

**IFGL REFRACTORIES LTD**

**Result Update Presentation  
August 2016**

# Safe Harbor



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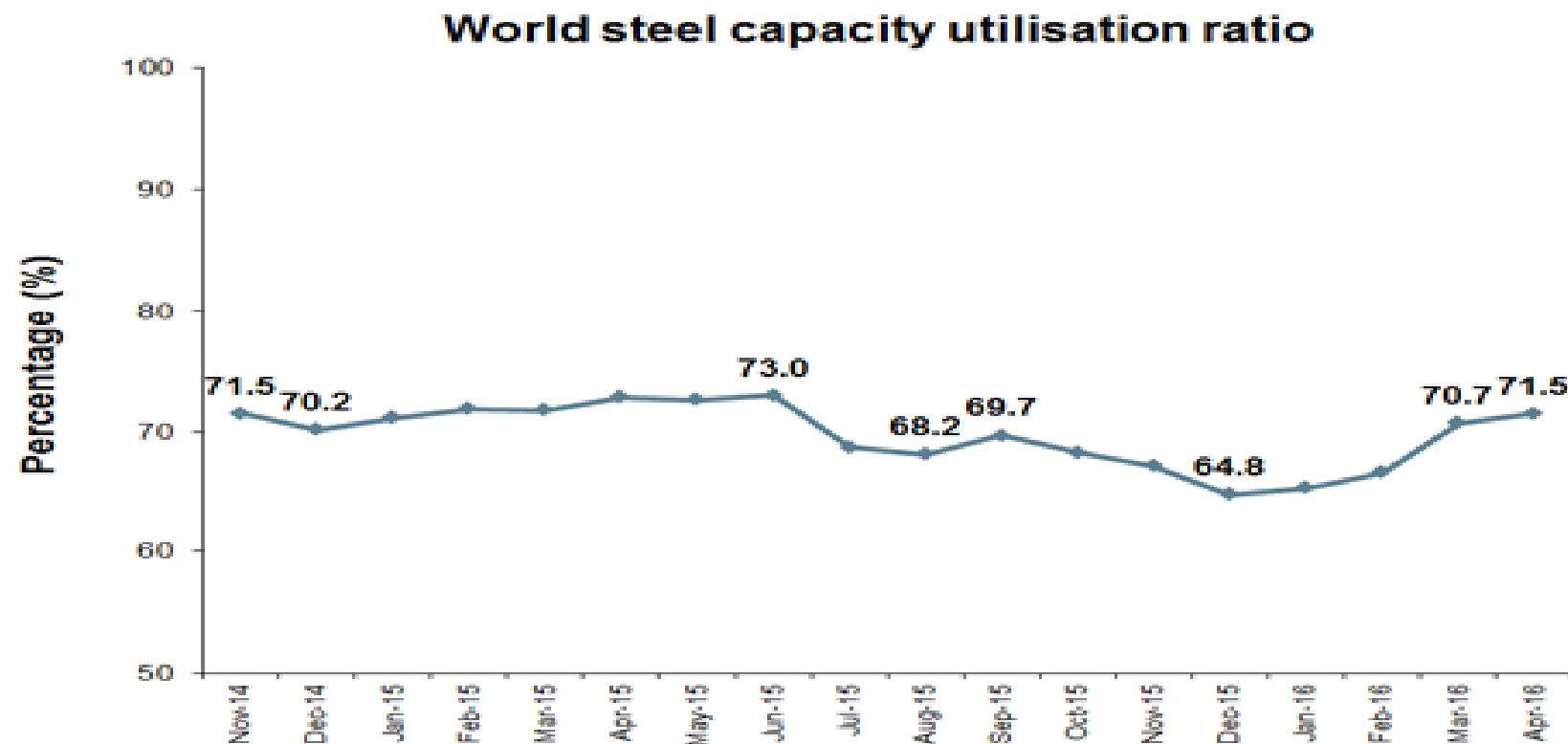
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## INDUSTRY OVERVIEW



## World Steel Capacity Utilization...



**...on a Ten Month High**

# Indian Economy's Resilience...



Government announced a significant increase of Rs.70,000 crore in investment in infrastructure in 2015-16 over the current year, with a focus on railways and roads.



Indian metallurgical industries attracted FDI to the tune of US\$ 8.7 billion, respectively, in the period April 2000–September 2015.



Railways 2015-16 investment would be close to double of the average of previous 5 years. 2016-17 CAPEX pegged at Rs. 1.21 lakh crore



Driven by rising infrastructure development and growing demand for automobiles, steel consumption is expected to reach 104 MT by 2017



Government is setting up Steel Research and Technology Mission of India (SRTMI) for R&D activities in steel industry at an initial corpus of Rs 200 crore .

