8th June, 2023

National Stock Exchange of India Ltd
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Bandra – Kurla Complex
Bandra (E), Mumbai 400 051
Code : IFGLEXPOR

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001
Code: 540774

Dear Sirs,

Re: **Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

In compliance of above, please find enclosed herewith transcript of Earnings Conference Call on Company's financial performance for Q4/FY2022-23 held on Friday, 2nd June, 2023. 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 Date: 2023.06.08 16:31:44 +05'30'

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

Encl: As above

"IFGL Refractories Limited
Q4 FY'23 Earnings Conference Call"
June 02, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 02nd June 2023 will prevail.

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

MODERATOR: **MR. SAHIL SANGHVI – MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the IFGL Refractories Limited Q4 FY '23 Earnings Conference Call hosted by Monarch Networth 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 star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sahil Sanghvi from Monarch Networth Capital. Thank you, and over to you, sir.

Sahil Sanghvi: Yes. Thank you. Good evening to everyone. On behalf of Monarch Networth Capital, we welcome you all to the IFGL Refractories Q4 FY '23 Earnings Call. We are delighted to host the management. And from their side, we have their CEO (India), Mr. Kamal Sarda and their CFO. So without much time, I'll hand over the call to Mr. Kamal Sarda for the opening remarks. Thank you, and over to you Kamal, sir.

Kamal Sarda: Thanks, Sahil. Good evening, ladies and gentlemen. Thank you for joining us on the IFGL Refractories Limited Q4 and FY '23 Earnings Conference Call. I have with me Mr. Amit Agarwal, our CFO; and SGA, our Investor Relations advisors. We have uploaded the results and presentation on the stock exchange, and I hope everybody has had a chance to go through the same.

During the year, the recovery momentum of global economy following the pandemic shock faced obstacles due to several factors. These included rising inflation, subsequent increased interest rates, geopolitical tensions arising from Russia and Ukraine war and the implementation of lockdown measures in China. The ongoing energy crises has also caused disruptions in gas supply, resulting in challenges for businesses.

These events collectively impacted economic stabilities and hindered the smooth progression of recovery efforts during the year. On the contrary, the Indian market emerged as a standout performer in the global steel industry, in FY '22-'23 also. The RBI's robust management of inflation has contributed to a healthy growth trajectory for the Indian economy. Notably, the investment in various sectors has been increasing steadily, supported by substantial government expenditure on infrastructure development.

The real estate sector has also shown good growth driven by affordable housing initiatives and rising urban demand. Further, private investment is showing signs of improvement, bolstered by the implementation of PLI schemes. These factors collectively indicate a very positive outlook for Indian steel industry and its overall economic landscape.

Now moving on the company side. During the last quarter, we successfully acquired 2 land parcels near our Kalunga plant, approximately 3 acres of land adjacent to our existing factory. This acquisition is aimed at improving quality, debottlenecking our operations and expanding our capacities. The company step down subsidiary Monocon International Refractories Limited U.K., successfully completed the acquisition of Sheffield Refractories U.K.

Sheffield Refractories is a renowned manufacturer and installer of monolithic refractory products specialized in blast furnace casthouse product, shotcreting material and a diverse range of other specialized monolithic product. The acquisition alliance with our strategic objective and enhances our capability in services -- serving the steel industry. We are excited about the synergies and growth opportunity that this acquisition brings to our company and look forward to leveraging the expertise and product portfolio of Sheffield Refractories to drive further success in the market.

Hofmann Ceramic, our German subsidiary, is performing quite well, and we have observed favorable margins over there. We are pleased with progress and a positive outlook for Hofmann in the current period also. EI Ceramics, our U.S. subsidiary, we have seen significant improvement in the second half of the FY '23 and the outlook also looks to be promising. We are confident that EIC will show better results in the current financial year also. This year, we launched our new website and also our new corporate identity, which is logo, aimed at improving our interface with customer, prospective employees, suppliers and other stakeholders.

On the capex side, the estimated capex plan of INR 177 crores is on track, for which we tied up a term loan of INR 120 crores for this, and the rest will be financed by internal accruals. We have already spent or committed over 50% of this as on the year-end and will complete -- hopefully, we'll complete all the planned projects within FY '24.

We are pleased to announce that our new research and technology center in Odisha is progressing as planned and should be fully operational in the first half of 2023. This state-of-the-art facility will serve as a hub of research, innovation and development, enabling us to enhance our product offerings and advance our understanding of material applications in various industries. With these enhanced capacities and new product capabilities, we expect to improve the scale of our business that will lead to scaled benefits and operating leverages in the long term for our company.

With this, let me now hand over the call to Mr. Amit Agarwal for giving you financial highlights. Thank you.

