28th May, 2024

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 4QFY24, held on Wednesday, 22nd May, 2024. A copy of this is also being hosted on Company's Website: https://ifglgroup.com/investor/meetings-reports/ .

Thanking you,

Yours faithfully,
For IFGL Refractories Ltd.

Mansi
Damani

Digitally signed by Mansi Damani
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Date: 2024.05.28 19:10:47 +05'30'

(Mansi Damani)
Company Secretary

Encl: As above

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"IFGL Refractories Limited
Q4 FY'24 Earnings Conference Call"
May 22, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 22nd May 2024 will prevail.

MANAGEMENT:	**MR. JAMES MCINTOSH, MANAGING DIRECTOR – IFGL REFRACTORIES LIMITED** **MR. ARASU SHANMUGAM, DIRECTOR AND CHIEF EXECUTIVE OFFICER, INDIA – IFGL REFRACTORIES LIMITED** **MR. AMIT AGARWAL – CHIEF FINANCIAL OFFICER – IFGL REFRACTORIES LIMITED**
MODERATOR:	**MR. MAYANK BHANDARI -- ASIAN MARKET SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '24 Earnings Conference Call of IFGL Refractories Limited hosted by Asian Market Securities Limited. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantee of future performance of the company, and it may 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 operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mayank from Asian Market Securities. Thank you, and over to you, sir.

Mayank Bhandari: Thank you, Seema. Good evening, everyone. On behalf of Asian Market Securities, I welcome you all to the Q4 FY '24 and FY '24 Earnings Conference Call of IFGL Refractories Limited. We are pleased to have with us management being represented by Mr. James McIntosh, Managing Director; Mr. Arasu Shanmugam, Director and CEO India; Mr. Amit Agarwal, CFO. We will have the opening remarks from the management, followed by question-and-answer session. Thank you, and over to you, James, sir.

James McIntosh: Hi, good afternoon, ladies, and gentlemen. Thanks for joining us on the conference call. Along with me on the call, we have a newly appointed Director and the CEO India, Mr. Arasu Shanmugam. Also, we have Amit Agarwal, our CFO and SGA, our Investor Relations Advisors. We have uploaded the results and presentation on the stock exchanges, and I hope everyone had a chance to go through the same.

We're pleased to announce that we had an 18% year-over-year increase in the total group revenues. This significant growth shows team's dedication and strategic planning even amidst of challenging economic landscape. Through out financial year 2024, we have had range of obstacles but have managed to hold our EBITDA margin levels as we have previously guided. The major challenges we faced was the macroeconomic weakness in Europe, which was exacerbated by the ongoing Russian-Ukraine conflict. Conflict between Israel and Palestine and the crisis in the Red Sea region have also contributed to geopolitical instability affecting trade routes and market sentiment.

These factors had a notable impact on the economic stability of the region influencing our operations and market conditions. Additionally, European markets have experienced high inflation and interest rates along with increased labour and energy costs. From the steel industry perspective, the subdued global economic recovery has a dampening effect on the steel production worldwide. The sluggish recovery has led to a lower demand in our primary overseas markets. Our strategic shift to focus on the Indian market a couple of years ago has played a crucial role in our success.

Our domestic operations thrived with double-digit growth. Fortunately, the challenges in export business were offset by growth in our domestic markets. The World Steel Association recently released its short-term outlook and steel demand forecast for '24 and '25. Excluding China, where they expect 2024 to remain at the same level of 2023 and then for 2025, returning to a downtrend as infrastructure and manufacturing growth is not expected to recoup Real estate declines projection for the world, excluding China, suggests a broad-based growth and steel demand at a relatively strong level of 3.5% per annum over 2024 and '25.

The other comments to note is that India has emerged as the strongest driver of steel demand growth since 2021. And their projections suggest that Indian steel demand will continue to charge ahead, with 8% growth in steel demand over '24 and '25, driven by continued growth in all steel using sector and especially by continued strong growth in infrastructure investments.

In 2025, the steel demand in India is projected to be almost 70 million tonnes higher than in 2020. Other emerging parts of the world, such as MENA and ASEAN are expected to show accelerated growth in the steel demand over '24 and '25 after a significant slowdown over '22 and '23.

We observed the mounting difficulties in the ASEAN region, such as political instability and erosion of competitiveness might lead to a lower trend of steel demand growth going forward. We also noted that the EU and then particularly U.K., remains the region primarily facing the biggest challenges in the region. And in particular, the steel using sectors are challenged on a multitude of fronts, geopolitical shifts and uncertainty, high inflation, monetary tightening, partial withdrawal of fiscal support and still high energy and commodity prices.

