"IFGL Refactories Limited Q4 FY15Earnings Conference Call"

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Moderator Ladies and gentlemen, good day and welcome to the IFGL Refactories LimitedQ4FY15Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during theconference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. This conference may contain forward-looking statements about the company which are based on the belief, opinions, and expectations of a company as on the date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. I now hand the conference over to the management. Thank you and over to you sir.

Kamal Sarda Good afternoon dear friends. I, on behalf of IFGL Refactories, my name is Kamal Sarda, warmly welcome you all to the earnings call for Q4 & FY2015 Audited Financial Results of our company. I have with me today Mr. Rajesh Agarwal – the company secretary of the company and strategic growth advisors, our investor relations advisors.

In view of the current situation, in the global steel industry coupled with the rupee appreciation against the Euro and Pound we have performed better. In fact in FY15 we have been able to grow our topline marginally. Had US not seen sudden dip in the steel industry and the production in the last quarter our performance would have been even better. Our margins saw drop primarily due to the current volatility. We are taking steps to improve our margins by a number of measures such as use of alternate raw materials, cost control and this shall improve our gross margins. Going forward we expect Europe to stabilize and if the situation in US in terms of steel production picks up we shall see uptake in our growth as well as margins. We continue to remain positive on India. The infrastructure push and the increased action that we shall witness in the next 2-3 years will result in uptake in volumes.

I am also happy to share that Mr. GiorgioCappelli has joined Monocon International, our UK Company from 1st of May this year. He joins as a Director in Monocon and shall be responsible for all our overseas operations of IFGL. About his background Mr. Cappelli is a Doctorate in Industrial Chemistry from Milano University. He was the Board Member and COO of Steel Division of RHI AG Vienna being one of the leading manufacturers specialized factories for iron and steel industry. His presence on the board will benefit all the group companies and will steer Monocon to newer heights in the global arena. We have completed CAPEX at E I Ceramics our US based subsidiary. We have completed initial expansion of our manufacturing facility in December 2014. This has resulted in increase of capacity to the main line ISO plan from 85,000 pieces per annum to a current level of 1,26,000 pieces per annum.

Also in Fairfield we have installed a completely new plant for manufacture of clay graphite foundry stoppers with a capacity of 10,000 pieces per annum. We are positive with this capacity expansion especially in a specialized and mature market such as USA. At Hoffman, our German company, we have completed debottlenecking at our plant which will increase productivity and lead to improvement in margins.

At Kandla facility we are doubling the capacity to 1,60,000 pieces of ISO-pressed refractories and this expansion should be over by end of FY16. On the financial performance in the year ended 31st March, the consolidated total income stood at Rs. 793 crores, EBITDA stood at Rs. 99 crores registering a margin of 12.5%. PAT for the year was Rs. 53 crores with a margin of 6.7%. The Board has approved a dividend of Rs. 2 per share subject to the shareholders' approval at the AGM. The dividend for FY15 is higher than the last year despite fall in profits. We have managed our balance sheet well. The balance sheet strength has helped us in tough and volatile times of FY15.

Our gross debt is at 4-year low at Rs. 116 crores with a cash of Rs. 48 crores. We have an end debt of Rs. 68 crores which is 0.19x of our equity. Our standalone India performance was satisfactory. For FY15 our sales mix was 48% domestic and 52% exports. On a topline of Rs. 338 crores we have achieved an EBITDA of 14.5% and a PAT margin of 8%. On subsidiary performances Monocon Group business recorded a turnover of 27.5 mn pounds with a PAT margin of 5.9%. We continue to expand our product offering and improve our competitive age in that group. E I Ceramics recorded a turnover of 10.3 mn pounds with a PAT of 8.8%. Hoffman Ceramic recorded a turnover of 7.9 mn Euro with a pat of 6.2%. As guided earlier our operational strategy is working well for us and we have been able to turn around operations of our German company. We hope to continue maintaining at these operation levels. Gujarat subsidiary i.e. IFGL Exports, recorded a turnover of Rs. 44 crores with a PAT of Rs. 37 lakhs.

I shall now leave the floor for any questions and answers. Thank you.