Amit Agarwal: Good evening everyone. Starting with the standalone financial highlight. Total income decreased by 9% year-on-year to INR 217 crores in Q4 FY '23, while it was up by 6% year-on-year to INR 846 crores in FY '23. EBITDA increased by 35% year-on-year to INR 46 crores in Q4 FY '23. For the year also, it was up by 2% to INR 134 crores in FY '23. EBITDA margin stood at 21.2% in Q4 FY '23, with increase of 700 basis points year-on-year basis. For full year, FY '23 margin stood at 15.9%. PAT was up by 46% year-on-year to INR 23 crores in Q4 FY '23, while it was down by 3% year-on-year to INR 61 crores in FY '23.

Let me now move forward to consolidated financial highlights. Our consolidated financial highlights also includes our international subsidiaries. We recorded the highest-ever total consolidated income for Q4 FY '23 as well as FY '23. The total consolidated income increased by 2.5% year-on-year to INR 376 crores in Q4 FY '23, while it was up by 10% year-on-year to INR 1,400 crores in FY '23. Consolidated EBITDA grew by 32% year-on-year to INR 56 crores in Q4 FY '23, while it was up by 5% year-on-year to INR 166 crores in FY '23. Then our consolidated EBITDA margin stood at 14.9% in Q4 FY '23, with increase of around 330 basis points year-on-year basis.

For full year FY '23, margin stood at 11.9%. Consolidated PAT was up by 42% year-on-year to INR 29.4 crores in Q4 FY '23, while it was up by 2 % year-on-year to INR 79 crores in FY '23. And I'm also happy to share that Board of Directors have recommended a final dividend of INR 7 per share, which is 70% of the face value. And obviously, this is subject to approval in forthcoming AGM. With respect to liquidity position, we remain net debt-free with strong balance sheet. Cash and cash equivalents stood at around INR 194 crores on a consolidated basis as on March '23.

I think this is from my side.

Kamal Sarda: So I will be happy to answer any questions from your side.

Moderator: Thank you very much. Our first question is from the line of Kanika Kothari from Kothari Securities.

Kanika Kothari: Sir, first of all, I wanted to ask how is the domestic market doing as compared to the international market? Who do you think is performing better, which one do you think is performing better?

Kamal Sarda: Domestic market as far as our -- the industry, which we serve, which is steel industry, is doing quite well. And as you know, the National Steel Policy 2017, which was announced, and it had planned that we will take the capacities to about 300 million metric tons by 2030-31. I think we are going on track. Today, we have a capacity of about 155, 160, and there are quite a few additional incremental capacities lined up in the country. So we should ideally grow by about 7% CAGR in this sector. So we hope -- we are very confident on this growth of steel industry.

Kanika Kothari: Understood. And also, sir, can you please provide the breakup of revenue in terms of domestic and exports for Q4 FY '23?

Kamal Sarda: So this year, I think we had domestic sale for -- of about 55% of the overall sale.

Moderator: Our next question is from the line of Shivani Vivek Vishwanathan from Eragon Ventures.

Shivani Vishwanathan: Okay. Sir, excuse me, it might be simple questions, but new to the sector. And I just wanted to understand, taking upon from Kanika's question before, how would I understand the opportunity size? Like what percentage of project cost of steel is -- do we cater to?

Kamal Sarda: Sorry? Sorry?

Shivani Vishwanathan: Suppose there is INR100 crores steel project, sir, what would be the percentage of that project cost that we would be catering to?

Kamal Sarda: So we are not on the -- see, our products are generally consumable. So our product will be required when the steel plant gets into operation. So whatever they spend on capex, we are not really there. We are only there when the steel plant runs. So usually the refractory consumption is anywhere between 10 to 15 kgs of per ton of steel. That's how it amounts to. So the more they produce, our products will be used more.

Shivani Vishwanathan: Great. And sir, you were talking about your R&D facility. I wanted to understand what sort of value addition product are you looking at? And what would be your key margin drivers going forward from here?

Kamal Sarda: On R&D facilities, you cannot relate the return on investment as such. These are all developmental activities, which will go into our existing product line, developing, improving our existing products both in terms of quality as well as cost part. So that will eventually give us a benefit. We have not put that kind of a return on investment.

Shivani Vishwanathan: No, no. Not on that, sir. Margin drivers, overall, what would be your business?

Kamal Sarda: That's what I said. That was -- so we have not put in anything of that sort. We have created a research capabilities just to enhance our quality parameters both in terms of quality as well as cost. When it happens, it will definitely happen. And that will help us in improving our margin as well as improving our businesses also. So I'm not in a position to put in any kind of a margin improvement strategy here.

Shivani Vishwanathan: Sure.

Kamal Sarda: Nobody does it in -- when they're putting up a technology center as such.

Shivani Vishwanathan: No, my question was more on the business side, not on the R&D side. I just wanted to understand, from 14%, what sort of margin trajectory are we seeing for the company as a whole going forward?

Kamal Sarda: So this is a different question. So our margins, I think I have maintained that. Our margins will be anywhere between about 13% to 15% going forward also.

Shivani Vishwanathan: Sure. Sir, how is the competitive landscape for refractories and what sort of market share are we sitting on, domestic market sir?