On this basis, 2024 provides foundation for a meaningful recovery of 5.3% in 2025. U.S. steel demand continues to show healthy steel fundamentals. The US steel demand is expected to quickly return to growth path in 2024 after a sharp drop led by housing market slowdown in 2023, thanks to a strong investment activity, which received a boost from the Inflation Reduction Act and a gradual recovery in housing activity.

As you all know, IFGL throughout its history has been focused mainly on the steel industry, and we have promised a move into the non-steel sectors. We are pleased to announce that in early 2024, we commenced supply of our own high alumina brick products into the cement industry, which is the first entry into this important sector. Additionally, in this quarter, we see the commencement of a manufacturing of the state-of-the-art casting flux plant and also the mag carbon brick plant in Visakhapatnam, which are at the height, will bring us an additional INR 200 crores in sales, and Arasu will cover these in more detail.

Suffices to say that we will see additional sectors of coverage in the future. With this, let me now introduce our new Director and CEO India, Mr. Arasu Shanmugam. Arasu comes with 30-plus years of experience in the refractory industry. A Postgraduate and a life member of the Indian Ceramic Society, he is specialized in operations and sales services. He has previously been associated with industry heavyweights like Tata Refractories and Dalmia-OCL Refractories Limited and has a proven track record of involvement in the steel, cement and other non-ferrous market segments in ceramic technology. Now I would like to hand over to Arasu for his comments.

Arasu Shanmugam: Thanks, Jim, for your kind words, and good evening, everyone, on the call. I'm extremely happy to be associated with IFGL as Director and CEO India. IFGL is a preferred name in refractories industry known for its high value, ethical value, capabilities, and leadership position across geographies. In quarter 4, we signed our contract with PwC for SAP S/4 HANA implementation partner and commenced the work of business process mapping already. We have given the code name for this implementation project as PROJECT GATI. This will give the company an integrated business process running platform.

PROJECT GATI represents a fundamental step to leverage streamlined operations, real-time data analytics and advanced decision-making processes to make us more agile, efficient, and responsive by harnessing the power of technology, optimizing our processes, and driving sustainable growth across all facets of our organization. We are confident that the PROJECT GATI will now not only drive operational excellence but also foster a culture of continuous improvement and innovation throughout our organization as we position ourselves for greater success.

To strengthen our path of growth, we have restructured our team and recruited new talent at CXO level and senior management level. Additionally, we have been enhancing our R&D center by adding skilled professionals and expanding other key areas of our organization.

With this, we have introduced HR transformation initiative. We have partnered with Deloitte to launch the PEOPLE FIRST HR program, which will help us embark on a journey of organization transformation by keeping people at the forefront, which will enable us to continue to excel on our path to achieve 2x growth within the next 5 years, alongside our primary focus will be on delivering top-tier products that offer superior performance.

As mentioned in our previous earnings call, we are expanding into non-steel segments. We're proud to announce the dispatch of our inaugural products from a high-alumina plant in Wankaner, Gujarat, India. This facility has been established to cater to customers in non-ferroust sectors such as cement, glass, coke, lime, and coal gasification industry. This milestone event signifies the beginning of our journey beyond the steel industry, making a significant moment in our company's legacy.

Additionally, we are excited to announce the inauguration of our continuous casting flux plant in Visakhapatnam this month. At full capacity, this plant is expected to generate upwards of INR90 crores annual revenue. Next month, we are also inaugurating our Magnesia Carbon brick plant projected to bring in over INR100 crores annually. Both projects initiated in 2022 are now ready to contribute significantly to our group's income.

On the capex, as of March 2024, we have majorly done all the capex. In Odisha, around 90% of capex has been utilized. In Kandla, we have utilized 90 percentage of the planned capex. In Visakhapatnam, approximately 75% of the planned capex has been utilized. The capex is expected to be completed by first quarter in FY '25.

Regarding the Odisha land parcel, we are currently in the process of securing it from the government. We anticipate receiving the land soon. Since joining IFGL and overseeing operations, I have witnessed a company with a strong value system, excellent governance, and the right ingredients for further success. I'm optimistic about strengthening the IFGL brand and enhancing our execution rigor to accelerate growth while maintaining a focus on profitable revenue growth.

I look forward to engaging with all stakeholders in the future. Now I hand over to Mr. Amit Agarwal, our CFO, to take you through the financials.

Amit Agarwal: Thank you, sir. Let me give you a brief on our financial performance. Starting with the stand-alone financial highlights. Total income for Quarter 4 FY '24 stood at INR 216 crores and for FY '24 stood at INR 910 crores. EBITDA for Quarter 4 FY '24 stood at INR 37.8 crores and FY '24 EBITDA before exceptional items stood at INR 169 crores, up by 26% year-on-year.