Moderator Thank you very much. We will now begin the question and answer session. The first question is from the line of Vinod Malviya from Fluorine Tree Advisors. Please go ahead.

Vinod Malviya Sir can you just help me with the breakup from the standalone company, how much would be towards the European region? 52% is our exports in the standalone, so out of that how much would be Europe?

Kamal Sarda You can take approx 2/3rd of our export is to Europe.

Vinod Malviya Because the standalone performance has at least remained, there is a margin of positive growth over there 7% but the profitability has come down and that largely seems to be because of the raw material cost is going up. So can you throw some light on that I mean why the raw material cost has gone up over there?

Kamal Sarda Raw material cost has gone up primarily because our fall in the realization rate due to depreciation of Euro vis-à-vis Dollar. So that is why the topline has dropped down. Although you may see a marginal growth in the topline but if we take out the rupee-dollar equation the growth would have been much more.

Vinod Malviya No but the topline still shows 7% higher, so there is no good growth, right.

Kamal Sarda On a standalone basis the topline has grown.

Vinod Malviya But the cost has increased significantly, so I just wanted to understand is there any cost pressure or some price of raw material has increased or something like that?

Kamal Sarda No, there is no increase of raw material price as such. It is only the topline which has gone down which is showing in the percentage terms the raw material cost going up.

Vinod Malviya And your other expenses has come down like from Rs. 18 crores in the last quarter to Rs. 15 crores. Can you provide some details about that?

Kamal Sarda Can you park this question Shogan, I will reply to you separately.

Vinod Malviya And sir your consolidated minority was negative this time, so the export business, I mean the IFGL export reported a loss during this quarter?

Kamal Sarda Yes the last quarter was a loss in IFGL exports.

Vinod Malviya And how much was that sir?

Kamal Sarda See the minority interest is 49%, so you can extrapolate that.

Vinod Malviya On the goodwill front you have written down from 34 to 124, so for which company have we have taken a write-off and goodwill?

Kamal Sarda There is no goodwill write-up. It is that same goodwill which is appearing as of 31st of March, 2014 which is restated at the current rates, which is only the difference of exchange rates. There is no write down.

Moderator Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities. Please go ahead.

Manish Ostwal I have two questions. One is on your previous overseas market growth environment, you said in initial remarks you hope to see some recovery next year. So other markets like America excluding India, so could you give your comments of how the environment and the growth over those markets are going high?

Kamal Sarda See Europe is more or less now getting into a stable situation. I do not see a major-major growth coming but I think it will go into a very stable situation right now. It is showing us signs of those things. But the major effect which has happened in the last quarter is the US market and of course in the last year it was the CIS countries which affected our top line. US is a very strange thing which is happening, though the employment data and all other data are positive the steel industry in the last 3-4-5 months have shown a sign of negative growth because of cheap imports to US. I am sure the US government will take some steps to counter that. Once that is there the off-take will increase. So I see a positive sign in US which will only give a positive thing for us. CIS countries I think there is going to be stability there. We are seeing some signs but once that stabilizes that should increase our topline from those countries. India is growing, has a good potential and of course there are a few steel plants and pipeline in the state of completions in the next 2-3 years. I think I mentioned in the past also. There are about 30-40 mn tons getting added in the next 3 to 4 years. So we should see a good growth in the coming years.

Manish Ostwal And secondly you have talked about some cost measures to improve margin. So could you take through those measures for increasing margins, #1. And #2 in FY15 we have seen gross profit margin also decline, increase in raw material cost. So how that basically gross profit margin will move going ahead?

Kamal Sarda See there has been no increase in raw material cost. The gross profit margin which has reduced the major impact is due to reduction in the sales realization because of appreciation of Indian Rupee vis-à-vis Euro and Pound. See in last year March-April 2014 the Euro was about Rs. 82-83-84 and in March 2015 the Euro was about Rs. 67-68. So there has been a sharp decrease in the Euro rates. So that has resulted in reduction in the topline. So the same raw material value has a percentage of reduced sales, the raw material percentage has gone up. We are seeing now there is some correction in Euro now. It is going to about Rs. 71-72. I think we have seen a turnaround of about 7-8%. So once that improves the raw material percentage will go back to the normal levels. There has been no raw material cost increases in the last one year or so. And now regarding the other steps yes, as I mentioned in my speech that we are looking at some alternate raw materials, use of recycled raw materials and all those stuff to keep our margins intact, those steps are on a continuous basis we work on it.