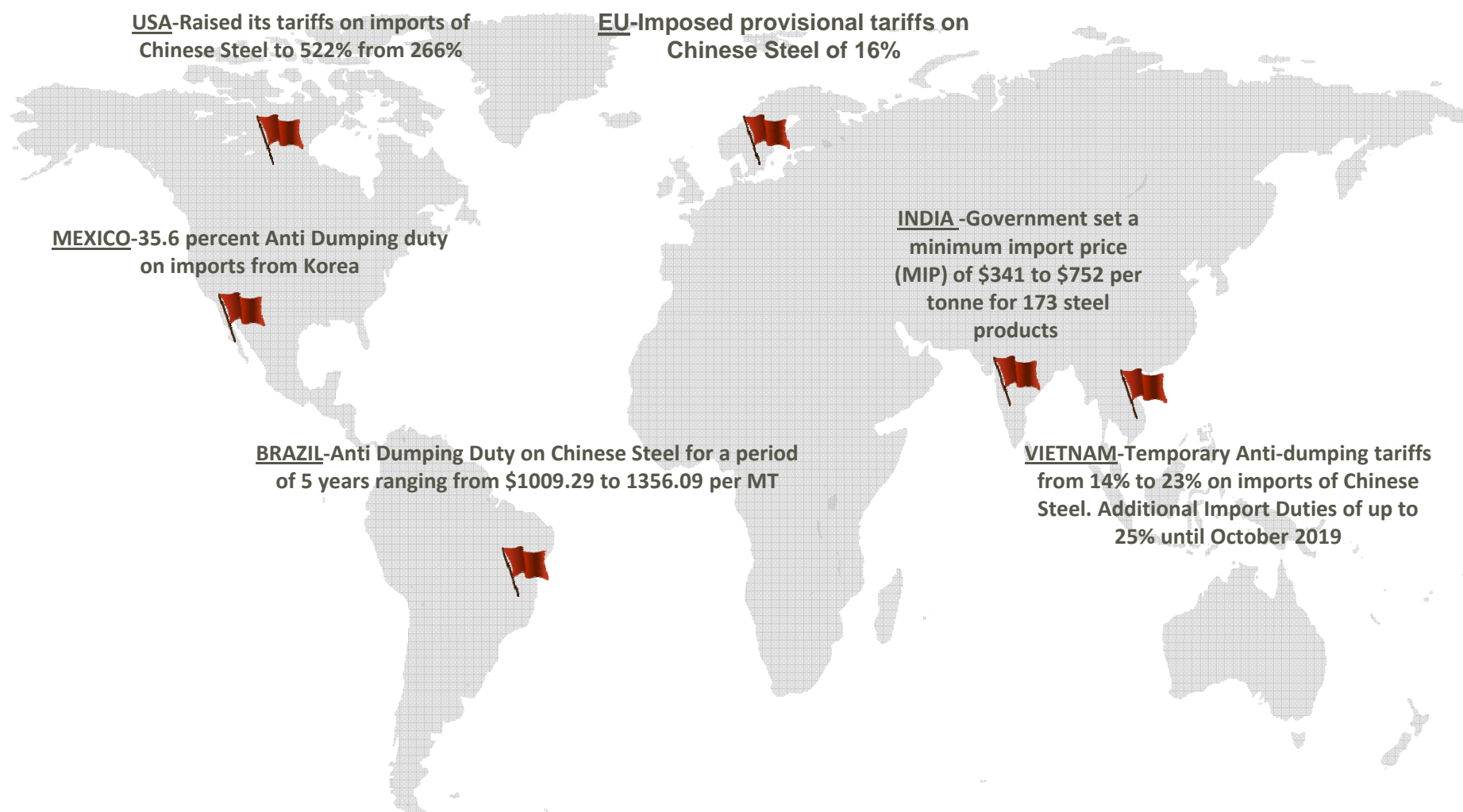


On the back of Reform momentum, Steel demand in India is expected to grow by 5.4 per cent to 83.8 million MT in 2017 as per World Steel Association.



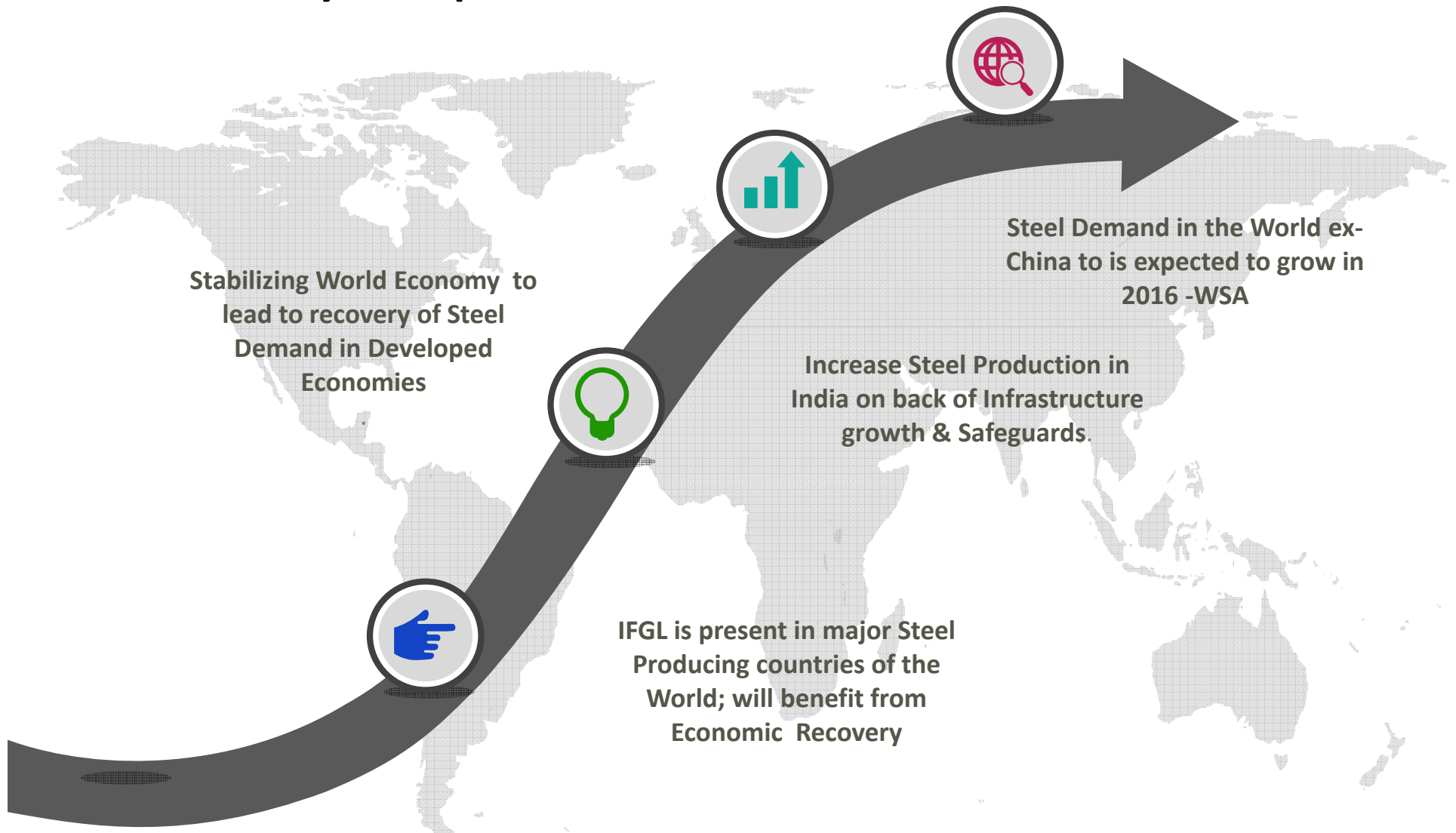
## ...to benefit Steel Industry

# Safeguard Measures World over...



**...will benefit Domestic Steel Production**

## IFGL - Ready to Capitalize





**Merger**





## IFGL Exports - Corporate Announcement



- ❖ Board of Directors have approved merger of IFGL Refractories Ltd. with IFGL Exports Ltd. on and from 1<sup>st</sup> April, 2016 subject to necessary approvals/permissions including sanction of the Scheme of Amalgamation by the Jurisdictional High Court(s)
- ❖ Share Exchange Ratio approved is 1:1 i.e., One Equity Share of Rs. 10/- each of the subsidiary Company credited as fully paid-up for every one Equity Share of Rs. 10/- each fully paid-up held in the Company
- ❖ The Advisor to the transaction is KPMG, Valuer is Walker Chandiok & Co. LLP and Fairness Opinion Advisor is Saffron Capital Advisors Private Ltd.
- ❖ Combined Entity will have equity base of 3,60,39,312 equity shares having face value of Rs. 10/- each with Promoter Group holding 72.43% and rest owned by Public

