



10th February, 2023

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 Q3/FY2022-23 held on Tuesday, 7th February, 2023. A copy of this is also being hosted on Company's Website: <http://www.ifglref.com/earnings-call-transcript/>

Furthermore, kindly be informed in the body of Corporate Announcement filed on 7th February, 2023 for uploading recording of Earnings call, wrong path of earnings call recording was inadvertently given. However in the file upload section of said Corporate Announcement, disclosure letter with correct path of the Earnings Call recording was given. Hence, it is requested that path given in body of said Corporate announcement be read as http://www.ifglref.com/wp-content/uploads/2023/02/IFGL_Q3FY23_Earnings_Call_Audio.mp3, as also mentioned in the disclosure letter attached therewith, instead of <http://www.ifglref.com/wp-content/uploads/2022/08/earnings-call-transcript-17-August-2022.mp3>. We sincerely regret for the inconvenience caused and assure you that we will be extra careful in future.

Thanking you,

Yours faithfully,
For IFGL Refractories Ltd.

(Mansi Damani)
Company Secretary
Email: mansi.damani@ifgl.in

Encl: As above

IFGL REFRACTORIES LIMITED

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“IFGL Refractories Limited
Q3 FY2023 Earnings Conference Call”

February 07, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 07th February 2023 will prevail.



MANAGEMENT: MR. KAMAL SARDA – DIRECTOR & CHIEF EXECUTIVE OFFICER – IFGL REFRACTORIES LIMITED
MR. AMIT AGARWAL – CHIEF FINANCIAL OFFICER – IFGL REFRACTORIES LIMITED

ANALYST: MR. SAHIL SANGHVI – MONARCH NETWORK CAPITAL



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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2023 Earnings Conference Call of IFGL Refractories Limited hosted by Monarch Network Capital. 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. Sahil Sanghvi from Monarch Network Capital. Thank you and over to you Sir!

Sahil Sanghvi: Thank you Rutuja. Good afternoon to all. On behalf of Monarch Network Capital we welcome you all for the IFGL Refractories’ Q3 FY2023 Earnings Call. We are delighted to host the management and from their side we have the Director and CEO, Mr. Kamal Sarda and also along with him is SGA the investor relations advisory team, so without any much time, I will hand over the call to Kamal Sir for the opening remarks. Thank you and over to you Kamal Sir!

Kamal Sarda: Thank you Sahil and thank you Vatsal. So what I will do is our Managing Director, Mr. James McIntosh could not join he is somewhere traveling so his phone cannot be connected so I am reading out what he has to say and then the rest of the questions I will be taking up so the speech of Mr James McIntosh what I am trying to read is. Good afternoon ladies and gentlemen. Thank you for joining us on IFGL Refractories Limited’s Q3 and nine months FY2023 earnings conference call. I hope you and everyone around you are in good health. Along with me on the call we have Mr. Kamal Sarda, Director & CEO, Mr. Amit Agarwal, CFO, and SGA our investor relation advisors. We have already uploaded the results and presentation on the stock exchanges and I hope everybody had a chance to go through it. As we all know this sluggish global economic environment continues where inflation risk materialize along with other major headwinds namely the Russian-Ukrainian war and China’s lockdown. Although the China’s lockdown seems to have come to an end the Russian and Ukraine continues the inflationary pressures ignited by the post lockdown supply and the demand imbalances. In particular in Europe where dependence on Russian gas supply is high, economic activities as well as confidence are heavily affected by the energy crisis especially throughout the winter months.

In the USA the Fed’s aggressive interest rate hike and strong US dollar are continuing to stretch the capital inflows in the emerging economies increasing the financial stress of the embedded countries and consumers. Rising interest rates and high inflation will affect investment in consumer spending. This has been predicted last quarter and affected the output of steel and steel intensive sectors such as construction, machinery and consumer durables globally. A shining light in the global steel industry is India which as you all know



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is the second largest steel producing nation but more importantly for our company is the fastest growing. Last year the steel industry in India grew about 6% at a time when most of the steel countries were slowing down and this year even more impressively we will grow by 7% which among the top 10 steel producing countries India will be the only major country to record growth. Obviously our focus on Indian market and investing in India is in the right strategy as we are confident of our country's continuing strengthening.

