22nd August, 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 Q1/FY2022-23 held on Wednesday, 17th August, 2022. A copy of this is also being hosted on Company's Website: www.ifglref.com.

Thanking you,

Yours faithfully,
For IFGL Refractories Ltd.,

RAJESH AGARWAL

Digitally signed by RAJESH AGARWAL
Date: 2022.08.22 17:07:40 +05'30'

(R Agarwal)
Company Secretary
Email: rajesh.agarwal@ifgl.in

Encl: As above

"IFGL Refractories Limited Q1 FY23 Earnings Conference Call"

August 17, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 17th August 2022 will prevail.

MANAGEMENT:	**MR. JAMES MCINTOSH – MANAGING DIRECTOR, IFGL REFRACTORIES LIMITED** **MR. KAMAL SARDA – DIRECTOR & CHIEF EXECUTIVE OFFICER, IFGL REFRACTORIES LIMITED**
MODERATOR:	**MR. NAVIN AGRAWAL – HEAD, INSTITUTIONAL EQUITIES, SKP SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the IFGL Refractories Limited Q1 FY23 earnings conference call. As a reminder, all the participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the opening remarks from the management. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Navin Agrawal – Head, Institutional Equities at SKP Securities Limited. Over to you, sir.

Navin B. Agrawal: Good afternoon ladies and gentlemen. It's 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 & CEO with us. We will have the opening remarks from Mr. James McIntosh, followed by a Q&A session. Over to you, Mr. McIntosh.

James McIntosh: Good evening, ladies and gentlemen. Thanks for joining us on this conference call. I hope you and everyone around you are safe and in good health. Along with me on the call, we have Mr. Kamal Sarda, the Director & CEO of IFGL and SGA, our investor relations advisors. We have uploaded the results of the presentation on the stock exchanges, and I hope everyone has had a chance to go through these.

Let me share some business highlights. In Q1 FY'23, we witnessed some normalcy in the business operations globally as the intensity of COVID reduced. However, the challenges we highlighted in the last quarter to the global supply chains remain. Those are cost increases and freight, remain high, particularly from **(Inaudible) 2:06** China. And obviously, this is used in raw materials for supply of our plants worldwide and receipts of products from our manufacturing plants in China and sold to our customers worldwide.

We have cost increases in all the raw materials and plant consumables and components used in the manufacture of the products. We haven't seen any difference in or any reduction on these fronts. We have got a shortage of certain key raw materials which also caused us a supply and demand situation. And in some cases, resulted in very high cost increases.

Energy costs across the board are still affecting the company, and our plants and equipment. And generally, inflation costs which obviously result in labor cost increases are affecting us worldwide. But despite all of these challenges, we have posted a very robust quarterly revenue growth year-on-year and 30% growth in our consolidated results and 38% growth in our stand-alone revenue, where we received strong support from our customers worldwide for price increases in the products.

Unfortunately, the ongoing conflict between Ukraine and Russia continues to place us under pressure, particularly in the European operations with regard to the cost of gas. Halfway, the

World Steel Association forecasts and still sees some growth in steel, although it has reduced quite substantially given the situation in Ukraine. But we feel that just based on their figures they are saying that '22 looks like slight growth showing and also '23 looks like we will have a normal growth coming in also.

Obviously, as refractories are a key product used in the manufacture of steel and we operate within a growing market, it's very important for us especially in India where growth projections for the steel industry here are outpacing all other areas of the world, that we have a very strong situation here in our company with regard to manufacturing and technology. And it's very important for us to stress, as we did in the last conversation that we have got a very robust and targeted CapEx expenditure – actually the largest in the company's history.

We started construction of a new state-of-the-art research and technology center which will be built in our core manufacturing location in Odisha. This will enable the company to improve its own material and intellectual property database, expand its products and improve our technological approach to sustainable material and technology development.

We have also now completed and rolled out a new brand identity and will shortly complete the modernization of our website which is aimed at improving our interface with customers, prospective employees, suppliers, and all of our stakeholders. And our approach in the ESG will be strengthened. We have recently signed an agreement with our global consultants who live in this area which will focus initially on the Indian operations and then after that will be go out globally.

We are very confident that our continued robust sales growth worldwide along with our future capital expenditure will enable us to continue to expand our business with a focus on quality and technology supported with our long-established foundations of cost effectiveness and to improve profitability.

With this, let me now hand over to Kamal Sarda for his comments.

Kamal Sarda: Thanks, Jim, for the quick overview of the business. Let me give you a short brief on the business performance. Revenue of quarter 1, as James said, there is a strong growth in India as well as overseas on the basis of some increased prices, increased volumes and a good order book from the customers.