Manish Ostwal Because of these steps what kind of margin improvement one could see in FY16?

Kamal Sarda I think it will be very difficult to quantify that because that is a continuous ongoing process which will go on. There is not one step which will go to a particular level. So it is a continuous process which is going on for the last 1.5-2 years and that is what we are continuing to do.

Moderator Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor Sir you told about the business environment which I slightly missed on your opening remark, if you could delve on point once again sir on the business environment as a whole.

Kamal Sarda Business environment on a whole looks good there as I mentioned in my opening remarks. The US steel industry is going through a difficult time because of cheap imports there, imports from China and other countries have cheap imports which are coming up. So in the last 3-4-5 months the steel industry is passing through a tough phase. But the US economy as such is doing good. They are generating good employment data are good. There is a good number of employment generated. So as far as economy is concerned it is doing good. It is only the cheap imports which is affecting. I am sure the US government will take necessary steps to control that. Once that is done the steel industry will come back to the normal. So once they come back to normal I think our offtake in the US companies would also improve substantially. I also mentioned about the Europe, Europe is going through a very stable state now so we see some bit of stability in Europe. So that will also improve our performances there. Other area is the CIS countries. I can see that CIS countries are also coming back to normalcy after those problems with Ukraine and Russia. So I see in the next may be one year's time this overall situation should improve.

Saket Kapoor For the US market in particular sir, are you seeing any duty implementation, any anti-dumping duty as such being contemplated?

Kamal Sarda US government has been doing it. US is one country which safeguards their economy the most. So I am sure they will take the necessary measure to safeguard their own industry.

Saket Kapoor What kind of dampening has happened due to cheap imports that we could quantify -

Kamal Sarda Their overall imports have gone up by at least 40% to 50%. The quantum of import which used to happen last year, in the last quarter or so their overall imports have gone up by at least 40%.

Saket Kapoor Is this mainly from China?

Kamal Sarda I really do not have the full data with me but those are the data which are available in American Steel Institute, you can go to that data. If they have some more, I do not know. I have not gone through that. The overall import data is available there.

Saket Kapoor So what has been then the capacity utilization level on our own and if you could give a breakup firstly?

Kamal Sarda It has reduced in America.

Saket Kapoor For our company in particular what has been the capacity

Kamal Sarda The capacity utilization has been quite good. In the last one year we have done quite well overall.

Saket Kapoor Percentage terms?

Kamal Sarda I think from product to product it varies because we make different kind of products. So our mainline product is ISO statically pressed where we are about 85-90%. So I think that has got done well.

Saket Kapoor If you could throw some light also on the breakup of the raw material, what are the main consequent of the raw material that we consume and how are the prices flared up over and year on year some price increases?

Kamal Sarda I would request you to go through our published balance sheet. There we have the details of the raw material. Then if there is anything we can discuss call me separately.

Saket Kapoor Can you throw some light on the order book positioning?

Kamal Sarda Everything is stable. I think we have no problem in the order books.

Saket Kapoor Can you quantify it sir, how much is it as on date?

Kamal Sarda As I mentioned we do not have any issue with the order book. So we do not have ready figures because those are regular continuously coming. We are not seeing any reduction in our quantity terms. So order book is quite good. We do not see any problems there.

Saket Kapoor On the bookkeeping part sir, as we are looking at the share capital, the capital mentioned for March 2014 is Rs. 49 crores and for this it is Rs. 34 crores. Was there any element of preference shares being redeemed or -

Kamal Sarda You can see the published result which we have in the newspapers. We have redeemed 14.5 crores preference shares last year. 14.5 crore has been redeemed.

Saket Kapoor That is due to better liquidity positions?

Kamal Sarda We have enough cash. You see in our cash position also we still after that redemption also our cash position has improved. So we have enough cash with us.

