IFGL REFRACTORIES LIMITED
Head & Corporate Office :
3, Netaji Subhas Road, Kolkata - 700 001, India
Phone : +91 33 40106100, Fax : +91 33 22430886
E-mail : ifgl.ho@ifgl.in, Websites : www.ifglref.com

19th November, 2019

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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

In compliance of above, please find enclosed herewith transcript of Investors Conference Call on Company's financial performance for Q2 & H1 FY2019-20 held on Wednesday, 13th November, 2019. 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

Formerly known as **IFGL EXPORTS LIMITED**
Registered Office & Kalunga Works :
Sector 'B', Kalunga Industrial Estate
P.O. Kalunga - 770 031, Dist. Sundergarh, Odisha, India
Phone : +91 661 2660195, Fax : +91 661 2660173
E-mail : ifgl.works@ifgl.in, CIN : L51909OR2007PLC027954

"IFGL Refractories Limited
Q2 and H1 FY2020 Earnings Conference Call"

November 13, 2019

MANAGEMENT: **MR. KAMAL SARDA – DIRECTOR AND CHIEF EXECUTIVE OFFICER – IFGL REFRACTORIES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the IFGL Refractories Limited Q2 and H1 FY2020 Earnings Conference Call. This conference call may contain certain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the 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 and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note, that this conference is being recorded. I am now glad to hand the conference over to Mr. Kamal Sarda, Director and Chief Executive Officer, IFGL Refractories Limited. Thank you and over to you Mr. Sarda!

Kamal Sarda: Good afternoon everyone. On behalf of IFGL Refractories Limited, formerly IFGL Exports Limited, I welcome you all to the Q2 and H1 FY2020 Earnings Conference Call. I have with me SGA, our Investor Relation Advisors.

We had uploaded our investor presentation, I hope you have had a chance to go through it.

I will give you a small brief on the steel industry where we basically serve. The global steel industry is growing slower than expected for the year 2019 due to various trade war tensions between US and China and other countries, lower demand and excess capacities consequently leading to the steep drop in steel prices.

On the domestic front, industry faced headwinds due to slowdown in two key sectors, which contributes to the steel industry demand. The real estate and the auto industry, both these industries are going through a severe slowdown. Liquidity crunch in the economy has adversely impacted the industry. However, lately on the domestic side we are hopeful that due to the efforts taken by the government, pushing affordable housing and recently announced relief package for the real estate sector should result into a pick up in the construction activities and resultant steel demand should increase.

Further India's decision not to participate in the RCEP which could have seen actually the inflow of products especially steel from various member countries especially China has provided a sigh of relief to the domestic steel industry. According to a recent research report, the Indian refractory industry is poised to become the second largest refractory market in FY2020 outpacing the US but it is still just 3% of the global market with China being the largest player with over 60% of the market share.

I will move on to give you a brief of the financial performance of Q2 and H1 FY2020. Consolidated performance levels, total consolidated income for Q2 increased by 1.4% YOY to 223 Crores and for H1 FY2020 it increased by 3.8% YOY to 476 Crores.

Consolidated EBITDA for Q2 stood at 26.2 Crores down 16% and H1 FY2020 it stood at 56.4 Crores down 11%. Goodwill write off was 6.7 Crores in Q2 and 13.4 Crores in H1. Consolidated PAT was 12.5 Crores in Q2 down 9% and for H1 FY2020 it was 26.1 Crores down about 11%. Consolidated cash profit is 23.3 Crores for quarter and 49 Crores for the half year.

On the standalone performance the total standalone income was 119 Crores up by 9.5% and for H1 it was 260 Crores up by 13%. EBITDA for the quarter was 17.8 Crores down 14%, for H1 it was 39.9 Crores down 1.8%. EBITDA margins for the quarter was 15% and H1 was 15.3%. PAT increased by 3.6% to 7.6 Crores in quarter and up 9.8% in H1 that is 16.2 Crores.

On the international businesses, EI Ceramics the US operations, total income for H1 was $9.8 million almost similar compared to H1 in FY2019. EBITDA was 1.2 million as compared to 1.6 million in the same corresponding period. EBITDA margins were 12.2% for H1 FY2020. PAT was 0.8 million compared to 1.1 million in the half-year corresponding.

Monocon our UK subsidiary for H1 FY2020 the total income was £14.4 million, EBITDA was £1.1 million, EBITDA margins were 7.7%. PAT for H1 was £0.8 million.