## Merger Rationale

**Simplified  
Corporate  
Structure**

**Greater Financial  
Strength &  
Flexibility  
improving  
Economic &  
Competitive  
Position of  
Combined  
Entity**

**Greater efficiency  
in Cash  
management by  
pooling of cash  
flow generated by  
the combined  
business**

**Better financial,  
business &  
operational  
prospects including  
efficient  
management of  
costs &  
administrative  
control**

**Tax efficient  
structure leading to  
potential Cash  
Savings**

**Shareholder  
Value Accretive  
Transaction**



## OUR PERFORMANCE



# Consolidated Profit & Loss

Particulars [Rs. Crs]	Q1FY17	Q1FY16	YoY Growth %	Q4FY16	QoQ Growth %
<b>Total Income</b>	181.9	185.8	<b>-2.1%</b>	<b>177.9</b>	<b>2.2%</b>
Raw Material	89.2	95.1		87.4	
Employee Expenses	31.1	28.4		132.3	
Other Expenses	40.1	36.2		38.8	
<b>EBITDA</b>	<b>21.6</b>	<b>26.1</b>	<b>-17.2%</b>	<b>19.4</b>	<b>11.3%</b>
<b>EBITDA %</b>	11.9%	14.0%	<b>-210 bps</b>	10.9%	<b>100 bps</b>
Depreciation	4.0	3.9		3.5	
Finance Cost	1.1	1.2		1.1	
Provisions	-	-		-	
Tax	<b>5.0</b>	<b>5.0</b>		<b>3.2</b>	
<b>Profit after Tax</b>	11.5	16.0	<b>-28.1%</b>	11.6	<b>-0.9%</b>

## Commentary

### Germany:

Continues to exhibit stable performance with improving margin profile

### IFGL Exports:

Achieved Record Quarterly revenues. Phase 1 of Plant operating at full utilization

### Monocon Group:

Impacted by slow core industry movement in Europe and UK. Working on new products to expand portfolio

### India Business:

Domestic Business stable with a 4.6% growth. Overall growth muted due to fall in Exports

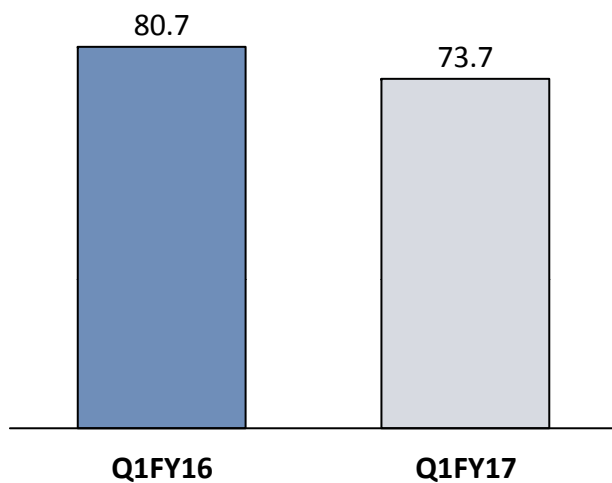
### USA Performance:

Anti-Dumping measure in USA have resulted in increased production and high profitability. Utilization levels have improved leading to operating leverage

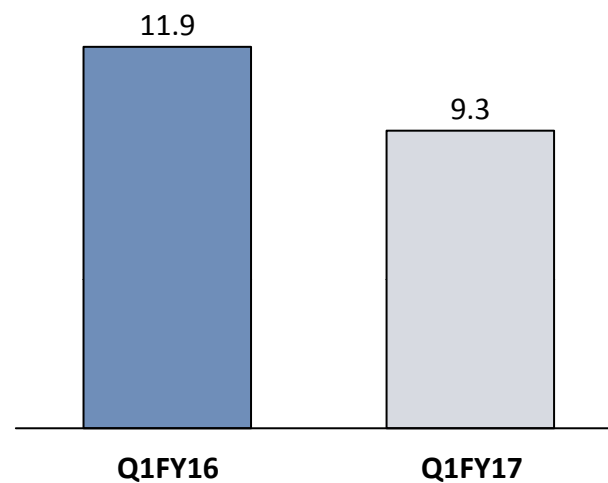


## Standalone Financial Highlights – Q1 FY17

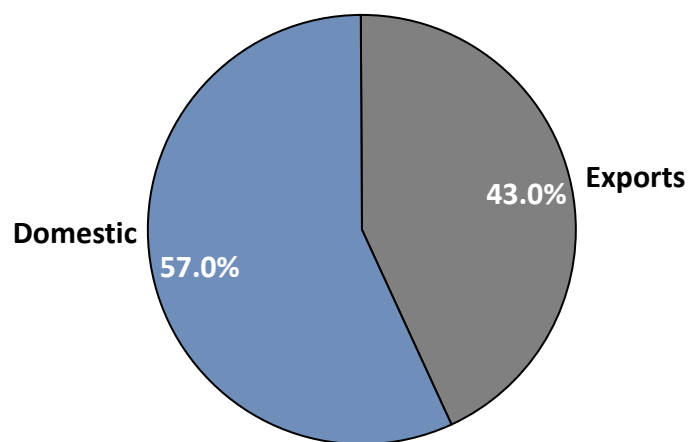
Standalone Turnover [Rs. Crs]