Kamal Sarda: We are there. I think in our product range where we operate, we should be there at somewhere around 15% market share. And competition scenario, I think there is not much -- not many players in this field. You have RHI Magnesita and you have Vesuvius primarily as a major competitors in our field.

Moderator: Our next question is from the line of Sanjay Nandi from Freelancer.

Sanjay Nandi: Sir, what is your outlook on the European operations as a whole, sir?

Kamal Sarda: European operations, as I think I mentioned in my speech, it's Hofmann Ceramic, our German operations, in the last couple of years have improved significantly. And we feel the margin --

that the margin there will continue to grow in the near future because we are now ramping up some capacities there also. So that should increase our margins there. But in the U.K. subsidiary, with the acquisition of Sheffield Refractories, it should eventually improve the margin. But yes, Europe is under pressure on the consumption side of steel. So that hopefully, once the Ukraine-Russia war is over, as and when, the market should improve. So we'll have to wait till this crisis is over. As of today, the European market is slightly slow.

Sanjay Nandi: Got it. Sir, if we compare ourselves with our peers in the domestic market, like RHI, Vesuvius, so their margins have improved significantly. I'm talking about operating margins. But we are still hovering around 13%, 14% kind of margins on an overall basis. So are we looking for some like premium products or some high-end products through which we can increase our margins going forward? Something you can make, something like that?

Kamal Sarda: So one, that's the reason why we are setting up our research and development rather, technology center, what we call it, which will help us in developing or improving our own products, doing research on our products, alternate raw materials, both in quality as well as cost-effective manner. And we're not very, very far behind them. Just because they are larger in their size of operations, their -- possibly the margins are slightly more. So going forward, we -- I think if you look at RHI is also -- margins are not very, very different than ours. Maybe 1% or 2% plus or minus, that's it.

Sanjay Nandi: Right. Sir, are we looking for some like some strategic acquisitions or any like capex where we can increase the top line significantly going forward?

Kamal Sarda: I think we -- if you look at our presentation also, we are -- we have undertaken a massive capex plan in the last 2 years. And this year, it will get completed. We have taken a capex plan of INR 177 crores already. So that will help us in improving the top line.

Sanjay Nandi: So what then can we expect that thing to generate revenue for us, sir?

Kamal Sarda: To take 3 to 5 years, that's when the capex gets completely -- yes.

Sanjay Nandi: 3 to 5 years. Sir, what's our share in the flow control business? Like do we add any business in that flow control products?

Kamal Sarda: Our major product ranges are flow control.

Moderator: Next question is from the line of Aniket from BMSPL Capital.

Aniket: Yes. So I'm new to this industry and new to the company as well, so forgive me if my question that a bit basic. But -- so I had a couple of questions with regards to the white fused alumina and brown fused alumina. I just wanted to get an idea of what are the end markets for these abrasives? And are there any emerging applications coming up from the traditional ones?

Kamal Sarda: We don't manufacture these 2 products. We are not a manufacturer of raw material, gentleman. So we use this raw material, we import as well as we also use some domestic player's product.

So we don't manufacture these products. These products are primarily used in refractories and some abrasive applications.

Aniket: Okay. Okay. Okay. And can you just give any idea on the pricing for these raw materials? So typically, for these type of...

Kamal Sarda: Why do you want these raw material prices. No, we don't deal in these products. We only use these products.

Aniket: But if I can just -- just a question from my side. I wanted to get to know if there is a market for these type of products with regarding pricing, with $3 to $4 per kg current in India. I mean, do these -- do the refractories here use these products as raw materials and what type of pricing do they get for this in the use.

Kamal Sarda: Can you do me a favor? Can you take my number from Vatsal or Sahil and give me a call later. That would be good, then I can answer most of your queries.

Moderator: Next question is from the line of Akash Mehta from Capaz Investments.

Akash Mehta: I had 2 questions really. One, if you could just give me the potential revenue from the planned capex that we announced.

Kamal Sarda: So generally, any kind of a brownfield expansion, the revenue should be about 3 to 3.5x. That's what we are planning.

Akash Mehta: 3.5x roughly. Okay. And if you could give me the revenue, EBITDA and PAT for the subsidiaries for the quarter gone by.

Kamal Sarda: Subsidiaries?

Akash Mehta: Yes.

Kamal Sarda: So I think if we look at our consol figures and then, overall, our overseas subsidiaries, the sales were around about INR 595 crores or INR600 crores. And EBITDA, there was about INR 32 crores.

Akash Mehta: Okay. And the PAT level for the company?

Kamal Sarda: PAT for the overseas subsidiaries were INR 18 crores.

Moderator: Our next question is from the line of Keshav Garg from Counter Cyclical PMS.

Keshav Garg: Sir, I wanted to understand that in our fourth quarter numbers in the standalone numbers, the revenue is down by around 11% year-on-year. So have the volumes declined or have the realization gone down?