Update on our major products in the company. Our new R&D and Technology Centre in Odisha is on track to be operational in the first half of 2023-2024. This technology centre will enable us to develop better products and to increase our understanding of material use in each application with a goal of strengthening the company as worldwide supplier of specialized refractories and provider of services to the producers of iron and steel. Phase two of our newest plant in Visakhapatnam is now complete and we have started receiving orders for the new products for our company allowing us to enter new markets in the RHD gas snorkel and large precast shapes combined with our computational fluid dynamics capabilities. As we have said in the past many of our new products will be new to India and will improve our customer process yields in our ladle and tundish contracts. Project at our overseas subsidiaries are also going well. In the US we have completed the relocation and modernization of our clay graphite manufacturing plant for the foundry product in Michigan and have completed the initial customer trial phase successfully and will now look to build the business.

In the UK our largely automated manufacturing system for our activated gel casting project is almost ready to go with, the robot is already installed and being programmed allowing us to manufacture larger more complex and high value products than before.

In Germany our new plant expansion has commenced with the foundation of the new hall being laid and our project completion date in the middle of New Year. Our new modernized website is nearing completion to go along with our recently introduced corporate identity and is aimed at improving our interface with customers, prospective employees, suppliers and all other stakeholders. With this let me now hand over the call to Mr. Kamal Sarda. I am already there.

So I will take over on the financials. Let me just give you a short brief on the capex first. As mentioned earlier the expected project cost was Rs.166 Crores; however, it has been amended to Rs.177 Crores majorly into new outlay of building, a new lab in Kandla and changes in structural plan and design. We have tied up a term loan of Rs.120 Crores for this and rest will be financed by internal accruals. So far we have spent and/or committed over 50% of this and are very hopeful that we will be able to complete all the planned projects



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within FY2024. With these enhanced capacities and new product capabilities we expect to improve the scale of our business which will lead to a scale benefits and operating leverage playing out in the long term of the company. We foresee a huge demand of refractories due to the very big allocation of capex in infra by the Indian Government to the extent of Rs.10 lakh Crores in the budget 2023 which will boost demand for steel and consequently of refractories and these efforts are going to be higher and higher by the Government of India in the years to come.

Let me give you a brief on financial highlights for Q3 FY2023. On standalone the total income marginally decreased by 6% year-on-year to about Rs.184 Crores, EBITDA stood at Rs.29.6 Crores down by 16%, EBITDA margins were about 16.1% for the quarter, PAT was down by 30% year-on-year to about Rs.12.3 Crores. On consolidated total consolidated income in Q3 marginally increased to about Rs.318 Crores, EBITDA for Q3 was down by 7% to Rs.36.7 Crores, consolidated EBITDA margins was 11.5%, PAT was down by 16% to Rs.15.8 Crores. As regards liquidity position we remain to be net debt free with a strong balance sheet, cash and cash equivalent stood at about Rs.230 Crores as on December 31, 2022. I would be happy to take any questions or queries on the business. I now hand over to the operator.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Prachi Sharma from ACE Capital. Please go ahead.

Prachi Sharma: Good afternoon. Sir I just have two questions from my end . Firstly post our capital expansion what will be the capacity to all the three plants, secondly what will be the potential revenue from the planned capex?

Kamal Sarda: Your voice was cracking but I got these two what you want to say. The product capacity expansions are in varied products, the product capacity will be difficult in such a short time. We normally take our sales capex ratio to about 3 to 3.5 times so whatever we are capex you can easily say three times we are revenue potential.

Prachi Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Sanjay Nandi from Ratnabali Investment Private Limited. Please go ahead.

Sanjay Nandi: Thank you Sir. Thank you for the opportunity. Sir a couple of questions from my side. Sir what has been the volume growth in this particular quarter?



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Kamal Sarda: This quarter has seen a slight flattish on volumes in fact may be slightly dropped I do not have those figures but there has been slight drop in volumes and I can only say that our Kandla plant was not operating to the 100% levels so it was operating at about 65% to 70% levels. There has been a volume degrowth primarily on account of the demand slowdowns in Europe. Our business in CIS countries and our business in other West Asian countries put together.

