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National Stock Exchange of India Ltd
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Code : IFGLEXPOR

BSE Limited
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Dalal Street
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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 2QFY24 and outlook of the Business, held on Wednesday, 8th November, 2023. A copy of this is also being hosted on Company's Website: <https://ifglgroup.com/investor/meetings-reports/>

Thanking you,

Yours faithfully,
For IFGL Refractories Ltd.

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

Encl: As above



“IFGL Refractories Limited
Q2 FY '24 Earnings Conference Call”

November 08, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 8th November 2023 will prevail.



MANAGEMENT: **MR. JAMES MCINTOSH – MANAGING DIRECTOR –
IFGL REFRACTORIES LIMITED**
**MR. KAMAL SARDA – DIRECTOR AND CHIEF
EXECUTIVE OFFICER, INDIA – IFGL REFRACTORIES
LIMITED**
**MR. AMIT AGARWAL – CHIEF FINANCIAL OFFICER –
IFGL REFRACTORIES LIMITED**

HOST: **MR. MAYANK – AMSEC**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '24 Earnings Conference Call of IFGL Refractories Limited.

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 the date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Now I hand over the conference to Mr. Mayank from AMSEC. Thank you, and over to you, sir.

Mayank: Thanks, Rohit. Good evening, everyone. On behalf of Asian Market Securities, we welcome you all to the Q2 FY '24 Earnings Conference of IFGL Refractories Limited. We have with us today, Mr. James McIntosh, Managing Director; Mr. Kamal Sarma, Director and CEO India; and Mr. Amit Agarwal, CFO, representing the company.

I request management to take us towards an overview of the quarterly results, and then we shall begin the question-and-answer session. Over to you, James, sir. Thank you.

James McIntosh: Okay. Thank you. Good evening, ladies and gentlemen. Thank you for joining us on the IFGL Refractories Limited Q2 '23-'24 earnings conference call. I hope you and your family and friends are safe and in good health.

As I will explain in the following, we have a quite challenging quarter due to the low demand in our main markets overseas. However, we are very pleased and it's a testament to the teamwork and hard work with our employees to record a very healthy quarter for the company with a 33% increase in our consolidated income, 125% increase in our PBT, 95% increase in our PAT and 85% increase in EBITDA versus Q2 FY '22-'23.

The foundation of this great result was our domestic operations, where you will remember, our structural and investment focus has been in the last couple of years, and is now paying off in the results we see.

For the first half of the year versus last year, we have had a similar story with a 26% rise in our consolidated income bolstered by the acquisition of Sheffield Refractories as well as, I said earlier, the robust growth in domestic India, 116% increase in consolidated PBT, 99% increase in consolidated PAT and 79% increase in consolidated EBITDA.

As you all know, at the moment, IFGL markets substantially revolved around the steel industry. The World Steel Association forecasts that steel demand will grow in 2023 by around 1.8% versus 2022 figures. However, we have stressed and we believe this to be accurate, but the steel industry demand is feeling the impact of high inflation and high interest rates, and most markets has curtailed investment in new projects and consumption of steel to be weak.

Of course, we're all aware of the war happening between Russia and Ukraine, which has caused unprecedented issues particularly in the European steel industry. But in a geopolitical sense, the rest of the world contributed to higher oil prices. The most recent conflict between Israel and Palestine, which we believe will add to the already fragile nature of the current economic situation.

The World Steel Association has made the following observations regarding the main markets affecting IFGL business worldwide. These are as follows: In the USA, steel is expected to decline this year versus last year by around 1% as the country works to balance, it's reducing inflation at high and high but reducing interest rates, still managed to create growth in GDP above the expectations at 4.9%. And still though, we have seen downside in the residential construction and manufacturing sectors, somewhat offset by the growth in commercial building market and infrastructure.

India is number two in the world in steel output and continues to show tremendous growth in comparison to the other major nations. We expect this to continue in construction and manufacturing, supported by spending on infrastructure and continued gradual revival of the automotive production. Infrastructure in four key areas, national highways, railways, water infrastructure and government housing, will remain the main driver of the construction growth. New projects in the residential real estate segment are also expected to gather pace.

