IFGL REFRACTORIES LIMITED

Head & Corporate Office :
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E-mail : ifgl.ho@ifgl.in, Websites : www.ifglref.com

4th September, 2019

National Stock Exchange of India Ltd
'Exchange Plaza', C-1, Block – G
Bandra – Kurla Complex
Bandra (E), Mumbai 400 051
Code : IFGLEXPOR

BSE Limited
PhirozeJeejeebhoy 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**

This has reference to our disclosure dated 3rd September, 2019 regarding review of credit rating for bank facilities and commercial papers by letter dated 23rd August, 2019 of CARE Ratings Ltd. Copy of said letter of CARE is enclosed herewith, which was inadvertently overlooked to be enclosed with our above letter. By said letter, CARE has reviewed ratings as follows:

Facilities/Instruments	**Amount (Rs.crore)**	**Rating**
Long Term Bank Facilities	3.13	CARE A+; Stable; ISSUER NOT COOPERATING* (Single A Plus; Outlook: Stable)
Short Term Bank Facilities	8.00	CARE A1+; ISSUER NOT COOPERATING* (A One Plus)
Long Term/Short Term Bank Facilities	146.00	CARE A+; Stable/CARE A1+; ISSUER NOT COOPERATING* (Single A Plus; Outlook: Stable/A One Plus)
Total Facilities	**157.13 (Rs. One Hundred Fifty Seven Crores and Thirteen Lakhs only)**	
Commercial Paper	10.00 (Rs Ten crores only)	CARE A1+; ISSUER NOT COOPERATING* (A One Plus)

*Issuer did not cooperate; Based on best available information.

Hence, it is requested that said disclosure dated 3rd September, 2019 of the Company be read together with this disclosure.

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
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MONOCON hofmann CERAMIC GMBH

CARE Ratings
Professional Risk Opinion

CARE/KRO/RL/2019-20/1704
Mr. Kamal Sarda
Director & CEO
IFGL Refractories Ltd,
3, Netaji Subhas Road
Kolkata – 700 001

August 23, 2019

Confidential

Dear Sir,

Credit rating for Bank Facilities and Commercial Papers

This is with reference to our rating agreement dated November 14, 2011 and November 09, 2017, wherein you had agreed to provide information and pay annual surveillance fee to monitor and conduct the surveillance/review of the rating over the lifetime of rated Bank facilities and Commercial Paper.

2. In the absence of adequate co-operation from your end despite repeated requests, CARE has reviewed the rating(s) as follows:

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	3.13	CARE A+; Stable; ISSUER NOT COOPERATING* (Single A Plus; Outlook: Stable)	Issuer not cooperating; Revised from CARE AA-; Stable on the basis of best available information
Short term Bank Facilities	8.00	CARE A1+; ISSUER NOT COOPERATING* (A One Plus)	Issuer not cooperating; Based on best available information
Long-term/Short-term Bank Facilities	146.00	CARE A+; Stable/CARE A1+; ISSUER NOT COOPERATING* (Single A Plus; Outlook: Stable/A One Plus)	Issuer not cooperating; Revised from CARE AA-; Stable on the basis of best available information
Total facilities	157.13 (Rs. One Hundred Fifty Seven crore and Thirteen Lakhs only)		
Commercial Paper	10.00 (Rs. Ten crore only)	CARE A1+; ISSUER NOT COOPERATING* (A One Plus)	Issuer not cooperating; Based on best available information

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

3. We would be issuing a Press Release shortly to inform the regulators, investors and public at large. A draft of the Press Release is enclosed.

Thanking you,

Yours faithfully,

Vikash Rai

Vikash Rai
Analyst
vikashkumar.rai@careratings.com

Abhishek Khemka
Manager
abhishek.khemka@caretings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.
Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	3.13	**CARE A+; Stable; ISSUER NOT COOPERATING* (Single A Plus; Outlook: Stable)**	Issuer not cooperating; Revised from CARE AA-; Stable on the basis of best available information
Short term Bank Facilities	8.00	**CARE A1+; ISSUER NOT COOPERATING* (A One Plus)**	Issuer not cooperating; Based on best available information
Long-term/Short-term Bank Facilities	146.00	**CARE A+; Stable/CARE A1+; ISSUER NOT COOPERATING* (Single A Plus; Outlook: Stable/A One Plus)**	Issuer not cooperating; Revised from CARE AA-; Stable on the basis of best available information
Total facilities	157.13 (Rs. One Hundred Fifty Seven crore and Thirteen Lakhs only)		
Commercial Paper$	10.00 (Rs. Ten crore only)	**CARE A1+; ISSUER NOT COOPERATING* (A One Plus)**	Issuer not cooperating; Based on best available information

Details of instruments/facilities in Annexure-1 $*carved out of fund based working capital limit*