Sanjay Nandi: On Indian operations you could find a drop of roughly Rs.20 to Rs.30 odd Crores in the topline like India from last quarter of September quarter so is it because of the volume drop or is it because of the drop in realization as well?

Kamal Sarda: So, on the standalone you are talking?

Sanjay Nandi: Yes from Rs.211 odd Crores in September 2022 the sales dropped to Rs.182 Crores in December 2022 quarter.

Kamal Sarda: Sorry.

Sanjay Nandi: Is it because of volume drop because if we go by the EBIT margin so there the margins were fair like it is on higher side only compared to last quarter so what has played to the reason of that Sir?

Kamal Sarda: Primarily as I said a bit of a margin drop also and it could be a product mix of basket of domestic to export sales could be the reason for this overall realization part but as I mentioned that the volume growth drop has been due to our poor sales I would say rather no sales in the CIS countries, lower sales in the Europe market and all those put together so export market has taken a bigger hit.

Sanjay Nandi: Europe market we could see like some spike in the sales like last quarter we registered a sales of Rs.56 odd Crores whereas in this quarter we registered a sales of Rs.61 odd Crores but the EBIT margin has been like better like we used to maintain a 4% kind of EBIT margin which is like minus 2% in this quarter?

Kamal Sarda: I do not know what figures are you talking of Mr. Nandi.

Sanjay Nandi: I am talking about the country wise breakup which you gave the EBIT margin and the sales on a consolidated basis. On the country wise sales you have given Sir Rs.56 odd Crores of sales in the month of September quarter.



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- Kamal Sarda:** That is primarily our sales from the individual operations. That means that is the sales which our UK operation has done and the German operation has done in those subsidiaries. Those may have marginally improved there for some reason or the other but our sales from India to those countries have been lower.
- Sanjay Nandi:** Why the EBIT margin has dropped significantly Sir us it because of the cost pressure or certain change in the sales mix?
- Kamal Sarda:** Compared to which period you are talking about?
- Sanjay Nandi:** Compared to last like we used to maintain an EBIT margin in the Europe of roughly 4% odd whereas in this quarter we have dragged a loss of 2% odd in Europe countries?
- Kamal Sarda:** The primary reason is our German operation. You are right normally the Q3 of our financial year and Q4 for their calendar year is always lower in sales. German operation has always seen a historical December month is 15 days sales are gone usually so the December month is Q3 will always remain a lower in Europe.
- Sanjay Nandi:** Got it Sir and in India also we could find some spike in the EBIT margin is it because of the drop in certain costs or in raw material cost or something like that Sir like in last quarter we were having a 9% kind of margin whereas this time it is 11%?
- Kamal Sarda:** Yes primarily there have been some softening of costs also and then overall raw material costs are also getting softened and the ocean freight which is one of the most significant cost structures which is also getting softened a bit not significant but marginally yes and of course the product mix also can make a big difference.
- Sanjay Nandi:** Sure. I will join back in the queue.
- Moderator:** Thank you. The next question is from the line of Anuj Shah from Shreenath Securities. Please go ahead.
- Anuj Shah:** Thank you. Sir can you tell us the export and domestic revenue can you give us a breakup for Q3 and nine months FY2023?
- Kamal Sarda:** I do not have it readily I will request Vatsal to coordinate with you.
- Anuj Shah:** Okay fine Sir. Can you please share some insight on the refractories demand from the Indian markets, how have they have been in the last few years?



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Kamal Sarda: Market for Indian steel I think I read in my speech part of it is written by Mr. James McIntosh the Indian steel market is growing 6% to 7% CAGR now. The Indian refractory industry looks to be very exciting, very good and also now with this in the budget they increased allocation on the infrastructure spending that will also help the core sector like steel and of course in return our industry will benefit so we feel that Indian market looks to be very, very good.

Anuj Shah: Okay alright Sir. Thank you.

Moderator: Thank you. The next question is from the line of Riya Verma from NR Securities. Please go ahead.

Riya Verma: Thank you for the opportunity. I just had one question do you foresee further EBITDA margins compression in the view of rising inflation going ahead?