Hofmann Ceramic, our German business for H1 reported a total income of Euro 4.4 million as compared to Euro 5.2 million in H1 FY2019 and the EBITDA and PAT were slightly negative for H1 FY2020.

With this I now leave the floor open for question and answer. Anything I will be happy to answer that.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Pankaj Jain from Mahavir Investment. Please go ahead.

Pankaj Jain: Thank you for the opportunity. Sir, my first question is as the steel prices have reduced, are we seeing the realizations from refractories also reducing?

Kamal Sarda: With any kind of reduction in the customer's front, this will result in a reduction, the pressure to reduce prices, but what is happening with the slowdown is the competition increasing because the overall capacity of refractories, the gap between the suppliesf and demand is increasing. So, there is a pressure on price.

Pankaj Jain: So, are we seeing a reduction in that price also, like can you quantify it or something?

Kamal Sarda: It is difficult. It is customer to customer. These are not standard products. These are all tailor-made products. These are not standard products, so we cannot quantify. For one customer, it could be said 10% reduction, say for one customer it could be only 2%, for some customer it could be as high as 25% reduction also.

Pankaj Jain: But this should be a pass through?

Kamal Sarda: No, I am talking about the actual reductions. There is nothing called pass through here.

Pankaj Jain: Sir, my second question would be regarding what will be the volume growth for the company in Q2 and H1?

Kamal Sarda: I do not have exact figures, but there is a volume growth compared to last year H1 and the Q2 also because we make various products. In some products there is a growth in quantities and in some products, it is stagnant. Overall there is a quantity growth.

Pankaj Jain: Sir, any ballpark number if you can share?

Kamal Sarda: It could be about 5% to 7%.

Pankaj Jain: Sir, I will get back in the queue. Thank you, Sir.

Moderator: Thank you very much. The next question is from the line of Siddharth Shah from Harsh Capital. Please go ahead.

Siddharth Shah: Thank you for taking my questions. I had a couple of questions. First question is what would be the company's current capacity utilization?

Kamal Sarda: It again varies from product to product, but it could be generally around 60% on an average.

Siddharth Shah: Do we expect it to increase for FY2020 and FY2021?

Kamal Sarda: See, as of today it is difficult to predict with the current market conditions.

Siddharth Shah: Sir, my second question is I just wanted to know the progress of the company with respect to the capex which has been undertaken by the company across all the plants?

Kamal Sarda: We have already shared one slide in the presentation. If you go through that slide, we have mentioned that there are two three projects which are in pipeline, two projects specifically, the Kandla project and the Vizag project. Kandla is ongoing and we expect that we will start the commercial production in this financial year and Vizag project we plan to start construction within this financial year and maybe the commercial production should start by FY2021.

Siddharth Shah: It is all going on track, right Sir?

Kamal Sarda: Yes, but maybe a bit slowly, maybe a bit truncated from the originally envisaged.

Siddharth Shah: Sir, do you think that refractories capacity coming into commissioning in this next two years, it would create an overcapacity situation in the industry with this capacity?

Kamal Sarda: I think we should not push a panic button as of today. There is a difference between supply and demand has increased but there is nothing to panic about. It is just a simple slowdown, which will see a bottom out.

Siddharth Shah: Thank you so much.

Moderator: Thank you. The next question is from the line of Dhiral Shah from PhillipCapital. Please go ahead.

Dhiral Shah: Good afternoon Sir. Thanks for the opportunity. Sir, my question is does the refractory sector grows at par with steel production?

Kamal Sarda: Yes.

Dhiral Shah: So, for H2 what is the outlook?

Kamal Sarda: I think you all know better than me. It is difficult to say an outlook, but as of today there is a bit of a slowdown all across the globe. We do not expect it to improve it so soon at least in this quarter as well as the next quarter.

Dhiral Shah: In the opening remarks you said there has been a steel surplus in the world market, so does it impact the overall refractory demand?

Kamal Sarda: There is no steel surplus as such. See, the capacity surplus is always there, that is why the people export to various other countries, China dumping to India, China dumping to US and all those stuffs, but Indian steel growth is possibly going well. I do not see any problems in the Indian steel, maybe we are talking of 7% to 8% growth, it could slow down to 6% or 5.5% growth, but it will continue to grow.

Dhiral Shah: So, you feel Q3 would be again a laggard but maybe starting Q4 there could be some kind of a push up?

Kamal Sarda: Q4 we can expect or we expect slightly upswing there or maybe beginning of the end of slowdown.

Dhiral Shah: Sir, lastly with the fall in steel price is there any percentage fall in refractory also?