Kamal Sarda: So the -- see, one of the major effect has happened in the overseas market. In the corresponding quarter of last year, there was a good export. If you look at the domestic market, it has grown by about 20%, okay? Just the overseas market, there are a certain market like, I tell you, CIS countries used to export quite a bit. That's completely shut. We had done some exports in the previous -- the corresponding quarter in last year. So there are certain -- Europe was one of the major factors where the market has gone down. Certain Middle East countries also, the market has gone down slightly.

So the overseas market has gone down. If the overseas market was same, then I think the figures would have been significantly different. I hope that Europe in the second half of this year should come back -- should recover a bit. But yes, the CIS still has issues, unable to supply, unable to get the payment terms right. There are we at taking certain efforts.

Keshav Garg: Sir. So sir, basically, our volumes have gone down due to slowdown in demand in European markets primarily?

Kamal Sarda: Yes. In terms of exports, yes, our volumes have gone down. But in domestically -- domestic market, the volumes have increased significantly.

Keshav Garg: Sir, and what about the realizations, have we taken price cuts in fourth quarter or first quarter?

Kamal Sarda: Yes, there are certain softening of raw material input costs, which has happened in the last 2 quarters. So obviously, some customers whose orders have been renewed in this period, they have asked for certain discounts. But I think the price reduction is not more than anywhere between 2% to 4%. There have been some reduction in prices, not significant.

Keshav Garg: Sir, and this was done in the fourth quarter or in the first quarter of this financial year?

Kamal Sarda: It's a continuous process. We order most of the customers. I think mostly the quarter 4 will have the major effect. But then we have also got some price increases somewhere also. It is not that we have only got price reduction. But there have been some orders which wherein we have got -- which were like old orders, which the price, they did not increase because orders were running. But overall, I think 2% to 3% would be the major reductions in some of the orders which have got renewed, but not significant.

Keshav Garg: Sure, sir. Also, sir, like we did around INR 48 crores EBITDA in this fourth quarter, which was almost equivalent to our all-time high EBITDA, which we did in December 2020 quarter of INR 49 crores. So will we be able to sustain this INR 48 crores or roughly INR 50 crores run rate of operating profit per quarter going forward on a consolidated basis?

Kamal Sarda: I think I mentioned in one of the previous questions that we should be looking at an average EBITDA about 15%. 14% to 15% should be the average EBITDA you should be looking at.

Keshav Garg: Sir, in last call, you mentioned that on a consolidated basis, we should only expect around 13% EBITDA, which we did in fourth quarter.

Kamal Sarda: I don't know if INR 49 crores, which is what you're talking about consol EBITDA?

Keshav Garg: Yes, sir. Consol EBITDA, INR 48 crores we did in fourth quarter.

Kamal Sarda: Okay. I'll correct myself. On the consolidated front, the EBITDA on a consol basis is about INR 56 crores. I don't know where from this -- so in quarter 4, the EBITDA is about 15%. But as I said, on a consolidated basis, anywhere between 13% would be the reasonable EBITDA to look at because there are certain overseas operations where the margins are comparatively lower.

Keshav Garg: Sure, sir. Sir, so I wanted to understand, sir, that in the past 2 years, FY '22 and '23, sir, our working capital has gone up dramatically. And sir, consequently, our operating cash flow in the past 2 years cumulatively is nearly around INR 10 crores. So whereas if we see in FY '21 and FY '20, we did around INR 141 crores, INR 150 crores of operating cash flow. So the inventory has doubled basically in the past 2 years and receivables have also gone up drastically. Sir, all together, our working capital has increased by INR 225 crores in the past 2 years. Sir, so any -- this is expected to come down, stabilize at this level or to increase further?

Kamal Sarda: No. So one of the -- okay, in the last 2 years or so, obviously, because of this COVID situation and all, the average inventory holding period has gone up, okay? Even that and also the realization part also in some way has gone up. But one of the other reason was our Sheffield Refractories acquisition. So their inventory has also -- inventory and receivables have also got added in this March '23 reports.

Keshav Garg: Sure, sure, sure. So going forward, should we expect this to reduce, working capital?

Kamal Sarda: See, going forward, our efforts are to reduce. But I think just to handle our customers, because customers are also like asking for -- sometimes they ask for material so fast, so we have to be prepared to keep inventory. So inventories would be higher, I would say. But receivables can come down, will come down.

Keshav Garg: Okay. Okay. So sir, lastly, so this new acquisition that you have done, is it a profitable business? And sir, can you tell us more about it, that what should we expect from this?

Kamal Sarda: So I think it's a profitable business, definitely. It has been making money. It has been profitable for many, many, many years. And this has been on our radar for about 5, 6 years. Just because of COVID, it got deferred. So this will continue to make money. But I think the other advantage of this acquisition would be to use those -- these are the highly technical products, to use these products for other markets including India. So it is where we will be able to make more margins out of it. And then the synergy benefits we will get. India -- we don't have those products in India as a current basket of products.