Kamal Sarda: As of now I think our feeling is that Europe's major problems are over because they have now been able to wither away the peak of winter so the situation is expected to improve from here.

Riya Verma: Thank you Sir. That answers my question.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir I wanted to understand that what kind of price cut have you taken on your products on a blended average basis?

Kamal Sarda: There have been no significant price cuts in the last quarter. We have been able to maintain our prices because the costs are now going down so possibly in the coming quarters may be we will be able to pass on a bit but still we have old inventories and old things so may be in this quarter there has been no price change.

Keshav Garg: Sir so in that case how come our operating margins have not improved since quarter-on-quarter all the input prices must have gone down since crude itself is down and freight rate, etc., everything is down quarter-on-quarter and Y-o-Y but still there is no improvement in the operating margin?

Kamal Sarda: If you go through our quarterly results on a standalone basis if you look at the last quarter previous quarter of September end we had an EBITDA margin of about 14% and now it is about 16% so there has been an improvement in this quarter.



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- Keshav Garg:** Right. Sir also on a consolidated basis if we see the America's business has done really well for this quarter as well as for the nine months period so is this a sustainable number that we are looking at around Rs.3.7 Crores PBIT on a quarterly basis?
- Kamal Sarda:** Yes.
- Keshav Garg:** This European business in your judgement when is it expected to break even?
- Kamal Sarda:** No, it is already on positive side there is no negative as such.
- Keshav Garg:** No, if you see the consolidated segment results there is loss of Rs.1 Crores.
- Kamal Sarda:** It is possibly for one particular quarter. So you have to go through the entire speech. I mentioned in my previous answer that December quarter for Hofmann Ceramic is always a lower side.
- Keshav Garg:** Right so basically it is one-off and going forward we are expecting this division to break even?
- Kamal Sarda:** Yes not breakeven it will be a profit.
- Keshav Garg:** Right Sir and Sir when do you foresee us coming back to around 15% operating margin on consolidated basis?
- Kamal Sarda:** I have never maintained that it will be 15% I said it will be above 13% would be the ideal.
- Keshav Garg:** So 13% consolidated operating margin till when do you expect that?
- Kamal Sarda:** Let us see. I will not be able to give you a guidance on that but that is our effort.
- Keshav Garg:** Sir thank you very much and best of luck.
- Moderator:** Thank you. The next question is from the line of Nehal Jain from SK Securities. Please go ahead.
- Nehal Jain:** Thank you for the opportunity. I just wanted to know what is the working capital cycle for our company versus the industry average?



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- Kamal Sarda:** I think we are more or less comparable to the industry as such. I think if I am not wrong our net working capital will be about 120 days or so, but we should be somewhere around. I do not have the ready figure in front of me but it should be somewhere around that.
- Nehal Jain:** Got it Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Kanika Kothari from Kothari Securities. Please go ahead.
- Kanika Kothari:** Good afternoon Sir. Can you give an outlook on each of our international subsidiaries as to how is the demand shaping up there?
- Kamal Sarda:** I will keep the industry. The industry what we serve is the steel industry so the industry is same. As I mentioned Europe has been affected by overall poor demand within their internal consumption has been lower because of high inflation and also they are trying to conserve the gas supplies. It looks like they are flattening in their downslide with their phase so we hope there will be some improvement in the near future in may be next one or two quarters. India as I said is always good, America is getting better and better now, our results gets fine that American results in the Q3 has been very good, Q4 also we expect that operations to do well so the industry scenario in America is getting better. Europe may take one or two quarters more till they get to a better position. These are the two major operating areas.
- Kanika Kothari:** Thank you and there is one more thing that I wanted to ask despite the sharp fall in other expenses in Q3 FY2023 our EBITDA margins have seen more than 150 BPS dip so can you explain the reason?
- Kamal Sarda:** My EBITDA margins on a standalone basis if you look at standalone results have improved to 14% to 16% compared to the previous quarter. The primary reason for lower other expenses is on account of ocean freight compared to last quarter September quarter it is coming down so that is one of the major reasons of lower cost.
- Kanika Kothari:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Karan Mehra from Mehta Investments. Please go ahead.
- Karan Mehra:** Thank you for the opportunity. So I just had two questions after the recent rate hike by the Fed we have seen devaluation of the rupee against the US dollar so will this have any



impact on the company's export and in case it has can you please elaborate the impact please?

