



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

25th November, 2020

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 operational & financial performance for Q2FY2020-21 held on Friday, 20th November, 2020. 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 FY2021 Earnings Conference Call”

November 20, 2020



**MANAGEMENT: MR. KAMAL SARDA - DIRECTOR & CHIEF FINANCIAL
OFFICER - IFGL REFRATORIES LIMITED
MR. RAJESH AGARWAL – COMPANY SECRETARY**



IFGL Refractories Limited
November 20, 2020

Moderator: Ladies and gentlemen, good day and welcome to IFGL Refractories Limited Q2 FY2021 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involved 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 an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kamal Sarda, CEO and CFO IFGL Refractories Limited. Thank you and over to you Sir!

Kamal Sarda: Thank you. Good evening ladies and gentlemen. I thank you for joining us on the IFGL Refractories Limited Q2 FY2021 earnings conference call. I hope and everyone around you is safe and in a good health. Along with me we have on call, Mr. Rajesh Agarwal, our Company Secretary and SGA, our Investor Relation Advisors. We have uploaded our results presentation on the stock exchange and our website, and I hope you all have got a chance to go through the same.

Let me give you a very brief on economy and business. Q2 witnessed very strong recovery in business as government released lockdown restriction on doing operations and movement and this was across the globe too. Our manufacturing facilities continued to operate smoothly during Q2 under the guideline issued by the respective government. As you know steel industry has witnessed one of the sharpest and V shaped demand recovery. This recovery was led by strong pickup in all the industries especially the auto and real estate where the highest amount of steel is consumed. I am happy to inform you that we have recorded highest ever quarterly EBITDA and PAT in the history of IFGL.

I shall now move on to give you a brief on our performance. Let me start with the standalone figures. We recorded highest ever revenue, highest EBITDA and highest profit at the standalone level on the back of strong demand, increased realization, cost measures taken by the company and operating leverage benefits. Total income for the Q2 was Rs.167.6 Crores as compared to Rs.122.3 Crores in Q2 FY2020; this was up by 37% YoY. EBITDA for this quarter was Rs 36.4 Crores as compared to Rs 17.8 ,Crores more than doubled, EBITDA margins expanded by 7.1% to 21.7% as compared to 14.6% in the previous corresponding quarter. PAT was at Rs.19.2 Crores compared to Rs.7.6 Crores up by 152%, PAT margins was at 11.4% as compared to 6.2% in the corresponding quarter.



IFGL Refractories Limited
November 20, 2020

I will give you a brief on the consolidated financial highlights. Our consolidated financials also include our international subsidiaries in US and Europe which were impacted by the second wave of COVID which is continuing. These markets are showing considerable kind of improvements as we speak. Nonetheless we reported highest ever EBITDA and PAT at the consolidated level also.

Total consolidated income for this quarter was Rs.248.4 Crores as compared to Rs.227.4 Crores up by 9%. Consolidated EBITDA was Rs.41.3 Crores as compared to Rs.26.2 Crores up by 58%. Consolidated EBITDA margin was 16.6% as compared to 11.5%. Consolidated PAT is Rs.20.6 Crores as compared to Rs.12.5 Crores for the corresponding quarter up by 65%, consolidated PAT margin was at 8.3% as compared to 5.5% in the corresponding quarter.

Let me give you brief highlights of financials of subsidiaries for this quarter. EI Ceramic, our US subsidiary, total income was \$3.89 million for the quarter, EBITDA was \$0.47 Mn and PAT was \$0.31 Mn. Monocon Group total income was £6.76 million, EBITDA was £0.22 million, PAT was £0.12 million, Hofmann our German subsidiary's total income was Euro 1.28 million, EBITDA near breakeven level and marginal loss at PAT level.

I am happy to tell you that we continued to remain net debt free. We have a very strong balance sheet and a strong cash flow. Our ongoing capex plan at Kandla and Visakhapatnam remain on track. With the economy now opening rapidly and showing signs of improvement, our product offerings and strong financial positions, we are well placed to capitalize on the business opportunities in the times to come.

This is the brief. I look forward to any question from you all. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The next question is from the line of Ankit Agarwal from ARC Capital. Please go ahead.

Ankit Agarwal: Thanks for the opportunity and congrats on a great set of number Sir. I have couple of questions, the higher revenue that we have recorded, so what is the breakup in terms of value and volume?