Moderator: Sorry to interrupt, Mr. Keshav Garg, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Thank you, sir. Our next question is from the line of Sahil Sanghvi from Monarch Networth.

Sahil Sanghvi: Congratulations for good set of numbers. My first question is would you be able to give me the utilization levels across our overseas subsidiary and also the Indian entities?

Kamal Sarda: Overseas, Hofmann Ceramics and EI Ceramics, they are running almost like at a good capacity utilization there. It should be about 80%, 90% of that. And in India, in our existing product of Kalunga, the isostatic and Side Gate -- we are running at about 80%, 85% capacity. And some of the other products where we have expanded, the capacity utilization will be low about 50% or so. In Monocon, also, the capacity utilization should be somewhere around 50%, 60%.

Sahil Sanghvi: And Sheffield would be?

Kamal Sarda: I mean, Sahil, I don't have the full capacity figures of that.

Sahil Sanghvi: Right. And Kandla would be, sir?

Kamal Sarda: Kandla, I think before the expansion -- the expansion has just got finished in March, some fine-tuning in there. Before that, we are -- without that -- rather, to take it very simple. First phase, we are utilizing about 80%, 85%.

Sahil Sanghvi: Right, sir. Right, sir. So any kind of expansion we're planning at Hofmann and EI Ceramics, I mean, to get growth over there from those entities?

Kamal Sarda: Hofmann is creating some capacities there, but then that I think will take -- I will not be able to announce that right now, but they are doing it. EI Ceramics, I have no information as such. But EI Ceramics also should be looking at some expansion and they have been, because these capacities are as -- at a level of 80%, 85% for quite some time now. So as of now, they don't have space to expand. EI Ceramics has completely run out of space. And in both EIC and Hofmann, they both have run out of space. Hofmann is creating some space. EIC, they don't have space as of now.

Moderator: Our next question is from the line of Aditi Sawant from ADM Advisors.

Aditi Sawant: My first question is on the revenue growth. Just wanted to understand whether the annual revenue growth is led by price growth or it's volume growth.

Kamal Sarda: It's primarily both. As I mentioned in my previous answer. Domestic market has grown significantly. So it has run -- it is both the volume as well as value. And exports, there have been some reduction in volume.

Aditi Sawant: Okay. Okay. Got it. And the second question is, can you share some outlook -- future outlook on our international subsidiaries? How is demand over there?

Kamal Sarda: Demand in the U.S. market and the German market, the Hofmann Ceramics and EI Ceramics, the market is still -- is very good, I would say. The U.K. market, as of now, it's a bit slow. But hopefully, it should recover. But the U.S. and the Germany market is very good. But all other -- our customers are well spread across geographies. I would say the market should recover in the second half. Overseas market should recover in the second half of this year.

Moderator: Our next question is from the line of Saket Kapoor from Kapoor and Co.

Saket Kapoor: Sir, you mentioned about purchase of the 3-acre land parcel in existing facility. So how much have you paid for the same? And you were speaking about some debottlenecking exercise there, so if you could elaborate somewhat.

Kamal Sarda: Yes. So that is a land which is purchased from the government of Odisha. So that's about INR 2 crores we have paid. Okay. And debottlenecking as we are running – we have run out of space in our Kalunga facility, so we wanted to have some more facilities there as we wanted land. So that will – that plan will be made right now. As I mentioned in my speech also, some qualitative improvement of the products where we have ordered some equipment, but we are running out of space. So those things will be planned. Some plan would be made now for those...

Saket Kapoor: Sir, firstly, I would also like to congratulate you on the improved investor presentation, sir. It is strikingly different than what earlier used to be. And much more information about our subsidiaries in terms of locations and other aspects have been given – provided to the investors, so thank you for the same, for the change. Sir, when we look at your this R&D part of the story and being – you have already mentioned that it is very difficult to quantify it in terms of what would be the returns in monetary terms.

But in terms of the product basket improving and in terms of the operational efficiency, if you could give us some color what exactly would this lab would be aiding towards? And where – what are the – which are the new products or the – who are the competitors where we are not present? And post this R&D facility, we would be able to improve the basket. So if some more color will be given on the same.

Kamal Sarda: Okay. So first of all, thank you for appreciating the new presentation. And I must put on record the effort put by SGA, our Investor Relation advisor. Vatsal Shah is there in this call. So Vatsal, thank you very much for making this presentation.

Okay. On the R&D, what – all the large companies have their research facilities, what we were actually lacking was our own research. What we were doing so far was more on the product development side. Whatever customer wanted us to make, we redesigned our products, okay? But what we will be doing is, today, that the same product like – say, for example, the isostatic product we make here in India, in 2 places and also 1 in U.S. facility, we'll be doing benchmarking. So each product is the best performing, so that benchmarking study will be done. And our primary focus of the research will be on our existing product lines only, which is isostatic products, slide gate products, precast products and monolithic products.