Saket Kapoor And sir we are in the normal trade receivable cycle also? The cycle is normal or are we getting any delays?

Kamal Sarda It is normal all across the globe, other than the Indian scenario. The Indian steel industry is passing through a liquidity issue. There the domestic debtors have gone up. But otherwise all other places we are at extremely normal levels.

Moderator Thank you. The next question is from the line of Neerav Shah from Geecee investments. Please go ahead.

Neerav Shah Sir just one question on your USA operations, we have seen a very sharp drop in the revenues, so was it because it was set due to the capacity commissioning?

Kamal Sarda The last quarter has been dropped because as I mentioned to you the US steel industry there has been lot of imports in the last quarter. So this domestic steel industry produced less. So that is why the last quarter has been bad.

Neerav Shah But it has gone down from 25 odd crores to 8 crores, so was the impact so severe?

Kamal Sarda I think there is some mistake.

Neerav Shah Sir if you look at quarterly release it was 10.3 mn pounds and if I remove the first 9 months of revenues which was 93 crores – 42 crores, 26 crores and 26 crores?

Kamal Sarda You cannot do that way because you cannot equate that in the rupee terms because the rupee has sharply changed in the last one quarter. Between December to March there has been a sharp change in the rupee vis-à-vis pound as well as euro. So when you convert last quarter to this quarter there will be sharp difference in the balancing figures. You cannot do that way. Otherwise we did not have any problem in the US company as such in the last quarter.

Neerav Shah Because I have taken the quarterly average currency rates for the respective quarter, but that is fine, okay. Has the situation changed in the first couple of months of this quarter in terms of the demand over there?

Kamal Sarda I would say after March, April and May it has not changed so much.

Neerav Shah So the improvement if at all we see it would be from the second quarter onwards at our US operations?

Kamal Sarda Yes please.

Neerav Shah And sir it says 80% capacity utilization, post expansion capacity what is the kind of revenues it can do whenever the capacity is reached, the potential?

Kamal Sarda We extrapolate from the current revenues to the expansion, I think currently that company is doing about Rs. 100 crores turnover is there for the last year. So if we double the capacity we should be doing Rs. 180 to Rs. 200 crores.

Neerav Shah Got it sir and appreciate the way we have managed the working capital in a tough environment sir, congratulations and all the best sir.

Moderator Thank you. The next question is from the line of Pritesh Chheda from Emkay Global. Please go ahead.

Pritesh Chheda Sorry I have joined the call a bit late. I just want a couple of clarifications. One, on the domestic side or the standalone operations where we do the export business, could you tell us the exposure that you would have in Euro and in Dollar?

Kamal Sarda Our exposure in Euro would be to the extent of 70%.

Pritesh Chheda And on the consolidated side when I am looking at the quarter numbers, which of the business areas would have seen some changes QoQ?

Kamal Sarda One would be our US operations. As I mentioned in my previous question that US steel industry there has been a lot of cheap imports coming, so a drop in the local steel production, which has affected our US operations. And second is obviously the sharp appreciation of rupee vis-à-vis Euro and Pound which has affected our Indian operations as well.

Pritesh Chheda So there will be hit on the export realization on Euro in the standalone operations?

Kamal Sarda Yes.

Pritesh Chheda And the US subsidiary which means in what capacity it is operating today and did it actually make a loss in quarter 4?

Kamal Sarda No, they did not make a loss in quarter 4.

Pritesh Chheda And what capacity utilization you would --

Kamal Sarda In US one of the subsidiaries is running at about 85-90% capacity.

Moderator Thank you. The next question is from the line of Umesh Raut from Equirus. Please go ahead.

Umesh Raut Recently in last week actually European Union slammed the anti-dumping duty on import of high-value added steel products from China and Japan. I mean how do you see the impact of this on overall steel consumption or steel production from Europe and going ahead do you see any positive movement happening due to this decision and how do we see the demand over there?

Kamal Sarda See any kind of stoppage of imports is good for us. So that means the local steel production goes up and since we manufactureconsumables for the steel industry our consumption will go up. So we say that any kind of restriction on cheap imports in those matured markets like Europe and US will be good for us.