EBITDA margin for Quarter 4 FY '24 stood at 17.5%. For FY '24, EBITDA margin before exceptional items stood at 18.6%. PAT for the Quarter was at INR 15.6 crores, and for the year, it stood at INR 65.1 crores.

Let me now move forward to consolidated financial highlights. Our total income increased by 7% year-on-year to INR 401 crores in Quarter 4 FY '24. For FY '24, total income grew by 18% year-on-year to INR 1,658 crores. EBITDA for the Quarter stood at INR 42 crores and for FY '24 EBITDA before exceptional items stood at INR 213 crores, up by 28% year-on-year.

EBITDA margin for Quarter 4 FY '24 stood at 10.5%. EBITDA margin before exceptional items stood at 12.8%. PAT for the Quarter at INR 12.5 crores, and for the year, it stood at INR 81.7 crores. With respect to liquidity position, we remain net debt-free and with strong balance sheet. Cash and cash equivalents stood at INR 202 crores on a consolidated basis as of 31st March 2024.

Company has also recommended a dividend of INR7 per share for financial year FY '24, subject to shareholder approval. This is all from my side. I shall now leave the floor open for question and answer. Thank you.

Moderator: We take the first question from the line of Sahil Rohit Sanghvi from Monarch Networth Capital.

Sahil Sanghvi: My first question is to Mr. Arasu Shanmugam. Sir, congratulations on your appointment and your impressive experience into this field. My question is, what are the few areas that you will be focusing on now that you have been appointed to this position? And more of with respect to the domestic business, what are your key points that you would want to focus?

Arasu Shanmugam: Thank you. Thank you for your wishes. Yes, as I was mentioning, entering into non steel sector, non-ferrous sector so called is also one of the major steps in the company we have taken up that will grow. And our steel business is going to remain the core. And the major what our aim would be this year to enhance our share of business with all profitable customers, for which we have already put a lot of measures on ground, so to increase our sales with key profitable accounts in domestic.

Having said that, we are not losing any focus on export. The export business also we will grow, but our primary focus will be to encash the growth market, which is our market, Indian market. So that's going to be our core focus.

Sahil Sanghvi: Right, right. My second question is regarding these new products and new plants that will be commissioning, mainly the mold flux powder and magnesia brick. what kind of ramp-up can we expect on these products? And what kind of demand are we seeing for - specifically for this product?

Arasu Shanmugam: So let me come to magnesia carbon brick. If you take any steel plant, magnesia carbon brick is one item which is consumed in very high volume. And I'm happy to tell you that this magnesia carbon plant, what we have put up, is actually a backward integration, meaning we already have important customers on our clientele list for consumption of magnesia carbon. So it's going to be now serving from our own. So we are expecting to reach a full capacity in coming 2 years' time.

And maybe this year, when we start, by the time we will be late by 3 months in the financial year, so we have 9 months left out. So here, we will go nearly to, let's say, 50% by end of the year and then next year, we must reach anywhere between 80% to 85%.

Sahil Sanghvi: Right, sir. And similar kind of targets we have, similar kind of efforts we'll put for the mold flux powder because I think we have a big competitor over there in Vesuvius also has started its plant. So similar kind of ramp up we'll target for mold flux powder?

Arasu Shanmugam: Mold flux, yes, but maybe slightly a little longer period to reach 85%, maybe 2.5 to 3 years compared to reach 90% capacity position.

Moderator: The next question is from the line of Shoumik Ganguly from Aditya Birla Money.

Shoumik Ganguly: Yes. My question is regarding the capex. What would be the capex expansion plans of the company in the future?

Arasu Shanmugam: See, we have almost done our all capex, as I have mentioned. We are going to complete. By the time in July - June end, let's say, next month end, we are almost completing all capexs, which we are now going to only concentrate on implementing various sales and business development activities to ramp up the capacity. And if at all, any new capexs that will be for the new plant, which we have just mentioned that the land possession taken by maybe July or so coming 2 months. After that, it will come up. But otherwise, for major capexs, we have already completed.

Moderator: We take the next question from the line of Harsh Shah from Dalal & Broacha Stock Broking Pvt Ltd.

Harsh Shah: A few questions from my side. Firstly, if you could kind of give a split between the domestic and the export mix within the stand-alone operations in Q4 of this year and Q4 of last year?

Amit Agarwal: To answer your question, Harsh, Quarter 4 this year domestic business was around 77% of the total revenue. And last year, it was around 63%.

Harsh Shah: Okay. And for the full year, FY '24 and FY '23?

Amit Agarwal: Domestic business is around 67%, and export is around 33%.

Harsh Shah: And for FY '23, what would have been the domestic contribution?