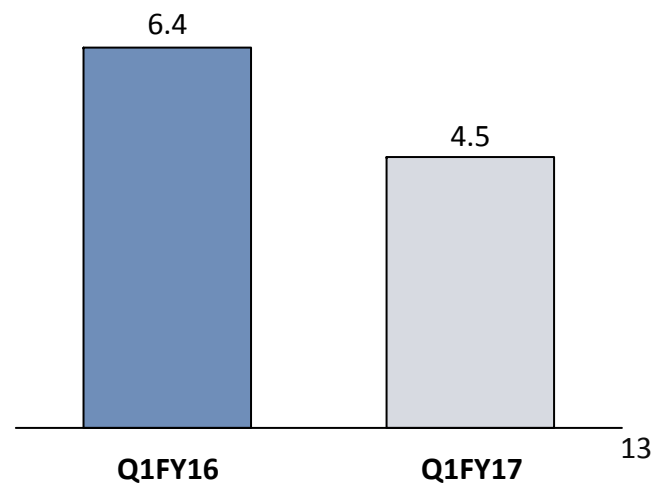
EBITDA [Rs. Crs]



Domestic V/s Export Sales [%]

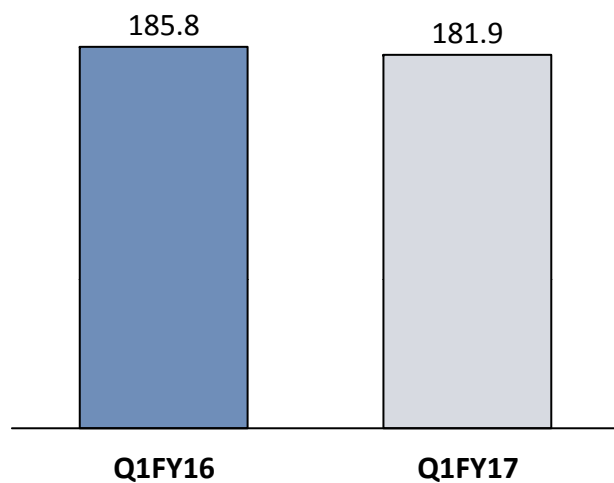


PAT [Rs. Crs]

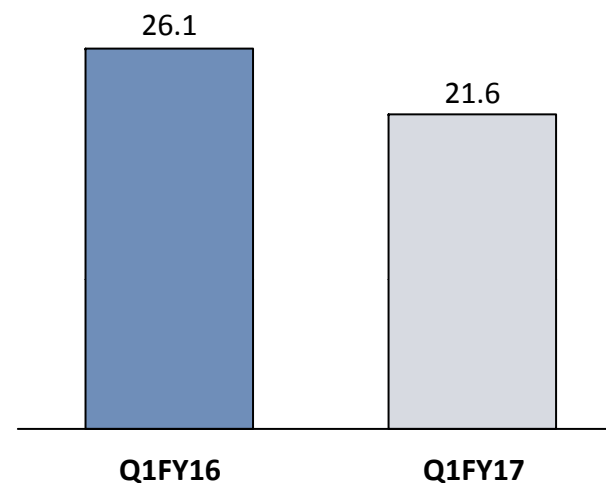


## Consolidated Financial Highlights – Q1 FY17

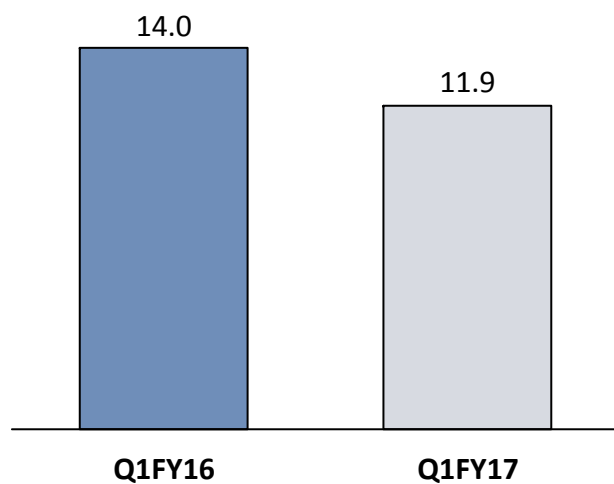
### Consolidated Turnover [Rs. Crs]



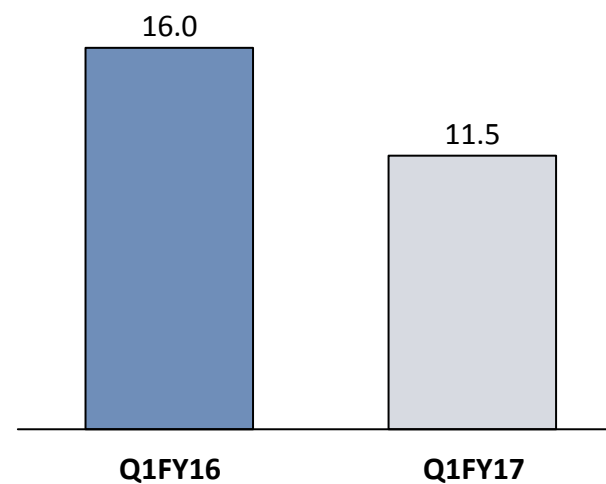
### EBITDA [Rs. Crs]



### EBITDA margin [%]



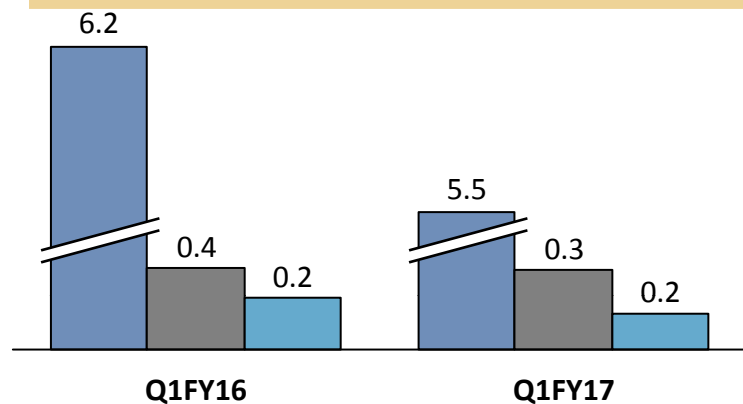
### PAT [Rs. Crs]