Umesh Raut So I mean could you please quantify further I mean any positive gain for Europe and steel production industry?

Kamal Sarda I do not have the figures readily but there is no major-major growth going to happen there. It can be like 2-3% would be a good figure for them.

Umesh Raut And sir considering the US market slowing down in the last 2-3 months and we have added capacity over there in the last year. So how do you see ramp up happening in next one year FY16 and then FY17?

Kamal Sarda See it is only a temporary phenomenon the US steel production is down. If you see the last 2 to 3 years the US steel production has gone up only. This is only a temporary phase. I am sure when Europe has put restrictions on cheap imports US will also take that step and the steel production will go back to normal. So our capacity expansion is not a short term measure. It is only a long term measure. So we are confident that we will be able to utilize that capacity to our advantage.

Umesh Raut And sir on bookkeeping front, tax rate for FY16 would be how much?

Kamal Sarda For different countries it would be different but there has been no change. I think there has only been a reduction in UK by one percentage point.

Umesh Raut I mean sir for full year FY15 tax rate was around 32.6% and that is marginally higher than FY14, so FY16 on consolidated basis how much would be the tax rate?

Kamal Sarda It is a bookkeeping jugglery I would say so. The tax rates as I mentioned in all the countries are stable. There is no mechanism to save or evade tax or pay more tax. It is only the foreign exchange translation reserve which appears in the book in the last year, there was a gain and this year there is a loss. There is no tax impact on FETR so that changes the tax rate percentage on an overall consolidated basis. Otherwise there has been no change in the taxation in each of the companies.

Umesh Raut Any update for capacity expansion at Kandla facility?

Kamal Sarda If we are targeting FY16 we should be able to complete.

Umesh Raut End of FY16?

Kamal Sarda Yes, end of FY16 I think last quarter we should be able to complete that.

Moderator Thank you. The next question is from the line of Shubhankar Ojhafrom SKS Capital & Research. Please go ahead.

Shubhankar Ojha You shared a few numbers, can you share the capital utilization for different geographies separately if that is handy with you?

Kamal Sarda Can you send these questions to Shogun Jain?

Shubhankar Ojha Sure. Secondly in terms of the Kandla facility CAPEX you were doing it this in this financial year end, how much you plan to spend for that?

Kamal Sarda It is about Rs. 4 to Rs. 5 crores, not very big amount. This year it would be less but next expansion the CAPEX would be higher.

Shubhankar Ojha How much would that be?

Kamal Sarda This would be about Rs. 15 crores.

Shubhankar Ojha And in terms of current you shared your detail outlook in terms of the demand, so looking at this current demand scenario, then as on today do you expect the revenue to grow in FY16 compared to FY15?

Kamal Sarda We do not give any kind of those things. As I mentioned you have to look at what is our past performance and our target is always to grow. So baring the currency volatility we will continue to grow.

Shubhankar Ojha So the EBITDA margin that you have seen in this financial year as a whole should escalate to 100 basis point of contraction. Is it only because of currency or there are some other things which is there responsible for the same?

Kamal Sarda On a consolidated basis there are two factors. One is definitely the major part, of course effectively there is only one sector, the currency volatility where the topline reduces because of this exchange rate volatility and second is foreign exchange translation reserve which is also an effect of the foreign currency rates at the year end. So last year as I mentioned in my previous call, last year we had positive foreign exchange translation reserves. Between March 2013 and March 2014 the rupee depreciated. Between March 2014 and March 2015 the rupee appreciated vis-à-vis the base currency, the pound versus rupee or euro versus rupee. So that is the change which is affecting the FETR also, which is also in a way there is movement in the profit because of that and of course the topline changes due to the foreign exchange rates. But other than that there has been no change in the overall costs.

Shubhankar Ojha Okay, no pressure with respect to the cost?

Kamal Sarda No pressure on the costs.

Shubhankar Ojha And sir if you can give me the Kandla current capacity and post expansion what would the capacity be?

Kamal Sarda The current capacity is about 80,000 pieces per annum and post expansion it will be 1,60,000 pieces per annum.