Profitability was impacted on account of the raw material prices, operating expenses including logistics, energy charges and all that and also the foreign exchange – the rupee depreciation vis-a-vis dollar. Overseas subsidiaries' operating costs also increased more than those of the parent company because of logistics that played a greater role, and consequently, there was a margin pressure on these entities as well.

I will give you a small brief overview of the financials. On the stand-alone, the total income increased by 38% and closing in the quarter at Rs. 226 crores. EBITDA was up by 3% year on year over Rs. 28.5 crores. EBITDA margins reduced to 12.6% compared to 17% in the corresponding quarter. PAT was about Rs. 12 crores compared to Rs. 13.4 crores in the corresponding quarter FY22.

On the consolidated which includes all our subsidiaries in the U.S. and Europe, the total income increased by 30% to Rs. 360 crores. The consolidated EBITDA was down by 3% to Rs. 34.5 crores. EBITDA margins were 9.6% compared to 12.9% in the corresponding quarter. PAT was about 14.6 crores compared to 17.9 crores in the corresponding quarter. We continue to remain debt free with a strong balance sheet. Cash and cash equivalents stood at about Rs. 234 crores on the consolidated balance sheet as of June 2022.

I will now leave the floor for any questions on these financials.

Moderator: Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Lakshmi Narayanan. Please go ahead.

Lakshmi Narayanan: My first question is that if I look at your gross margin, it used to operate in a particular band of 50+ right? And this quarter has been a little disappointment. If I look at on the next 3- to 5-year perspective, what is the band of gross margin you would like to operate and you think that is possible for you to hold on to?

Kamal Sarda: I think we still maintain the margins which we had told in the past. This quarter, suddenly, the rupee depreciation, the continuous increase in freight cost, timing difference of price increase, and usual global slowdown in the steel industry affected all those things. Maybe, this is the primary reason but we still maintain that these margins which we said about 15% generally EBITDA margins over a period we will be able to maintain.

Lakshmi Narayanan: The gross margin decline is attributable to what factors? If you break the gross margin decline, which is usually the material margin would be around 50% plus, right? So if you look at it, how do you attribute that? How much is for currency devaluation or currency issues?

Kamal Sarda: Mr. Lakshmi Narayanan, I am not ready with those breakups as such, but it is primarily a composition of all those factors; raw material price increases, logistics cost increase, Forex the rupee depreciation, all put together has resulted in this. I don't have the breakup. We normally don't maintain that way.

Lakshmi Narayanan: You said we will come back to that in the next 2-3 quarters or it will take even more time?

Kamal Sarda: Let's wait for a couple of quarters. Let's see how things unfold in the Russia-Ukraine situation and then maybe we will have a more clearer picture. Things are evolving, so we will wait.

Lakshmi Narayanan: Sir, just one suggestion. It will be helpful….

Kamal Sarda: Can you pass on this? I have requested the operator to restrict the question to one because I have another call after this. Maybe we can have a call separately Mr. Lakshmi Narayanan.

Moderator: We will take the next question from the line of Hitesh from Aksa Capital Advisors. Please go ahead.

Hitesh: Sir, could you help us understand how does the pricing work with the domestic customers? What I am looking for is what is the tenure of the contract? And what was the price hike that was taken probably in this quarter or at least in the last 6 months, if you could elaborate on that?

Kamal Sarda: The domestic contracts are generally on a 6 months to 1-year contract, but of late, it has been like a 3 to 6 months because the user industry wants a shorter term because of price volatility. We have got price increase in the last quarter, the quarter 4. This current quarter, we have got some price increase, but still we are talking to the customers. That is how these are negotiated on a…. Now, it is a short-term basis, it's like 3 months to 6 months term.

Hitesh: Just a followup, if you can quantify the price hike? And in the event of the raw material prices, if they cool off, will we benefit from the cooling off of RM in the next 3 to 6 months?

Kamal Sarda: All these pricing impacts will be discussed when the contract renewal takes place.

Moderator: We will take the next question from the line of Sanjay Nandi from Ratnabali Investment Private Limited. Please go ahead.

Sanjay Nandi: Sir, on a consolidated note, if we compare with the peers along with our company, we could find that we have a good healthy top line growth on a Y-o-Y basis. But if we compare the EBITDA, that margin has got dipped a bit significantly on a Y-o-Y basis whereas its peers have registered an uptick in the margins on a Y-o-Y basis. What is held responsible for arresting of our margins on a Y-o-Y basis? What has been the laggard for these things?