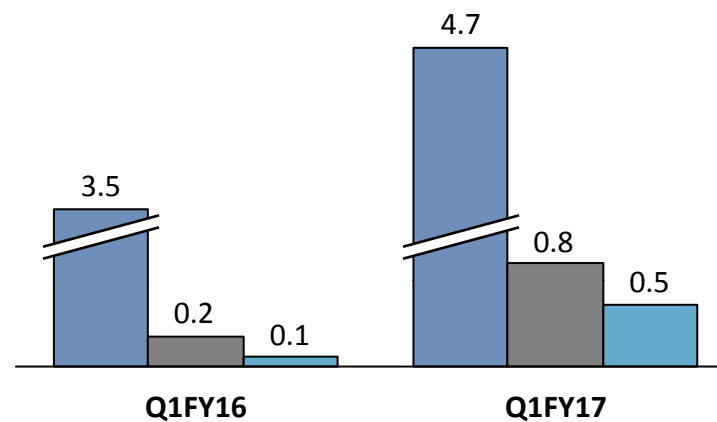


## Subsidiary Performance – Q1FY17

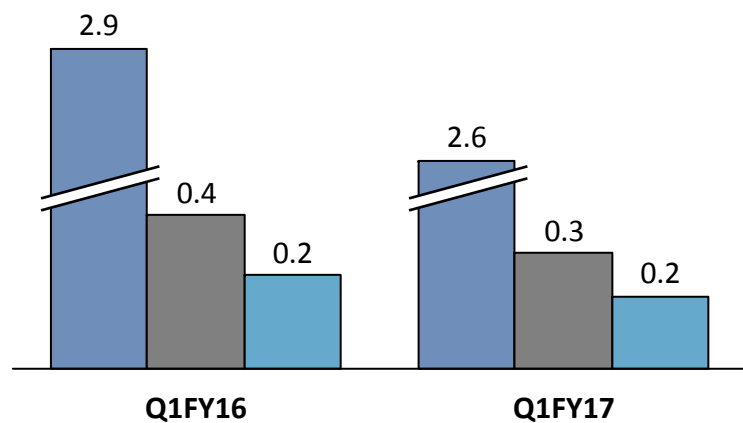
**Monocon Group [GBP mn]**



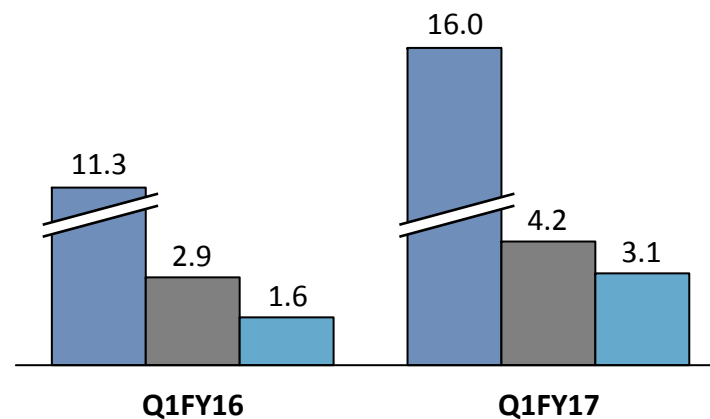
**EI Ceramics [\$ mn]**



**Hofmann Ceramic [Euro mn]**



**IFGL Exports [Rs. Crs]**



Revenue  
EBITDA  
PAT



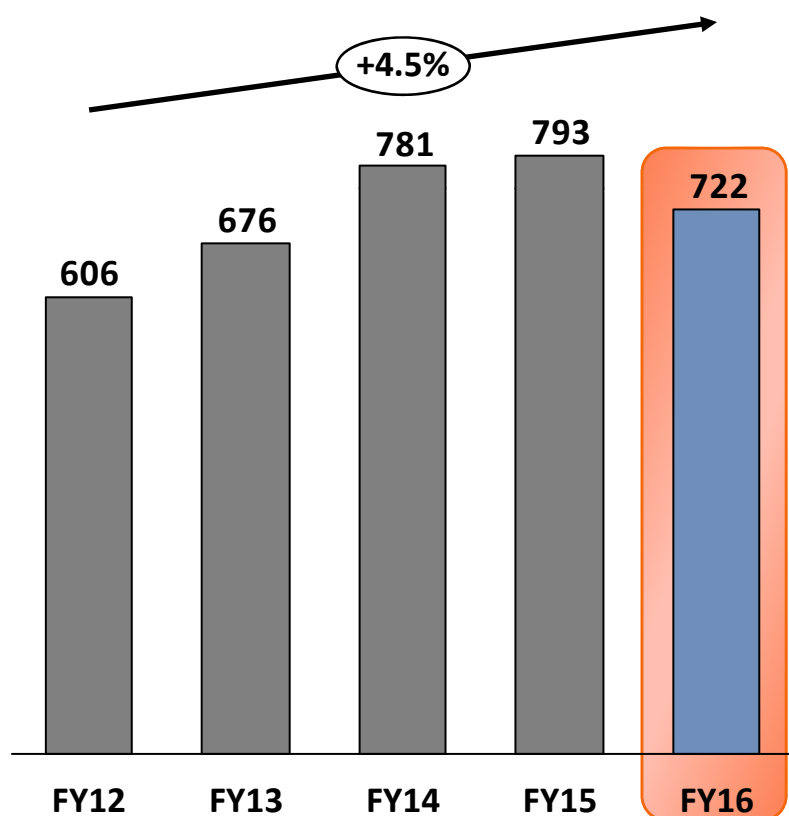
REPUTED GLOBAL BRAND



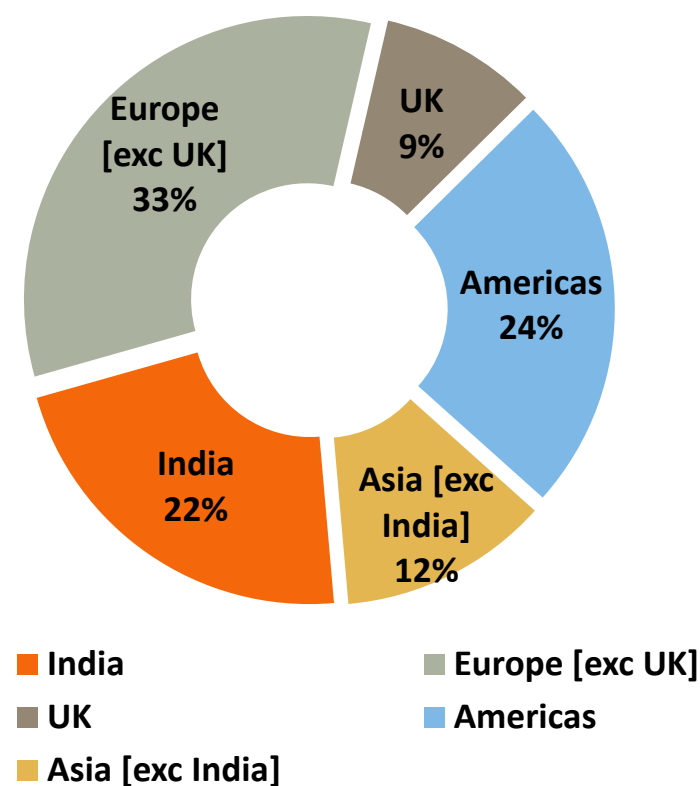


# Strong Brand in Global Refractories Market

Consolidated Turnover [Rs. Crs.]



