



# IFGL REFRACTORIES LIMITED

**Head & Corporate Office :**

3, Netaji Subhas Road, Kolkata - 700 001, India  
Phone : +91 33 40106100, Fax : +91 33 22430886  
E-mail : ifgl.ho@ifgl.in, Websites : www.ifglref.com

2<sup>nd</sup> September, 2020

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

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


Dear Sirs,

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

In compliance of above, please find enclosed herewith transcript of Investors Conference Call on Company's financial performance for Q1 FY2020-21 held on Wednesday, 26<sup>th</sup> August, 2020. A copy of this is also being hosted on Company's Website: [www.ifglref.com](http://www.ifglref.com).

Thanking you,

Yours faithfully,  
For IFGL Refractories Ltd.,

  
(R Agarwal)  
Company Secretary

Encl: As above



“IFGL Refractories Limited  
Q1 FY2021 Earnings Conference Call”

August 26, 2020



**MANAGEMENT: MR. KAMAL SARDA – CHIEF EXECUTIVE OFFICER &  
CHIEF FINANCIAL OFFICER**

**MR. RAJESH AGARWAL - COMPANY SECRETARY**

**MODERATOR:** LADIES AND GENTLEMEN, GOOD DAY AND WELCOME TO IFGL REFRACTORIES LIMITED Q1 FY2021 EARNINGS CONFERENCE CALL. THIS CONFERENCE CALL MAY CONTAIN CERTAIN FORWARD-LOOKING STATEMENTS ABOUT THE COMPANY, WHICH ARE BASED ON BELIEFS, OPINIONS AND EXPECTATIONS OF THE COMPANY AS ON DATE OF THIS CALL. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES THAT ARE DIFFICULT TO PREDICT. AS A REMINDER, ALL PARTICIPANT LINES WILL BE IN THE LISTEN-ONLY MODE AND THERE WILL BE AN OPPORTUNITY FOR YOU TO ASK QUESTIONS AFTER THE PRESENTATION CONCLUDES. SHOULD YOU NEED ASSISTANCE DURING THE CONFERENCE CALL, PLEASE SIGNAL OPERATOR BY PRESSING ‘\*’ THEN ‘0’ ON YOUR TOUCHTONE PHONE. PLEASE NOTE THAT THIS CONFERENCE IS BEING RECORDED. I NOW HAND THE CONFERENCE OVER TO MR. KAMAL SARDA, CEO AND CFO, IFGL REFRACTORIES LIMITED FOR HIS OPENING REMARKS. THANK YOU AND OVER TO YOU SIR!

**Kamal Sarada:**

Good morning ladies and gentlemen. Thank you for joining us on IFGL Refractories Q1 FY2021 earnings conference call. I hope you and everyone around you are safe and in good health. Along with me we have on call Mr. Rajesh Agarwal, Company Secretary and SGA, our investor relation advisor. We had uploaded our results presentation on the stock exchange as well as on the website of our company and I hope you have had a chance to go through the same. Let me first start with the economy and some business highlights.

We are living in one of the most challenging times in human history due to the COVID-19 pandemic. COVID has impacted businesses throughout the world and forced everyone to adopt to the new way of working. Our operations in Kandla, Gujarat facilities was briefly disrupted in April 2020 due to the lockdown implemented by the government. Atmanirbhar Bharat is the vision of government to make India a self reliant nation. Government’s vocal for local campaign to promote Indian companies to use locally sourced products, will change the landscape of the domestic industries. No global tenders are allowed for less than Rs.200 Crores in government procurement, this will further boost the domestic company. The public sector steel companies have already started implementing this which will immensely benefit the Indian refractory companies.

India is the second largest steel producer in the world after China now. Encouragement for domestic raw material sourcing by the domestic steel companies will significantly enhance demand of our company products. As the lockdown started easing from April onwards, the demand for steel gradually increased on the back of resumption of infra projects and other increased industrial activities. We ramped up our production facilities to keep up with the rising demand. We expect business operations to reach pre-COVID level soon. During the lockdown period we used the time to analyze our cost and optimize the same to improve the company’s profitability. We expect a stable demand for steel going forward as government

is expected to unveil various capex program to kick start the economy and bring it back on the growth trajectory. This will enhance the demand of products of our company.

I now move forward to give a brief on financial performance of Q1 FY2021. Let me first start with the standalone results. We are pleased to report strong domestic performance in spite of the tough challenges posted by the pandemic. Although our topline was slightly lower on year-on-year basis, with the help of lower raw material prices with several cost optimization effort we have been able to post strong improvement in profitability. Total standalone income of Q1 FY2021 stood at Rs.129.9 Crores as compared to Rs.143.4 Crores in Q1FY2020 down by 9% year-on-year. EBITDA for Q1 FY2021 stood at Rs.26.2 Crores as compared to Rs.22 Crores up by 19%. EBITDA margins expanded by 490-bps year-on-year. PAT for Q1 stood at Rs.11.9 Crores as compared to Rs.8.5 Crores in Q1 FY2020 up by 41% year-on-year, PAT margins also expanded by 330-basis points year-on-year to 9.2% in Q1 FY2021 as compared to 5.9% in Q1 FY2020.