Shubhankar Ojha We will be doubling that?

Kamal Sarda Yes.

Moderator Thank you. The next question is from the line of Ravi Purohit from Securities Investments Management. Please go ahead.

Ravi Purohit Some of my questions have been answered. Just one broader level question – if you look at our addressable market IFGL by and large addresses most of the larger steel companies and a big portion of our business in India comes from larger steel companies. These are also the companies who are undertaking all the CAPEX right now because given the import situation and given the kind of dumping that we have seen in India in the last few months, lot of small and marginal steel companies are already in distress and that we keep in reading in lot of newspapers and lot of articles and analyst reports. What I wanted to kind of get your perspective on is what are the chances of these larger companies struggling to grow their volumes in India in a scenario where let us say India does not go out and impose any duty, do you think there is a volume risk for the larger steel companies or you think it will first affect the smaller guys, the induction furnaces, the electric arc furnaces then basically probably the larger companies will come into the play. Because those guys Tata Steel and SAIL at the end of the day are also quite cost competitive in terms of having their own ores and all those things. So does it really impact the volume of these companies or do you think if there is no action by government of India it could affect these guys also and therefore our business also?

Kamal Sarda I do not think the larger steel companies would be affected what you mentioned about the cost competitiveness plus their ability to sustain, which is very important today. The liquidity issue is a big issue. You try and sell in the market you do not get the money. So small steel mills personally speaking, would get the major impact of it. I am sure the Government of India is watching where to stop, they would also take some steps. But we are not talking of huge imports coming into India. So it is only the local steel consumption has to grow so the infrastructure development which is the plan of the government has to go up. So that is the key to our steel industry growth.

Ravi Purohit So you are not really worried. You are more worried over domestic consumption growth than the import risk from let us say China or Ukraine or Russia.

Kamal Sarda No, import risk is not much.

Ravi Purohit Because recently there was a steel conference in Mumbai and we had had attended that conference and the broader picture that was being painted was that China has excess capacity of almost 200 mn tons and that could kind of ruin India steel production capacity.

Kamal Sarda See China is a story which is going over last 15-20 years. No country has got ruined because of that otherwise US should have been wiped out by now. US is continuing its full production, almost production, baring a small glitch here and there. China has an excess capacity which is almost 2.5 times of the Indian current capacity. So that fear will always remain in everybody's mind. Steel industry wants their own protection. I think that is why they have raised this as a concern. It is a concern. So those marginal players will go out in case the import goes up. But because of the rupee depreciating vis-à-vis dollar, I think that risk reduces to a large extent.From a rupee to dollar 60 to 64 that risk proportionately reduces also. It is a risk I do not see but larger players will not get affected.

Ravi Purohit So larger players you think are still in reasonably -

Kamal Sarda They are all doing full. I think if you go to Tata Steel it is running in full capacity. If you go to Steel Authority they are running capacity. Vizag Steel Plant is at full capacity. JSW is at full capacity. Essar has its own problem because of flat products but otherwise I think they are in full capacity. I do not see there will be a major problem baring the liquidity issue in the overall economy which is there.

Ravi Purohit Another question related to our business is I can understand that some of the larger companies like SAIL and Tata Steel at least are not having that much of a problem, they are still reporting profits. But in the last couple of months we have read in lot of newspapers, like Bhushan Steel industries and sometimes people are saying Uttam Galva, sometime there are talks of Essar Steel. So there are lot of talks of lot of these companies either in deep distress or unable to make their payments. As a supplier of consumable items to these people, to these companies is there any pressure you are seeing on payments received from these clients or what kind of sense you are getting because of course newspapers have their own story to say but as a supplier to these companies what is it that you are seeing?

Kamal Sarda The second level steel industry is under stress. There is a severe liquidity stress in the steel industry. We are trying to be careful of our sales. We have receivables which have gone up for the domestic sales over the last one year, so we are careful.

Moderator We will go to our next question which is from the line of Rohan Dalal from Dalal & Broacha. Please go ahead.

Rohan Dalal Sir just one question, regarding our Kandla plant where exactly do we primarily export from Kandla?