Kamal Sarda: So for our export any depreciating rupee is always better. Our realizations are higher so we always like but having said that we also have lot of imports in dollars so depreciating rupee effects our input costs in terms of dollars like we buy lot of raw material in dollars, the ocean freight are paid in dollars, and there are some other expenses which are paid in dollars so depreciating rupee has its benefit in terms of exports, has its negative impact in terms of input cost so there is a balancing but yes depreciating rupee has always been historically for IFGL has always helped so we are a net exporter and net foreign exchange earner.

Karan Mehra: Is there any possibility of promoters buying Krosaki ~15.5% stake ?

Kamal Sarda: This question I cannot answer the promoter has to answer but yes they are promoters both of them has been classified as promoters so any kind of transfer is possible but I am not the right person to answer in the public forum honestly.

Karan Mehra: Sure. Sir I will join back the queue. Thank you for your answer.

Moderator: Thank you. The next question is from the line of Sahil Sanghvi from Monarch Network Capital. Please go ahead.

Sahil Sanghvi: My first question is regarding the utilization levels Sir so in Vizag the phase one that we have commissioned what will be the utilization levels right now?

Kamal Sarda: No it is just commissioned this month only.

Sahil Sanghvi: Sir the phase one I am asking?

Kamal Sarda: The phase one we have gone to about 25% levels.

Sahil Sanghvi: The average utilization across the plants what will that be?

Kamal Sarda: We would target utilization about 40% to 50% in the next financial year.

Sahil Sanghvi: Secondly capex spend this year how much have you spent and how much do you expect to do this year and next year please?



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- Kamal Sarda:** Sahil as I mentioned in my speech that we are talking of Rs.177 Crores and out of that almost 50% has already been spent or committed and the rest of it will get completed by FY2024 so by March 2024 I think we will be able to spend or complete most of our projects, may be one or two projects may get delayed but I think major part of it may be around 85% to 90% will get completed within March 2024.
- Sahil Sanghvi:** Got it Sir and what will be the net debt or net cash from December Sir?
- Kamal Sarda:** Net cash would be around 230 odd Crore & Net debt would be about Rs.117 odd Crores.
- Sahil Sanghvi:** Got it. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Firstly I could not hear you out clearly in the opening remarks so pardon me if I go for a repetition but what I can make sense of your comments that for the Indian operations we are having a better environment compared to other geographies and going ahead on the expanded capacity next year we are expecting 40% utilization levels?
- Kamal Sarda:** So what Sahil was asking me about the phase one expansion of our Vizag plant which is not part of the capex plan which we are talking of right now that had already been completed the cost of that capex was around Rs.32 odd Crores so that got commissioned by September 2021. We had 25% utilization levels we have gone up to and this is what I said in FY2024 we expect that should go to 40% to 50% utilization levels.
- Saket Kapoor:** Sir if we take the tonnage wise understanding not to go by the utilization level if we take the nine months tonnage for Indian operations currently and taking into account the expanded capacity at Vizag what kind of tonnage can we look for that going ahead?
- Kamal Sarda:** Mr. Kapoor honestly lot of our products we sell it by pieces so we do not say that all our products we cannot really quantify into one particular unit so there are a lot of products we sell by pieces. We do not have honestly so that is the reason why it is very difficult to give particular quantitative figure on our entire Indian operations or even global operations it is very difficult. We sell them by piece we do not weigh them.
- Saket Kapoor:** What kind of volume growth can we expect since the Indian operations we are getting a better understanding market is much better because of the growth in the Indian steel maker outlook so going ahead what kind of volume growth can we expect from the Indian operations?



