

"IFGL Refractories Limited Earnings Conference Call"

May 12, 2014





MANAGEMENT: Mr. KAMAL SARDA – CEO, IFGL REFRACTORIES LIMITED.

MR. RAJESH AGARWAL - COMPANY SECRETARY, IFGL

REFRACTORIES LIMITED.



Moderator:

Ladies and gentlemen good day and welcome to the earnings conference call of IFGL Refractories Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Kamal Sarda. Thank you and over to you Mr. Sarda.

Kamal Sarda:

Thank you. Good afternoon everyone and a very warm welcome to the Maiden Earning Call of IFGL Refractories Limited. This is Kamal Sarda – CEO of IFGL and I am joined by Mr. Rajesh Agarwal – Company Secretary. This is our first post earning call and I will begin with introducing the company and thereafter state in brief the financial performance achieved by the company, both on consol basis and also on the standalone basis, for the year ended 31st March, 2014.

In this course of discussion, we will have few forward looking statements, but I would like to mention that they may or may not actually happen as they are dependent on several external and internal factors. Further prior intimation about this call has been given to stock exchanges where the company shares are listed. This call is recorded.

IFGL Refractories is a leading manufacturer of specialized refractories and we have manufacturing facilities in India, UK, US, China, Germany. Our technology partner of the Indian company is Krosaki Harima. It is a subsidiary of Nippon Steel Corporation, leading steel manufacturer in Japan. Mr. Shishir Kumar Bajoria is the Chairman of the company and Mr. Pradeep Bajoria is the Managing Director. Both of them have very wide experience of more than 3 decades in the refractory industry and have been introducing several state-of-the-art technologies in this field. IFGL group manufactures specialized refractory for flow control of steel and treatment of quality thereof. Company is also engaged in manufacturing of foundry ceramic filters. These activities also offer associated operating systems and it is reflected in the company's slogan dedicated to clean metal. For your convenience, product range of the company include and for further details may I request you to visit our website www.ifglref.com. Our product range is isostatically pressed continuously casting refractories, slide gate, furnace gate and tundish gate refractories, refractories for purging in the ladle, precast refractories, monolithics and castables, tube changer mechanisms for slab caster, foundry ceramics namely foundry ceramic filters, feeders, silicon carbide chill plates and monoblock stoppers for foundry industry.

The company made its first overseas acquisition way back in September 2005 and thereafter we have done three more acquisitions, latest being in 2010 of our US company. The company is now an Indian multinational and we have 8 manufacturing facility as mentioned across UK, US, China, Germany and India. We have a distribution network spread over more than 50 countries and in the steel sector, we have working relationship with all the major global OEMs. We are present in more than 50% of the global steel producing countries. Our major customers would



include Arcelor Mittal, Gerdau group, Nucor group of US, Hyundai steel, Tata worldwide and various others. There is a varied list of customers we cater to.

The company is into total refractory solution to the steel plant and for this purpose, we have a large pool of trained technical engineers.

The company is also into manufacturing of bioceramic products for dentistry, orthopedic and ophthalmic segments as per the knowhow of CSIR Laboratories. This division is in nascent stage and is being nurtured further.

Let me now talk about the financial performance for the year ended 31st March 2014. On a consol basis, IFGL's revenue has been Rs.781 crores which has grown by 16% over the last year. EBITDA is Rs.113 crores, a growth of about 80%; PBT of Rs. 91 crores with a growth of 119% and PAT of Rs. 64 crores, a growth of 127% compared to the last year. EBITDA margin for FY14 has been 14.5%, the increase of about 519 bps. Consolidated EPS is at Rs. 18.25 per share, last year was 7.91.

On a standalone basis, IFGL Refractories Limited, the turnover has been Rs. 329 crores, a growth of 6.6% compared to previous year. EBITDA has grown by 27.4% to 47 crores; PBT at Rs. 24 crores, a growth of 42.7%. EPS standalone is 6.79 compared to 4.69 of the previous year.

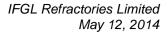
Our export sales have increased by more than 20% in the last year. Our interest costs have substantially reduced by 43% compared to the last year.

The board of Directors in its meeting held on last Saturday 10th May has recommended payment of dividend at the rate of 17.5% on equity share. The face value of equity shares is about Rs.10 that is Rs.1.75 per equity share subject to the necessary approvals. Last year, dividend has been 15%, so this is higher by 2.5% that is 0.25 per equity share.

All our overseas subsidiaries as well as the Indian subsidiary have performed well during the year 13-14, particularly in the UK and US. Total income PBT and PAT of the overseas operations have increased by Rs.69 crores that is 18.1% increase, Rs. 29 crores that is 133% increase and Rs. 24 crores 175% increase respectively compared to that of previous year.

