. Okay. Got it. Got it.

Right. So on the product front Sir, like you said, the things that you want to do in Vizag those are the products that you will be targeting now, Right Sir, those are the products that you wish to introduce in the market? And that's and on the customer side also we are targeting some new mini mills or integrated plants, is it or is it more.

**Kamal**

It is a continuous process. You know, I cannot identify that this is the customer. Yeah, there are a lot of customers still there. We can do business, See, in the world market, we are a very small player. It's not that we have a 20% market share in the world and you know, we cannot look at any other growth. So we possibly in the ISO market in the world, we will not even be 2, 3, 4 percent.

**Sahil**

Correct. Correct.

**Kamal**

So there is a huge scope of growth there.

**Sahil**

Yeah. Okay. Okay and Sir Dolvi is coming up with the new plant. So would we get a chance over there?

**Kamal**

We are already in.

**Sahil**

Okay. Yeah. Okay. So that might give some incremental demand from that plant. We might see that coming.

**Kamal**

Yes, we have have been there

**Sahil**

Okay very good, very good Sir. Now, coming to some modeling questions, because you know we have to maintain a financial model also. So, I just go quickly on that Debt is pretty lesser, but just on the cost of borrowing, we have some term loans and we also have some working capital. So, average cost of borrowing What should I assume Sir some figure that you can give

**Kamal**

Average cost of borrowing our average cost see we normally borrow the working capital

**Sahil**

okay okay.

**Kamal**

Other than that, our borrowing is very limited okay. So, our average cost of borrowing will be what we normally draw that foreign currency packing credit only

**Sahil**

Yes you have that about 27 crores is what you have

**Kamal**

Yeah, major portion is packing credit in foreign currency, packing credit is not even more than 3% of sales

**Sahil**

Okay, okay. Okay. Right. And I think some working capital loan 7.4 crores sort of so that should be around six 7%.

**Kamal**

I don't think we have any working capital loans.



**Sahil**

I think these are consol based.

**Kamal**

Yeah, Consol, maybe see, but they are treating as loan. I do not have ready answer to what is the nomenclature? They would be at this level of percentages only. Not, not, not not more than 3% or so. Because they are all again, you know LIBOR based things.

**Sahil**

Got it. Got it. So floating, not so really hot. Got it? Good.

**Kamal**

Yeah. A Yeah.

**Sahil**

Okay. So nothing more than three 4%? Not nothing more than three 4%.

Okay. Okay.

Sir, on the tax rate front, so I believe standalone we have moved to the new regime. 25% effective tax rate. Am I correct?

**Kamal**

Yes.

**Sahil**

Okay. Okay. And consol basis? I mean, what should be the effective tax rate that I should assume for the forward years? Would there be some number or would you be able to guide me on that?

**Kamal**

Consol tax rates?

**Sahil**

Yes. I mean or should I just look at the historical trend and assume, would you have,

**Kamal**

I think best is to assume a historical trend.

**Sahil**

Okay. Okay. Because a lot of geographies are involved. So I mean, so

**Kamal**

Best is to assume historical trend only.

**Sahil**

Okay. Okay. Okay. Okay. On the cash front, I mean, we get this from the investors also. So, what's your thinking on the utilization of cash Sir? Are we going to do some increased payout in terms of dividend or we thinking some other route? Or are we are we because we don't have huge capex as such? So what's, what's your take on that, Sir?

**Kamal**

So we will, we are on lookout of of inorganic growth opportunities. So as and when we have the opportunities. And now we have a cash, Kitty, which is a bit more comfortable. So we can look at a slightly bigger company also in case we get, So. So that's, that's the idea that, you know, to look for an opportunity to use this cash.

**Sahil**

Okay. Okay.

**Kamal**

On the other things on the other things on dividend policy and buyback, I don't have I'm not entitled to talk on that subject.

**Sahil**

Okay. Okay. Okay. But if in case you don't go ahead with some inorganic expansion, I mean, if probably the valuation doesn't suit you, if asset doesn't suit you, would there be a mindset to you know, go ahead with higher returns to the investors in terms of dividend.

**Kamal**

As I said I am not authorised to talk on this subject.

**Sahil**

Okay. Okay. And, Sir, on the inorganic front, I mean, it would be into the refractory space, right. I mean, you're not looking anything outside of that, right?

**Kamal**

No, it would be in refractory/space. Again I will, I do not know exactly mindset of promoters and top management but we have only acquired in the field of refractory or allied fields in the past. Going by the trend our interest would be to remain in that bracket.