Kamal Sarda It is all across if you look at Europe, America, Mexico, Middle East, all across.

Rohan Dalal Okay, so it is not particularly to one country.

Kamal Sarda No, no, it is Africa. It is fed as what we do in our parent company IFGL Refractories.

Rohan Dalal And we do not export anything major to US or Europe? To US and Europe do we export from this facility?

Kamal Sarda Yes.

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

Saket Kapoor Sir as earlier you informed us that lot of capacity around 30-35 mn tons is coming up domestically also, so how are you seeing the refractory business capacity being built up to cater to this and not only for the domestic level but also on the global level, what sort of new capacities are coming up and how are we going to maintain our market share, if you can elaborate?

Kamal Sarda The capacity, the Indian refractory industry has been looking forward to these expansions for the last 2-3 years, 4 years. In fact only the steel capacities have got delayed. So Indian Refractory Industry is almost ready with the capacities. If you look at expansion – because we have built this Kandla plant and some of the other refractory players have also expanded like Vesuvius also came out with their capacity expansion two years back. So they are almost ready to serve the increased capacity in the steel industry. Having said that, any kind of increase in capacity in the refractory industry does not take much time. It can be built over a period of say anywhere between 10 to 15 months. So that can be done quite quickly. So I think the refractory industry is ready to have those capacities in steel industry coming up.

Saket Kapoor If you could give the breakup of the capacities what we were having as on March and what is the proposed capacity enhancement across all geographies as on March 2016?

Kamal Sarda Can you send this question to Shogun Jain and answer it offline because there are lot of things which are there to discuss?

Moderator Thank you. The next question is from the line of Narayanan Ravindranathan from Chola Insurance. Please go ahead.

N Ravindranathan I just wanted to get a sense on what is the thought process on the inorganic strategy? Are we looking at new product lines, new customers and which markets if at all we are evaluating any acquisitions?

Kamal Sarda There is nothing as of now to discuss as such. We are open to any kind of market as long as this new product which is coming up and it is going to add to our overall group synergy. So we are open to any of these, so there is nothing which we can discuss as of now. We are talking to few people but there is nothing which we can discuss as of now.

N Ravindranathan And what product lines are looking most promising for you in terms of entering afresh?

Kamal Sarda We would continue to remain in the specialized refractory segment but as I said we are open.

Moderator Thank you. The next question is from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.

Jaineel Jhaveri I just wanted to know in the refractory industry per se do you see consolidation happening in the future?

Kamal Sarda I do not think we can rule out any kind of consolidation in the refractory industry as well.

Jaineel Jhaveri But do you actually see lesser number of players or –

Kamal Sarda See in the Indian refractory industry also if you look at in the last 3-4 years, RHI came in and purchased Orient Refractories. Calderys acquired Ace Refractories. Krosaki Harima acquired Tata Refractories. Consolidation is going on. I do not rule out that there will be no further consolidation. There is a possibility of consolidation happening.

Jaineel Jhaveri And even for us are we looking at being part of a bigger company or are we looking to – means is that even an option on the table?

Kamal Sarda No, nothing as of now.

Jaineel Jhaveri No, no, I am not talking about in terms of offers. I am saying that would we be even willing to be part of a bigger company or do we want to stand separate?

Kamal Sarda I think we would like to remain on our own.

Jaineel Jhaveri And so do you know why is this consolidation happening, like is it not making sense for so many players or it is not too lucrative for new players to come in? Why are all these people willing to -

Kamal Sarda Consolidation is happening if you look at I think these answers would be there for any kind of consolidation whether it is steel industry or this or may be even in the eCommerce segment also. It is just the mere size which will command the price and the market. So I think that would be the reason why people are acquiring the other companies.

Moderator As there are no further questions I would now like to hand the floor over to the management for closing comments.

Kamal Sarda Thank you. I hope I have been able to answer most of your queries. We look forward to your participation in the next quarter. If you have any other queries you may contact our investor relation advisors, Strategic Growth Advisors. Thank you very much.

Moderator Thank you. On behalf of IFGL Refractories Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.