So we will be focusing on our existing product ranges also we will not go into a very different product range as such. Like we're not talking of bricks in a big way, which is there, the forte of the large players in the industry. So that will be there. We will be looking at product development, raw material changes, effect of raw material. We have also put in a furnace where we can test our products live on a simulation basis that with this steel quality our refractories will work or not. So those things we will do in our lab.

Saket Kapoor: Right. Sir, also about the Visakhapatnam facility, we did spoke about commercialization of precast product plant. So what kind of revenue would be accrued enter as a first year please tell us. What would be the revenue generated?

Kamal Sarda: We have just sent our first product in the last, I think, March and also sent some more products in this last month, May. So we are undergoing trials. I think this year, we should be doing --

because this will be a large precast shape which we had not been making in our product basket. So this will be completely new products, which we'll be making. So this year would be a product approval stage at various customers, I would say that. And once that happens, then these facilities will start getting utilization.

So this year, I will not put any utilization figures. But this year would be very important for us in terms of product getting approved in various customers. And we have sent so far, we have had, I would say, a good feedback.

Saket Kapoor: Okay. So can you give more color, not booking revenue for this year, but going ahead, how is this -- only for this product part of precast product we're adding to the revenue given in terms of -- you must be having the ballpark number for revenue from 8,400 metric ton?

Kamal Sarda: I mentioned in the past also that we should be looking at 3 to 3.5x.

Saket Kapoor: Okay. That is INR 16.50 crores, what we have spent, so 3x of that?

Kamal Sarda: Yes. I think our total spending would be close to INR 20 crores in this plant.

Saket Kapoor: Sir, now coming to the...

Kamal Sarda: We have spent partly, we'll spend it this year.

Saket Kapoor: Sir, when you mentioned about the Sheffield Refractories part. Firstly, sir if you could give us an understanding how have you valued this refractory, mean if you could give us the enterprise value of the same.

Kamal Sarda: That we have valued, I think we have valued at about 9 to 10x EBITDA.

Saket Kapoor: 9 to 10x EBITDA. And sir, you have the numbers sir, last 3 years' numbers, the revenue and the EBITDA number for the same?

Kamal Sarda: I don't have EBITDA. But I think the turnover was about GBP 17 million, GBP 18 million, which is about INR 170 crores, INR 175 crores. It's only 1 month -- almost 1 month, like 24th of February, we acquired, to 24th of Feb to 31st of March. So this year, we have only added INR 20 crores as a top line turnover.

Saket Kapoor: And last year annual number was INR 175 crores?

Kamal Sarda: INR175 crores, yes, yes.

Saket Kapoor: And the utilization levels for the company?

Kamal Sarda: I honestly don't have much information. But I think the utilization level also should be good

Saket Kapoor: So next time in the presentation, we should put first on the same.

Kamal Sarda: I will try and get those information.

Saket Kapoor: Sir, 2 small questions, sir.

Kamal Sarda: Just acquired, under the kind of integration phase.

Saket Kapoor: Yes. May I ask that 2 questions or join the queue sir?

Moderator: Mr. Saket Kapoor, may we request you to join the queue. Our next question is from the line of Amit Shah from Ace Securities.

Amit Shah: Sir, a couple of questions. Sir, what is the expected revenue potential from the Visakhapatnam Phase 2 when it is fully utilized?

Kamal Sarda: So in Visakhapatnam, we would be spending roughly around, in total, I think somewhere around INR 90-odd crores, once it is complete. So we think 3, 3.5x, so about INR 300-plus crores.

Amit Shah: Okay, sir. And sir, can you share which are our top 5 clients? And what would be their approximately revenue contribution?

Kamal Sarda: I don't have the figure right now in front of me.

Moderator: Our next question is from the line of Kumar Ashish, who's an investor.

Kumar Ashish: Sir, I have just one question regarding the onetime goodwill write-off, is there any planning for sir?

Kamal Sarda: No. We are not planning any.

Moderator: Our next question is from the line of Keshav Garg from Counter Cyclical PMS.

Keshav Garg: Sir, I wanted to understand that for what is the remaining capex for FY '24? And also what is the average maintenance capex that we incur every year?

Kamal Sarda: So maintenance -- sorry, the capex switches, which we are doing for India is about INR177 crores. And we've already done about 80-plus until March '23. The balance is remaining. Maintenance capex in India should be about INR 10 crores to INR 15 crores on an average.

Moderator: Our next question is from the line of Saket Kapoor from Kapoor and Co.

Saket Kapoor: Just to the last replies, but what was the figures you mentioned for the capex that will be capitalizing for this year?

Kamal Sarda: So I think till last year, we have spent about INR 80 crores out of the planned capex.

Saket Kapoor: INR 178 crores was the total capex as planned?

Kamal Sarda: Yes, yes Yes.

Saket Kapoor: So out of that, INR 80 crores have been spent for March '22?

Kamal Sarda: March '23.

Saket Kapoor: Sorry, March '23, Okay. And the balance would be spent for this year?

Kamal Sarda: In the financial year.

Saket Kapoor: We will be capitalizing everything by FY '24?

