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6th June, 2022

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

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

Dear Sirs,

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

In compliance of above, please find enclosed herewith transcript of Earnings Conference Call on Company's financial performance for Q4/FY2021-22 held on Tuesday, 31st May, 2022. A copy of this is also being hosted on Company's Website: www.ifglref.com.

Thanking you,

Yours faithfully,
For IFGL Refractories Ltd.,

(R Agarwal)
Company Secretary
Email: rajesh.agarwal@ifgl.in

Encl: As above

"IFGL Refractories Limited Q4 FY2022 Earnings Conference Call"

May 31, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 31st May 2022 will prevail.

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

MANAGEMENT: **MR. KAMAL SARDA – DIRECTOR & CHIEF EXECUTIVE OFFICER – IFGL REFRACTORIES LIMITED**
MR. JAMES MCINTOSH – MANAGING DIRECTOR – IFGL REFRACTORIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to IFGL Refractories Limited Q4 FY2022 Earnings Conference Call, hosted by Monarch Networth Capital. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and 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 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 Networth Capital. Thank you and over to you Sir!

Sahil Sanghvi: Thank you Faizan. Good evening to all. On behalf of Monarch Networth Capital, we welcome you all for the IFGL Refractories Q4 FY2022 earnings call. We are delighted to host the management and from their side, we have their MD, Mr. James McIntosh and their CEO Mr. Kamal Sarda. So without any much time, I will hand over the call to Mr. James McIntosh for the opening remarks. Thank you and over to you James Sir!

James McIntosh: Thank you. Good evening ladies and gentlemen. Thank you for joining us on the IFGL Refractories Limited Q4 and FY2022 earnings conference call. I hope you and everyone around you are safe and in good health. Along with me on the call we have Kamal Sarda, Director and CEO and SGA, our Investor Relations Advisors. We have uploaded the results and presentation on stock exchanges and I hope everyone has had a chance to go through these. Now let me share some of the business highlights with you for the year that has gone by.

During the year 2021-2022 our global business was impacted by the COVID-19 pandemic which led to disruptions to greater and lesser extents throughout the company worldwide. The pandemic combined with other well documented conditions resulted in disruptions to our global supply chains and caused unprecedented cost increases and a number of areas. Freight particularly for vessels originating in China used in supply of our products and receipt of raw materials for our manufacturing plants. in China.

Cost increases on our raw materials, plant consumables and components used in the manufacture of the products irrespective of the location of supply. Shortage of certain key raw materials they have been supplied and demand issues resulting in cost doubling or even tripling prior to our cost before. Energy cost increases all sectors needing to run our plants and inflation costs leading to labor cost increases, but despite all of these cost increases and supply chain issues which we faced during the year our company posted its highest ever run rate revenue of the financial year on the back of strong demand.

A special thanks has to go to all of our employees worldwide as this could also suppress the tremendous team, as we work long hours to ensure that we continue to supply our rivals, levels throughout the many challenges faced. It is also very important to note that we have received strong support from our customers worldwide for price increases in the products we supply however as we have said before there is always a time marks between our receipt of cost increases from our suppliers so when we realize the increased revenue from the price increases we receive from our customers unless it contributed to our slight reduced profitability. The ongoing conflict between the Ukraine and Russia has resulted in an unprecedented situation, which puts us affected operations of two of our customers from Ukraine located in Mariupol area where hostiles are still continuing and we have been unable to get contact or have any news through the period, we actually have sub parities regarding the current standing as a consequence the company has abundant precaution of provision for these and were also the company is hopeful of the ultimate recovery of proportion and we decided to follow our conservative accounting approach.

The World Steel Association forecasted that steel demand will continue to grow till 2022 and then till 2023 however the outlook for 2022 has weakened due to inflation of pressure which is probably enforced by the events surrounded by Ukraine the impact of the war EU due to high dependence on Russian energy and refugee inflows. Steel demand and the defense developed what is this forecast to increase by 1.1% and 2.4% in 2022 and 2023 respectively after recovering by a quite a large 16.5% in 2021. Further comments regarding the main markets of IFGL business worldwide are as follows.