Our Indian subsidiary, IFGL Exports which is situated in Gujarat has also performed satisfactory. Total income has increased by Rs. 31 crores which is 338%, PBT is Rs. 3.5 crores compared to we had a loss of Rs. 5.7 crores last year. We have stabilized the production there in this facility which has been very crucial and time consuming and I am happy to inform that this has been achieved during the last year.

On a consol basis, only about 20% of sale is from India and going forward same is likely to increase substantially with the political stability coming in and increased thrust on infrastructure, we expect to be given which is required to boost, otherwise very flattening economy.





The aforesaid strong performance is result of an all going, all round good performance including subsidiary companies, rationalization of raw materials and major expenses coupled with a more efficient management of working capital made the company more competitive and profitable. Despite following a very conservative policy of booking future foreign exchange, the company is still benefitted from rupee depreciation especially against Euro and Pound Sterling.

Subsidiaries in the US which is EI ceramics and the Indian subsidiaries are taking steps to expand their production capacities. Efforts are being made towards further improving operations of the other facilities as well.

We are doubling our capacity of the Gujarat plant which is a subsidiary of IFGL Refractories and also the US plant in this financial year to meet the growing demand of our products. The Gujarat plant capacity will be further increased in another 2 years' time. In effect we will triple the capacities from the current to reach to the full planned capacities. With our strong presence in the various developed markets in Europe, America and other markets and with our fully established product, we are confident to grow at much faster pace. With this, I think I have completed my initial presentation and I now open the floor for questions.

Moderator:

Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Giriraj Daga from Nirmal Bang. Please go ahead.

Giriraj Daga:

Sir my question is related to like how do we see the numbers in terms of like if you are able to share some of the volume numbers, so we can figure out whether the price has increased or whether the raw material cost has gone down so to derive that how the performance has improved. So it is because of the prices have gone up, volume has gone up, or is it because the costs have gone down or raw material cost has gone down. So would you able to shed some light into that?

Kamal Sarda:

See, as I mentioned we have this various product group, so there are various production lines. It is not one product where I can share the quantitative data, but I would tell you that it is a combination of all these factors which you have mentioned has resulted in this performance improvement which includes the quantitative growth as well as yes price increase, yes rupee depreciation as well as our various cost saving measures which we have taken which is in fact a very continuous process for us and also the interest cost which has substantially reduced because of our working capital management.

Giriraj Daga:

Okay, how much percentage of raw material is imported kind of a thing in domestic market?

Kamal Sarda:

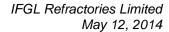
I can immediately share the raw material which we use in the Indian operations. It would be close to 50% we import.

Giriraj Daga:

So means net-to-net, depreciation of the currency is beneficial for us?

Kamal Sarda:

Yes, you are right.





Giriraj Daga: Okay and in terms of overseas operations, so you are expecting similar kind of a movement like

volume plus price increase, that kind of a thing for all?

Kamal Sarda: We continuously look at volume increase that is our main objective because volume increase is

always there. Plus there would be price factor definitely at some places, some places it would be a depreciation of the various currencies, but volume is I think one of the major contribution

overseas.

Giriraj Daga: Okay, in terms of specifically if you talk about Europe because that has seen a very sharp

increase from total year basis from almost like Rs.14.5 crores to Rs.27 crores kind of EBIT number, so there if you can just elaborate a more, is the performance driven by some currency

benefit which may not be there next quarter or is it a sustainable performance?

Kamal Sarda: No, I would say these are sustainable because the currency fluctuation is there when you convert

that figure suppose the Pound Sterling, it used to be Rs. 82 or Rs. 83 last year, now it is about Rs. 100. So that is a straight away, I would say an impact, but the volume there on a standalone basis

is also there.

Giriraj Daga: And in terms of like your capacity as in doubling the capacity, so would you be having any

tonnage number to that effect like if you can just share me the total capacity of the company

including all the facilities and how much expansion is happening?

Kamal Sarda: I would like to mention the expansion only. There in the Kandla plant in Gujarat plant, we are

doubling the capacity.

Giriraj Daga: But just to understand from what to what?

Kamal Sarda: I will tell you, I am coming to that. So the present capacity is about 75,000 to 80,000 pieces and

this is what we are doubling. So once we complete the expansion, the capacities would double

from here from about 75,000 to 80,000 pieces.

Giriraj Daga: And product profile will remain same?

Kamal Sarda: And the product profile would remain same because we are only manufacturing the isostatically

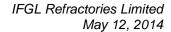
pressed continuous casting refractories there. There is only one product line so I can share this. It is very easy to say and also in the EI Ceramics, the US subsidiary, the current capacity is about

again 80,000- 84,000 pieces. From there, it would double.

Giriraj Daga: And if I just talk about the utilization perspective like we have 4 segment numbers, India, Asia,

Europe and America. Where do you see we have spare capacity where we can go ahead, we can

have higher volume without going for capacity expansion?