Kamal Sarda: If you look at our stand-alone results – you take both the things together – the impact is there on the stand-alone results. If you look at the EBITDA margins of stand-alone, they have reduced from 17% to about 13%. That has been transferred to the consolidated results. And on the cost impact, I think I mentioned already the impact on the gross margin. We have already discussed that.

Sanjay Nandi: Sir, is it because of our product basket which we were trading like those are not….

Kamal Sarda: I think I told in the previous thing that the cost increases are due to raw material price increase, the rupee depreciation vis-a-vis dollar rate increase and all these factors.

Sanjay Nandi: But sir, if we export something, rupee depreciation will be a support for us, right, sir?

Kamal Sarda: We are majorly exporting in Europe. So euro appreciation has also impacted the margin.

Sanjay Nandi: And what about the domestic things like the other companies have registered a Y-o-Y increase in margins. I am just trying to understand….

Kamal Sarda: I am only talking about my company. This is the impact, not done a detailed study about others.

Moderator: We take the next question from the line of Saket Kapoor from Kapoor Corporation. Please go ahead.

Saket Kapoor: As has been explained by you in the opening commentary, just a followup to that. The raw material pass-on has happened completely or are we expecting any further reduction in margins and when are we going to again rejoin that band of 15% on a consolidated level? When can we see the improvement in the other geographies other than India? If you could outline to us where are we in the midst of that.

Kamal Sarda: I think most of that I have already answered in my previous comments. For the margin improvement, we will wait for quarter 2 and quarter 3 until we have clarity on the stability of the economic situation worldwide. You have the Ukraine-Russia war impacting everywhere. So, we will wait for 1 or 2 quarters more until we have more clarity, but our target is to remain at 15% plus EBITDA level.

Saket Kapoor: On the utilization level, since this is directly also proportional to the utilization levels, in the global geography, what kind of utilization levels are we expecting going ahead because of these vagaries in the market?

Kamal Sarda: As of now, we are at the same levels as we were in the past.

Saket Kapoor: So, it is only the pricing factor that you are unable to comment today because it is not about the visibility of the deliverables?

Kamal Sarda: No, not really.

Moderator: We will take the next question from the line of Viraj. Please go ahead.

Viraj: I just have one question. The CapEx which we are incurring between '23 and '24, can you provide some color in terms of what product categories will these be towards? Is it primarily for the domestic market or is it a mix of domestic and exports? I am asking this on the backdrop because if we look at all players in the industry, both private and public let's say, everyone is going big on capacity expansion. So, just trying to understand, is there enough demand or other avenues available for this kind of capacity to be absorbed?

James McIntosh: For me, the CapEx that we have in the presentation, there is a slide that shows the breakdown of the CapEx according to the manufacturing plants. Obviously, from the point of view of manufacturing, our objective there is to improve our manufacturing capability and also expand our capacity. For example, if we were to look at the Visakhapatnam project, all of the expenditures that we plan to invest in Visakhapatnam are in new product areas for the company. These new product areas will undoubtedly benefit us both in India predominantly and to a lesser extent on the export side. For the Kandla plant, because it is based in the SEZ, our objective for that plant is more or less export. So, all of the expansion that we plan there is going to benefit our export business. For Odisha, this is a combination of both the expansion of capacity in our manufacturing but also Rs. 20 crores of the expenditure is for the research and technology center. The new research and technology center will benefit the company worldwide in terms of new products and developments of new materials. I hope that answers your question.

Viraj: Can you provide more color on what new products we are looking at?

James McIntosh: What specific new products we are looking at?

Viraj: Yes. The capacity expansion which is happening is in what product areas?

James McIntosh: No, I wouldn't really want to go into the detail on that.

Kamal Sarda: We will come back to you on this in possibly a few more months when we complete that or when we finalize those. These are plans. There are certain products which are getting added. There are certain expansions in our existing product line also. Maybe we can have a bit more detailed discussions after some more time.

Moderator: We will take the next question from the line of Sahil Sanghvi from Monarch Networth Capital. Please go ahead.

Sahil Sanghvi: Can you please explain what exactly has impacted our performance at EI Ceramics where we are seeing margins dipping to almost break-even levels right now? Apart from these reasons that you have already provided for the stand-alone business, can you give me a bit more detailed explanation on what is happening and how are we handling that and how can we see some recovery over there?