In the USA, which expects to grow its economy will maintain strong income although high inflation is a concern with inflation at 8% in February 2022 the highest since early 80s. The recovery is expected to continue in 2022 and 2023 albeit a slow rate reflecting the high base effect to monitor policy tightening to tackle inflation. Steel demand will be supported by a recovery in nonresidential construction or to production and investment in the energy sector as well as capital investment projects as a consequence of the infrastructure boom.

In 2022 construction and manufacture will likely be supported by spending on infrastructure and a gradual revival of the automotive production, which is expected an improvement and the semiconductor supply. We expect the raw material supply constraints in the international market will result in higher domestic market and the support of capital goods sector.

Infrastructure in four keys areas of national highways, railways, water infrastructure and government housing will remain the main driver of construction growth. New projects in the residential real estate segment are expected to gather pace. In Europe the impact of the war is expected to grow larger due to Europe’s close trade and energy links with Russia. Russia is the fifth largest trade partner of the EU accounting for 5.8% of the EUs total trade in 2021.

Energy takes the lion’s share of EUs import from Russia about 45% of the imports and 25% of of oil imports come from Russia. Italy and Germany appear the most venerable amongst the major EU countries as they have dependence in Russian gas that exceeds 45% of the gas consumption. The war in Ukraine will cover the way the manufacture sets its recovery from the shortage of semiconductors and with the automotive industry the most venerable sector.

Construction at least will be affected by high material cost. As a result the EU steel demand in 2022 is expected to contract slightly. In 2023, the World Steel Association expects the situation to stabilize and the have investment and the energy transition will provide some positive momentum for steel demand in the region.

It was evident as refractories are a key product using the manufacturer of steel our company operates with a growing market and the brand especially in India where the growth production for the industry continued to outpace the rest of the world. It is therefore important that we continue to improve and invest in our capability both technologically as well as in capacity. In all areas of our company globally we plan robust investments. You will see this in our presentation, which follows and three the domestic manufacture locations in Odisha, Gujarat and Andhra Pradesh.

We continue our expansion plans which aim to strengthen our possession in the currently supplied market sectors, expand the product line capabilities to invest in new products and Improve the technological capability of our products and improve the cost effectives of our operations. We have also started construction of new state of the art research and technology center which will be built within our core manufacturing location in Odisha.

This will enable the company to improve its own material and collect property database, expand its products and improve our technological approach to a sustainable material and technology development. We will also be shortly announcing and starting modernization of our corporate identity and the corporate best within our new model website including our operational customer's perspective employees, suppliers and all our stakeholders. Also our approach in the area of ESG will be strengthened and we have recently signed an agreement with a global consultant in this area which will focus initially on our Indian operations to bring our approach to consumption in the industry and then be rolled out globally.

At our locations in Germany, UK and the USA we are also investing in our manufacturing capability and we will share more about this in the forthcoming quarters once the investment approach is clear and still will be followed by our local management teams. We are confident that we will successfully navigate the volatility of the commodity markets in general and the steel markets as well as our ongoing Russia and Ukraine situation and also the most recent outbreak of COVID in China which all added to the complexity of the supply chain. Our future plans will enable us to continue to expand our business with the focus on quality and technology supported by our long established vision of cost effectiveness to optimize profitability. With this short speech, I will now hand over to Mr. Kamal Sarda for his comments.

Kamal Sarda: Thanks James for the quick overview of the business. Let me give you a brief on the business performance for the financial year FY2021-FY2022. As you must have seen our company has recorded its highest ever revenue in FY2022 on the back of strong demand from India as well as from the international businesses however margins were impacted on account of sharp inflation in raw material, operating cost, freight and energy cost as explained by Mr. James but as the economy continues to expand we anticipate the need for refractories to remain buoyant with improved capacities and additional production capabilities, we aim to increase the businesses of scale leading to operating leverages benefit over the long run.

Let me give you a brief update on the capex front as mentioned by James in his comments. In FY2023 and FY2024 put together we plan to invest about Rs.50 Crores in our Odisha plant which includes almost Rs.20 Crores for the new research and technology centre. We are also expanding facilities of our Kandla plant with an approximate cost of about Rs.44 Crores and about Rs.65 Crores will be spent in new product lines in our Visakhapatnam plants. Our focus now remains to complete these new capex plans in a time bound manner and continue ramping up the existing capacities as well as new products.