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- Kamal Sarda:** I can only say that we will beat average growth rate of either competition or the user industry that is our target to go higher growth than those benchmark figures.
- Saket Kapoor:** What is that trajectory numbers which you beat?
- Kamal Sarda:** Growth numbers I cannot tell you. Steel growth is expected about 6% to 7%. I am expecting the refractory industry will also go to about say 7% to 10% and our target is to grow higher than that.
- Saket Kapoor:** On the R&D lab the capex which we were envisaging if you could give us some understanding where are we in terms of that and I think last before call also you did speak that what kind of goals we will be achieving it over a longer term if you could throw some light on the amount of capex that we are doing for the R&D lab in Odisha?
- Kamal Sarda:** So the capex is about Rs.20 Crores and we are expecting it to be completed in the first half of FY2024. The objective is to enhance our capabilities and product performances, introduce some new products which are hitherto we cannot do a development because of poor availability of those resources so that is our primary objective to improve our product capacities and product capabilities, the performance capabilities, use alternative raw material, use some material which we have had not yet used. So those are the things which we will be able to do may be give better products to the customers.
- Saket Kapoor:** Any payback understanding we have worked with on the amount which we are investing or how can we improve our margins on the basis?
- Kamal Sarda:** We have not sort of whether that is going to give us any payback. What we are only thought of is that it is going to give us a better product. We have not discussed on the payback as yet.
- Saket Kapoor:** Sir in terms of this differentiated margins when we look at the refractory operations for India and when we look for the outside India whether it is Europe or America there is a difference in the margin profile so can you please explain what is the reason?
- Kamal Sarda:** If you look at the global company scenario also, we are the large companies the scenario is very similar. If you look at our interest rates are about 8% to 9% and global interest if you talk of the interest rates in Europe it was about 2% to 3% so their overall margins level they will be happy at about 10% we will not be happy at about 14% to 15% so that is the difference. Overall the global margins are lower and historically for us some of these products are matured products so the margins are lower. Second presently because the market is down so the overall net margins are lower. Globally general scenario if you can



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go and look at the other refractory industry globally and compare the margins are percentages are lower than any other Indian percentages.

Saket Kapoor: Sir if I heard you correctly you did mention to the fact that from the current margin profile on a consolidated basis we have our target set for a 13% blended margin on a consolidated basis currently we did for this quarter at around closer to 7% so my understanding is correct there what you said?

Kamal Sarda: Current quarter Mr. Kapoor our EBITDA margin is around 12% and I am talking of 13% so we are not very far from there.

Saket Kapoor: EBITDA margin of 12% for consolidated you are speaking?

Kamal Sarda: Yes.

Saket Kapoor: Sir if I may add one more point when we know that the foreign markets are mature and the margins profile is lower so what are the key incentives of we continuing our thrust and doing business in the other geographies and not garnering further share for the domestic operations?

Kamal Sarda: Mr. Kapoor can we say that let us sit down because this is a big question. Why we are continuing there and that is a business area where we supply. From India we almost export 50% of our production here so that is a big market for us. We cannot ignore those markets. Those markets have given us huge benefits in the past and those markets require a good quality refractories so I think we are not a part of our global company that we are Indian part of the global company. We are an Indian multinational where we have our footprints all across the globe.

Saket Kapoor: Thank you for the extended opportunity.

Moderator: Thank you. The next question is from the line of Devendra Pandey from DP Financial Advisory Services. Please go ahead.

Devendra Pandey: Thank you Sir for this opportunity. So I have two questions. Both of them are on Europe so first one is considering the economic crisis in Europe so we plan to rework on our export and domestic strategy?

Kamal Sarda: No special work is to be done. Europe is going back to normal I think that is our feeling in may be one or two quarters. Domestic strategy yes definitely as I mentioned earlier the



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entire capex plan is based primarily on the Indian growth story as far as the Indian industry will be higher than the global.

Devendra Pandey: Got it and Sir as you mentioned in your opening remarks that there has been energy crisis in Europe due to heavy dependence on Russia gas supply how is our current business panning out especially in Europe?

Kamal Sarda: I think they have come out of the crisis. There has been no major crisis which we are seeing. They may have had some emergency plans. The industries are running as normal. Of course overall the demand is lower, the inflation is very high. On energy I do not think the crisis period is over, it looks to be.

Devendra Pandey: Got it Sir. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir I want to understand whether in the current quarter Q4 are we hearing demand for price cut from our customers and if so then what in your judgement is the average price cut that we will be forced to take?

Kamal Sarda: We have not had any discussion on price cut so far this is something which I do not know honestly.