Kamal Sarda: I do not have that figure. We do not calculate that way, because we have various product ranges, so I do not think we can give you instantly these figures.

Ankit Agarwal: But realizations must have improved right?



IFGL Refractories Limited
November 20, 2020

Kamal Sarda: Realizations improved on the backdrop that the rupee had depreciated in the last six months that has also helped us quite a bit.

Ankit Agarwal: Similar EBITDA margins what are the key factors there?

Kamal Sarda: One is the overall business which has increased, if you see on the standalone, the total income has increased by 37% that itself a big increase for us, so that is one. As I said the cost reduction measures, cost optimization measures taken by the company, we had a soft raw material rates during the last half year and overall if you see some of the cost like travel cost there was hardly any travel, lot of things are factored in the improvement in margins.

Ankit Agarwal: Are this margin sustainable then going forward?

Kamal Sarda: Difficult to say. Let us wait if the costs are going up, the ocean freights are going up significantly, the raw material rates are hardening up, so we will try and see what can be done. The market looks good.

Ankit Agarwal: One last question Sir, the current PLI scheme which has been announced by the government, is there any benefit for us from that?

Kamal Sarda: It is not for the refractory industry for some specialized steel, I am yet to see the detailed guidelines.

Ankit Agarwal: That is it from me. Thanks a lot.

Moderator: Thank you. The next question is from the line of Arush Oberoi from Victor Delta Securities. Please go ahead.

Arush Oberoi: Thank you Sir for the opportunity. I have couple of questions. I would like to know what would be the company's total capex at Kandla and Visakhapatnam plant?

Kamal Sarda: Have you seen the presentation it is mentioned there very clearly.

Arush Oberoi: What could be the potential revenue opportunities from these expansions?

Kamal Sarda: Difficult to say, but I think let us wait, it will take a bit of a time, but refractories industries we can always factor into 2.5 to three times.

Arush Oberoi: Another question is that our subsidiaries in US and Europe are not doing well, so can you highlight what exactly are the issues there?



IFGL Refractories Limited
November 20, 2020

Kamal Sarda: The UK subsidiary did okay I would say compared to the corresponding quarter. Margins may have been slightly here and there, but US market, the first quarter was very bad, but the second quarter towards the end and last month has seen a significant recovery and I am sure in the coming quarters unless government comes out with the specific lockdown separately, I see that current quarter should be good, we have seen in the month of October, we have gone back to almost normal in EI Ceramics. We hope the current quarter and the next quarter or H2 should be much better than H1.

Arush Oberoi: Sir lastly, what is the outlook on the domestic steel demand in the near term?

Kamal Sarda: It looks very good. Every steel industries I think you have seen the H1 results, they are all doing excellent so I hope they will continue with the same trend. I do not see any reason why they should be going down. Prices they have increased even they are all making tonnes of money.

Arush Oberoi: That is it from my side. If any followup question we will join back in the queue.

Moderator: Thank you. The next question is from Atul K from Rahul Securities. Please go ahead.

Atul K: Thank you for the opportunity. Just wanted to know, have the raw material prices softened?

Kamal Sarda: In the first half year, but now as we speak there are signs that it is going up plus what is happening is the ocean freight, there is a significant turbulence, ocean freight is hardening up very, very steeply.

Atul K: What kind of impact these prices to have on your margins going forward?

Kamal Sarda: It is still to be assessed.

Atul K: I could not get your point.

Kamal Sarda: I told it is still to be assessed. We need to understand where it stops.

Atul K: Secondly Sir, are we seeing any demand shift from players who are shifting their requirement from China to India?

Kamal Sarda: Not yet.

Atul K: Are we likely to witness the thing going forward, what is your perspective on the same?