Let me give you a brief of the financial highlights. On a standalone IFGL total income increased by 36% year-on-year to Rs.240 Crores in Q4 and while it went up by 22% year-on-year to Rs.801 Crores in FY2022, so both are the highest. EBITDA was down by 8% year-on-year to Rs.34.2 Crores in the last quarter(Q4FY22). For the year also it was down by 8% to Rs.131 Crores in FY2022. This was after the Rs.13.8 Crores provisions which we took on account of Ukraine effect. EBITDA margins stood at 14.2% for the quarter and for the full year it was 16.4%. During the financial year FY2021, our PAT was impacted by one time deferred tax adjustment on account of goodwill hence adjusting for that PAT was up by 46% year-on-year while it was down by 3% year-on-year for the full year FY2022.

Moving on to the consolidated financial highlights, the total consolidated income increased by 27% to Rs.366 Crores for the quarter and Rs.1275 Crores for the full year. Both are also highest. Consolidated EBITDA was down by 12% to about Rs.43 Crores for the quarter and about Rs.158 Crores for the full year. The full year it was down by about 10%. Consolidated EBITDA margin was 11.6% for the quarter and 12.4% for the full year. As mentioned earlier, adjusted for deferred tax and goodwill impact in FY2021 consolidated PAT was up by 8% for the quarter and it was about Rs.77.5 Crores down by 10% for the full year.

I am also happy to share the Board of Directors has recommended a final dividend of Rs.7 per share which translates to about 40% dividend payout of the standalone PAT. With respect to liquidity position, we remain net debt free with a strong balance sheet. Cash at March 2022 stood at about Rs.263 Crores. Nutshell and I think the rest you must have seen the presentation. With this, I now leave the floor for any questions, we will be happy to answer. Thank you.

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 Gunjan Kabra from Niveshaay. Please go ahead.

Gunjan Kabra: Sir thank you for the opportunity. Sir firstly I wanted to understand what would be the potential impact of steel export duty on the refractory industry and have the capex of the steel industry can it get postponed for some time because of the duty?

Kamal Sarda: I think what is our understanding is that this export duty is just to control the prices and the inflation and I think this should be pretty short term may be one month to three months time. It should not affect any performance of the industry as such and we have not heard any deferment of any capex plan.

Gunjan Kabra: Sir also if you could bifurcate it would be great that growth in revenue between volume quarter-on-quarter and has the raw material pressure eased out its effect to the previous quarter? What is the outlook on the raw material side going forward?

Kamal Sarda: We do not have the figures between volume and price but both have grown significantly I would say. Both contributed quite good and the raw material prices have not eased out as such. There may be some prices are stable and some prices are still going up.

Gunjan Kabra: Okay and Sir just one more question. How is your business model different from our competitors who are having almost double EBITDA margins than us? Do they have the advantage that fares well for them on margin front? Just trying to understand working of the industry and nothing else?

Kamal Sarda: There is no difference between the business models as such. May be the product I would say portfolio may be slightly different here and there that is it.

Gunjan Kabra: Sir there were power cuts in Andhra Pradesh in April so did that impact our production at the Vizag plant?

Kamal Sarda: There was a power cut for about I think one day a week and I think we have readjusted our production facilities accordingly.

Gunjan Kabra: Sir sorry I did not get your answer?

Kamal Sarda: I said there is a power cut for a day in Vizag plant. We have readjusted our production plan and schedule according to that.

Gunjan Kabra: Thank you so much.

Moderator: Thank you. The next question is from the line of Chirag Setalvad from HDFC Mutual Fund. Please go ahead.

Chirag Setalvad: Good afternoon Sir. Good evening. Could you give us the revenue, EBITDA and PAT for the three subsidiaries for the full year?

Kamal Sarda: Chirag can talk separately. Can I call you after this?

Chirag Setalvad: Sure Sir, but the annual report would have these numbers in any case right?

Kamal Sarda: Annual report will have it yes. The printed annual report will have it. We can talk separate Chirag if it is okay with you.