Keshav Garg: Yes that I understood but I am saying should we expect price cut going forward?

Kamal Sarda: I do not know. We will have to wait and see.

Keshav Garg: Because last quarter you mentioned that customers are demanding price cuts?

Kamal Sarda: Yes the customers are demanding for Q3 as I mentioned Q3 we have not had any major price cuts so we will wait for Q4 and see what the customers want.

Keshav Garg: Also since you mentioned that we should be expecting only 13% consolidated operating margins on steady state basis but I was going through the earlier calls so last quarter you mentioned that our consolidated margins should be between 14% and 17%, quarter before you said consolidated margins should be higher than 15% so why is there such a drastic reduction in our steady state margin expectation?



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- Kamal Sarda:** No, I think maybe there is some kind of a misunderstanding. I am talking of Indian operations and global operations. Indian operations the margins will be somewhere between 13% and 17%, global margins will be somewhere around 13%.
- Keshav Garg:** Thanks for the clarification and lastly Sir if you see we are the only refractory company in India which is trading at below net worth and our net worth is around Rs.950 Crores whereas our market capital is less than Rs.900 Crores and since now we have a Japanese partner Krosaki with 15% stake so it makes a lot of sense for the company to buy back its shareholding at these current depressed prices so that many purposes can be solved from the share buyback so kindly consider that and kindly take that proposal to the promoters.
- Kamal Sarda:** I will do that. I will pass on this message to the promoter.
- Keshav Garg:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sahil Sanghvi from Monarch Network. Please go ahead.
- Sahil Sanghvi:** Thank you for the opportunity again so Sir I am asking about the trends which you are witnessing right now as compared to 3Q FY2023 levels are you seeing further reduction for the correction in RM cost right now as compared to 3Q levels?
- Kamal Sarda:** It looks like the reduction as of now will get flattened because everywhere the costs have gone up so I do not see a major reduction may be 2%, 3% and 5% could be there but otherwise I think whatever reduction has happened now I think we are looking at almost like bottoming out.
- Sahil Sanghvi:** Similar is the case on the freight side or is the picture different over there?
- Kamal Sarda:** Freight side also it has actually steeply fallen in the last three months. I do not know what is the reason for that fall but it has suddenly fallen very steep so I think I was talking to some shipping company they also claim that like they also felt that it has bottomed out. I am not seeing anything going up right now but further drop has stopped. In the last seven to eight days I do not see any drops.
- Sahil Sanghvi:** Second question would be do we have any kind of exposure to Turkey or Syria?
- Kamal Sarda:** No Syria but we have exposure to Turkey.



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Sahil Sanghvi: Because now the earthquake has ruined a lot of things so is there a risk of losing volumes from there, is it a substantial volume, what percentage of?

Kamal Sarda: Turkey has always been a good market to us we will have to assess. It is not in the area where our customers are but in any case such kind of natural calamity this calls for a huge reconstruction so I am not saying that is good but then that is the usual phenomena that with any kind of such large natural calamity will talk of entire thing to be reconstructed but since it is very new we have to really assess that situation but my first information is that it has not affected any of our customers.

Sahil Sanghvi: Roughly Sir how much would be as a percent of revenue how much is the exposure to Turkey and Syria, Syria is not there but Turkey how much is it?

Kamal Sarda: Syria is not there. I think Turkey will be less than 4% or 3% or something like that or even less than that also.

Sahil Sanghvi: Got it Sir. Thank you Sir.

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

Saket Kapoor: Thank you Sir for the extended opportunity. Sir when we look at the consolidated numbers the revenue increase from the standalone is to the tune of around Rs.135 Crores and the employee cost change is around Rs.35 Crores so just to understand the cost part of it that on a revenue increase of Rs.134 Crores the employee cost goes up by Rs.35 Crores so is it the lower utilization levels in the other geographies that are not consolidating with the employee cost or what should be the rationalize cost as a percentage of sales?

Kamal Sarda: I do not know which figures Mr. Kapoor you are talking of I am not able to correlate that. Why do not we do only one thing. Your queries if we can sit down with you and the SGA team we can thrash your queries whatever you have but I am not able to see any of your figures what you are saying.