Kamal Sarda: I would say we have spare capacity in the Indian operations, we have spare capacity in the

Chinese operation and some spare capacity in the UK operations as well. So we have sufficient

spare capacity in those product segments.

Giriraj Daga: Can it be around 20%-30% kind of number? We can have 20%-30% revenue increase without

going for capacity expansion.

Kamal Sarda: It can be slightly more as well.

Giriraj Daga: So we would be looking for capitalized that in the coming years' right?

Kamal Sarda: Yes, that is right

Giriraj Daga: Okay and what is the CAPEX for this expansion and what is the maintenance CAPEX for next

two years?

Kamal Sarda: See maintenance CAPEX, I think globally if you would look at about Rs.10-15 crores on the

global basis, so it should be anywhere between 10 to 15 crores. For this expansion in the Indian operation should be about less than a million dollar and in the US subsidiary, it should be

somewhere around \$1-\$1.2 million.

Giriraj Daga: That is all.

Kamal Sarda: Because the major equipment is only there. You are only adding the debottlenecking equipment

only to increase the capacity. I am talking of the first phase expansion of the Gujarat plant. The

second phase may cost about \$2.5-\$3 million.

Giriraj Daga: So that number we have will not see a major increase.

Kamal Sarda: No.

Giriraj Daga: Because this year we made a profit of 64 crores plus we had a depreciation of 57 odd, net profit

was near about 80 crores.

Kamal Sarda: Yes, you are right. We may not increase the debt because there is a debt repayment also which

goes on. So net-to-net, the debt for the expansion purpose may not increase substantially.

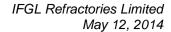
Giriraj Daga: That is understood and broadly you are saying this performance should sustain going forward,

the current performance what we have witnessed for FY14?

Kamal Sarda: Yes, I do not see a reason why we cannot.

Giriraj Daga: Just to understand, the price in hikes you said there is some effect, so all the effects have been

visible or there may be some lagging effect in the coming quarters as well?





Kamal Sarda: Difficult to say, this is a continuous process. I would say it goes on. Sometimes you get a price

increase; sometimes you have to reduce the price. It is a continuous process. You improve your

product and then you get a better price realization.

Giriraj Daga: Can I ask few more questions since it is a maiden concall, so I would just like to understand a bit

on the industry also. How do you price your product basically like is it a contract between you

and supplier or it is any market forces out there.

Kamal Sarda: It is contract between the two parties.

Giriraj Daga: Is it on tender base or it is like long term kind of contract?

Kamal Sarda: It is a tender, but it can be a long term one year. I think generally it is 1-3 years' time. I would

say the normal for us would be anywhere between 6 months to one year.

Giriraj Daga: And is there any price escalation clauses out there for any particular raw materials like suppose if

this goes up..

Kamal Sarda: Generally not because we all tend to keep our raw material secret. We do not share this

information with the customers.

Giriraj Daga: But I believe that the moment you booked the order, you must be hedging all the raw material

also at the same point of time, so there is no risk to that. Is my understanding correct?

Kamal Sarda: Major part of our raw material, we will also have one year contract with our suppliers, but there

is no back-to-back hedging.

Giriraj Daga: But you said 50% raw material is imported, so suppose there is some wild rupee movement. So

just in order to avoid the situation, you must be on back-to-back contracts like if you have

finished good contracts, you must be having raw material contract for that price.

Kamal Sarda: As I mentioned, it is like we have generally one year contract with major material for us. Those

are frozen for one year. Raw materials are generally 3 months or 4 months type of a contract.

There we either gain or we get affected by the price increases or decreases.

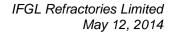
Moderator: Thank you sir. The next question is from the line of Mehul Savle from Ripplewave Equity.

Please go ahead.

Mehul Savle: Just wanted to check sir, your industry what we see like since this is the first interaction, we see

that most of the large players are MNCs vis-à-vis us?

Kamal Sarda: Just now became MNCs?





Mehul Savle: Yes, I mean for last 2-3 years I think there has been lot of consolidation that you have seen. So

how important is the technology factor in terms of the business and secondly I think your technology partner you said was Krosaki. I understand they also have investment with Tatas in

this space, so how does that relationship really work?

Kamal Sarda: See the major product line which we have, the Tatas are not there. Look at the Tatas TRLs

product profile, they are mainly into bricks and castables. The magcarbon bricks, silica bricks, dolomite and the castable segments. There are very few common segments between IFGL and Tata Refractories and we have the current agreement going on with the Krosaki. The major

product segment they are not there.

Mehul Savle: But you don't foresee any conflict or any issue coming up or if there is some such thing, do you

foresee any issue on getting how crucial that technology transfer is in Krosaki?