Chirag Setalvad: Sure that is fine.

Moderator: Thank you. The next question is from the line of Raj Shah from Statheros Capital LLP. Please go ahead.

Raj Shah: Sir congrats on a very good set of numbers. I just wanted to know what will be your capacity utilization for Q4 and full year FY2022.

Kamal Sarda: I think we were at about 80% plus levels.

Raj Shah: Okay and I would like to understand that we have done like Rs.360 Crores for this quarter so is it fair to assume that from going forward from here we would be on that run rate around Rs.350 odd Crores in quarterly results?

Kamal Sarda: I am sorry. I could not hear your question.

Raj Shah: Now that we are at 80%, I wanted to know is it fair to assume that we will have a quarterly run rate of Rs.350 odd Crores in sales?

Kamal Sarda: I think that will be our target yes.

Raj Shah: Okay and just last bit on the price hikes so have received all the price hikes or there are few price hikes that we might undertake going forward?

Kamal Sarda: The discussions are a continuous process so I think there will be some more price hikes requested with the customers.

Raj Shah: That is it from my side. Thanks a lot.

Moderator: Thank you. The next question is from the line of Varun Jain an Individual Investor. Please go ahead.

Varun Jain: Thank you for the opportunity. My first question would be like this year our cash conversion is very low. Historically we have been a very cash rich company like converting all of our EBITDA into cash but this year it has been very disappointing to see that our whole cash has crunched into inventories and receivables? Any particular reason like any problem from the client side, we are not receiving the payments and all?

Kamal Sarda: Because of the logistics and all other situations we explained in our speech that there had been a shortage of raw material and there were some logistic issues and all. We had to keep high inventories and that is the reason the inventory has gone up and then you are seeing the cash conversion to be slightly different.

Varun Jain: Why are the receivables so high like it is like Rs.70 Crores, money is stuck in our receivables?

Kamal Sarda: Our sales have gone up. If you look at our sales have also gone up significantly. There are no bad issues there.

Varun Jain: So it would be recovered eventually?

Kamal Sarda: Yes. Everything will be recovered.

Varun Jain: Out of it Rs.25 Crores to Rs.30 Crores are stuck in Ukraine and Russia so would it be recoverable or that is already into provision and all?

Kamal Sarda: No that is already. We have had a provision of Rs.13.8 Crores, look at the published results, but we hope that once the situation resumes we will be able to because they are our long term customers. I think once they resume their operations, we should be in a position to recover that.

Varun Jain: One more issue, which I see in the company, is there are lots of cash and it is in the current account and it is not in the standalone balance sheet. It is in the consolidated balance sheet around Rs.120 Crores of cash is in our current account and it has been increasing for the last two to three years. The current account does not give any yield so like what are your plans for that cash like are you looking for any inorganic acquisition or are you planning to like invest it somewhere so that we can at least have a good yield out of it?

Kamal Sarda: In the overseas segment, I think the fixed deposits do not give so much of thing so I think they are in a mix and match in the cash balance and obviously the cash is lying where if we get a good opportunity.

Varun Jain: But it has been like when are we going to deploy it because it is not yielding anything? It is like 0% yield on so much amount of cash?

Kamal Sarda: We have to have opportunities to invest.

Varun Jain: So are you planning to like shift that money into India and use that money to fund that expansion?

Kamal Sarda: No that money will be there only. Putting the money in India will be a double taxation only.

Varun Jain: That is right. Are there any plans like to invest in bonds or some mutual funds overseas itself and America, India money and all?

Kamal Sarda: No. There are no major returns there so we will keep that as it is, there is no major advantage.

Varun Jain: Thank you.

Moderator: Thank you. We will take the next question from the line of Keshav Garg from CCIPL. Please go ahead.

Keshav Garg: Sir I wanted to understand when are our American subsidiaries will stop underperforming even on a low base of last year, we have registered a decline year-on-year from Rs.15.5 Crores PBIT to Rs.4.4 Crores and the operating margin in this business is 2% and return on capital is 3% so why are we putting so much time, effort and management bandwidth over there? Why do not we just dispose off this business while the going is still good because as soon as the steel cycle turns this business might start making losses?