Kamal Sarda: Yes.

Saket Kapoor: Okay. Because our capital work in progress INR 46 crores as on 31st March, so that is the balance part less to be capitalized? More money to be spent now. Okay, sir when you were explaining us -- hello? When you -- yes, sir. When you spoke about the improvement in the EBITDA margin, what have you factored in terms of the contribution from Sheffield acquisition also? How will this acquisition would be adding to margin? And if I'm not wrong, sir, you mentioned that this acquisition would be catering to the Indian operations, the product profile for what the requirement is for the Indian steelmaker or the Indian operation. Can you please verify the same?

Kamal Sarda: So idea is, number one, we have just acquired. So there will not be very significant, noticeable EBITDA addition in this financial year, the other FY '23, because we had just acquired on 24th of Feb. It was only 1 month operations. Okay? And number two, when it come -- why we acquired Sheffield Refractory was primarily to take that product to other parts of the world, especially India, because those products we don't make. At Sheffield, they have a very, very good product basket in their product ranges. And we would bring those products into India. Indian market, as you know, is very big, very large and growing market. So that is where we would like to capitalize Sheffield acquisitions.

Saket Kapoor: Right. But at optimum, what we are expecting, the revenue of INR 175 crores for the full entire year in operation? We have much of the business plan there.

Kamal Sarda: That is their -- the last year's turnover. They have put a growth plan in their own balance sheets. But there is primarily -- when we bring those technologies in India, that will give us the major advantage.

Saket Kapoor: Okay. Sir, in the presentation, you also mentioned about the renewable investment there, in the renewable space. So what exactly is our plan to invest in renewable energy? And again, what kind of savings are we expecting in terms of...

Kamal Sarda: We have just put in 150 kilowatts of solar power in our Vizag plant. So that's the first. We have also done a very similar kind of investment in our German operations as well as U.K. operations, putting up the solar power in all the 3 locations. And when we are talking of expanding it, we are looking at other places where we can put it. We are looking at the feasibility of that. And solar power, the normal payback period is about 4.5 or 5 to 6 years max.

Saket Kapoor: Sir, in absolute number terms, how much have we invested in the Vizag of 150 kv?

Kamal Sarda: Vizag, I think not much is about INR 70 lakhs only. But our major investment will happen once we do it in our Kandla plant, which will be a bigger investment as and when it comes.

Saket Kapoor: Okay. Okay. And sir, the last 2 points. Firstly, on the raw material basket there, if you could give us -- I think, so last year, with inflationary trends and with issues with the geopolitical matters, we have observed that the raw material prices played up and at that time, our margins were in compression. So currently, now that things subsiding and coming back to normal, although the war is still on, so if you could give us some understanding how the raw material basket has currently shaping up? And how will those aided or will be aiding to our margins going ahead?

Kamal Sarda: So raw material prices have softened in the last, I would say, 5, 6 months and -- but one -- there are 2 factors to it. One, if you look at the exchange rate, dollar to rupee, that has also -- rupee has depreciated against dollar. Some of it has been offset by the rupee depreciation. But there has been a drop in the raw material prices. I think going forward, see, this is a war -- not really a war, this is a price game which is played between customer and us, raw material price increases, then we talk about increasing the price, if it decreases, then they talk about reducing the price. But the margins I mentioned, that 15%, is what the margin we should look at.

Moderator: Sorry to interrupt. Mr. Saket, may we request you to...

Kamal Sarda: Eventually, over a period of time, it evens out.

Saket Kapoor: One concluding remark, can I make, sir? With your permission.

Kamal Sarda: Yes, please.

Saket Kapoor: Sir, over the period of time, when we look at comparison with the other listed players, we find a stark difference in the terms of -- in the way why -- how market values different companies. However, over the last few months, we have seen the valuation for other effective players or similar to the ones where the space where IFGL operates have seen a sharp improvement in their valuation. So what steps are in -- what steps the management should be taking to improve its shareholder value, sir? We are now trading above 1.5 -- 1.2 or 3x book.

Other than that, sir, I congratulate the Board for giving higher dividend payout. But still on the valuation front, there is a big lag. So what steps are being taken or what should be done to improve the valuations and so that investors who are there investing in the organization, must realize the right value of -- for our investment, sir?

Kamal Sarda: So this is a question -- counter question I can put to you also. What the company does, company has embarked upon a very aggressive expansion plan, number one. We have acquired Sheffield Refractories. We are -- I have mentioned that we are actively looking at acquisitions as and when it comes. And then we have shown both the results, if you see in the last few years. So those results is also adding to shareholders' value. We have given good dividend over the last 3 years, 100%, 70% and 70%, okay?

And we continually improve the performance of the company. We have grown on the top line, in the last 3 years, if you look at our growth between March '20 to March '23, growth is I think close to -- if I'm not wrong, it's close to about 80%, 85% top line has grown. Bottom line has grown almost like 250%. So those growth are there. Now in share market is I leave it to you how to improve the share market price. We have also grown in the share prices from about 200-plus levels to about 300-plus levels in the last, say, I think, what, a month's time. So it is not that we have not grown. We are undervalued. We feel that the market should give us more valuations.