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from IFGL Refractories Limited to monitor the rating(s) vide e-mail communications/letters dated May 29, 2019, June 07, 2019, July 23, 2019 and August 09, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, IFGL Refractories Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on IFGL Refractories Limited's bank facilities and instruments will now be denoted as **CARE A+; Stable/CARE A1+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of moderation in the operating margins during FY19 & Q1FY20 vis-à-vis corresponding period coupled with subdued performance of the user industries.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

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Detailed description of the key rating drivers

At the time of last rating on October 08, 2019 the following were the rating strengths and weaknesses (updated for the information available from stock exchange i.e. Bombay Stock Exchange):

Key Rating Strengths

Experienced promoter with strong management

Shri S K Bajoria, Chairman, the main promoter IFGL Refractories Ltd. (Formerly known as IFGL Exports Ltd.) (IFGL) has wide experience in manufacturing of special refractories. He was also the former President of the Indian Chamber of Commerce, Kolkata, former Director of West Bengal Industrial Corporation Ltd. and Industrial Promotion & Investment Corporation of Orissa Ltd and Honorary vice Counsel of Denmark in Eastern India. Shri P Bajoria, MD, is associated with the group for around three decades and has wide experience in the refractory industry.

Various fiscal benefits by virtue of being located in Special Economic Zone

One of the plants of IFGL has been set up in Kandla, SEZ Gujarat and is entitled to various fiscal benefits. The various benefits which IFGL would enjoy are lower income tax (at MAT), tax holiday under Sec 10 AA of Income Tax Act 1961, exemption of duties like customs duty, GST, import duty, export duty. These benefits help IFGL to minimise its cost of operations and achieve better margins.

Established brand in the domestic refractory segment coupled with IFGL's export competitiveness in the global market

IFGL is one of the few refractory manufacturers in India having a PAN India presence with a market share of ~10%. Steel plants account for up to 75% of demand for refractories are among the major customers of IFGL. The unit of IFGL at Kandla SEZ strengthens its cost competitiveness in the international markets due to various fiscal benefits available to the company for being located in SEZ. Further, the availability of port facilities nearby the manufacturing facility also enables the company to optimize its logistic costs and inventory levels. The company has longstanding relationships with various steel plants across the globe due to which it is able to garner regular orders.

Satisfactory financial position with comfortable gearing and debt coverage indicators

The financial performance of the company improved in FY18 marked with improvement in total sales and PAT levels. GCA remained extremely comfortable at Rs.66.48crore as against its long term debt repayment obligation in FY18. Interest Coverage improved from 11.89 times in FY17 to 16.54 times in FY18. Overall gearing ratio and total debt to GCA of the company also remained comfortable at 0.33 times & 1.35 times respectively as on March 31, 2018.This apart the company had a cash balance (including liquid investments) of Rs.19.8crore as on March 31, 2018. During Q1FY19 the company reported a PAT of Rs.7.41crore on a total operating income of Rs.121.94crore.

The Company has reported total operating income and PAT of Rs.488.07 crore and Rs.25.96 crore in FY19. Further, during Q1FY20 the company reported a PAT of Rs.8.59crore on a total operating income of Rs.141.61crore.

Key Rating Weaknesses

Price volatility of the raw materials with limited pricing power

The main raw materials used in the manufacturing process are magnesia, bauxite, silicon carbide, alumina and graphite, the prices of which are volatile. Majority of these raw materials are imported from China and the prices of the raw materials have risen in the recent years due to the inflationary pressure, weakening of domestic currency vis-à-vis international currency, heavy duty levied by the Chinese players. Also, the recent crackdown by Chinese authorities on polluting units in steel and other industries has led to drastic cut down in the raw material supplies. Further, the refractory

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players have limited bargaining power with large steel companies being its customers; it is unable to pass on the hike in raw material prices resulting in pressure on profitability margin.

Exposure to group companies

IFGL has an aggregate funded exposure of Rs.56.3 crore (around 20% on its net worth) as on March 31, 2018, in the form of long term investments in its group companies. The investment in the subsidiary, IFGL Worldwide Holdings Ltd. had been utilized for acquisition of various companies engaged in the same line of business in countries like UK, USA, Brazil, China, Germany and Czech Republic and for strengthening its market exposure. As the majority of the step-down subsidiaries are profit making, the consolidated financials of IFGL has remained satisfactory over the years with Total Income & GCA of Rs.843.69cr & Rs.91.96cr respectively (Rs.787.03 cr & Rs.85.6cr in FY17) and an overall gearing ratio of 0.14x in FY18 (0.11x in FY17).

Foreign exchange fluctuations risk

IFGL Refectories Ltd (IFGL) has exposure in foreign currency in the form of raw materials import & exports. The company imports around 40-50% of its total raw material requirement mainly in Dollar & Euro. Further, IFGL exports around 50-60% of its total turnover in Euro (majorly), Dollars and Pound, thus providing natural hedging to a greater extent. IFGL also takes forward cover at an opportune time to negate the currency fluctuations.