Kamal Sarda: Listen, we have an excellent relationship with Krosaki. I am sure that whatever issues be there,

we will mutually sit down and discuss that thing. We have this relationship going on for last 23-24 years. So I do not see any reason and then more over you mind it, we have another company on the same product line, EI Ceramics. So we have another technology available other than

Krosaki, so that is also available with us at any point of time.

Mehul Savle: Given that the industry is kind of getting consolidated and the role of MNCs, does that help you

also in terms of pricing apart from possible, I mean, from a competitive landscape, how does it

place you?

Kamal Sarda: My personal view is all these MNCs, their cost factors are different than ours. We do not feel

that they would affect our pricing mechanism as such. We would in fact be happy if they are

there in the market and any competition is healthy.

Mehul Savle: Yes, what is the way at least we are perceiving it as that MNCs obviously have the advantage of

having a global brand, but end of the day their prices tend to be higher.

Kamal Sarda: What I must say that they are here in India. So they see a growth in the Indian industry. Now

Indian industry is very sensitive to price. So that is where possibly we will have a bigger advantage there in all these MNCs. So that is what my personal opinion. So I think they are

coming into the market would possibly help us.

Mehul Savle: We have the same view, but we just wanted to understand your perspective as to how you see it

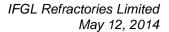
when you conduct your business.

Kamal Sarda: No, we see that with Indian steel industry growing in the next 5-7 years' time, we will have a

bigger area to work with.

Moderator: Than you. The next question is from the line of Nirav Shah from GeeCee Investments. Please go

ahead.





Nirav Shah: First question is what is the total gross debt on the consolidated basis and can you just give the

breakup between different companies standalone, Kandla, Monocon, and EI Ceramics.

Kamal Sarda: Niray, can we just share this information offline because it take a bit longer time.

Niray Shah: So just one more question. You mentioned that you have spare capacity in the UK, India, and

China operations. So it means that US is operating at almost close to full capacity?

Kamal Sarda: We have two plants in US. One of the plants which I said we are expanding is running almost at

full capacity. Other plants have some spare capacity.

Nirav Shah: So that should take care of the 10 odd percent growth for this particular financial year, current

financial year?

Kamal Sarda: I say yes.

Nirav Shah: And sir what is the schedule of commissioning for Kandla and for EI ceramics, the expansion?

Kamal Sarda: I think we expect this to complete in this financial year.

Nirav Shah So should we assume by Q4 of FY15 or is it earlier than Q4?

Kamal Sarda: I think our target is March 15.

Moderator: Thank you. The next question is from the line of Sanjeev Panda from Sharekhan. Please go

ahead.

Sanjeev Panda: Sir, just one question. As you said, our peers are MNCs and the kind of technology they are

using and the kind of technology we have, do you have any difference in that in terms of product

delivery or in terms of efficiency of our product?

Kamal Sarda: One thing mind it, we have the technology from Krosaki Harima. So that is the company which

has taken over TRL Krosaki also. So we also have a similar kind of technology plus with our own internal development and knowledge which we have gathered over the period, our

technology is may be termed as at par with all those people.

Sanjeev Panda: And sir, rupee depreciation impact, can we quantify how much benefited in the result?

Kamal Sarda: We definitely have benefit. We have not worked out what is the quantum, but yes, that has

benefitted us.

Moderator: Thank you. The next question is from the line of Shubhankar Ojha from SKS Capital. Please go

ahead.





Shubhankar Ojha: I have one question. So basically you have mentioned that going forward, this 20-80 combination

which your domestic and export sales is going to be changed. So will it have any impact on our

margin?

Kamal Sarda: No, I do not see any impact on the margin. I am saying that 20, what can it can happen 22 or 25

something like that, but it is not going to impact in our margin. Domestic players also can give us

sufficient margins as well.

Shubhankar Ojha: Whether it is as far as no margin difference between your domestic and exports.

Kamal Sarda: Not much.

Shubhankar Ojha: Secondly this incremental capacity which will come up in Gujarat unit, will that cater to India or

that is for export purpose?

Kamal Sarda: Gujarat plant is generally meant to cater to the export.

Shubhankar Ojha: How is your IFGL exports which have basically seen a turnaround this financial year. This is

basically because of higher revenue base. Is that the reason why you have seen a turnaround in

the profitability of this company?

Kamal Sarda: Yes. It is higher utilization of the plant and stabilization of the plant.

Shubhankar Ojha: And this is a normal run rate that you have seen in the last quarter.

Kamal Sarda: Yes.

Shubhankar Ojha: Which is kind of 10% margin.

Kamal Sarda: Yes. I think the Gujarat plant may give you better results as well.

Shubhankar Ojha: That you can see some improvement in the Gujarat plant.

Kamal Sarda: Yes, the more the utilization takes place, the comparative margins may improve.