IFGL Refractories Limited
November 20, 2020

- Kamal Sarda:** Not in our range of products.
- Atul K:** Thank you very much.
- Moderator:** Thank you. The next participant is Sanjay Nandi from Ratnabali Investment. Please go ahead.
- Sanjay Nandi:** Thank you Sir for the opportunity. Just wanted to know from the presentation we are eyeing for a 4% kind of steel growth in the worldwide from 2020 to 2021, so what kind of refractory growth can we presume if we see our India to grow 23% kind of growth in the steel sector from 2020 to 2021, so what kind of refractory growth in the topline thing is possible Sir from that perspective?
- Kamal Sarda:** We are almost linked, I would say. If you look at any growth or degrowth in steel, we will have almost 75% effect of it in refractory industry.
- Sanjay Nandi:** Can you please guide us like it can help us in for projections purpose?
- Kamal Sarda:** I do not have the total figures on the globe, really I think it is about 40, 41 Bn \$ in the globe, but I do not know exactly how much, India is about Rs.10000 Crores market, roughly around Rs.10000 Crores market, so whatever growth we have of 5% or 10% growth in steel, we will have around 75% of that in the refractory industry as well. Am I able to make it clear?
- Sanjay Nandi:** Thank you so much Sir. My next question is for this particular quarter, we could find out like they have happened in the margin from the Indian operations, is it because of our foreign exchange or did we something improvement in realizations or what exactly happened if you can kindly clarify the same Sir?
- Kamal Sarda:** I think I answered in one of the last questions.
- Sanjay Nandi:** But it would be helpful kindly clarify a bit, if any kind of product mix or something happened?
- Kamal Sarda:** **So increase in sales is one of the** major factor, our overall customer demands are very high as I mentioned the raw material rates are soft in the Q2 as well as the H1, foreign exchange rates rupee was on a depreciated condition so that also helped us then we had taken a lot of cost optimization measures that helped. I can tell you in that overall costs were eg travel cost, we hardly had any travel everybody was working from home, so that



IFGL Refractories Limited
November 20, 2020

the net reduction in cost, then there could be various other small reasons, so these are the major factors.

Sanjay Nandi: One thing can you just give us the sales mix like what percentage do we sale of shaped refractories and what percentage do we have in unshaped refractories?

Kamal Sarda: We do not calculate in that way.

Sanjay Nandi: Thank you so much. I will back in the queue Sir.

Moderator: Thank you. The next question is from the line of Viraj from SIMPL. Please go ahead.

Viraj: Thanks for the opportunity and congratulations for such a better performance under challenging environment. I just had a few set of questions. Firstly, you talked about the overall market of refractories in India being around Rs.10000 Crores, so what will be the share of Chinese or other imports of the total consumption?

Kamal Sarda: Rs.10000 Crores ,I think imports will be around Rs.1500 Crores to Rs.1800 Crores.

Viraj: Similarly in terms of other unorganized players, is there any product categories where the imports are largely concentrated?

Kamal Sarda: Major import of refractories happen in the magnesium that is largely imported. There are Indian companies who are taking lot of steps to manufacture in India based on the Make in India program, so I am sure in the coming one or two years, we will find lot of shifts go to domestic market.

Viraj: Similarly in the presentation also you talked about a lot of tenders below Rs.200 Crores and lot of PSUs and start looking at sourcing from local markets, so any rough idea you can give what is the annual sourcing requirement of the PSU players and refractories?

Kamal Sarda: I do not have that figures.

Viraj: Are we seeing any shift yet or the rest they are yet to play out?

Kamal Sarda: That will happen. In the PSU, all the orders which are coming with the condition that it must have 50% value additions in India, so lot of shifts are happening there. There are hardly any orders even on Chinese companies now, hardly any orders.



IFGL Refractories Limited
November 20, 2020

Viraj: You already answered on the margin, but what exactly just want to get a more qualitative perspective is, if you see overall operating margin expansion as you said this is the good amount of growth as well, but other than that if you look at a contribution level, it is almost 500, 600-basis points expansion for last couple of quarters, so apart from if you look at the factors which you have outlined, what will be the major factors would cost initiatives, would that be the larger part while you have seen a change?

Kamal Sarda: As I said, our sales have increased by 37% that is the significant increase, so that contributes the maximum.

Viraj: The expansion contribution margin which you talked about, so would FX and low RM would be the larger factored there at the gross margin level or other cost initiatives also just trying to understand what would be your larger factors there?

Kamal Sarda: I cannot really device that, but these are the major factors, all of these are contributing in a reasonable way in our margin improvements.

Viraj: Last question if I can squeeze in. How you are seeing the pricing environment in the industry, so you talked about the overall RM prices hardening now, so are we able to pass that to the end customers given the kind of profitability and the margins, they are kind of making right now, so is the pass through more simpler or easier now than what it is used to be earlier, any perspective you can share on the pricing part?

Kamal Sarda: Every contract is the fixed price contract. There is no price variation clause. Any price change will happen in the next ordering level. I am sure every company, industries will be affected by the price increase or cost increase and we all will be forced to pass it on. Of course, it is a very, very highly competitive market, not every cost increase will be passed on, there will be competition effect to this also. But then yes, it gets passed on there are price increases and even the customer realizations are going up and they are also willing to increase the prices.