Saket Kapoor: And for the promoter part, any last words from the Japanese firm Krosaki.

Moderator: Mr. Saket, in the interest of time and fairness to all participate, may we request you to rejoin the queue, please. Our next question is from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: Sir, first, a clarification that whatever we see, standalone minus consol, and the difference is all the international 5, 6 factories or operations that is mentioned in the presentation, or even IFGL exports is a part of it, as a difference?

Kamal Sarda: No, no, no. It's only the international operations.

Pritesh Chheda: Right. So when I look at the ROIC of the international operations, it's a fairly small number. What are the efforts there or what are the management's efforts to look at the ROIC or the return on capital employed in that INR300 crores, INR400 crores of capital that we have invested?

Kamal Sarda: So usually, the market was down in the COVID period. It has shown good results in the last 6 months, I would say. So next year's figure should be significantly better.

Pritesh Chheda: What I see as a difference in standalone minus consol and the EBITDA is what is visible this quarter at about INR 10 crores, INR 12 crores. But sir, even then if I consider that as well, the ROIC figure is a fairly -- is either equal to the capital -- is either equal to the cost of capital or even lower than the cost of capital. So should we look at it that way?

Kamal Sarda: I don't have the ROIC figures right in front of me. I think I will not be able to comment on that. But, yes, as I mentioned, that overall EBITDA margins of overseas operations, all put together, is relatively lower than our Indian operations.

Pritesh Chheda: And when you are calling out 15% margin, were you're calling out at the consolidated level or at the standalone level?

Kamal Sarda: Indian level.

Pritesh Chheda: At the Indian level. Okay. My second question is, sir, the INR 170 crores of the capex that we have proposed, when should the commercial operations of that capex should start getting visible?

Kamal Sarda: They are being done at 3 locations, in fact, 4 locations.

Pritesh Chheda: Yes, I saw in the presentation, it says in the 3 areas.

Kamal Sarda: Yes, so they will be done in phases. Some already have been capitalized and some will get capitalized in this financial, not some -- the rest of it, whatever we will spend, will get capitalized in this financial year.

Pritesh Chheda: And when you were mentioning the capacity utilization, you were mentioning that, is it that the India operation is like 100% utilization?

Kamal Sarda: No, no. Some products. We have in India also various product lines. Some product lines are about 80%, 90% capacity.

Pritesh Chheda: Okay. And barring Monocon, I think you mentioned that one of your international operations are high capacity utilization, right?

Kamal Sarda: EI Ceramics and Hofmann Ceramics are at good capacity utilization, somewhere around 80% plus.

Pritesh Chheda: Okay. So Monocon is where you have some capacity available?

Kamal Sarda: Yes, Monocon, see monolithic, we can always increase capacities. Where when you add once you start operation, you can increase. But yes, Monocon is slightly on lower capacity utilization.

Pritesh Chheda: Okay. And lastly, it is capex that we are putting, is it in the existing product lines or any new product lines are getting added because of this capex?

Kamal Sarda: No, new product lines also.

Pritesh Chheda: New product lines also?

Kamal Sarda: Yes.

Pritesh Chheda: Okay. So what should be translate into growth for us? So let's say, over next 2, 3 years, what kind of size of the business -- overall size of the business that you look at or if you could tell us what is the asset turn of the INR 177 crores of capex level you put in?

Kamal Sarda: I mentioned about, I think, anywhere between 3 to 3.5x.

Pritesh Chheda: Okay. Okay. And when do you...

Kamal Sarda: The top line growth. These are all products which will give you variety of sales realization price, price per unit would be different and all. So I'm just telling you average would be about 3 to 3.5x.

Pritesh Chheda: And when do you think you will hit peak utilization?

Kamal Sarda: It should take 3 years plus.

Pritesh Chheda: 3 years plus.

Kamal Sarda: yes, yes. 3 to 4 years it will take.

Moderator: Due to time constraint, that was the last question of a question-and-answer session. I would now like to hand the conference over to Mr. Sahil Sanghvi from Monarch Networth Capital for closing comments.

Sahil Sanghvi: Yes. I just want to thank Kamal sir and CFO sir for very patiently answering on the questions. And also thank you to all the participants on behalf of Monarch Networth for joining the call. Kamal sir, would you have any closing comments?

Kamal Sarda: So okay, I think thank you, everyone. It was a very fruitful session for me. I hope I've been able to answer most of your queries. Maybe due to paucity of time, some questions could not be answered, and maybe some people could not ask some questions, but we can always take it offline.

And thanks, Sahil, Monarch, for hosting this call. And we look forward to everybody's participation in the next call. I think for any queries, you can contact SGA, our Investor Relations Advisor. Thank you all, and have a nice day.

Moderator: Thank you. On behalf of Monarch Networth Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.