Increasing competition arising out of cheaper imports and presence of unorganized players

Refractory industry is highly fragmented with more than 150 players of which around 15 -16 are major players. Indian refractory industry also faces a huge threat in the form of competition from cheap refractory products dumped from China which has captured more than 25% of the total market. Due to highly competitive nature of the refractory industry, players experience limited pricing flexibility and therefore work under high pressure on margins.

Liquidity Position: Adequate

Liquidity position of the company remains adequate with GCA of Rs.64.30crore as against long term debt repayment obligation in FY19 and cash and cash equivalents (including liquid investments) of Rs.54.60 as on March 31, 2019.

Outlook of the Refractory Industry

As the major demand of the domestic refractory industry comes from the steel industry (consuming about 75% of the total refractory), the fortune of the same depends mainly on the growth of the steel industry. The demand for steel from user industries is likely to grow by 3%-4% in the current financial year (i.e. FY20) as against FY19. With the rebound in the global steel sector along with strengthening economic conditions the volume of refractories consumed is expected to rise in the US, Western Europe and Japan. Increased demand from these countries will lead to higher steel production which will drive demand for refectories, benefiting existing players like IFGL. Also, demand for refractories in China is anticipated to drop as Chinese steel manufacturers have closed down ~150 MTPA of steel plants capacity through consolidation. Hence lower manufacturing will ultimately lead to lower dumping by Chinese players which would augur well for domestic players like IFGL.

Analytical Approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
Rating Methodology-Manufacturing Companies
CARE's Policy on Default Recognition
CARE's Policy on Short Term Instruments

Financial ratios - Non Financial Sector

About the Company

IFGL Refractories Ltd (IFGL; formerly known as IFGL Exports Ltd.) is part of the Kolkata based IFGL Group, promoted by Shri S.K. Bajoria, which is into refractories business for the past three decades. The company has two manufacturing facilities for refractories located at Kandla Special Economic Zone (SEZ)(aggregate manufacturing of capacity 2.4 lac pieces per annum) and Rourkela, Odisha(aggregate manufacturing capacity of 23.4 lac pcs of refractories per annum).

Brief Financials (Rs. crore)	FY18(A) Standalone	FY19(A)* Standalone
Total operating income	455.91	488.07
PBILDT	76.43	74.99
PAT	22.58	25.96
Overall gearing (times)	0.33	0.21
Interest coverage (times)	16.54	13.54

**Source: BSE Website; A: Audited*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Dec. 2019	3.13	CARE A+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE AA-; Stable on the basis of best available information
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	146.00	CARE A+; Stable / CARE A1+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE AA-; Stable / CARE A1+ on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	8.00	CARE A1+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Commercial Paper	-	-	-	10.00	CARE A1+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**** Issuer not cooperating; Based on best available information***

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (05-Jan-18) 2)CARE AA- (SO); Stable (18-Apr-17)	1)CARE AA- (SO) (07-Jul-16)
2.	Fund-based - LT-Working Capital Limits	LT	-	-	-	-	1)Withdrawn (05-Jan-18) 2)CARE AA- (SO); Stable (18-Apr-17)	1)CARE AA- (SO) (07-Jul-16)
3.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (05-Jan-18) 2)CARE AA- (SO); Stable (18-Apr-17)	1)CARE AA- (SO) (07-Jul-16)
4.	Non-fund-based - ST-BG/LC	ST	-	-	-	-	1)Withdrawn (05-Jan-18) 2)CARE A1+ (SO) (18-Apr-17)	1)CARE A1+ (SO) (07-Jul-16)
5.	Fund-based - LT-Term Loan	LT	3.13	CARE A+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE AA-; Stable on the basis of best available information	-	1)CARE AA-; Stable (08-Oct-18) 2)CARE AA-; Stable (24-May-18)	1)CARE AA-; Stable (05-Jan-18)	-
6.	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (08-Oct-18) 2)CARE AA-; Stable (24-May-18)	1)CARE AA-; Stable (05-Jan-18)	-

7.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)Withdrawn (08-Oct-18) 2)CARE A1+ (24-May-18)	1)CARE A1+ (05-Jan-18)	-
8.	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	146.00	CARE A+; Stable / CARE A1+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE AA-; Stable / CARE A1+ on the basis of best available information	-	1)CARE AA-; Stable / CARE A1+ (08-Oct-18) 2)CARE AA-; Stable / CARE A1+ (24-May-18)	1)CARE AA-; Stable / CARE A1+ (05-Jan-18)	-
9.	Non-fund-based - ST-BG/LC	ST	8.00	CARE A1+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A1+ (08-Oct-18) 2)CARE A1+ (24-May-18)	1)CARE A1+ (05-Jan-18)	-
10.	Commercial Paper	ST	10.00	CARE A1+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A1+ (08-Oct-18) 2)CARE A1+ (24-May-18)	1)CARE A1+ (05-Jan-18)	-

**** Issuer not cooperating; Based on best available information***

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**