**Sahil**

Okay, okay.

**Sahil**

Okay. Okay.

**Kamal**

I cannot say that, you know, that's the only thing we will look at

**Sahil**

On that front Sir I mean, we have the Vizag capacity, which we will be, which will be coming up and even Kandla is yet to ramp up. So you believe that it will have that strong demand that probably another inorganic expansion would you would be required? Or is it? I mean, I mean,

**Kamal**

That's that's the that's the that's the market intelligence we have our own network of business and customers wherein we have more confidence that yes, if we have facility if we can sell at a cost competitive we can that that demand will be there.

**Sahil**

Okay, okay. Okay.

Right, Sir. Got it. Sir. Now, on the the pricing side, so are you have mentioned in the con calls that there are these contracts that you have for pricing? And you've said six to 12 months? Is that correct, Sir?

**Kamal**

Yes.

**Sahil**

Okay. Okay. So, is it June and December that you get the revision or there is no such fix?

**Kamal**

There is No, no, fixed date.

**Sahil**

Okay. Okay. And like, do we have pricing for like, are we able to pass on the the all the raw material cost inflation? Or how does it usually work out? So these negotiations, I'm just trying to understand the realization front.

**Kamal**

It's a market driven. But yes, the prices are higher, you know, input costs. So there is an opportunity to, I would say can be passed on. But then again, the market conditions are more important here. So, it can only be done in the next, you know, ordering cycle.

**Sahil**

Okay. Okay. Sir, I mean, just for my assumptions, like, the next cycle would be after a couple of months, or like, I mean, I'm just trying to understand, should I assume some kind of change

**Kamal**

You know, there is no fixed date some order can finish today and we can start negotiating tomorrow, but some order could be next month, some order could be next to next month. There's no fix cycle. I mean, it is not like a financial April to March.

**Sahil**

Okay. Okay. But we are able to pass on the cost inflation. It's there. I mean, we can negotiate for that.

**Kamal**

Some bit of it yes.

**Sahil**

Okay, Okay It's the function of both you are saying, the market dynamics also and market place

**Kamal**

Yes. It's function of both.

**Sahil**

Okay. And currently, as you were saying, You were saying that the rather there is a I mean, the raw material costs are lower, you're saying probably, we might have to. I mean, on that front, you saying there might be some dip in the realization that's what you're trying to refer when you say the realizations are higher than raw materials.

**Kamal**

Sea freight and all others have so significantly risen in the last four or five months. . Talking to the customer for passing on, has its own cycle.

**Sahil**

Okay. Okay.

**Kamal**

There will be an immediate impact.

**Sahil**

Okay. Okay. Got it. And so, on the sales front, we have credit sales, Right? I mean, there are no cash basis, right? There are credit sales. So it's usually what a 45 period 45 days kind of a period payable for it

**Kamal**

Ranges. It ranges from 30 days to 180 days.

**Sahil**

Okay? That that big Okay. Okay. But 180 days is too high. Right, Sir? I mean, why do we have to give that higher credit period? I mean,

**Kamal**

That's the demand of the customer.

**Sahil**

Okay. Okay.

**Kamal**

The other players, other players? Give that kind of.

**Sahil**

Okay. So that's the industry thing. Yes.

**Kamal**

Yes

**Sahil**

Okay. Okay. And secondly, when we have to source our raw material, so that is also again, I mean, over there, it's like how is the credit period, Sir, over there. When we are paying for our raw materials Sir? On the payable front?

**Kamal**

So there are there are again, they're varied customers various suppliers will have various it could be ranging from CAD Round credit, some will have 15 days credit or 30 days credit or 60 days credit for example.

**Sahil**

Okay, okay. Okay. Okay. Okay. And these raw material costs Sir they usually reflect in our? So they takes about some shipping time right Sir, reflecting in the financials, is it with a lag or something like that? Because usually in steel companies, we find that so anything sort of that Over here, while it is shipped from China.

**Kamal**

I didn't get what you want to ask.

**Sahil**

So I'm trying to understand like, you know, when the steel companies ship, coking coal from China, there's usually a three month lag, like the coking coal prices, they apply they come in the financials with a three month lag. So similarly, for the raw materials, we're importing from China, there's is there a lag something like that the shipping time and all of that, usually a month or so?

**Kamal**

Yeah, there will be a lag. By the time you order and by the time it will come it will be anywhere between 30 to 60 days.

**Sahil**

Okay. Okay right.