While the EU economy turned out to be more resilient than expected to the energy crisis brought about by Russian-Ukraine war, high interest rates and energy costs are putting a heavy toll on manufacturing activities. The recovery of the auto sector continues, but auto production is not expected to reach the pre-pandemic levels in 2024. Residential construction is also affected by high interest rates, material cost and labor shortages, while the momentum and infrastructure investment remains stable.

Germany is in a particularly difficult position with both manufacturing recession and the housing crisis. With monetary policy expected to remain tight, a rebound in demand is not foreseen for 2024. But as destocking cycles and the technical rebound will enable positive growth in steel demand in 2024.

As I mentioned previously, our decision two years back to focus on the domestic market has proven to be a major driver in our success as a company. And it is therefore important that we continue to improve and invest in our capability, both technologically as well as capacity. And the three main domestic manufacturing locations in Odisha, Gujarat and Andhra Pradesh, we can tune our expansion plans, we tend to strengthen our position in currently supplied market cycles by increasing market share and adding new customers, expand our product line

capabilities and to commercializing new products for multiple industries, improve the technological capability of our products and improve the cost effectiveness of our operations.

Although, I do not wish to discuss in detail as Kamal will cover this later. In November we will inaugurate our new and now completed state-of-the-art research and technology centre within our core manufacturing location in Odisha. This will enable the company to improve its own material and intellectual property database, expand its products and improve our technological approach to sustainable material and technology development.

As we've covered before also, IFGL is on a focus with ESG, and we want to strengthen our efforts in these directions. And we have an agreement with our global consultants that we were in this area and the second will bring quickly and approach to a level of commensurate before standing within the industry. So the overseas markets, particularly Europe, we are very much at the mindset that in every downturn, there is an upturn, and our focus is to ensure that during this period of low demand, we concentrate on improving our manufacturing, personnel capability of locations in Germany, UK and also in the USA to be ready to benefit from this.

In Germany, we are in the final stages of our manufacturing hall expansion in Hofmann. In the USA, we have a project just commencing to combine all of our operations in the continuous casting refractories into one location from the current two, along with improved capabilities and efficiency which will enable us to realize greater profitability. In the UK, our operations are commencing a process of mapping the synergies between our two companies there, Monocon and Sheffield Refractories.

We'll share more of this in the forthcoming quarters once our investment approach is clearing the site upon the local management teams. But first, let me now hand over the call to Mr. Kamal Sarda for his comments.

Kamal Sarda:

Thanks, James, for giving a very good overview of the global scenario and also our operations worldwide. Let me give a very brief on the Indian operation.

India steel demand is projected to maintain its robust growth trajectory. As per the World Steel Association, India has shown a very impressive growth of 11.6% in the nine months of calendar year '23 over corresponding period. After a very healthy growth of 9.3% in 2022, steel demand is expected to show a healthy growth of 8.6% in the full year '23 and about 8% in full year '24. It's a huge growth. The National Steel Policy outlined a goal to reach 300 million tons by 2030-'31. And we have observed that several steel companies have already announced substantial capex to support this expansion.

In India, we consider, Odisha to be a tremendous growth opportunity for us. Over the next seven to eight years, we expect Odisha to contribute an additional 80 million tons to 100 million tons of the country's steel production growth, making it a major driver of growth in India. Approximately 75% of the Indian steel growth is projected to come from Odisha only. And this is why we are making a substantial investment in this region. We are also diversifying to the non-ferrous industry, such as cement, petrochemical, copper and other industries with

high-temperature applications and refractory mills. This move will reflect our commitment to exploring new opportunities and broadening our presence in the various markets.

Moving to our plants in Odisha and Kandla, we are in the final phases of completing the plan expenditure. Most of the expansion is already finished, and we have also acquired some additional land to address the space constraints that were previously limiting our operations. In Vizag, we have made substantial progress and with approximately 60% of the planned expenditure being already done. And as planned, we expect these to be ready by March '24. In Kalunga, we have made substantial investments aimed at enhancing our product quality, expanding our capability to accommodate new product lines and improving our debottlenecking processes.