Shubhankar Ojha: And sir lastly what was the M-to-M gain or loss for the quarter as well as for the year? The M-to-

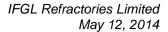
M gain or loss that you have booked?

Kamal Sarda: For the year, I think we have an M-to-M impact of about Rs.9.1 crores.

Shubhankar Ojha: M-to-M gain?

Kamal Sarda: M-to-M loss.

Shubhankar Ojha: Otherwise your EBITDA would have been higher by that much amount.





Kamal Sarda: Yes, you are right.

Moderator: Thank you. The next question is from the line of Karthik Mehta from Sushil Finance. Please go

ahead.

Karthik Mehta: Sir my question pertains to your comment to one of the previous persons who asked you that the

performance what you have done in this financial year should be repeated and answer was yes.

So you mean on the topline front or on the bottom line front?

Kamal Sarda: Obviously we are looking at a growth. It is on topline. I think what we meant was possibly the

percentage terms, I think we may be able to maintain that or may be improve.

Karthik Mehta: So doubling of the profit is what you said or you meant?

Kamal Sarda: No, I did not say doubling of the profit. I said the percentage.

Karthik Mehta: That is what I am saying. Percentage of what topline or you improved your EBITDA.

Kamal Sarda: When we talk of maintaining, I would say that the profit to sales percentage or EBITDA to sales

percentage.

Karthik Mehta: So you mean margins will be remaining at the current level and you would see your revenue

growth to the tune of the same what we saw in last financial year.

Kamal Sarda: Yes. Margin we expect it should almost remain same.

Karthik Mehta: And the point over here is that I do not know, but currency benefit is as you said rightly is

reflecting in your margins. So any calculations, ballpark number if you can give it would help us a lot in terms of how many basis points would have been a purely rupee depreciation benefit and suppose if rupee appreciates tomorrow, I know it is anybody's guess. Then what sort of margin

contraction we may see because of that.

Kamal Sarda: I think this is what we need to sit down separately and understand. We can always debate rupee

will appreciate to 55 or depreciate to 65. So I honestly do not have these figures offhand, but we

can always discuss offline.

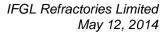
Karthik Mehta: Sir last question. With this doubling of the capacity in Gujarat and US, of the total company

level installed capacity, how much additions this would have in percentage?

Kamal Sarda: This is one of the product lines which we are adding capacities. As I mentioned, it is called

isostatically pressed continuous casting refractories.

Karthik Mehta: But at the end of the day sir, it is refractory.





Kamal Sarda: No, I understand refractories we make various type of refractories.

Karthik Mehta: I understand sir.

Kamal Sarda: So it is one of the refractory lines which we are expanding because we feel the market is there

for us to grow. As I said, US plant is almost running near to full capacity and that is where we are doubling. The US plant, the turnover is about \$13-\$14 million. So with the doubling of the capacity, it should ideally very may go close to double of this, but may be in a gradual manner and Kandla plant as I mentioned would add another 80,000 pieces which should also give it

about Rs.50-60 crores of turnover on a full utilization basis.

Karthik Mehta: So 50-60 crores from Gujarat and \$15 million from US.

Kamal Sarda: About 12 to 15 or may be.

Karthik Mehta: That would be incremental revenue potential right?

Kamal Sarda: Yes please.

Karthik Mehta: And also there is a possibility of 25%-30% revenue growth in some of the plants in India, China

and probably one more area you mentioned.

Kamal Sarda: You are right.

Karthik Mehta: So that would be what in terms of revenue, in terms of rupees, crores if you can help. That 25%-

30% would be equivalent to in terms of value wise? I am just trying to figure out without increasing up any of the CAPEX front on those plants. You can still leverage operationally and

grow your revenue. You said 30% under-utilized.

Kamal Sarda: All this growth is subject to the market conditions of those products. I think I am sure we can go

about anywhere incremental this 20%-30% can give another 100-150 crores.

Karthik Mehta: Including Gujarat, US and those ideal capacities.

Kamal Sarda: Yes.

Moderator: Thank you. The next question is from the line of Kalpesh Mehta from KSM. Please go ahead.

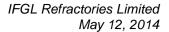
Kalpesh Mehta: I just was listening to your answers. So it seems that you are doing a CAPEX of 1 million and

you are saying that you will achieve a turnover of about 50 crores on that one million. So your

revenue to CAPEX ratio is 1:10 roughly.

Kamal Sarda: Do not look at the incremental CAPEX and incremental turnover. We have already spent about

40 crores over that project. So it is just the debottlenecking of the capacity expansion because





our major plant is already like building is already made. The major equipment is already there. These are all incremental equipments which will double the capacities. I do not have to just double the plant.

Kalpesh Mehta: Similarly it applies to all other plants wherever you need to do debottlenecking.