Saket Kapoor: Rs.318 Crores revenue on December quarter on consolidated basis, standalone is Rs.181 Crores so when I just subtract the number the revenue increase is Rs.134 Crores and similarly on the employee benefit also I can get it off line Sir no issues with that.

Kamal Sarda: I will check and then maybe I will get back to you on that. I got your point now but I will have to check. We have not checked because most of the employee costs are 95% are fixed



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in nature they are not variable in nature, so whatever there be a reduction in turnover the employee cost will not reduce proportionately.

Saket Kapoor: In other geographies of Europe and America what have been the utilization levels and going ahead what is the trend indicating to you whether we can expect an improvement in the same because America you were categorically mentioned I think so that we are seeing good traction?

Kamal Sarda: EI Ceramics is operating at a good level about 90% plus, the other geographies are Monocon in US and Monocon in UK operations would be somewhere around 50% to 60% sales. Hofmann leads at a good level. Baring the December month as I mentioned that December because of Christmas holidays their last two weeks off takes are almost lower but otherwise Hofmann has also been operating at a very good level. We are overall operating at a good level.

Saket Kapoor: These are the normal cost structures we are not going to expect any change in the trend?

Kamal Sarda: No.

Saket Kapoor: If we are operating the normal levels then the cost structure will remain the same?

Kamal Sarda: Yes but you cannot take employee cost as a cost structure the employee costs are generally a fixed type of a cost.

Saket Kapoor: Right Sir my understanding was if they are operating at the optimum level the employee cost there is no significant increase we can expect in the revenue going ahead?

Kamal Sarda: Yes you are right.

Saket Kapoor: Sir when you were mentioning about this export aspect if you could explain to us the exports that happens from the country so that revenue is booked and the export happens to the foreign subsidiary and then it is flown to the end client?

Kamal Sarda: Most of our sales is direct to the customer.

Saket Kapoor: So how does it impact whether we maintain our operations at Europe and America to the export we are doing from the Indian operations just wanted to understand what you were trying to say?

Kamal Sarda: I did not get your query please can you come again.



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- Saket Kapoor:** Yes I will repeat again Sir. You mentioned that we have a lot of export that happens from the Indian subsidiary and it is important for us to maintain the unique companies of Europe and America since a lot of export happens from domestic so just wanted to understand the co-relation?
- Kamal Sarda:** It has helped in those geographies.
- Saket Kapoor:** Come again Sir?
- Kamal Sarda:** It has helped in those geographies like in UK our UK sales team helps, in Europe we have some sales team which helps, in US we have the sales team which helps selling IFGL products also plus our market presence is like that those geographies have those bundle of products we can sell.
- Saket Kapoor:** What percentage of sales from the Indian operations are marked for export?
- Kamal Sarda:** There is nothing called marking. As I have clarified the products in the overseas companies are not same what we make in India except the EI Ceramics so the products are complementary to each other mostly. Those products are different than what we make in India or they make different products and we make different products than them. There is nothing called earmarking it is just the market share what we are able to take there is no marking as such.
- Saket Kapoor:** Okay but Sir what is the export number then for the nine months from an Indian operation how much has the revenue been taken as a part of export?
- Kamal Sarda:** It will be about 50%. Mr. Kapoor you have I think few questions which are still unanswered why do not you talk to me separately please?
- Saket Kapoor:** I will do that Sir.
- Kamal Sarda:** Please call me or you can contact Vatsal of SGA and then we will clarify all your points.
- Saket Kapoor:** I will come down Sir. I am from Kolkata.
- Kamal Sarda:** I will clarify all your points.
- Saket Kapoor:** I will come down. Thank you.
- Kamal Sarda:** Yes we can sit down and spend a lot of time.



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Saket Kapoor:

Yes Sir. Thank you.

Moderator:

Thank you. Ladies and gentlemen due to time constraint that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Kamal Sarda:

Thank you everyone. I think it was a wonderful Q&A session and I hope I have been able to answer most of your queries. In case there are still some points left I would say that you may contact SGA, our investor relation advisors and we look forward to your active participation in the next call. Thank you everyone and stay safe.

Moderator:

Thank you. On behalf of Monarch Network Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.