Amit Agarwal: 55% and 45% exports.

Harsh Shah: Sorry, I could not get.

Amit Agarwal: 55% domestic and 45% exports.

Harsh Shah: Got it. Got it. And secondly, on the Brownfield capex that could be kind of getting completed by June end, somewhere around INR159 crores of capex. So the asset turn would be somewhere around 3x. So would the assumption is correct that the revenue from -- that would be somewhere around INR450 crores to INR500 crores?

Amit Agarwal: Generally, it's 2 to 3x. So we'll achieve -- we'll try to achieve that one.

Harsh Shah: And how long do you think it would take to ramp up to say somewhere around 85%, 90% utilization ballpark?

Amit Agarwal: All depends on the market I believe. But we are ready to ramp up.

Harsh Shah: Okay. But any ballpark, any target that you have in mind?

James McIntosh: And Arasu had just mentioned to you, Harsh, at the outset.

Harsh Shah: Sir, I'm talking about the 3 Brownfield capex, not the new ones that we did off. All the people are...

James McIntosh: Brownfield.

Harsh Shah: Yes. Yes.

Amit Agarwal: Harsh, as Mr. Arasu said that we will be achieving 50% certain by this financial year or 80% around next financial year. And so for the flux 30% for this financial year and 70% to 80% next financial year.

Harsh Shah: I'll take this question post the call. And my question is -- the another question is on Sheffield contribution for FY '24 if you could quantify that for full year?

Amit Agarwal: Jim, would you like to take this question on Sheffield.

James McIntosh: No, that's financial, you go.

Amit Agarwal: You want to discuss the number for Sheffield?

Harsh Shah: Yes, yes. I want the revenue part.

Amit Agarwal: We did around INR 200 crores of sales for Sheffield this year.

Harsh Shah: Got it. And lastly, any sort of guidance that you would want to give in terms of revenue and margins? Because last time around, I believe at the start of the year, you have given some sort of revenue guidance and about the margin guidance. So do you want to give any sort of guidance on the revenue front?

Amit Agarwal: We will continue with our overall guidance at 15% EBITDA margin for standalone and 12% for consolidated revenue.

Harsh Shah: And then revenue front?

Amit Agarwal: Revenue will continue a growth of around 10%.

Harsh Shah: On consol operations?

Amit Agarwal: On standalone.

Harsh Shah : On standalone. Okay.

Moderator: The next question is from the line of Anjana Shah from Shah Investments.

Anjana Shah: Two questions from my end. Sir, what would be the outlook for our export markets in light of the current global scenario? And how do you anticipate the performance going forward? Sir?

Amit Agarwal : Can you please come again on your question?

Anjana Shah: I'm saying what is the outlook for our export markets in the light of current global scenario? And how do we anticipate the performance going forward in the export markets? That is my first question.

And my second question is, are there any plans for acquisition? And could you throw some more light and provide more details regarding this aspect?

James McIntosh: On the acquisition side, we are – on the overseas plant, one acquisition, which we are looking at in the United States. And we also have a potential acquisition target, which we are working on for here in India.

Anjana Shah: And sir, the outlook on the export markets?

James McIntosh: Are you talking about export from the stand-alone company? Or what is your question?

Anjana Shah: Sir, I'm talking about the normal outlook for exports in general looking at the global scenario and performance of our company in the export market going ahead?

Arasu Shanmugam: So I mean, around export from India operations, we are -- almost, we are projecting just a meager 2.3% growth over the previous year, as McIntosh has explained, the challenges we had in export market. But in spite of that, we are planning to hold and then grow marginally by 2% in FY '25.

Moderator: The next question is from the line of Chirag Jain from Yogya Capital.

Chirag Jain: Sir, I was looking -- my question is more on the previous participant asked on. So we are looking at acquisitions. So we would be entering the same product in which we are operating in, or it will be newer products which will be acquired by us?

James McIntosh: American acquisition would be completely new products in the company. The acquisition target in India would be products which we currently have in our portfolio.

Chirag Jain: Okay. The new product which we are entering would be in which segment?

James McIntosh: I won't be able to talk about that, I'm afraid.

Chirag Jain: No, sir, it will be a steel, cement, so...

James McIntosh: No, that will be in steel.

Chirag Jain: Okay. It will be in steel. Okay. Second question was on the domestic industry side. We are looking at domestic steel companies expanding their capacity. So why we are projecting only 10% growth in revenue for the domestic segment? Could you give us some color on that?

James McIntosh: We don't use acquisitions in our projected growth.

Chirag Jain: Okay. So I was trying to understand for the domestic market in India. The steel companies are expanding the capacities, okay, which gives us some leeway to expand more in the revenue side. So...