Kamal Sarda: I would say that the next expansion which is happening in EI Ceramics, the same formula will

apply.

Kalpesh Mehta: And you said you have this is the first phase of expansion and then you said you will spend about

3 million for second phase.

Kamal Sarda: In the Gujarat plant.

Kalpesh Mehta: Yes, but so that will be another 80,000 or 160,000 pieces, what will be that?

Kamal Sarda: No, that will be another 80,000 pieces.

Kalpesh Mehta: Another 80,000 pieces. So that is how the CAPEX will change because for first 80,000, you say

you will spend only a million dollar and once all these utilities are fully utilized, then for another

80,000, you will spend another \$2 or \$3 million.

Kamal Sarda: There, you need to do more than debottlenecking. You may have different kind of equipment. So

there we feel that the costs would be higher.

Kalpesh Mehta: And what would be the capacity utilization of Gujarat plant as of now?

Kamal Sarda: We are virtually running full capacity, nearer to full capacity.

Moderator: Thank you. Next question is from the line of Giriraj Daga from Nirmal Bang. Please go ahead.

Giriraj Daga: Sir my question is related like if I look at the margin of segment numbers, we have varying

number like India is 13%, US is only 4% while Europe is close to 10% and America including like is also around 10%. So do we have any number like Asia can be improved or how we are seeing the situation like is it more because of the higher fixed costs on the US and Europe where

the margins can go to 13%-14% also with the higher volume.

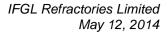
Kamal Sarda: I think best is let us talk offline to answer these questions.

Giriraj Daga: My second question is related to FOREX debt and you said the reported FOREX loss is you said

9.1 crores, but if I look at the press release it is 7.4 crores for the full year FOREX loss.

Kamal Sarda: That may be net of gains in other FOREX. I need to check, but that may be net of gain in the

other. You have debtors and all other receivables, payables. There are always gain and loss





which are booked separately and clubbed into the same account. So maybe there are gains and all, but I need to check and come back to you.

Giriraj Daga: What is the FOREX debt sir?

Kamal Sarda: There are no debts as such in the IFGL Refractories books. I am saying like you take lot of bank

borrowings in foreign exchange like packing credit in foreign currency, and buyers credit debt is

there in foreign currency. So maybe there are loss and gains which are booked.

Giriraj Daga: What is the amount of debt, I am interested in that also like this buyers credit and?

Kamal Sarda: If you look at our working capital borrowing, may be close to 80% is borrowed in the foreign

exchange various schemes available.

Giriraj Daga: And my last question is like we had reported loss, but is it at some point offsetting our revenue

also while my question is that we are seeing the 9.1 crores of loss, but we must have booked our revenue at higher rate on foreign exchange. So it may not be actually gain like should not add

this number to EBITDA performance.

Kamal Sarda: This is just an accounting system which is followed as per the issued guidelines. You can either

reduce it from sales or you book separately.

Giriraj Daga: This is not additional gain that is what I wanted to understand. This is not the additional loss that

we have created. It is reflected in your revenue right in terms of higher revenue.

Kamal Sarda: Yes, that is why the loss is booked.

Moderator: Thank you. Next question is from the line of Jinal Sheth from MultiAct. Please go ahead.

Jinal Sheth: Is it a fair assumption that the steel flow control market is around 750 crores in India?

Kamal Sarda: Seriously I do not know where from this figure results, but I do not know this figure.

Jinal Sheth: Let me put it this way that because I have heard there is some competition from that, what they

say is that if steel flow control market is not the numbers, then would it be a very small portion

of the total refractory space.

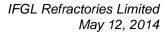
Kamal Sarda: I do not have the figures, but I would disagree to that number.

Jinal Sheth: When I said okay, forget is it a higher number, smaller number, is it a very small portion is

wanted to understand because I just wanted to understand that can the steel flow control market

grow faster than the overall refractory market?

Kamal Sarda: It has to grow in the same sync.





Jinal Sheth: And why is it that so?

Kamal Sarda: Because if you produce steel, you will require the steel flow control refractories as well. So it has

to grow in the same pace as the steel market grows.

Jinal Sheth: But then is not through, when we are talking about within the process, they have thin cast and

thick glass and basically the quality steel portion could be growing faster. Is that true?

Kamal Sarda: The quality steel would grow faster, yes.

Jinal Sheth: But then does not mean that if quality steel growing faster, then it does make an impact on the

steel flow control. Is that a right understanding?

Kamal Sarda: Honestly Jinal, I do not have those figures ready with me. I think we discussed last time with you

Moderator: Thank you. Next question is from the line of Abhisar Jain from Centrum Broking. Please go

ahead.

Abhisar Jain: Sir just wanted to know that we have had a significant jump in the standalone earnings basically

despite just 6% revenue growth, there is almost a 30% jump in EBITDA and good amount of margin improvement. So sir just want to know that within that, which segment and how has that been kind of how has that come about. So basically it is steel flow control wherein majorly you are where in shaped refractories, you have got better realizations if you can throw some light sir.