Kamal Sarda: James will you answer this or shall I?

James McIntosh: Sure. Could you repeat the question please? I think you said why do not we dispose off the business in the USA is that correct?

Keshav Garg: Yes because this business is not giving us anything? No return on capital and no margin?

James McIntosh: I would say that is a correct statement perhaps the last financial year. We still managed to get margins but certainly not at the levels that one normally used to. The US businesses normally provide us with profitability which is amongst the highest levels in the group, but over the last year we have seen deterioration in that. We are very confident that we will see a return to the normal levels and throughout this financial year and in fact we are looking to grow the business in the United States, which we believe is a very strong market for the group. We are number two supplier in the products and certainly the problem that was faced in the United States has been quite unprecedented cost increases on the level of increases that the company has faced in all aspects of the business raw material, labor, and energy cost, but we feel very confident that we have a plan in place to mitigate those cost increases and particularly with the support of our customers and we are fully committed to the United States in the future and hope to continue to expand the business there.

Keshav Garg: Also wanted to understand that our stock is almost trading at our book value now and we have a net cash position of Rs.175 Crores and we have a total capex across the next two financial years of around Rs.150 Crores to Rs.160 Crores whereas our annual operating cash flow itself is around Rs.150 Crores in a normal year so in that case why are we sitting on so much excess cash? Why do not we use those cash proceeds to buyback and extinguish our own share so that our equity capital can contract and our earnings per share will be permanently increase so what are your thoughts on this?

Kamal Sarda: See we have been giving a good dividend. You must have seen last year, we paid a dividend of almost 100% which is Rs.10 per share. This year the board has announced Rs.7 a share so that is a good payout. That is number one. Number two we have announced an expansion plan, which will also require a lot of cash and we personally believe that with the expansion, the values will automatically increase. With buyout it is only a one time transaction with an expansion and increasing the value of the company, which will be a permanent increase of the valuation so I think as of now, the amount of cash which we have buyback is not in our though processes.

Keshav Garg: Sure Sir lastly if I can just ask you that broadly what will be the replacement cost of all our plants that we have all the infrastructure that we have setup at today's market price if we are going to recreate it?

Kamal Sarda: It is a very difficult question. We have not thought about it that way.

Keshav Garg: But surely it will be more than the book value right?

Kamal Sarda: It will be.

Keshav Garg: So then in that case when our stock is already trading at book value and the real value of our assets is far higher so rather than go out and construct a new asset it is better to just buyback our own share because behind every share is a capacity of the company and if the number of shares decrease?

Kamal Sarda: Possibly there is a different thought in this. We believe spending within the company will give more value to the shareholders and as I said the cash is not enough to give a good buyback scheme as of now. We will come out with the buyback as and when the thought processes are clear with their company. As of now, we are in expansion mode and I think we feel that will give more benefit to the shareholders.

Keshav Garg: Thank you very much.

Moderator: Thank you. The next question is from the line of Chirag Setalvad from HDFC Mutual Fund. Please go ahead. As there is no response from the current participant, we will move on to the next question from the line of Priyanka Shah from NM Securities. Please go ahead.

Priyanka Shah: Thank you Sir for the opportunity. I have a few questions? Sir can you please some insights on the refractory demand from Indian market?

Kamal Sarda: What do you want to know please?

Priyanka Shah: The refractory Sir demand for that?

Kamal Sarda: Demand.

Priyanka Shah: Yes demand?

Kamal Sarda: I think the current Indian market will be close to anywhere between Rs.12000 Crores to Rs.15000 Crores. That is I think, we have no authentic data, which I have, but I can only just give you the guess work.

James McIntosh: I think also Kamal and the Indian market is growing at pace which is larger than any other market. Certainly India is the number two producer of steel in the world. I think in 2022 the production will grow about 6.5% to 7% and in 2023, it will up from 7%. I think I am correct in saying. These are levels which are much higher than any other country in the world. Steel increase is directly related to our refractory business because IFGL is 100% in the steel industry refractory so as Kamal said we have got a market where at the moment which is substantial of the Indian market is amongst the highest of any country in the world.