James McIntosh: Yes, we are not grown by 10% in India. We've grown by more than 10% in India guys.

Chirag Jain: In response to the previous participant, you mentioned that for FY '25, you would be -- you are targeting something around 10% revenue growth?

James McIntosh: No. I'm saying – Amit Agarwal, you should clarify that. We are not growing by 10% -- in India, we are growing more.

Arasu Shanmugam: No. In India, our domestic -- our growth percentage is somewhere between 17% and 18%. Our growth projection for domestic in FY '25, it is around 17%.

James McIntosh: Yes.

Chirag Jain: Okay. Fair enough. Understood. Thirdly, if you could give some color on the Odisha plant that we are planning to expand on. So what will be the estimated size? Could -- do you have some numbers on that?

Arasu Shanmugam: We will let you know because we are working with 3 -- 2, 3 options. So once when we are zeroing it down, I think we must be able to clarify it in the immediate next call.

Chirag Jain: Okay. No issues. Do you have any products on mind for that expected plant that we are coming up with?

Arasu Shanmugam: Definitely refractories and serving to steel and also some non-steel.

Chirag Jain: Okay. So it would be more of a forward integration, I think, on that?

Arasu Shanmugam: You can call -- I mean it's broadening our product range but serving to the market with steel and non-steel, predominantly non-steel and then steel.

Moderator: The next question is from the line of Harsh Shah from Dalal & Broacha Stock Broking Pvt Ltd.

Harsh Shah: My question is on the debt repayment schedule. Sir, do we have any kind of figure in mind as to how much debt amount stand-alone basis we would be repaying if you could quantify?

Amit Agarwal: Harsh, we are net debt free. So that is not an issue for us. We have a small debt of around INR 62 crores is on book.

Harsh Shah: Yes, yes, I get that. Okay. And secondly, what could be the steady state depreciation for FY '25 on a quarterly basis?

Amit Agarwal: Can you come again.

Harsh Shah: Steady-state depreciation?

Amit Agarwal: What depreciation?

Harsh Shah: Depreciation amount.

Amit Agarwal: It will be in the same range. Similar.

Harsh Shah: Okay. Okay. And the new initiatives that you have taken with respect to the SAP implementation or appointing Deloitte. Sir, are all of these costs already been incurred in Q4? Or is there some things that would be even in a kind of spilling over in FY '25?

Amit Agarwal: This will be incurred during the year. This project to be -- and will be incurred during the year.

James McIntosh: Some of the cost has already been incurred in the past, and it will continue to be incurred.

Moderator: We'll take the next question from the line of Aditi Sawant from ADM Advisors.

Aditi Sawant: I have this one question that are we making investments in automation, particularly in the context of refractory industry? And do we expect any automation to play a significant role in this particular sector?

Amit Agarwal: If you can speak a bit loud, it will be good for us.

Arasu Shanmugam: Can you be a bit louder, please? We couldn't get exactly...

Moderator: Aditi Sawant, could you repeat your question?

Aditi Sawant: Yes, yes. Sir, just wanted to understand that are we seeing any investments in automation, particularly in the context of refractory industry? And I mean, do we expect that automation to play a significant role in this sector?

Arasu Shanmugam: Yes. See, as we know we have mentioned, our commissioned -- recently commissioned the casting flux is a 100% automatic plant, okay? And we are also seeing on various possibilities of automizing some of our manual activities. Yes, automation definitely will be a significant move in refractory industry as a whole. And specific to us, yes, we are also going to take up.

Moderator: We'll take the next question from the line of Pratim from B&K Securities.

Pratim: If you calculate the consolidated level EBITDA margin from last year, 4Q and this year 4Q, that is without other income I'm saying. There is a significant drop in the margin side. So can you please explain what is the reason behind that? And what is the bridge actually defining the margin drop year-on-year basis?

Amit Agarwal: At consol level, you are talking about?

Pratim: Yes, sir, consol level.

James McIntosh: Doesn't matter. Amit? It was caused by the same issue, surely.

Pratim: I just checking on how the margin is spanning out for last year to this year for 4Q. It's -- in my calculation, it is down. So can you please tell me why you are not doing well and what is the gap between these two -- the bridge between these two numbers? What are the...

Amit Agarwal: Last year, we did EBITDA margin of 12%. In FY '24, we did 11% without any exceptional items. We have taken a provision of INR38 crores -- INR39 crores in this financial year, which has brought us down. So otherwise, we have maintained our margin levels both at standalone level as well as consol level.

Pratim: And sir, for this quarter, if you can give me some idea about how the -- our subsidiaries like Hofmann, EI Ceramic, and Monocon has done the performance and what will be the outlook for the coming quarters?