FY16 Sales by Region



# Our Manufacturing Plants



**Mono Ceramics Inc**  
Michigan, US



**Monocon , UK**



**Hofmann Ceramic,**  
Germany



**Tianjin Monocon**  
Tianjin, China



**E I**  
Ceramics, Cincinnati,  
US



**IFGL Exports, Kandla**  
SEZ, Gujarat, India

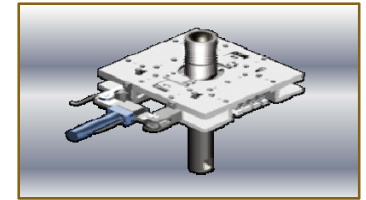
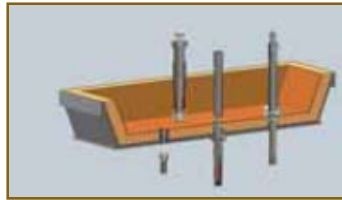


**IFGL**  
Rourkela, Orissa, Indi

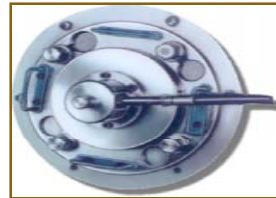
# Specialized Refractory for Steel making with Wide Product Range



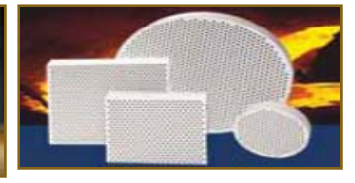
## Isostatic & Tube Changer Refractories & System



## Slide Gate & Purging Refractories & System



## Cast Products, Zirconia Nozzles, Foundry Ceramics





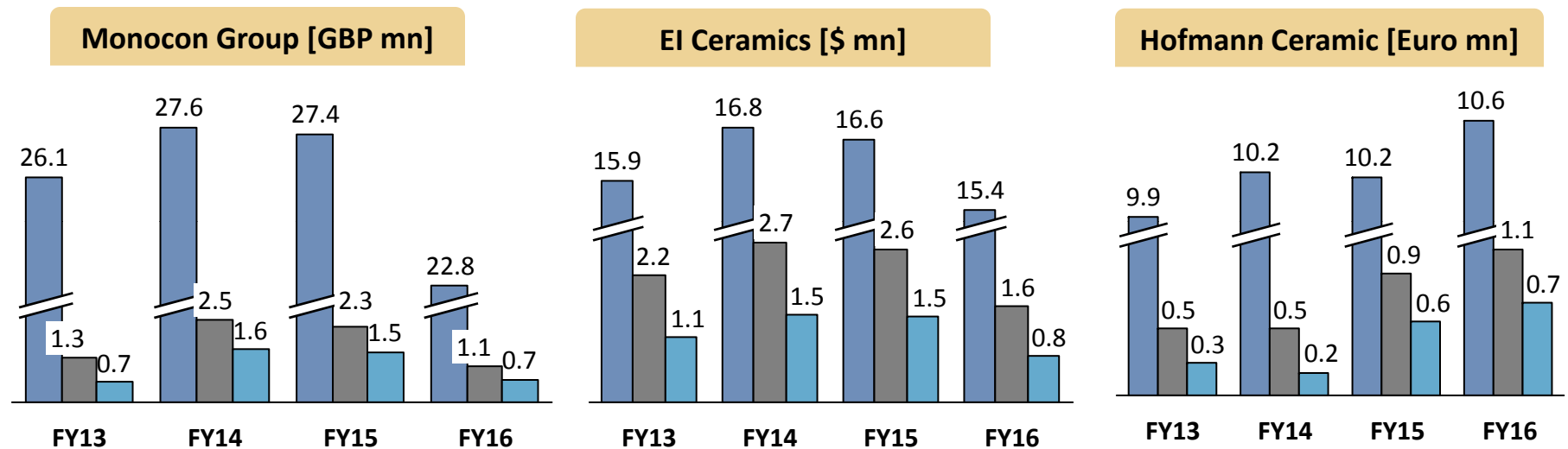
## IFGL 5 Year Performance

Particulars [Rs. Crs]	FY12	FY 13	FY 14	FY 15	FY 16
<b>Total Income</b>	<b>607.1</b>	<b>676.8</b>	<b>781.0</b>	<b>793.5</b>	<b>722.1</b>
Raw Material	303.8	352.3	378.0	406.1	365.2
Employee Expenses	84.3	98.7	110.0	117.9	119.6
Other Expenses	141.8	163.2	181.0	170.6	149.9
<b>EBITDA*</b>	<b>77.2</b>	<b>62.7</b>	<b>113.0</b>	<b>98.9</b>	<b>87.4</b>
<b>EBITDA %*</b>	<b>12.7%</b>	<b>9.3%</b>	<b>14.5%</b>	<b>12.5%</b>	<b>12.2%</b>
Finance Cost	6.75	8.0	7.0	5.9	4.8
Depreciation	12.91	13.4	15.0	14.3	15.5
Provisions	-	-	-	-	6.3
<b>Profit Before Tax</b>	<b>57.5</b>	<b>41.3</b>	<b>91.0</b>	<b>78.7</b>	<b>60.9</b>
Tax	18.3	15.9	25.0	25.4	15.7
Minority Interest (MI)	0.0	-2.8	2.0	0.2	3.2
<b>Profit after Tax &amp; MI</b>	<b>39.2</b>	<b>28.2</b>	<b>64.0</b>	<b>53.1</b>	<b>42.0</b>
<b>PAT %</b>	<b>6.5%</b>	<b>4.2%</b>	<b>8.2%</b>	<b>6.7%</b>	<b>5.8%</b>