Our research centre, as James mentioned, is already ready and plan to be operational by end of November. This research center will play a pivotal role in our operations. It will serve as a hub for conducting fundamental research on our products. Moreover, it will be instrumental in supporting all our group companies in enhancing existing products, introducing new products in the market and exploring new raw materials and alternative raw materials. These efforts are aimed at cost reduction and quality improvement across the board. With these investments and initiatives in place, we are optimistic about the numerous opportunities that lie ahead in our Indian market. These steps will position us for growth, innovation and success in the Indian market.

I will now request Amit Agarwal, our CFO, to take you through the financials. Amit.

Amit Agarwal:

Thank you, sir, for the quick overview. Let me provide review in brief of the financials. First of all, we are delighted to announce that in quarter 2 FY '24 have achieved the highest ever quarterly revenue EBITDA and PAT on both consolidated as well as standalone basis.

Starting with the standalone financial highlights, total income increased by 21% year-on-year to increase to INR 63.5 crores in quarter 2 FY '24. EBITDA increased by 92% year-on-year to INR 57.3 crores in quarter 2 FY '24. EBITDA margin stood at 21.8% in quarter 2 FY '24 with an increase of 820 basis points year-on-year. PAT was up by 116% year-on-year to INR 30.1 crores in quarter 2 FY '24.

Let me now move forward to consolidated financial highlights. Our consolidated financial highlights also include our international subsidiaries. Our consolidated income increased by 33% year-on-year to INR 459.5 crores in quarter 2 FY '24. Consolidated EBITDA grew by 85% year-on-year to INR 71.7 crores in quarter 2 FY '24. Our EBITDA margin stood at 15.6% in quarter 2 FY '24 with an increase of 440 basis points year-on-year basis.

So our PAT up by 95% year-on-year to INR 38 crores in quarter 2 FY '24. With respect to liquidity position, we remained net-debt free with strong balance sheets. Cash and cash equivalents stood at INR195.6 crores on consolidated basis as on September '23. Our ROCE stood at 17.6% in H1 and ROE stood at 12.9%.

With this, I shall now leave the floor open for questions and answers. Thank you.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Harsh Shah from Dalal & Broacha Stock Private Limited. Please go ahead.
- Harsh:** A few questions from my side. Firstly, on the gross margin front. So based on the current raw material price trends, so is this 50% of gross margin kind of sustainable? And do we have any scope for improvement? Yes, that's my first question.
- Kamal Sarda:** Okay. So I think on an overall basis, I've always maintained that on a standalone profitability, we are talking of a 15% EBITDA level. I'll not go into the individual details, but I would say that we gave a view that we will have definitely a 15%-plus EBITDA margins.
- Yes, the raw material prices have softened. And because it's -- all these things are depending upon the product mix, and so all these things -- is subject to a lot of other things. One quarter could be higher in level. But I think overall, on an annual basis, we say that we are talking of 15% margins.
- Harsh:** Okay. So 15% you are saying on the standalone?
- Kamal Sarda:** Yes, please.
- Harsh:** And console level?
- Kamal Sarda:** 12%.
- Harsh:** So why I ask this is because when I look at the other expenses, right, as a percentage of sales, it is almost at a 10-quarter low. So considering the scale that we had this quarter especially, so is this kind of -- EBITDA margin that we reported a 14.8% kind of possible in Q3 or Q4?
- Kamal Sarda:** So don't look at the percentage of other expenses, okay? That is we are talking of -- it's linked to sales, when the sales increases, definitely, there could be a percentage here and there. But I think overall, we will say that you maintain projections of 15% EBITDA.
- Harsh:** Okay. And what would be the average capacity utilization at the company level? I know every product has a different utilization level, but on an average at the company level?
- Kamal Sarda:** Say that there are various new capacities we have added. So today, the capacity utilization could be different than what we had about a year back when the new capacities were not added...
- James McIntosh:** That's a very good question to answer, Kamal, because, I mean, look at what 10 plants worldwide look at how many product lines. So it's a very difficult question to answer with regard to capacity utilization in a general sense. Every product line is different.
- Harsh:** But any ballpark figure within the Indian operation that would be also fine. So we come to know whether any sort of operating leverage that can kick in going forward if the scale increases? That's why I asked.