Right, right. Okay. Okay, got it. Okay, and last couple of questions. So we have seen, there has been an increase in the inventory and accounts receivable in first half of fy 21, the balance sheet that we've rolled out for September. So is this something due to the lockdowns? And was that the reason or is there something else that's going on over there?

**Kamal**

What inventory

**Sahil**

Yes, inventory and the account receivable that's on standalone basis it I've seen kind of a jump. So any sort of reasoning over there or is it simply because first quarter is awesome? locked down related issues. Should I give you the numbers if you want or?

**Kamal**

Yes, yes.

**Sahil**

Okay, just one second. Okay, I'm just I'm just going to open that up Till that time, I just ask one more question. So on the capex potential fy 22 guidance so I think 10 crore Kalunga debottlenecking all will be spent in 22 Right.

**Kamal**

Yes,

**Sahil**

Okay. Kandla also 10 crore in 22, fy 22

**Kamal**

Yes almost Yes.

**Sahil**

Okay Okay. And Vizag Phase 2 20 crore that will be again spent in fy 22 right.

**Kamal**

Major part of it.

**Sahil**

Major part of it. Okay. Okay. We have already spent all of the 30 crores of phase one Is it correct? For Vizag

**Kamal**

Some No no, no some will be spent.

**Sahil**

Okay, okay. So, okay. So, this is already around 40 crores the expansion capex if I may, so, say so, and on the maintenance front Sir, maintenance capex What should I assume like annually.

**Kamal**

Five crores

**Sahil**

Five crores. Okay. Okay. So, like about 45 to 50 crores Should I assume for FY 22? Capex front? a ballpark figure I wouldn't need?

**Kamal**

Yes. Something like that, 40 to 50 crores

**Sahil**

Okay, okay. And 23 would be lower right. So because we don't have major expansions lined up right.

**Kamal**

We have so far not visited 23 as yet

**Sahil**

Okay, okay. Sure. Sure. No worries. And Sir the other expenses. We have this line item called site contractor expenses, which is which is about 15% of the other expenses. So can you give me some more What is what exactly is that site contractor expenses

**Kamal**

That's see we have a lot of contracts where we also apply the refractories you know, we manage the shop floor of the customer. So we have our own people or we employ contractor to run that particular equipment. So this is majorly that only.

**Sahil**

Okay. Okay, and what I mean then what what kind of I mean on our standalone revenue? Probably it's it's hardly 5% the services that we give. Is it a huge chunk or it's very small?

**Kamal**

It will be a good chunk. It will be so you yourself are saying 15 crore

**Sahil**

15% and I'm saying the expenses is 15% of the total other expenses, the site contractor expenses.

**Kamal**

So 15% of total expenses is also significant.

**Sahil**

Okay. Okay. Yeah. Okay

**Kamal**

In all management contracts manpower is that of the Company

**Sahil**

Right? Right.

**Kamal**

This is that manpower cost?

**Sahil**

Okay, okay. And just give me one second I have the financial result open. I'll give you the numbers. Just give me one second. All right, so I'm looking at the the consol balance sheets, September basis. And inventories have gone to 163 crores from 140 crores. I understand it's 20 crores but and the account receivable is gone. Just one second. Okay, then there is a dip in account receivable. Okay. Sorry. That's, that's not that's not much. That's not much. Sorry, Sir. So on the inventory side, anything, there's nothing particular happening over there. Right.

**Kamal**

No No Nothing in particular, Nothing to worry about

**Sahil**

Okay. Okay. Sure. Sure. Okay, I think that's that's all from my question side point of view. Anything on the directions or on the business direction on or probably, I mean, you've already answered my questions, but like,

**Kamal**

Business is going to be okay. Yeah, the business looks good. I think in the immediate short to medium term, the things looks I would say more progressive.

**Sahil**

Okay. Okay.

**Kamal**

I don't think anything more than that is there. We have our future plan, more or less in place.

**Sahil**

Right. Okay.

Domestic demand, Sir. Seems to be good for at least next two years. I mean, fy 22, we are sure that it would be really good. But we won't see demand really falling Right Sir. I mean, like, Next two years really looks good with all the capex spend and the public spends and all of that.

**Kamal**

I don't see any

**Sahil**

Right. Right Sorry, Sir. You were saying something?

**Kamal**

I said demand would be there.

**Sahil**

Right, right. Right. Right. Right. Got it, Sir. That's all from my side, Sir. Thank you for your time, Sir.