Kamal Sarda: It is majorly into the flow control refractories. So that is where the major growth will happen for

us as well.

Abhisar Jain: So sir basically you have seen better margins and better EBITDA per se on the line of business in

the standalone which has been for flow control. Is that understanding correct?

Kamal Sarda: Yes.

Abhisar Jain: And sir basically then over year-on-year basis continuing with the same question, what has

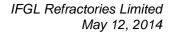
changed from the demand and pricing side. Is it better demand, better pass-through of the raw material pricing. What should we see and how does that going to pan out in FY15-16 believe that

the contraction and all should be through for some portion of FY15 and all.

Kamal Sarda: It is a continuous process. It does not have any relationship with the contracts finishing in mid-15

or so, it is a continuous process. We are there with the customer for ages. So suppose we are doing a trial with someone and we are successful in that and we have got approved. So we will have a better chance of getting more business with that. So this will continue. This is a

continuous process.





Abhisar Jain: Sir just one last question. Out of the total Rs.330 crores that we do on a standalone basis, how

much is the revenue coming from the domestic supply of refractories that you are giving to the

domestic, not the exports.

Kamal Sarda: I think this is about last year, it was about 42% - 43%.

Abhisar Jain: And steel flow control will be major in that.

Kamal Sarda: Yes. Our major market is steel flow control. I think we are there in the ladle and tundish side

majorly, that is why we call it as flow control of steel. That is the steel segment of the steel plant.

Moderator: Thank you. Next question is from the line of Shubhankar Ojha from SKS Capital. Please go

ahead.

Shubhankar Ojha: So just to reconfirm, if I heard you correctly, so you said this financial year we can see a similar

growth which is close to 16% which we have registered in FY14.

Kamal Sarda: I mentioned that we would be looking at a similar kind of margins.

Shubhankar Ojha: Similar kind of margin, but any outlook on the growth perspective considering the current

environment improving obviously in India.

Kamal Sarda: If you look at the last few year's growth, I think we should be expecting a growth.

Shubhankar Ojha: But you cannot give an outlook on the same as in range kind of growth which you said 15%.

Kamal Sarda: You can give any range, but I think we would expect a growth.

Moderator: Thank you. Next question is from the line of Laxmi Narayan from Catamaran. Please go ahead.

Laxmi Narayan: Sir I have couple of questions. First you mentioned that your India business is more into tundish

and ladle. Now is it right to say that we are strong in tundish than ladle or how is it? When we actually compare ourselves in terms of our product range etc., are we equally strong in both or

we are actually one over the other, just wanted to get some clarity on that.

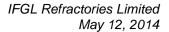
Kamal Sarda: Whatever segment we are in Laxmi, we are strong.

Laxmi Narayan: So you mentioned that from your revenue profile, you mentioned you are into flow control

devices by and large, right.

Kamal Sarda: Flow control refractories, refractories for flow control of steel.

Laxmi Narayan: And in that, I understand there are three parts. One is furnace, then tundish and then ladle, right.





Kamal Sarda: Yes.

Laxmi Narayan: Now broadly from a refractory stand point of view, flow control refractory stand point of view

for an industry, is there some kind of a thing that furnace is X%, tundish is Y% and the balance is ladle. Is there some kind of a thumb rule or a general logic prevailing sir? For every Rs. 100 of

flow control refractories used in continuous casting steel, just to get a sense of how much is it?

Kamal Sarda: I honestly do not have those figures with me though this question, I have been raised at various

times, but mind it in the converter or in the ladle one of the major refractories what is used is bricks which is the bricks for lining of both ladle and converter which we do not make. If you say volume of refractory used in furnace or a ladle, the major volume refractory we do not make. We only make the specialized refractories where you need to control the flow of steel which is in a way in a tonnage term would be very small compared to the lining part, but in the tundish, the

lining is of castables, it is not bricks, the tundish lining we make.

Laxmi Narayan: We make tundish lining.

Kamal Sarda: Yes.

Laxmi Narayan: We make tundish lining and we make this precast shape for both tundish and ladle.

Kamal Sarda: Yes. It is special refractories we make. Precast shapes would be a very small portion of that.

Laxmi Narayan: Sorry sir, can just repeat that line.

Kamal Sarda: I would say that we make special refractories. Precast shape would be a very small portion of

what we do.

Laxmi Narayan: Sir just broadly to understand from a client concentration point of view right, what I understand

is that the main steel producers and the major steel producers are almost account for more than 50% of the steel production which are around handful of sale and outside sales. There are like 5 or 6 large companies. Now is it right to say that from an industry point of view for flow control, the customer list is very concentrated. There are only like 6 matured steel companies which keep

buying these flow control refractories.