James McIntosh: Yes. I mean, in the EIC, we had about the same level of sales. I mean, we had a quite reduction in the market and the U.S.A., they mainly operate in the U.S.A. And wherever the same sales, but we had a much higher profitability, and we expect to continue the profitability of EIC at the same level as last year and might be a little bit higher. Our focus in EIC is related towards the project, which we have to expand the company.

So we've got a new plant to combine both operations of EIC into one, but at the same time double the size of the company in terms of the close space and also the capability of the company in terms of manufacturing. With regard to Hofmann, Hofmann are based in Germany in the foundry industry. And then, absolutely, we all know the German manufacturing industry has been badly affected with the economy and the manufacturing downtime. We are well down in sales in Hofmann and also in profitability as a result.

We expect to see our continuation of that for the next couple of quarters and hopefully. Towards the end of the calendar year, we will see an improvement in the situation. But at the moment, we cannot say that the market for the foundry industry in Germany will be improved over the next 3 quarters.

Pratim: Okay. And last question, sir, you just rightly mentioned that you are planning for acquisition in U.S. and another one is India. So as we -- the target company has already selected? Or when you can expect update on that and further update for particular business, if you can throw some light?

James McIntosh: Yes. I mean, obviously, the target companies have already been selected. With regard to an update on that, negotiations of these types take time. So I'm afraid I can't give you an idea that when we would be announcing any moves in that particular gap. We are very hopeful that we see some movement on these within this financial year, hopefully, towards the sooner, but I mean, I cannot give a time or update on that.

That was significant, obviously, in the past, but sorry, just to make a point. I mean we had some -- we had an acquisition that we were working on in the European theatre, which was looking very strong. We were in a position where we thought we would be able to close on that and unfortunately, because of the market sentiments in Europe, we decided not to go ahead with that last year.

Obviously, now we have acquisition targets in America, which I think move at stronger position from the point of view of the market than Europe at the moment. And also, obviously, in India, a very buoyant market, a bolster of the company, growth position as well as the market conditions. And so you will see more of that from our IFGL, I mean, not only from the point of view of capex in India, but also looking at growing the company through acquisition.

Moderator: We take the next question from the line of Anik Mitra from Finnomics Solution Private Limited.

Anik Mitra: Sir, right through the year, we have seen the double-digit growth in the top line. And this quarter, in March '24, we have seen single-digit growth, 7% growth on the year-on-year basis. Now my question is, is this slowdown attributed only to export -- the entire slowdown is attributed only to export?

James McIntosh: Are you talking about growth in the standalone?

Anik Mitra: Consol number, sir.

James McIntosh: And the consol number, last year, we grew by 18%, if I'm clear.

Anik Mitra: Yes. In March '23, you did INR368 crores.

James McIntosh: Are you talking about quarters. Are you talking quarter after quarter?

Anik Mitra: Yes, sir, absolutely. Quarter after quarter.

James McIntosh: Yes. Amit, you can answer that.

Amit Agarwal: See quarter-on-quarter, we have grown by 7%. As you said. In domestic front, we grew by around 14% and it has been compensated by our export market. That's why we are witnessing a single-digit growth. If you notice the opening remarks from our Managing Director, Mr. Jim, he said that our growth has been mixed up with the slowdown in export market.

Anik Mitra: So sir, what kind of degrowth we have witnessed in this March quarter?

Amit Agarwal: In export front, around 12%.

Anik Mitra: 12% degrowth. Okay. And sir, in the EBITDA level, also we have seen some margin compression. Like right through the year, we have been witnessing a double-digit EBITDA margin. But this time, it was 9%. So is it attributed to employee cost increase like which we have -- we have seen from 12% to 14% in this quarter or anything else?

Amit Agarwal: Our EBITDA margin is 13.5% if I'm not wrong.

Anik Mitra: Sir, in consol basis I'm saying.

Amit Agarwal: At consol level, we have always maintained an EBITDA margin of 12% on a yearly basis and not on a quarterly basis.

Anik Mitra: I'm asking about the quarterly number, sir?

Amit Agarwal: So our guidance is on a yearly basis because on a quarter-to-quarter, it is very difficult to manage the fluctuations.

Anik Mitra: Okay. So this quarter was like -- I didn't find any volatility in the raw material cost. So is it due to the increase in stock or what else?

Amit Agarwal: Sorry, hello?

Anik Mitra: What I'm asking is, sir, like this quarter, like obviously, little volatility is there in this particular quarter. What I'm asking, like, is it due to the increase in the stock or increase in employee cost?

Amit Agarwal: Employee cost, there is a certain increase because of initiatives we have taken and as mentioned by Mr. Arasu and Jim, both that it will have impact, but we will make this up in future.