Kamal Sarda: The other thing is that if you look at the national steel policy, it talks of going to about 300 million metric tonnes by 2030-2031 from a current capacities of 140 to 145 million metric tonnes so you can imagine we are talking of doubling the capacities in the next seven to eight years, eight to nine years time, which is a significant growth anywhere between 7% to 8% or 9% CAGR so the refractory market is one of the most exciting market amongst any of the countries in the world today if that is okay with you with the answers.

Priyanka Shah: Sir one more question? How is the new research centre helps us in our business?

Kamal Sarda: Sorry.

Priyanka Shah: How is the new research centre will help us in our business?

Kamal Sarda: James will you, I think he is the best person to answer that.

James McIntosh: For any company which is in a technical area and refractory is a technical area, research and development is very, very important. Our company has operated very successfully and I would say others in terms of the refractories that we wanted to produce. The research center basis is to increase the technology capability of the company to bring us new products and also new high performance materials, but also sustainability is very important area for any company in today's world and the design of refractory products requires research and the use of materials which will enable us to give us sustainability and the refractory market and this is something which really requires a very high tech approach. It is not something that you can do without state of the art equipment so our objective for the research centre is a multi faceted aspect. One is new product development. Two is high performance material development and three is the development of sustainability material designs, which will enable us to improve our cost effectiveness and this area will be in the four main refractory parts of the company so it is a very exciting project for us and obviously from an investment standpoint it is an investment which is going to be providing a very good fundamental technical base to the company for years into the future.

Priyanka Shah: Thank you very much Sir.

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

Saket Kapoor: Good evening Sir and thank you for the opportunity. Sir firstly if you could give some more color on how the raw material basket be in currently? Has escalation in prices still stand abated or have they plateaued out?

Kamal Sarda: I think I just mentioned that for some raw material they have flattened. I think they are coming to a stable situation but there are some raw materials where the price is still increasing because you know that China the situation of COVID is still very unclear. They have on and off COVID related restrictions in some place or the other so till that situation I think the price for the next three to six months will remain for some raw material it will for some raw material it will remain on the higher end.

Saket Kapoor: Sir for the geographies what have been utilization levels currently for India, Europe and America and how was the things looking up for the current year in terms of what kind of volume growth are we looking for FY2022?

Kamal Sarda: I mentioned about 80% levels of utilization in India and in the two plants Odisha and Gujarat plant. Vizag is still new so Vizag utilization is still to peak out and for the rest of the world it should be somewhere around 70% to 80% plus only and the current year looks also similar promising.

Saket Kapoor: Current year also looks in the same trajectory Sir?

Kamal Sarda: Yes.

Saket Kapoor: From the Visakhapatnam plant on the ramp up part what kind of addition volume additions whether any meaningful volume additions will happen for this year?

Kamal Sarda: Yes that will be there. That is why the plant has been put.

Saket Kapoor: Sir could you quantify in percentage terms what would it be?

Kamal Sarda: I think we should be looking at 25% to 40% utilization levels in this financial year.

Saket Kapoor: An overall mix what will be that translated into the volume growth for the India as a whole?

Kamal Sarda: I think I have not worked out. That will definitely give a jump in the turnover, but I have not worked out that thing.

Saket Kapoor: I was just looking, if you could give me in terms of quantity and volume growth that would also suffice?

Kamal Sarda: I think the quantity information are difficult. We can discuss offline sometimes. You can speak to SGA Team and we can have a discussion separately.

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

Sahil Sanghvi: Sir my first question is regarding Hoffman this year we have seen the margins remaining very healthy both in 12% and the last quarter was record high so what are the reasons for such healthy margins and how do we see this subsidiary in performance going ahead? What kind of margins can we maintain going ahead?

Kamal Sarda: James will you take this question.