- Kamal Sarda:** See, Harsh, we have made significant investment in India in the last one year, one and half years. And there are a lot of investments which are there. As I mentioned in my speech, the Vizag expansion is going to get completed in FY 24. There are a lot of new capacities that are getting added. Lot of capacity, we haven't got added. So we have enough scope to grow.
- James McIntosh:** I was just going to say, Kamal, I mean, I think the question is related to whether we have the capability to sustain the growth that we target in the company and the plans we have just now. And the answer is, yes. I mean we have sufficient capacity to sustain growth in both the stand-alone and also the consolidated side.
- Moderator:** Thank you. The next question is from the line of Jiya Shah from Wealth Securities. Please go ahead.
- Jiya Shah:** Can you provide any update on this matter?
- Kamal Sarda:** Pardon me. Can you come again, please?
- Jiya Shah:** Yes. So have you received the land from government for the recent project that we had in Odisha?
- Kamal Sarda:** Well, the land is under final stages of mapping by the Odisha government. And I think they have told us that within this month they are going to allot us.
- Jiya Shah:** Okay. And for the research center, the R&D center that we have, what type of research activities are we planning to pursue?
- James McIntosh:** The initial stages for the research center, because obviously, for IFGL, this is the first time we, as a company, have such a tremendous asset and state-of-the-art research center. So our objectives for the first period are to concentrate on benchmarking all of the products from within our group. We have tremendous product lines all over the world but was never really benchmarked been in a position to benchmark those product lines and enable us to arrive at a spread of products depending on performance, for example, depending on steel type or application type.
- There are significant improvements we can have in both our customer operations and also our own operations by understanding what technologies we have within our group, can be transferred and moved to other locations and provide benefit. So the initial stages of the research center will be to answer those questions. So it's a focus on benchmarking, and it's a focus on internal technology transfer from a standalone company.
- In this regard, we are in control of every aspect of the project. And therefore, it will be very quickly for us. And this is the reason why this is the initial emphasis on the research center. That should take between 1.5 years and two years. That's a big-big project. But after that, then we'll be going on to product improvements and research of new materials and things like that.
- Jiya Shah:** Okay. That was helpful. Just one last question. So what factors have contributed to the recent increase in margins that we have? And are these margin level sustainable in the future?

- Kamal Sarda:** So I think I mentioned in the last question asked by gentlemen Harsh, that we are talking of -- we are giving a guidance that a 15% EBITDA margins are sustainable margins in the future. These are all some take because of the low cost and all other stuff. We have maintained that 15% margins. The target for that 15% margin are the sustainable margins.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Saket Kapoor & Company. Please go ahead.
- Saket Kapoor:** Sir, if you could provide us with the capex for this year and the coming years? I think so our closing balance of capital work in progress is close to INR 58 crores. So if you could give us some color, what portion has been capitalized also for the first half, if you could share the numbers?
- Kamal Sarda:** As I mentioned that I think most of the capex has been done. In Kandla, we have done almost 90% of the capex. We had announced about INR 50 crores capex there. In Vizag, we have completed almost 60% of the capex plan, and the balance would be spent by March '24.
- In Kalunga, we have spent most of it, barring on equipment, which we have deferred for the time being. And the rest of it is all spent. The research center is ready to be opened within this year, so this month. So all the expenditures are done. And as far as your question is concerned, I think whatever we have planned will be spent by March '24.
- Saket Kapoor:** Okay. So for this year sir, for the September half, the closing balance is closer to INR 58 crores. So what should be the March number we likely spend and how much will get capitalized?
- Kamal Sarda:** The entire expenditure which will be done within this H2 will be capitalized in India. And overseas, I think, Jim, if you can put some. But I think the numbers, I would say about INR 80 crores or INR 90 crores will get capitalized in all of this year in India.
- James McIntosh:** I would -- certainly from the point of view of the overseas side would be similar. We generally have a capex base on a year-to-year basis. So by March '24, we would expect all of the expenditure to be done.
- Saket Kapoor:** Sir, it is evident that as you guided that for standalone numbers, it is 15% EBITDA margin and 12% is on a consolidated basis. So the structure of the foreign subsidiary performance is that they pushed lower margins. So taking into account the investment in the group companies, what steps are we taking to improve the efficiency and the margins there, especially for our group companies?
- And also, sir, if you could give us some color on this -- the last acquisition which we have done, how is that unit performing? And what's the business plan for that? What kind of opex or capex is needed there? And how is that unit going to perform for the coming year?
- James McIntosh:** As I said earlier on, project that we're now, because obviously, when you buy a new company, you don't want to initially go straight in and change everything. That's not our objective. Our