James McIntosh: In EI Ceramics, we have now a good expansion in terms of the sales. Without a doubt, we are really being caught out with the scale of the cost increases that we face there. Not only the scale but also the speed at which they will hit the plant. I would say that we are certainly on an even keel from the point of view of understanding where we need to go. And that, I would say, for the next couple of quarters, we will see a gradually improving situation back to where we normally would be in terms of percentage profitability. Tremendous support where the customers are basically in such situation just now between cost increases and realization of our price increases in the market.

Sahil Sanghvi: Just one followup question from the previous participant. You have addressed that a few of the capacities, especially Vizag will cater largely to exports, so do we still expect

James McIntosh: No, not Vizag. Vizag wouldn't be export, that would be Kandla.

Sahil Sanghvi: Sorry for that. The proportion of exports from our stand-alone business will still hover around 55% to 60% going forward or do we expect to reduce that?

James McIntosh: No, I would think that the percentages would stay about the same, Kamal, yes?

Kamal Sarda: Yes, it would almost maintain because we are expanding in Kandla also.

Moderator: We will take the last question from the line of Saket Kapoor. Please go ahead, sir.

Saket Kapoor: Regarding the benefit of this R&D plant, I think Rs. 20 crores, if I'm not mistaken, is what we are investing. If you could give us some understanding as to what is the thought process going ahead? How is this R&D plan going to make a difference to the product profile for the company? Also, for our foreign companies, the other companies in the same geographies, at what time does they trade? We are at, I think, the book value of 259. We are trading at 1 time. If you could give us some color other listed companies in the different geographies if you have that data with you just to have a comparable….

Kamal Sarda: Can we discuss offline on this? You can give me a call later on. You can take SGA along with or Navinji in SKP and then we can talk. Because it's a big question, so we can talk separately.

Moderator: We will take the next question from the line of Raj Shah. Please go ahead.

Raj Shah: My first question is regarding that I think there has been an event where we have sacked two Independent Directors. If the management could throw some light on the same? And there's one other thing that I would like to suggest to the management regarding during the calls a lot of times when the management is saying, I will just take this question privately, we will just have interview or conversation. In order to enhance the corporate governance, I would request the management to disclose the transcripts of all the private calls that are made.

Kamal Sarda: I am just taking the last question first. On the first question, I will let Mr. Jim answer to it. Why I said because there is a time limit to our taking these calls. We have set a time limit to this. Because this question was large, some of these questions will take a little longer time. That is why I said, okay, we can have a discussion separately. I don't have any intent not to tell you or not to tell them. Just because the questions large otherwise, keep on. That's the reason why I am taking this call….

James McIntosh: If you ask a question what's the benefit of our research center, that's not a question which you can answer in 2 minutes or 5 minutes. That's a very in-depth question from the point of view of material development, product development, corporate development. There are a lot of things which go into that. It's a very simple question, but it's not a simple answer. And obviously….

Raj Shah: I completely understand there's a time bandwidth with the management. But just my request in order to enhance the corporate governance standards, it would be great if you could disclose all the transcripts out there on the public domain.

Kamal Sarda: We will keep that in mind. The next time what we will do is we will try and keep a longer time schedule for this.

Navin B. Agrawal: Raj, your point is well taken. This is Navin Agarwal. And as Mr. Sarda said, we will try to have a longer call in future. If you can just go ahead with your question right now, because there are a few other people who are waiting in the queue.

Raj Shah: Yes, I have asked my questions.

Navin B. Agrawal: James, you're taking this question, please?

James McIntosh: Sorry, what was the question?

Raj Shah: The question is we have recently sacked two of the Independent Directors. I think it is over the breach of contract. If you could throw some light on this thing because they own 15% of the company. That's quite a big overhang on the company's stock.

James McIntosh: I am sorry, I really can't make you at all.

Kamal Sarda: Jim, they were asking about the removal of Directors. I think we have the AGM notice which states the details of that. And beyond that, I think we have nothing more to add.

Moderator: We will take the next question from the line of Shubam Agarwal from Equitas. Please go ahead.

Shubam Agarwal: Sir, my question is regarding the CapEx that we have outlined. Out of the 3 CapEx that we have mentioned, can you help us understand the timeline of each of the projects by when it is coming on? Also, if you can help us understand what is the total potential revenue that we can achieve out of this? And again, the timeline that we will be able to manage that?

Kamal Sarda: The timeline is already mentioned in the presentation which we have sent. FY24 is the timeline overall. I think that's what we have already mentioned in FY23 and FY24. They will come in phases. FY24 is the final timeline when we will complete our total expansion and the program.

And on the top line growth, we normally take, say, a level of about 3 to 3.5x of CapEx. You can assume that 3x to 3.5x. It will take anywhere between 3 to 5 years' time till we reach that level. So, maybe you can keep an outer limit of 5 years.