James McIntosh: We believe that Hofmann over the past year, we have introduced a very dynamic young organization and as I think allowed us to grow the company on basis which we believe and will be able to sustain the kind of margins that we see today and in fact to grow these extended manufacturing investment which we hope to do during the coming year and we believe that obviously the product mix that we have there is such that we are benefited from the local customers in Europe reluctance to buy especially from China in the past a great focus of the European customers especially in the foundry area to buy from China and a lot of these customers are now looking at local options of domestic options or European options rather than buying from overseas and Hofmann has been in our possession to enjoy a growth some of these customers due to that reason, but as I said from our company view point we believe that we are strengthening our team. We are strengthening the approach to the future market which will enable us to sustain the performance that we are seeing now and the future.

Sahil Sanghvi: Right thank you Sir. My second question was regarding these two customers in Ukraine for which we have realized these provisions so on an annual basis what was the revenue that we got from these customers, which is at risk going ahead in FY2023?

Kamal Sarda: So that is about Rs.25 Crores or so from these two customers.

Sahil Sanghvi: That is the annual number right Sir?

Kamal Sarda: Yes that is about an annual number.

Sahil Sanghvi: So there is a good possibility that in FY2023 we might not have this number?

Kamal Sarda: If these plants do not open at all.

James McIntosh: At the end of the day no one has that crystal ball. The Ukraine market other than the Mariupol area, which is the area where these two customers are located and the rest of the Ukrainian market has started to open up and produce product on a regular basis and is opening up tenders and supply of products, but the customers in the Mariupol area due to the conflict have been tight and in Eastern Ukraine are affected obviously by that. We cannot say today where that conflict is going to go and then once the conflict is over what the state of the plant has been. This is the reason why we have taken the preventions that we have of an abundance of caution. Obviously we hope that everyone in that region is safe and we can see our reopening of those customers, but we have no more capability of predicting it one way or the other. I am sorry we just cannot answer that question.

Sahil Sanghvi: Got it Sir. Thank you and my last question is regarding what was announced by the Vizag facility that there will be a new product line that we are introducing so can you just throw some more light on what is the product? What is the kind of market that we see in India and what could be the potential revenues that we can expect if not in number just a bit more light on what are we targeting as such when it comes to the product?

Kamal Sarda: We are talking of a few product introductions and some expansion in the existing product mix. One is the precast shapes. It will basically be large shapes which we want to introduce in Vizag so that plant is under construction right now and then we would also go into brick business. We are not into brick in a big way. We have a small pilot production in our existing plant in Odisha so we will get into that business just to take care of our existing flow control business to that extent and we would expand our capabilities of the bone flux, which we manufacture in Rourkela so we will have more automated fully automated plant in Vizag.

Sahil Sanghvi: Right Sir so this will be in alumina or magnesia bricks?

Kamal Sarda: Magnesia carbon bricks.

Sahil Sanghvi: Bone flux is exactly that is a kind of refractory or is it kind of a…?

Kamal Sarda: That is a refractory.

Sahil Sanghvi: Okay got it Sir. That is all from my side. All the best and thank you.

Moderator: Thank you. The next question is from the line of Vineet Gala from Monarch Networth Capital Limited. Please go ahead.

Vineet Gala: Thank you so the last two to three quarters other listed players have expanded their growth margins by around 200 to 300 bps on their base while our margins are under some sort of pressure so just curious to understand why is this happening?

Kamal Sarda: If you look at our Q4 notes to accounts we have taken a provision of Rs.14 Crores on account of Ukraine.

Vineet Gala: I am talking about the gross margins so I am just comparing the material cost?

Kamal Sarda: Material cost ours has always been on a higher side only. It was never on a lower side so it all depends on the product mix. I do not know with whom you are trying to compare, but if you look at gross profit margins the way you are looking at, our gross profit margins are higher compared to the other two listed entities.

Vineet Gala: Sir if I just compare the material cost to sales right so if I just do that so what am I saying is that our material cost to sale is increasing by 200 to 300 BPS, while both the other listed entities like of considerable size theirs got reduce by 200 to 300 BPS so I was just comparing that so what I thought anything on the pricing pressure or if we are passing it on to the customer of anything of that sort so if you could highlight?

Kamal Sarda: I do not know about them but definitely pricing pressure has been there. I think we spoke extensively James in his speech has mentioned the impact of the price pressures including the ocean freight for all imports from China and the pricing pressure has been there and also he spoke of the timing difference between the cost increase and the time when the customer gets the increases there is always a time lag. It can be three months and six months. It can be slightly more also so that has resulted in higher raw material cost to sales.