Anik Mitra: Okay. Sir, the employee costs have gone up from 14% of the top line last year to the -- I'm referring last year's same quarter to 16% of the top line. Now my question is, is it the new normal? Like like will it be around 16% in upcoming quarters? Or what would be the upcoming full year percentage we must see?

Amit Agarwal: I don't think your numbers are correct. It's not 16%. Employee cost is not 16%, but we maintain, I think, at the same level.

Anik Mitra: Sir, it is INR 64.5 crores consol on consolidated basis in March quarter against your INR 394 crores of top line, so it come 16%.

Amit Agarwal: We will maintain a yearly figure.

Anik Mitra: Okay. Okay. So sir, yearly basis, what would be the correct number?

Amit Agarwal: It must be around 8%.

Anik Mitra: 8%. Okay. This is the consol number you are referring. Is this the consol?

Amit Agarwal: Yes.

Amit Agarwal: Before we take the question, can I make one clarification that regarding this employee percentage, it was for standalone, not for consolidated level with regard to one of the investor questions. That's the clarification. Now we can take the next question.

Moderator: We take the next question from the line of Chirag Jain from Yogya Capital.

Chirag Jain: Sir, just I wanted to know the capacity utilization of the Indian business versus overseas business?

Arasu Shanmugam: Capacity utilization is -- our capacity utilization is between 63% to 65% average -- on an average overall.

Chirag Jain: So would be it higher for the domestic business? Or?

Arasu Shanmugam: Capacity is put together, no. There's nothing called separate. So it's overall -- and this will be 63% to 65% combining both together. So we don't calculate separate capacity utilization because capacity is common for both.

Chirag Jain: Yes. So capacity is being common. I just wanted to - get some color because the overseas market, we have some underutilized capacity where -- or we have some underutilized capacity at domestic plant. So that -- I was trying to figure out.

Arasu Shanmugam: Yes, yes, I mean, we want to improve the capacity utilization from present level, and that the major significant contribution will be from domestic.

Moderator: The next question is from the line of Harsh Shah from Dalal & Broacha Stock Broking

Harsh Shah: My question is to Mr. James. Sir, you did mention about maybe an inorganic acquisition in U.S. may take place and that would be primarily non-steel sector. So I get the point where you might want to bridge the technology gap or you might want to introduce get into segments which you are not present, but the thing I want to understand is from a capital allocation point. So what we are seeing is that the acquisitions that we have made in the past, right?

So now the situation -- geopolitical situation or whatever you say, the overseas operations are kind of under some pressure. And as you said that India is the only growing destination in terms of steel demand. So obviously, it might help to get the top line, but, say, 2, 3 years, 4 years down the line of similar situation where the exports kind of drags our overall performance even that the domestic may be performing well, but the overseas operations kind of overshadow this. I hope I was audible.

Moderator: Yes, sir.

Harsh Shah: If Mr. James is not there on the line, Mr. Arasu, if you could answer that would be great.

James McIntosh: Sorry, I was on mute. I'm very sorry. I didn't realize my phone was on mute. No, I was just saying -- I was talking away there, and so I was just saying that the overseas markets that we deal are mainly in MENA. We've got Eastern Europe, the Europe -- Western Europe and North America. And obviously, European markets, for sure, are -- been in decline for a couple of years because of the economic situation.

The U.S.A., however, is normally a very stable market. It's not a growing market. You cannot compare the growth of India with any other market in the world actually of similar size. I mean India is No 2 in the world in steel production. But the growth in India is 78% per annum, whereas the best you'll see normally in a very, very good year in America or Europe would be the low 2% or 3% in a very good year. So it's very difficult to draw comparisons in that regard.

However, the market for refractories and refractory products in steel and other areas in America is a very, very strong market. It's a very strong market. And that's why our objective to look at acquisition there is a certain prospect.

Moderator: We'll take the next question from the line of Pratik an Individual Investor.

Pratik: Hello?

Moderator: Yes, sir, you're audible. Please go ahead with your question.

Pratik: What is the margin for Q1 and Q2 like will it be stable or 12%? Or will there will be impact on that?

Amit Agarwal: Pratik, we'll have yearly guidance of 12% margin EBITDA level for the whole year.

Pratik: Okay. There will be an impact like Q4 for last year, right, like the expenses were higher.

Amit Agarwal: Sorry, if you can speak a bit loud?

Pratik: Like the Q4 was impacted, there was -- won't be an impact on Q1 or Q2 FY, there will be an impact that on a consolidated basis?

Amit Agarwal: So I don't think we have any guidance on quarterly basis. We have a guidance on a yearly basis, and we stick to that.