objective was to make sure that we had already stable transition between their previous life and now life within the IFGL group. And so far, we have been very happy with the performance of Sheffield refractories.

All of the sales and profitability, I guess, the asset of where we had planned. Now we are focused on projects which is looking at the potential synergies between Monocon, our existing UK business, and Sheffield refractories to see where the benefits can be. And part of that project will be defining any necessary capex that we might have. And that capex would fall within the next financial year, not this financial year.

For the German operation, we are just completely where we hope to complete by the end of this year, the expansion of the manufacturing hall. And this will enable us in Germany to consolidate all of the manufacturing of the filter products in the German operation. So that's going quite well. The Belden is up, I mean, over in which really good in that. And then in the Americas, we have an expansion of our project, which is to -- we currently have two locations in America, manufacture and the isostatic products.

We want to bring them into one location because we believe that we will derive from that benefits and efficiency for personnel and also process control. And this project is now underway, but that's our long-term project, and it's going to be phased over a two-year period. We have already been provided building the land and we're working through that.

Saket Kapoor: Sir, do we have synergies with Monocon and Sheffield refractories?

James McIntosh: Of course we do.

Saket Kapoor: Because the [inaudible], can you explain the reason of the synergies between these two?

James McIntosh: Well, the projects that I talked about are the project to define the synergies. So for me, it's not a defined list of funds which we have right now. The project that we have just undertaken is to define those synergies. So I don't have the answer to that question right now. I could answer it, but I don't want it because I want that project to be in a position where a defined on our basis of teamwork and approach, the products which can be transferred or improved or working between the two companies.

Saket Kapoor: Sir, a small point again on the Europe and the Americas segment also. I think so Kamal Sir, you did mention earlier that there were some issues in the previous two quarters back with the American margins, but now they have normalized. So -- and also for the Europe segment, the margins have -- the profitability for the segment has moved up significantly. So if you take the Q-o-Q numbers, Europe, the revenues have been lower, but the profitability has moved up from INR 2 crores to INR 4.50 crores.

So if you could explain the reason for this jump in the probability. And also, we have heard that Europe, as a geography, is facing a lot of issues and the economic activities are not up to the mark. I'm not -- what a normal condition would be, whether we may take the chemical industry into expect. So do we see any...

James McIntosh:

Absolutely, this is what I said in my previous conversation at the start of the conference call. Of course, everyone knows that the European market is in a very difficult situation. The steel industry worldwide outside India is not in a massive growth scenario like India. And an actual fact, you could say that it was stagnant to declining. But in each of those locations, you've got certain markets, and the European market is one of them and Americas the other where demand has been under pressure.

These things happen in our industry. They have happened in the past and will continue to happen in the future. And this is why you try and build a company which has a breadth across its operations. We chose to focus on strengthening the Indian market. We chose to focus on that.

The next choice for our company, as Kamal touched on, is to look at new market areas for the company, not geographical but new product areas, which we can get into perhaps, which are non-steel related. These would be huge changes in our company because at the moment, we are very focused on steel.