Let me move on to the consolidated results. The consolidated financials got impacted due to the poor market condition in US and Germany especially. International markets are showing considerable sign of improvements now. Governments of the UK, US and Germany have announced several measures for business support and revival. None the less we took several initiatives to optimize our fixed and operating expenses to minimize impact on our profitability. Total consolidated income for Q1 FY2021 stood at Rs.206 Crores as compared to Rs.256 Crores in Q1 FY2020 down by 19%. Consolidated EBITDA for Q1 stood at Rs.26.5 Crores as compared to Rs.30.2 Crores down by 12% year-on-year. Consolidated EBITDA margin expanded by 100-basis points to 12.8% in Q1 FY2021 as compared to 11.8% in Q1 FY2020. Consolidated PAT stood at Rs.10.2 Crores as compared to Rs.13.6 Crores in Q1FY2020. PAT margins at 4.9% in Q1 FY2021 as compared to 5.3% in Q1 FY2020.

Let me give you some brief highlights of our international businesses as well. EI Ceramics our US subsidiary, total income stood at USD 2.76 million, EBITDA loss of USD 0.18 million and PAT loss of USD 0.2 million. Monocon, our UK subsidiary the total income was £6.1 million, EBITDA was £0.15 million, and PAT was appx. £0.1 million. Hofmann, our German subsidiary total income stood at Euro 1.45 million, EBITDA and PAT nearly at breakeven levels. With respect to liquidity position, we remain net debt free with a strong balance sheet Hence we are very well placed to harness new business opportunities amidst COVID-19 pandemic disruptions which may come our way and thus increase our market share. I now leave the floor for any question and answer. Thank you.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Amar Mourya from Alpha Equity Advisors. Please go ahead.

**Amar Mourya:** Sir, couple of questions. Firstly, if you can indicate like in the month of April, May and June, what was the utilization and what is the utilization currently in July and how it is going in August?

**Kamal Sarda:** As I mentioned in my speech, the Gujarat plant was shut most part of April, but we were running the Odisha plant, so April, I would say my production levels were somewhere around 55%, 60%, but then thereafter I think May, June ramping up to July and August, we are running at around 85%, 90% of the normal levels.

**Amar Mourya:** 85%, 90% of the normal level in July and August?

**Kamal Sarda:** Yes.

**Amar Mourya:** Okay and Sir, second question was, we had seen a sharp decline in your RM cost, so this is like some change at the overall strategy level or this was like we were holding a low cost inventory something like that?

**Kamal Sarda:** Any kind of raw material cost cannot have one factor, there are multiple factors as I mentioned in my speech also, some of the raw material prices are softened that is number one. Number two, our overall realization was slightly better because of the exchange rate moving in our favour plus we had done a lot of cost optimization, alternate raw material usages so all put together there was a mix of few factors wherein you see the raw material cost going down.

**Amar Mourya:** Okay, because why I am asking this to you Sir, almost there was a 600-basis point improvement in the overall RMC to sales, so out of this how much we can sustain going forward as you are indicating that we did lot of internal changes, so out of this 600-basis point, how much we can see continuing in the coming quarters?

**Kamal Sarda:** I do not have a ready answer for this honestly it is hard to tell on how much can sustain. Raw material prices have been low now, so that effect would be based on the raw material prices which will be there at the subsequent quarters. So that answer I do not have.

**Amar Mourya:** Okay, perfect. One more from my side is, employee cost has also come down, on a quarterly run rate basis, so is it because of the shutdown and there were temporary stocking which were not there or this is sustainable?

**Kamal Sarda:** What happened is a lot of job work which we get it done outside, which was not there so some of the contract labours, because of the lower productivity and as I said in April and in

Gujarat plant we had a restriction on number of heads coming in, so obviously the number of manpower entering the factory was less, so that is why the cost is lower.

**Amar Mourya:** Okay, so ultimately that cost will again come back and probably it could have come back in August?

**Kamal Sarda:** Yes, that will come back.

**Amar Mourya:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Rohit Sinha from Emkay Global. Please go ahead.

**Rohit Sinha:** Thank you for taking my question Sir. Just wanted to understand what is the industry demand right now, how you are seeing the industry shaping during the COVID days and now slightly unlocking is going on, so how the demand from the customers are there and how it should be going forward as per your understanding?