Vineet Gala: Fair enough Sir so we can expect anything over the next two to three quarters when we will take the price hike or it will come down to our P&L?

Kamal Sarda: We are pushing very hard to increase our price. I think most of our customers have supported the price increase and we are asking for a bit more and we are in dialogue and I think there will be some price increases in this quarter also.

Vineet Gala: Fair enough Sir. Also one more thing, I just wanted to understand on your time lines for good will amortization adjustment so where are, we in terms of the NCLT process on this?

Kamal Sarda: It will take a bit more time. I will not be able to tell anything on that.

Vineet Gala: It terms of that like ideally?

Kamal Sarda: No. We will not be able to give any time line. There are a lot of things on the cards to do for us so we will take a call in the next quarter. By next quarter we will take a call on this how far we are on this process.

Vineet Gala: So currently our good will amount is around Rs.220 odd Crores as on FY2022 balance sheet?

Kamal Sarda: It should be around Rs.107 Crores or Rs.108 Crores. It is four years left.

Vineet Gala: Sir and annual amortization if you could articulate that amount like what is that?

Kamal Sarda: Rs.26.7 Crores.

Vineet Gala: Sorry?

Kamal Sarda: Rs.26.7 Crores each year.

Vineet Gala: Rs.26.7 Crores okay Sir that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Varun Jain an Individual Investor. Please go ahead.

Varun Jain: Thank you for the opportunity Sir. Sir just one question I had to ask like you are also entering into precast brick and monolithic? Basically we are the specialty refractory players so how it will impact our gross margins going ahead? Would it decrease or it would be stable around the same level?

Kamal Sarda: These are also profitable products.

Varun Jain: I know that these are profitable but specialty decrease we do not phase any competition from Chinese imports and we the market leaders in specialty, obviously they will come with more benefit and we will have more?

Kamal Sarda: Magnesia carbon manufacturing into India comes from the Atmanirbhar Bharat and Make in India plan so most of these steel companies today wants to buy products made locally so you will see in the next one to one and a half year time I think the entire magnesia carbon will be served by manufactures.

Varun Jain: That I am observing like Dalmia Refractories they are also opening, they have big plant I think so and also one more question from my side? This recession which there are talks about recession coming in US and Europe and all these places and so how it is going to affect our company going ahead?

James McIntosh: Again all we can do is look at what the predictions are for the steel industry which is the industry that we serve and we are going to protest bodies with regard to predicting the steel outcomes for the future is the World Steel Association and the World Steel Association believes that in each of these areas for the next two years we will continue to see growth and for us this is the important matter.

Varun Jain: Just one last question I have? I was going through RHI Magnesita annual report? They were talking about coming with a concept called as total refractory management wherein it would be fully integrated process? They would provide the refractory and they would recycle it and they will again provide? That would bring more customer loyalty so are we looking to have this thing in our business model also implementing TRM and all?

James McIntosh: There is quite a difference in company size and structure between IFGL Refractories and RHI Magnesita. Obviously RHI Magnesita one of the largest refractory companies in the world not the largest and their product mix is throughout the complete refractory range. Their recent acquisitions into the recycle materials and various other elements have allowed them to draw a strategy which is based around more complete approach to business. Our company does not have that size or range of products to be able to do this.

Varun Jain: And we are continuously growing and continuously doing expansion so in the future we would have also a good product basket so can we also implement same kind of thing?

James McIntosh: I would say that there will be some years off. I think that for us the main focus is to expand the areas that we are involved in right now, expand our technological capability, improve our product performance and by that grow our business, but the business models that RHI Magnesita discussed would be a completely, completely different from the business models and for IFGL Refractories completely different.

Varun Jain: Correct. That is all from my side. Thanks a lot for entertaining my questions It really means a lot and all the best for the future.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments.

Kamal Sarda: Thanks for attending this call and it was wonderful question and answer session. Some of them, I think we could answer quite well and some if there are any queries you can contact our SGA Investor Relation Advisors and look forward to your participation in the next call. Thank you very much and have a nice evening.

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