We want to change that in the future. We want to become a company which is involved in refractories, not only in steel, but in other areas, other major refractory areas. This will take time, but it's a focus which we have and our plan we have. And part of the reason for purchasing the Sheffield refractories operation was to move into the iron-making segment, which was never an area that IFGL was in. So this enabled us to work on and develop plans for how we get the iron-making side into our operation worldwide.

And this is part of the aspect of the projects that I talked about earlier for Sheffield. But it's normal for any company to be involved in some markets which are difficult, some markets which are up. The beauty of IFGL and what we're doing now and what we're going to do in the future is the more we can balance ourselves throughout different product areas, different lines of manufacturing, different geographical segments, the stronger we become as a company. And the more able we have to sustain our growth as we have done in the last quarter, even through difficult situations in Europe and America.

Saket Kapoor:

So just to cut the story short, the -- yes, only yes. Can you...

Kamal Sarada:

Come again, please? Because this way, we have to give chance for others also.

Saket Kapoor:

Yes, I will join the queue, sir, definitely.

Moderator:

Thank you. The next question is from the line of Sahil Sanghvi from Monarch Network Capital. Please go ahead.

Sahil Sanghvi:

First of all, congratulations to you and your whole team for a very good set of financials. Thank you for the opportunity. My first question is that on our quarterly standalone numbers, we have done a revenue growth of 20% Y-o-Y. Can you let me know, what was the volume growth in this number?

Kamal Sarada: I think it's a mix. Volume definitely has gone up. The domestic market has grown significantly, the domestic market opportunities is there. So I really don't have a clear breakup of the volume and the value. So I really cannot answer that. But definitely, it is backed by a significant volume growth.

Sahil Sanghvi: My second question is to James, sir. Sir, I think there was a time before COVID where we were consistently doing a 15% EBITDA margin in the EI Ceramics business. I believe you were heading the business, so you are the right person to answer this question. I don't think they're still at that -- those levels right now, sir. So what are the reasons which is -- I mean, which is stopping us from reaching those levels? And can you ever get back to that kind of margin, sir?

James McIntosh: Yes. I mean, you're correct, the profitability of the EI Ceramics was very consistent for a number of years. And we went through a period of time, I think, one of the other callers referred to that and comment that Kamal had made that they struggled for a period of time was profitability. We have a sustainable level of profitability at the moment but we have now been, I think, consistently achieving for close to a year.

And can it be improved? Yes. I think that we can get easily back to the levels that we were before there and the main focus on EI Ceramics. I know it has not been the whole way about getting back to the profitability. It's been about getting the efficiency of the plant, getting the new products and various other aspects worked on. And this has been very, very positive. I think that as we had a much more buoyant market in America.

At the moment, it's quite depressed. There's been -- I'm sure you all know that there were some strikes at the automakers in America, which caused a slowdown in the steel industry. There are various other industrial actions and things which are complicit were not conducive to growing the output. If we had a more stable situation in America with output, then I believe that our profitability would be back to where it was before. And I think it can be back again to where it was before, and it won't be too long before we achieve that.

Sahil Sanghvi: And last question is, sir, we have noticed you have been putting these notifications on the exchange also. I'm talking about the new hires that we have done on the technology side as in the manpower hiring that we've done and also on the marketing side. Some personnels with more than 15 years- 20 years of experience. So what was the thought process over here? And how does this change your business going forward?

James McIntosh: As you know, you need experience to grow the company. And at the end of the day, our objective is to -- especially research was an area where, as we said before, research has never been a part of IFGL refractories. We have always had product development -- product development inside the plants, and that will continue. But having a research center where we can focus more on an in-depth understanding of our products and development is very, very important.

And to do that, you need to hire the right people. And Kamal and his team have done a great job in identifying some real key people that we wanted in the organization. And we're very

happy that they're joining the organization. On the sales side, as we said earlier on, we have some new product areas and product lines that we are very keen to explore. These product areas and product lines are not only in steel, they are out with steel and to completely new areas for the company. Again, to be able to understand and develop and create strategies around the growth of those products, we need experience, and that's experience that we didn't have before. All of these people that we bring in will be bringing benefits to the company. I don't know if you want to add anything, Kamal?