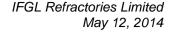
Kamal Sarda: No, there are more than 6, much more than 6. There are various integrated steel plants would

require all these type of flow control refractories.

Laxmi Narayan: Sir just one last question on from a public sector point of view because we see that SAIL and

RINL etc. are really large. They almost produce around more than 25% of India's steel right. Who are the large players who supply these quality high technology refractories to them? Do

they have their own production or is it companies like us who actually supply to them?





Kamal Sarda: It would be companies like us who would supply. Other than IFGL, there would be other players

in the market would be Vesuvius India and you have the Orissa Cement (OCL), Orient

Refractories. These would be the other major players of flow control refractories.

Laxmi Narayan: Who also supply to public sector companies.

Kamal Sarda: We all supply to all. Somewhere we are strong, somewhere they are strong that is it.

Moderator: Thank you. Next question is from the line of Sanjeev Panda from Sharekhan. Please go ahead.

Sanjeev Panda: Sir we are adding capacity, just wanted to understand the scenario of the demand. How do you

look at the demand scenario and by what time we can actually ramp up our production level to a

decent capacity utilization level?

Kamal Sarda: One, demand is dynamic. We are into various markets. As I mentioned in my opening speech

that we are present in almost 50% of the global steel market. We are continuously in touch with various steel producers. We see huge enquiries from them and that is where we feel the demand is there for us. Now once we commission the expansion completely, I think within a 6 months to one year, we can ramp up the entire capacity if there is orders bagged by that. Two, our technology is established, our production facilities are established. So there is no time lag should

be there between start of that and end of fulfilling the capacity.

Sanjeev Panda: So you see any increment or there is an improvement in demand scenario or it is something that

you say that already the demand was there on the latest, recently only this improvement has

come up.

Kamal Sarda: No. If you look at the European market and American market, they are more or less stabilized

and they are into the ramping up their capacity utilization of the steel. So we see a demand surge

in those advanced markets and that is where we feel that we will get the additional business.

Moderator: Thank you. Next question is from the line of Pritesh Chheda from Emkay Global. Please go

ahead.

Pritesh Chheda: Sir just one question. If you look at the last full year's performance in superimpose vis-à-vis the

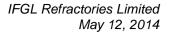
steel industry's volume growth, delivery for your company has been far better than that. So can you throw some light on that observation with respect to market shares or client additions or one

of these areas and second the sustenance of those gains?

Kamal Sarda: The first part we can discuss offline because you need to have lot of details on that and market

side, I think I mentioned somewhere that we hope that we will be able to maintain the margins.

Pritesh Chheda: Is there a major client addition that we have seen last year and addition or ramp up.





Kamal Sarda: It is a continuous process. There are lot of clients which get added that is where the increase

comes from. You all will note that you can say that you have done 100 crores business with one customer, this may be 5 crores somewhere or 10 crores somewhere like those type of customers

would be there.

Pritesh Chheda: On an aggregate basis, there will be market share gains for you?

Kamal Sarda: Yes please.

Pritesh Chheda: There should be and you believe that these gains can be sustained.

Kamal Sarda: I do not see a reason why we should not be able to look at. Our products are good, our

acceptability is good, and we can give a good price.

Pritesh Chheda: So let us say at this point in time, what could be the risk if any to the sustenance or risk if any to

the sustenance of business as on date?

Kamal Sarda: I would say the global economy.

Pritesh Chheda: Steel production has to get impacted on account of global economies where you would see an

impact on the performance, otherwise not.

Kamal Sarda: I do not think so, yes.

Pritesh Chheda: And last question is what would be the product gap vis-à-vis other established players in the

space with respect to your product portfolio?

Kamal Sarda: Product gap means you mean to say in technology?

Pritesh Chheda: Technology and product offering.

Kamal Sarda: I think we should be at par that is why we are getting those businesses.

Pritesh Chheda: So offering a competitor might have so offering of Vesuvius matches the offering of IFGL.

Kamal Sarda: Yes. That is where we get the business. I am not naming anyone, but we are termed at par and

that is where we get the business.

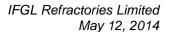
Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Kamal

Sarda for closing comments.

Kamal Sarda: Thank you very much gentlemen for having a patience sharing and we have had an excellent

session. I am sorry some of the questions I could not answer because I just wanted to deal with

them offline and a lot of details are required there. I would like to say that if you have any





questions, kindly get in touch with me. My mail id is kamal.sarda@ifgl.in or my colleague Rajesh Agarwal whose mail id is rajesh.agarwal@ifgl.in or the persons from Strategic Growth Advisors. So thank you very much and wish you all very good days ahead.

Moderator:

Thank you very much members of the management. Ladies and gentlemen on behalf of IFGL Refractories Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.