**Kamal Sarda:** Industry is bouncing back, and I think they are bouncing back quite fast. Indian steel company you must have seen their overall demand is increasing and I see that in the coming near future, we will only see improvement from there.

**Rohit Sinha:** Okay, any particular segment size or tier size where we are seeing a faster recovery across?

**Kamal Sarda:** There are no specific things like that.

**Rohit Sinha:** That is it from my side.

**Moderator:** Thank you. The next question is from the line of Priyanka Singh from Atidhan Securities. Please go ahead.

**Priyanka Singh:** Good morning Sir. I have two questions. First one is, what is the strategy on international business?

**Kamal Sarda:** What do you mean by strategy like?

**Priyanka Singh:** What is your plan going ahead on the international business side?

**Kamal Sarda:** We would like the business to stabilize after the effect of Corona and then we will decide, we have not decided anything specific.

- Priyanka Singh:** Okay and do you think there is a scope of equity dilution in overseas business...
- Kamal Sarda:** No.
- Priyanka Singh:** Okay, that was helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.
- Rohit Balakrishnan:** Thank you for the opportunity and hope all is well at your end. Just wanted to understand in the domestic market, can you talk about the overall refractories space like what is your market share and how has that moved vis-à-vis with the other players, you can just talk about it and on this point on Atmanirbhar Bharat and sort of imports that are sort of having an issue with China, I believe a lot of your refractory raw materials come from China, so have you been facing any issues and also longer term what is the impact? These are the two questions.
- Kamal Sarda:** On the market share, I would say in the specialized refractories where we are in, in the domestic market, we should be somewhere around 12% to 15%, because we are into the flow control refractories, our market share would be around that, there are eight or nine players in the market, so that is the first question. What did you ask the second question, can you repeat it again?
- Rohit Balakrishnan:** The second question was that a lot of the raw material for the refractories come from China, so...
- Kamal Sarda:** There is no impact on the Chinese raw material coming in, the Chinese raw materials are available, there are no restrictions imposed by the government on import of raw material there are certain restrictions by the government of use of overall import and export, the government's Make in India or Atmanirbhar or whatever you call it, is that your value addition has to be more than 50%. So that in any case we fulfill on an overall basis also, so import from China, there are no restrictions at all.
- Rohit Balakrishnan:** Okay and on the first question on the market share, so 12-15% on flow control is that fair assumption that your market share has remained in that range for the last two, three years or you gained market share or...
- Kamal Sarda:** Domestic market share is almost at very similar level.

**Rohit Balakrishnan:** And you do not see any changes in the competitive scenario in the sense that no player is getting to do better, or in terms of pricing pressure etc?

**Kamal Sarda:** In competition scenario, there will be people who will get aggressive and market readjusts itself, I cannot say that somebody is not getting aggressive, sometimes we get aggressive, sometimes X gets aggressive, so in the competition scenario that aggression will be there, we do not lose any big market share, because the market is so big, even if you lose one customer it amounts to a very small, you gain another customers somewhere, so it will not have big impact. The market competition scenario would be there, it would get intense also subsequently so one should not worry about it.

**Rohit Balakrishnan:** Right now, in the sense that you said there is not too much of aggression from anybody, it is more of a stable environment right now, is that correct understanding?

**Kamal Sarda:** Yes.

**Rohit Balakrishnan:** Thank you.

**Moderator:** Thank you. The next question is from the line of Abhisar Jain from Monarch Network Capital. Please go ahead.

**Abhisar Jain:** Good morning Sir. Congrats for a good performance in one of the toughest quarters that you could have hoped for. Sir I was quite positively surprised on the standalone performance with net sales increasing sequentially and also down only 10% year-on-year, so can you just throw some light, how did we manage that considering strict lockdown etc?

**Kamal Sarda:** There are few factors which helped us in doing that, our mix of both domestic market as well as international market, in the month of April or May, our international demand was there. Internationally, the lockdowns were not that severe, so they continued to produce, so our market had that demand, so in the India refractory industry - the other players are more dependent on the domestic market, they could not run because either their factories were closed or steel plants were closed or there was a restriction on variety of movement of goods, but we had continued demand of products from our overseas market. So that is the one factor which helped, so we have a balance of 40%, 45% domestic and 55%, 60% is the international business, so that keeps our balance there, that is number one. Number two, foreign exchange movement was also in our favour, you must have seen both the dollar, Euro and pound, they appreciated significantly in the last four, five, six months I would say and then the third coupled with that which helped us was the softening of input prices because overall demand was there, so input prices also got in our favor, plus we could do



lot of cost savings within this period. We had done lot of work on cost savings, so all these four, five factors helped us in improvement of the performance.