Kamal Sarda: No. I think -- yes, you're right, Jim. These people come with lots of experience and then new product. So we are building a very strong team around our growth projections for India. And these people will help us in achieving our growth.

Moderator: The next question is from the line of Mayank from AMSEC.

Mayank: Thanks for the opportunity. I have a question particularly on the industry side. Are we seeing increased dumping by the Chinese players in the refractory segment? How is it? We are hearing from other product companies that suddenly there is increased dumping by the Chinese players in the Indian market. How is the scenario for the refractory industry in India?

Kamal Sarda: In India, if you look at all the Indian growth in the steel and of course, if steel grows, all the other industries related to that will grow. Cement will grow, power will grow, and all other related industries will grow. It is India's story. China is not there at all. China does not affect the Indian growth story. With the Indian growth, as I mentioned in steel, we have had about 12% growth in the first 9 months. It has been a consistent growth. Steel growth in India has been consistently over 7%-8% over the last 10 years. We do not see any affect of any Chinese products coming in.

In fact, with the Make in India or Atmanirbhar Bharat program of the Government of India, I think a lot of companies are manufacturing that in India right now. So, the Indian refractory industry is going to set to grow. The manufacturing side is set to grow faster than the growth of the user industries.

Mayank: Just to rephrase my question, I just want to understand the pricing power in the industry. Have you experienced that the pricing power of IFGL or other branded names has increased in the last 1 or 2 years? Or has the pricing power come down? I just wanted to understand from that perspective?

Kamal Sarda: There is no pricing power in any of the refractory players. It is at the same price the customer buys from all of us. The quality of the product is more important. To support this particular quality side, our research center will help us in improving that. But having said that, till date, for customer the major criteria is quality and price. Price and quality both have to be at par for all the suppliers.

James McIntosh: But I think also price is not -- it was a commodity than just pure price is obviously very significant. But most of the products at IFGL supplies our products which require service, they require a very good technical backup, they require very good manufacturing.

We are very proud of the products that we manufacture and the capability of IFGL. And personally, I think that the Indian market and other competitors in the Indian market are very, very good at what we do.

And so with regard to Chinese companies coming in, it's not just a case of coming in and getting a low price and you'll automatically get the business. I think that the Indian customers as other customers around the world are more interested in what you can provide from the point of your technology, from the point of view of performance because these are the real benefits that steelmakers get from buying from IFGL and other very good refractory manufacturers as the technology and product performance that provides the greatest benefit in cost. I hope I answered your question.

Mayank: Yes, that was really helpful. The last question would be, what are the financials for Sheffield refractories this particular quarter?

Kamal Sarda: Sorry.

Mayank: What are the revenue EBITDA, PAT for the Sheffield refractory, the acquisition?

Kamal Sarda: Which refractory?

Mayank: Sheffield.

Kamal Sarda: Sheffield refractory?

Mayank: Yes.

Kamal Sarda: I think you look at the consolidated numbers, which is most...

James McIntosh: I don't think that's important to go into the detail of an individual company's sales and profitability.

Mayank: Sure.

Moderator: The next question is from the line of Nishit Jain from S&J Investments.

Nishit Jain: May I know the export revenue for Q1 and Q2 in stand-alone numbers?

Kamal Sarda: It is there as a part of the segment revenue to look at.

Nishit Jain: For exports?

Kamal Sarda: Yes, yes. Okay. So export revenues are not reported. But our domestic business has grown significantly, which domestic would be about 50% and 60% in this quarter.

Kamal Sarda : Export will be about 40%.

Nishit Jain: And second question, just for clarification...