\*For FY16 EBITDA is before Provisions (other than Tax) which is part of other expenses

## ...bucking Global Steel Trend and...

Revenue EBITDA PAT



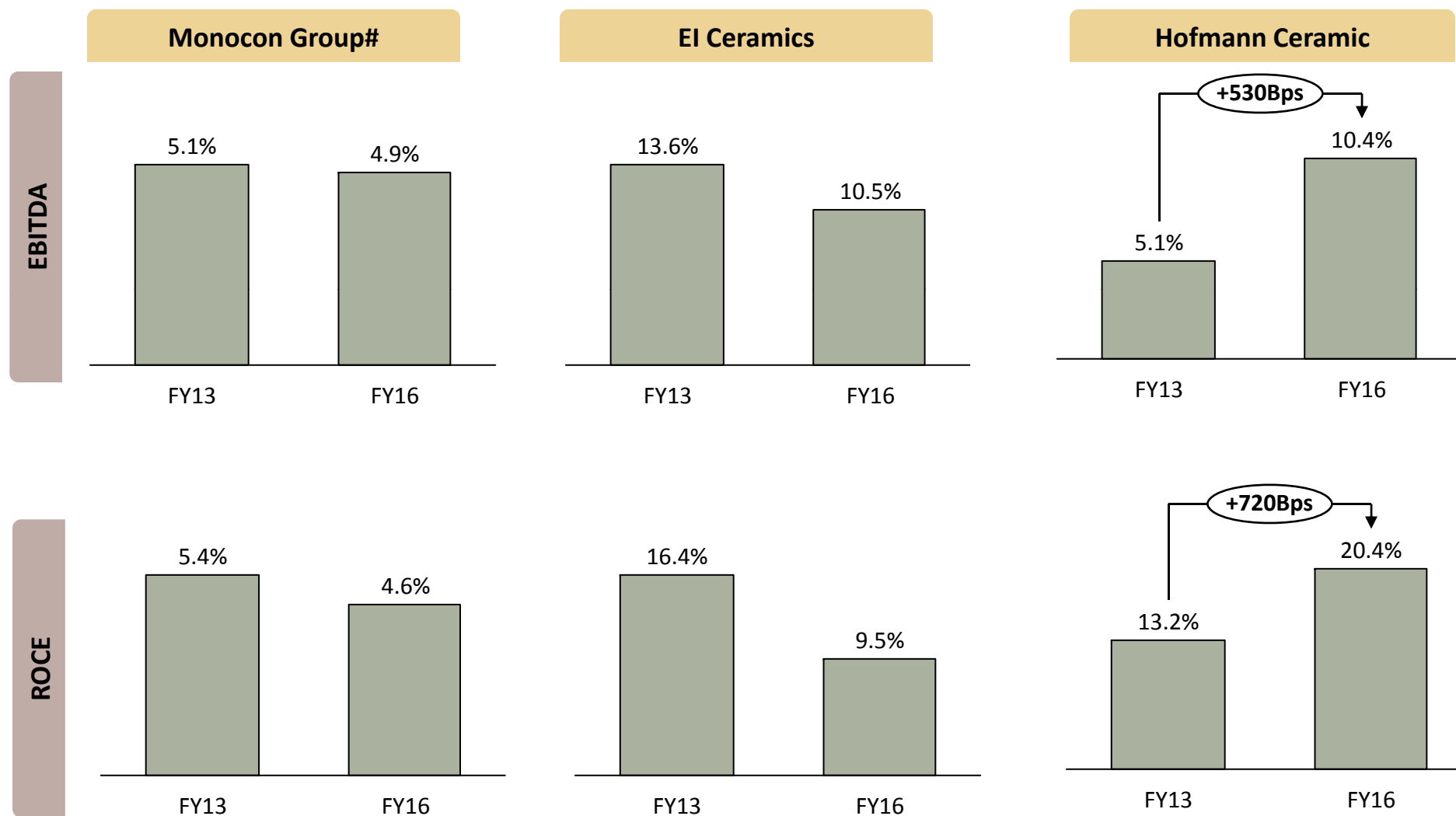
✓ Despite challenging growth environments in World economy, International Operations have continued to grow and gain market share

✓ Monocon Group & Hofmann Ceramic have grown at a Revenue CAGR of 2% & 4% respectively since acquisition while EI Ceramics has grown at 6% CAGR since acquisition

✓ Monocon Group Revenue and Profitability was impacted by a closure of Steel client's mill in UK during August – September 2015 owing to bankruptcy

✓ All International Acquisitions are profitable & generate sufficient cash flow to manage Debt servicing and fund capacity expansions