Kamal Sarda: I think I answered this question.

Dhiral Shah: But you didn't mention the price quantum?

Kamal Sarda: No, I also mentioned. See, obviously when the steel prices go down, steel production goes down, the gap increases, the competition increases hence the price of refractory also goes down. This is also one of the reasons why the profitability of maybe not only IFGL the other companies also would be either flat or lower.

Dhiral Shah: Thank you.

Moderator: Thank you. The next question is from the line of Raj Joshi from Ace Securities. Please go ahead.

Raj Joshi: Good afternoon Sir. Sir, I had a few questions. Sir the first question is how far we have been able to succeed in the mini mills segment, where Orient holds a strong footprint?

Kamal Sarda: I would not mention the quantum, but we are doing good there. That much I can say.

Raj Joshi: Sir, why we have reduced the capex at Vizag from 50 Crores to 30 Crores?

Kamal Sarda: As I said, we had the industry slowdown so we have tapered down the capex, maybe we can take it up in one or two years later.

Raj Joshi: Sir, our EBITDA margin has reduced at both standalone and consolidated basis, so what are the reasons for the same?

Kamal Sarda: It is purely the prices going down because of the competition, some input cost increases, there could be various factors, it has grown compared to the corresponding quarter but it has not grown compared to the last quarter, the previous quarter. Compared to the previous quarter, we have come down. So, the volumes have come down in this quarter, not only India, but because we export more than 60%. The European market and the Middle East market is very, very slow. I do not know whether you read the news, there is a lot of plants which are either shutting down or cutting production drastically. So, that has impacted our exports growth.

Raj Joshi: Sir, regarding the same, do we expect the margin improvement will be there in the future?

Kamal Sarda: Yes, it is a cycle. It is not that it is going to continue like this. There will be an upswing. It is just a temporary phase of six months to eight months or nine months or something like that. It will improve.

Raj Joshi: Thank you.

Moderator: Thank you very much. The next question is from the line of Rohan Shah from Parallel Mines. Please go ahead.

Rohan Shah: Good afternoon. Sir, I just wanted to know when do you expect our subsidiary performance Hofmann Ceramic to improve?

Kamal Sarda: We have done quite a bit, but unfortunately German market is also getting slow, competition is increasing, so I will not be able to give you a timeframe, but I think we have taken a lot of steps, we are continuously looking at that operations and it is in management's top most priority to bring operations back to normal. We are doing a lot of actions there. I hope next half would be better than the first half.

Rohan Shah: Sir, my next question would be that is it that we have added any new clients or have we seen any bad debts from existing clients?

Kamal Sarda: There are no bad debts from existing clients. The addition of new clients continuously happens, I would not be able to mention the client, but it is a continuous process.

Rohan Shah: Thank you.

Moderator: Thank you very much. The next question is from the line of Rishit Shah from Dhanki Securities. Please go ahead.

Rishit Shah: Good afternoon Sir. One question, Within the domestic addressable market what could be IFGL's market share?

Kamal Sarda: In our product group we should be about 10% to 12% or 13% like.

Rishit Shah: Thank you.

Moderator: Thank you. The next question is from the line of Priyanka Singh from Atidhun Securities. Please go ahead.

Priyanka Singh: Good afternoon Sir. I had a few questions. What is the company's current working capital cycle days?

Kamal Sarda: It would be different for different companies, maybe US is different. I can give you. I do not have the information. I will ask SGA to pass on this information to you.

Priyanka Singh: Is the company able to pass on the RM price increase to the customers?

Kamal Sarda: It always happens. These are all tailor-made products, but also a competitive market. We really cannot, the competition decides the price. It is not the raw material decides the price. So, it is not always it is possible, but yes, if it is a steep increase in the next ordering cycle, this is passed off.

Priyanka Singh: Have you raised any debt or plan to raise any debt for capex?

Kamal Sarda: We have not raised any debt in the last quarter or maybe last couple of quarters. Yes, for the expansions we may raise debt.

Priyanka Singh: That was helpful. Thank you.

Moderator: Thank you. As there are no further questions, I will now hand the conference over to Mr. Sarda for closing comments.

Kamal Sarda: Thank you everyone for participating in this investor call. I hope I have been able to answer to most of your queries. We look forward to your participation. For any queries, which I could not take here, please contact, SGA, our Investor Relation Advisors or you can contact me. Thank you very much and have a nice day.

Moderator: Thank you very much. On behalf of IFGL Refractories Limited that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.