**Abhisar Jain:** And now Sir from a little bit medium perspective for the Indian operations because we are doing expansions in obviously both the existing plants and also we are setting up a greenfield new plant at Vizag, so Sir any outlook that you can give from a three to five year basis where does the company see the standalone business going and any change in mix going forward between export and domestic considering Vizag plant will also come in?

**Kamal Sarda:** I cannot give you any kind of forward statement, I will just ask you to look at our past performance of the growth and our desire would be to grow faster than that.

**Abhisar Jain:** I was just asking since we have been making lot of investments into the Indian operations in the last few years and lot of them will come on stream by the end of this year that is why I was just basically trying to get an idea on the medium term, the standalone business which has seen not so greater growth in the last four, five years, can be much better in the next three to five years and some direction therein would be helpful from your side?

**Kamal Sarda:** Investment in Kandla meant for adding some facilities for exports, we have seen in Kandla there are lot of cost advantages in terms of logistics and when we are exporting the materials and that has given the advantage in the last eight years since we have started this, that is the reason why we are putting that investment there in Kandla, that that will be for export. In the domestic front when we are talking of the projects in Vizag apart from some of the new products which we will launch in the Vizag plant that will be both in the unshaped and some shaped refractories, we may also in the near future foray into bricks which we had basically some new products will get added and it will take two to three years time when we establish our products and have some reasonable market share, so Vizag plant will mainly address the domestic market. Now with the Make in India program, there will be some impact on import there, so may be the bricks project which is there which we had this project in hand one year before, but this will give us the advantage to cater to the Make in India program as well, so lot of bricks are getting imported. So, I think all put together we will have a logistic advantage also, so all put together that Vizag plant will mainly cater to the domestic industry and Kandla continues to cater to the international market.

**Abhisar Jain:** Okay, understood and Sir just one last question on EI Ceramics, so has the performance now bounced back in Q2, obviously Q1 has been the weakest there among all our subsidiaries?

- Kamal Sarda:** It is bouncing back, I would not say it has bounced back what I understand that August performance seems to be better, but US is still under pressure, US economy is under pressure. That economy is so strong may be these are all very, very temporary may be two months, three months, six months max that is going to come back again. There are no inherent problem in that economy as such. This is a temporary glitch. The average steel industry capacity utilization have gone to one of the lowest level below 60%, it has gone as low as 50%, so now it is about 60%, 61%, it is inching forward, it is going up, so August is comparatively a better month. It will bounce back nothing to worry.
- Abhisar Jain:** Thank you so much for your response and best of luck.
- Moderator:** Thank you. The next question is from the line of Rahul Soni from Smiths Limited. Please go ahead.
- Rahul Soni:** Thanks for taking my question and congratulations for good set of numbers. Sir, I would like to know who are your key customers domestically and in the international markets?
- Kamal Sarda:** There are a variety of customers I would request can you just address this question to SGA, they will give you more detailed answers, let us limit certain specific questions here. We supply to all the steel plants in India.
- Rahul Soni:** Okay, they are like your repeat clients?
- Kamal Sarda:** They are all our repeat clients, our regular clients.
- Rahul Soni:** Okay, have you seen any pickup in orders from your domestic clients recently?
- Kamal Sarda:** Yes, they are in improving.
- Rahul Soni:** And Sir secondly, can we throw some light on the volume growth during the quarter for your domestic units and foreign units?
- Kamal Sarda:** I do not have volume figures honestly, because we deal in multiple products, there are no single product hence we do not deal in like tonnage or anything like that.
- Moderator:** Thank you. We will take the next question from the line of Senthil Kamaraj from ithought Financial Consulting. Please go ahead.
- Senthil Kamaraj:** This Atmanirbhar Bharat scheme, you have mentioned in the presentation that most of the steel companies have adopted this policy, so as a percentage of refractory market demand so how much of this you feel is beneficial to the domestic manufacturers?

**Kamal Sarda:** What the Make in India program says that any tender below Rs.200 Crores, will have to be procured from domestic industry, so most of the refractory business is below Rs.200 Crores, I would say refractory tenders are below Rs.200 Crores, so most of the refractories procured by the public sector are to be procured from domestic portfolio. It is just the beginning of things, let us understand it will take one year to understand this full implication. Let me tell you this will give big boost to the refractory industry in India, so most of the refractories which are imported will have to be produced in India.

**Senthil Kamaraj:** Thanks.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Kamal Sarda for closing comments.

**Kamal Sarda:** Thank you very much and this was I think wonderful question and answer session. I hope I have been able to answer most of your queries. Some of the queries which I could not answer, you may contact SGA, our investor relation advisor and we look forward to your participation in the next quarter. Thank you everyone and remain safe. Thank you.

**Moderator:** Thank you. On behalf of IFGL Refractories Limited we conclude this conference. Thank you for joining us and you may now disconnect your lines.