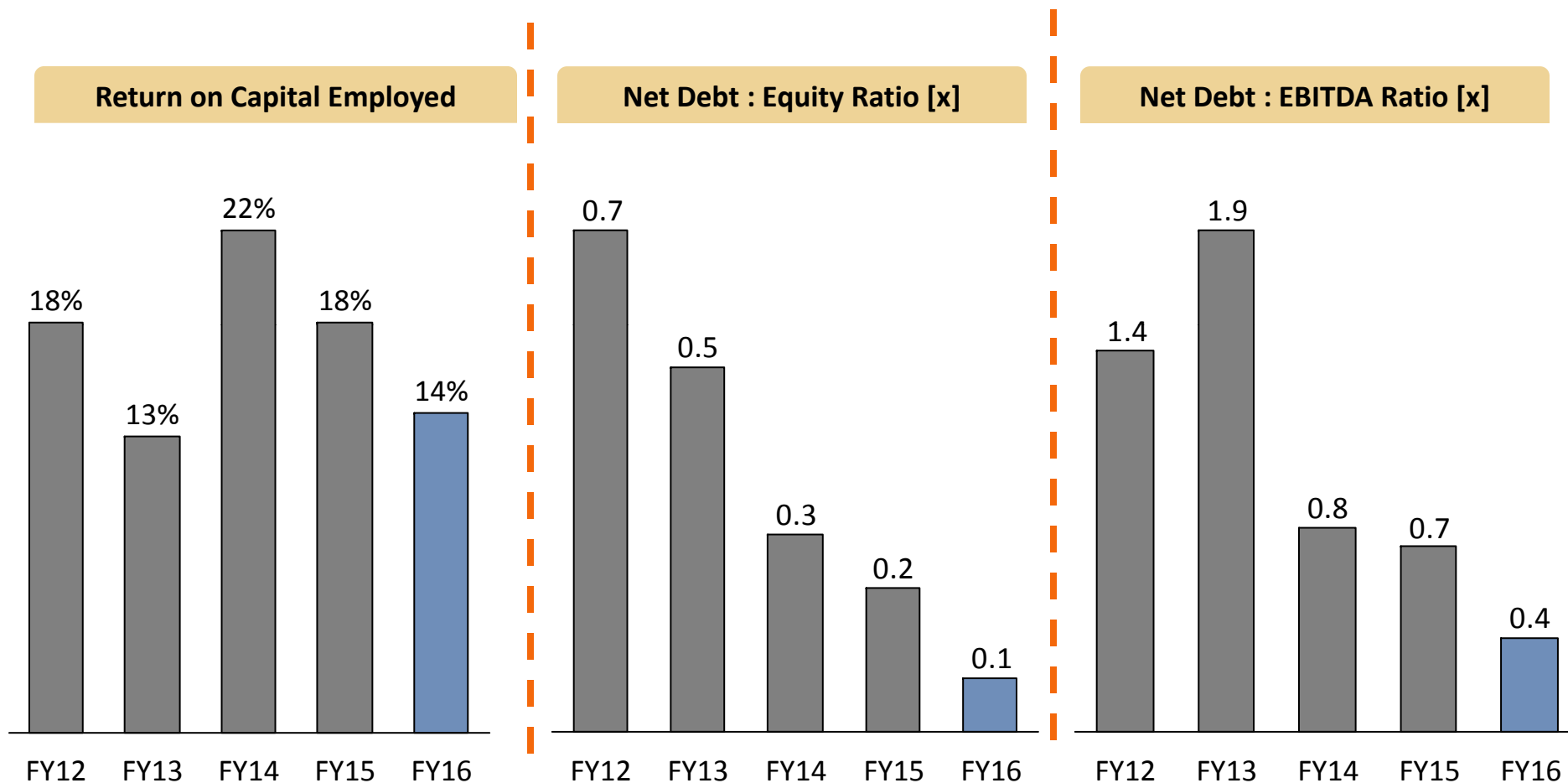
## ...increasing focus on Return Matrix\*



•On Basis of Local currency Financials in the country of reporting

•# For FY16 performance impacted by closure of Clients Steel Mill Business in UK

# Sustainable Shareholder Value Creation



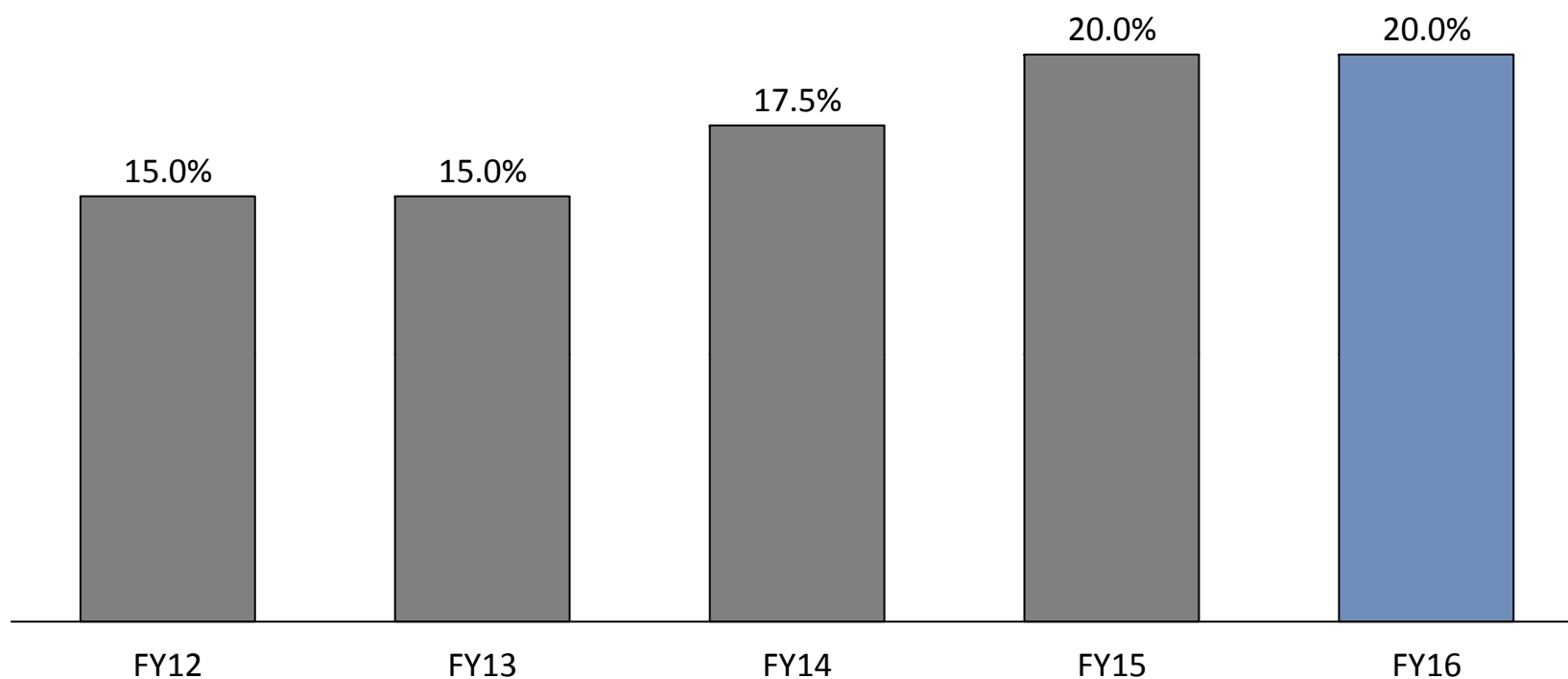
\* Consolidated

$ROCE = EBIT / (Total\ Debt + Networth)$

$Net\ Debt:Equity\ Ratio = (Total\ Debt - Cash\ \&\ bank\ balance) / Networth$



## Dividend Record



Particulars (Rs.)	FY12	FY13	FY14	FY15	FY16
Consolidated Book Value per Share	64.1	70.9	95.1	99.6	111.7
Consolidated Earning Per Share	11.3	7.9	18.3	15.1	12.1
Dividend Per Share	1.5	1.5	1.75	2.00	2.00



# Contact



**For further information, please contact:**

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