Viraj: Thank you very much for answering.

Moderator: Thank you. The next participant is Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Thank you for the opportunity. What would be your total installed capacity in India and international?



IFGL Refractories Limited
November 20, 2020

- Kamal Sarda:** I would request you to talk to SGA on this, they have the figures.
- Anurag Patil:** Can you broadly just give utilization level, can you just share?
- Kamal Sarda:** I think in India we are operating now at most of the major product line would be about 80%, 90% and in overseas companies we should roughly around 50% level.
- Anurag Patil:** Thank you very much.
- Moderator:** Thank you. The next question is from Anuj Sharma from M3 Investment. Please go ahead.
- Anuj Sharma:** In the next three to five years, what do you think could be the mix between export and domestic revenues?
- Kamal Sarda:** We do not normally give you these kinds of forward-looking statements. We target growth and we continue to target that; I do not want to give any figures.
- Anuj Sharma:** Do you think the domestic growth will be stronger you indicated, but just again if you can comment the domestic growth would be stronger than export in the next three, five years does that look a reasonable possibility?
- Kamal Sarda:** I said domestic market looks very good as of now and going by the Government of India steel policy and growth in that the domestic market seems to be very, very good.
- Anuj Sharma:** Thank you and the second question is our cash generation has been very strong in the past two years, is there any structural change which has happened in our business model, so that our cash generation will be as like last two years or you think things will revert back to there historically, so any structural changes in the business?
- Kamal Sarda:** There are no structural changes. It is just because the margin in profitability has increased the business cash has been generated and on top of it we have had strong working capital management policy, the cash is the result of that factor.
- Anuj Sharma:** Just on that, do you think the working capital efficiency will be maintained going forward?
- Kamal Sarda:** Yes.
- Anuj Sharma:** Thank you so much.
- Moderator:** Thank you. Next participant is Sanjay Nandi from Ratnabali Investment. Please go ahead.



IFGL Refractories Limited
November 20, 2020

Sanjay Nandi: Just a followup question like you have mentioned you have targeted kind of growth for the next few years for the refractory industry as a whole, so can you elaborate like what kind of growth we are predicting vis-à-vis what kind of growth exactly happened?

Kamal Sarda: We do not give any kind of figures. If you go by the past our cumulative growth and we target that we should be doing better than the past, but we do not give you any kind of figures.

Sanjay Nandi: Can you elaborate what kind of growth percentage happened in the past also in that numbers if you can throw something?

Kamal Sarda: 10% to 11% if you look at the last six seven years.

Sanjay Nandi: This is you are talking of the industry right Sir?

Kamal Sarda: I am talking about IFGL.

Sanjay Nandi: 10% has been the growth in last, last how many year Sir?

Kamal Sarda: Six, seven years if you look at.

Sanjay Nandi: In six, seven years and we are expecting that thing to be like surpassed in the next coming year's right?

Kamal Sarda: That is our desire.

Sanjay Nandi: Got your points. I will come back in the queue. Thank you so much Sir.

Moderator: Thank you. Next participant is Viraj from SIMPL. Please go ahead.

Viraj: Thanks for opportunity. I just had a one query. If I look at the period between FY2017 to FY2020, we had seen some growth moderation in our gross or contribution margin, for us and similar trend was seen in another industry players as well, given the share of refractories in total cost of production for steel, one would think that it would be quite a discipline in terms of pricing, spend margin, but that has not really played out, has there been any change in the industry, competitive dynamics or any behaviour in the end customer which had like to this moderation?

Kamal Sarda: There has been no change as such, just because if we have the opportunity majorly to performance based refractories and performance based contract I would say, so each



IFGL Refractories Limited
November 20, 2020

company tend to maximize the benefit which is passed on to the customer as well as give the company higher margins, so that is only change which happens. Other than that, there is no other change.

Viraj: Thank you.

Moderator: Thank you very much. Ladies and gentlemen that was the last question for today. I would now hand the conference over to Mr. Sarda for closing remarks.

Kamal Sarda: Thank you everyone for joining in this conference. I hope I have been able to answer to most of your queries. We look forward to your participation in the coming quarters. If you have any queries you may contact SGA, our Investor Relation Advisors. Thank you. Have a nice day and remain safe. Thank you.

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