Moderator: We'll take the next question from the line of Mr. Mayank from Asian Market Securities

Mayank: Sir, firstly, as you have highlighted that you were in the process of finalizing acquisitions. And we also have a plan of brownfield capex and greenfield capex going on. So I would like -- I mean, after the acquisition, sir, our capex plan would largely be over? Or for the long-term goals that we had made initially, what is the -- I mean just to compare the capex -- greenfield capex and brownfield capex versus the acquisition, how do you see your future capital investment?

James McIntosh: Capital investment in the company will continue in the future. I mean we're not suggesting at all that and that will stop. I mean, obviously, we have a new plant, which we're just waiting on the finalization of the land. I think the capital expenditure there, the capex from that project alone would be about INR 130 crores. And we've also got other projects, which were going to be working on in each of our plants in India. And there will be capex involved there. And I don't know what the figure is. Amit, do you have the figures?

Amit Agarwal: No, we do not have figure as of now. We'll come with a concrete figure in the next quarter call.

Mayank: Okay. And sir, the magnesia carbon facility, you highlighted with magnesia carbon facility, you are expecting INR 100 crores of capex. So what kind of assets turnover you should assume on it?

Arasu Shanmugam: That was actually what we mentioned was INR100 crores revenue we expect from that capex of mag carbon. That was not a capex number. What you are referring to is...

Mayank: Okay. Okay. So the revenue that you are expected to realize from the magnesia carbon brick facility?

Arasu Shanmugam: Correct.

James McIntosh: The revenue is from the mag carbon, Arasu, I think that maximum would be about INR130 crores?

Arasu Shanmugam: Yes.

James McIntosh: Close to INR 130 crores for the mag carbon and about INR 100 crores or INR 90 crores from casting flux.

Arasu Shanmugam: Yes.

Mayank: Okay. Okay. And on the employee cost, sir, we have seen a sequential rise in the employee cost, so would it be related to the new R&D center in Odisha? Or how is things progressing there in that new R&D center that we have had. We have originally planned for upgrading the product to standard and bring brand marking in the product to the competitor. So how is that thing going on? I mean, have we been able to achieve any success in converting any product or upgrading any product to the international benchmark?

Arasu Shanmugam: See, on Research Center front, Chief Research Officer has already joined and also a team for our major product line, the Research Team is also in place. As you said, we were mentioning about benchmarking, both internal and external. Internal benchmarking has already progressed well. And one of our senior employees will go abroad for taking this benchmarking even a global level. And the competition performance and our performance versus benchmarking is also on -

- definitely is progressing very well. And some of the actions what we have taken has also given us some of business share enhancement with some of the customers already. So it is progressing.

Mayank: Okay. And sir, on last quarter, we had some issues with some customers in Czech and you had a provision of INR40 crores. So how is the -- what is the status of that as of now?

James McIntosh: Sorry, I'm actually struggling to understand the question personally, yes.

Amit Agarwal: They want to understand the provision we took on Czech Customer last quarter what is the status of that?

James McIntosh: Yes. The status of the provision, I mean, obviously, as we always do, we make provisions. And this particular one was a matter of abundant precaution really, which is normal for IFGL. With regard to the actual status of the situation, the company involved in the Czech Republic and has gone through a voting of the creditors for its restructuring plan, which has resulted in a successful a vote from the creditors to go forward to the government of the Czech Republic and have the restructuring plan agreed with them.

Once we have the restructuring plan in place, the particular customer involved has stated categorically that there will be no haircut and the amount or the receivables for each of the creditors. But we will take a longer time to receive the money. So we, at the moment, are very hopeful that this process will be successful for the customer in the Czech Republic and that we will see the agreement in place by the government and the restructuring plan going into full effect and the plant coming back on-line.

So hopefully, that will go well. And does stand, we will receive full payment for the amounts which we have provisioned for, at a longer wait. I think Amit, if I remember rightly, it was up until the end of 2025 or -- is this correct?

Amit Agarwal: Yes, yes. End of '25.

James McIntosh: There you go. and balance in next year.

Mayank: Okay. Sir, last question from my side is that we have noticed from one of your competitor that China has increased its exports to other markets and there is pricing pressure in the advanced refractory segment, particularly not in flow control, but in advanced refractory sector. So are we seeing increased pricing pressure in the industry in overseas market and as well as in the Indian market, what is your comment?

James McIntosh: Not seen it actually -- not really seen any affect from Chinese refractory makers into the market. So I'm not aware of any particular cases where this has been resolved.

Moderator: Ladies and gentlemen, we take that as the last question for today. I would now like to hand the conference over to the management for closing comments.

James McIntosh: Thank you very much joining us on the call.

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