Shubam Agarwal: But on the timeline bit, it says FY23 and FY24 very broadly. Can we consider this at the outer limit of FY24 or do we have some plan coming before that?

Kamal Sarda: As I said, it will be in phases, partly will come. Not all the expenses will get completed by FY24. Some of that will happen in FY23, but I would say a major part of that will get spilled over FY24.

Moderator: We have the next question from the line of Raj Shah. Please go ahead.

Raj Shah: What would be our capacity utilization for Q1 on a consolidated level?

Kamal Sarda: There are various companies at various product levels, like some of the product levels where we have capacity utilization could be anywhere between 85% and 90%, and some will have about, say 60% or so.

Raj Shah: Is it fair to say we are at 75%? Just sort of a ballpark number?

Kamal Sarda: Yes, you can average it out like that, yes.

Moderator: We will take the next question from the line of Athreya Ramkumar from ithought PMS. Please go ahead.

Athreya Ramkumar: We have a lot of cash on the balance sheet and we generate a lot of cash every year. So I just want to know, incrementally, how we are thinking about utilizing this cash. Because I think the CapEx plans we can fund via the yearly accruals itself. I just want to know are we looking out for any acquisitions? I just wanted your thoughts on this.

Kamal Sarda: I think we have mentioned in our presentation that the expansion which we are doing in India will be funded out of internal accruals as well as we will take some loans. And cash, we have in our balance sheet on various balance sheets today. That is there for any kind of opportunity to either acquire a company or maybe a major CapEx somewhere. That's the cash which we have in there. As of now, that is there in mind.

Athreya Ramkumar: But there is nothing on the horizon?

Kamal Sarda: No, we don't have anything to speak about right now.

Moderator: We will take the next question from the line of Sahil Sanghvi from Monarch Networth Capital. Please go ahead.

Sahil Sanghvi: I just wanted to understand the current status of the freight cost and raw material cost vis-a-vis the one which is being reported in the 1Q FY23 numbers. Have we seen any kind of easing on the freight and the RM cost post the completion of the quarter? Currently, what is the status?

Kamal Sarda: The increase of freight cost, the increase has stopped, I would say so. There is a nominal reduction which is being seen both in terms of the freight cost as well as – I would not say all – some raw material, but some raw materials have got increased. This has got impacted further, if you talk of the rupee depreciation because everything is majorly dollars. Rupee has depreciated by almost 8% to 8.5% in dollar terms. That has aggravated more than any kind of reduction which has happened. So, I would say in a nutshell, there has been an increase, and that is one of the reasons of the impact in this quarter.

Sahil Sanghvi: Just a followup on that, sir. How much is the raw material sourcing from the domestic sources?

Kamal Sarda: I think in value terms in the past, it used to be about 50% imports and 50% domestic. Now, it could be like 60% is imports and 40% domestic, because the rupee has depreciated against the dollar.

Sahil Sanghvi: Can we scale up the domestic sourcing and that way reduce cost? Is that something that is possible?

Kamal Sarda: We are trying this. It is not very easy to replace the raw materials. We are trying some alternate sources, but I think it will take some time.

Sahil Sanghvi: Lastly, on the demand from Europe. Do you see that being disturbed wherein that will continue for 1-2 quarters because of the steel production being hit in Europe? How is that looking to turn out?

James McIntosh: There has been, in certain areas of Europe, a slight deterioration in terms of steelmaking. Again, it's very difficult to really target and understand is it due to any particular outside factors or is it just because of the normal close down which occurs in certain parts of Europe due to the vacation period. I would say that most of our operations in Europe have still got very good order books and we don't see too much of an impact going forward there. From the point of view of our Indian business, supplying into Europe, we have seen some areas of reduction in terms of takeoff but not substantially.

Sahil Sanghvi: How much proportion of our exports is going to Europe? If you can quantify that?

Kamal Sarda: Out of our exports from India, it could be about 50% of that into the Europe.

Sahil Sanghvi: 50% of the exports are going to Europe, right?

Kamal Sarda: Overall, yes.

Navin B. Agrawal: Thank you very much. As there are no further questions, I would like to hand over the call to Mr. Sarda for his closing remarks.

Kamal Sarda: Thanks everyone. We hope we have been able to answer most of your queries. I know some queries were unanswered, but we will ensure that we have a longer time duration in the next calls. And thank you SGA and SKP Securities for organizing this call and we look forward to your participation in the next call. Thank you very much and wish you all the best.

Moderator: On behalf of SKP Securities Limited, that concludes the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.