- James McIntosh:** Which is where would that be in comparison to the past, like 2 years ago, more we are away, right?
- Kamal Sarda:** Yes. In the past, it was -- before, COVID, we used to have about 60% -- near to 60% export, and about 40% domestic so our efforts. So our efforts are also domestic.
- James McIntosh:** We reverse now.
- Kamal Sarda:** So we reverse now. Yes that's right.
- Nishit Jain:** Okay, great. And the second thing is just for clarification. As we see the EBITDA half yearly is close to 21-odd percent. So did I hear it right that you are saying for the whole year you are still maintaining 15% EBITDA?
- Kamal Sarda:** No, I said -- when I say something, it's like for a long-term perspective. Don't look at 1 quarter or 2 a quarter or a 1 year. Even 1 year or 2 years, there could be some difference when one year could be 1% or 2% higher than the other year to be. I'm seeing a sustainable growth for a longer-term period. We are talking about 15% plus, and we still maintain that.
- Nishit Jain:** But any guidance for H2?
- Kamal Sarda:** Sorry?
- Nishit Jain:** Any guidance for the second half of the year?
- Kamal Sarda:** No, no, no. I would refrain from doing that. I would maintain that...
- James McIntosh:** I think what's important is that -- I mean, obviously, we have to have certain targets in mind. We had a very good quarter and very difficult circumstances, everyone. When you look at the pressure that the European and American businesses have been under from the point of view of demand, I think that the performance of the domestic accounts and also the Sheffield refractories have been positive to the growth of IFGL.
- But to say that because we've got a really good quarter, we had really good profitability, we can sustain that 100%. We can't do that. We can't guess those kind of undertaking. When Kamal gives a figure which is 15%, that's a good figure. That's a good figure based on what we've been doing over the years.
- It's a positive figure, and it's more than we have done in the past years. So it's a figure that we are very comfortable with. It's a figure that has a strong profitability and a growing company. We are growing in sales, and we are maintaining those profitability levels. I think as a very good statement from our company. Would you agree, Kamal?
- Kamal Sarda:** Yes. The other point which I would like to mention here is our growth in top line. If we maintain that EBITDA of 15% plus, in any case, the EPS goes very high. That's the growth which is most important for us. And of course, for obviously, it will be interesting for you as well.

- Nishit Jain:** Just in continuation, sir, the reason for me for asking is, for half yearly efficiency, it is more than 20-odd percent and if you take that for sustainable basis, you are saying 15% EBITDA is what the company is looking for. So does it, because if to get 15% on yearly basis from 20% half yearly, it is a down, down. So that is the reason...
- Kamal Sarda:** Yes. I should maintain what you can do is you can call me separately.
- James McIntosh:** No, the thing that has come out. You can't -- I mean, at the end of the day, what we're seeing is we're saying 15%. That doesn't mean it's going to be 15%.
- Kamal Sarda:** Yes. 15% plus EBITDA.
- James McIntosh:** I mean, because we have done 20% in the half year, you know, we, if you ask us, where are you going to be for the next half of the year? 15%. Why? Because that is what we have said consistently throughout the year. We haven't changed that. Why would you expect us to change that now, because of the half year results? Now, can we predict that it's going to be 15%? No, that may be 18%, that may even be more than 20%. So that's not -- we're not in the business of crystal ball gazing. 15% is the guidance that we always have done.
- Kamal Sarda:** So that's the guidance which we have given. So don't go by quarter-on-quarter or half year-on-half year. I think let's put -- there have been years and quarters where we have had higher profits. And there have been some quarters in the past where IFGL had some lower margins also. There are a lot of factors involved in it.
- But as we grow, as we grow, our overall profitability figures will improve and increase, and our EPS earnings per share will increase based on that. But on a sustainable profitability level, we have maintained that we will have 15% plus EBITDA leverage. So this year, it can be different, higher also, if -- yes.
- James McIntosh:** I mean we are not in the business of crystal ball gazing. We give 15% of the guidance. We don't know whether it's going to be higher or more. Like it's going to be lower, it could be higher.
- Moderator:** Ladies and gentlemen, we will take the last question from the line of Harshit Toshniwal from Bottoms Up Research. Mr. Harshit isn't responding. So we move on to the next question. The next question is from the line of Aditya from Arco Capital.
- Aditya:** So my question is regarding the product portfolio expansion which we are talking about. Given in the next decade, steel is going to grow at a very high pace in India. What is the rationale behind expanding into cement where the growth is going to be slightly less? And plus the volume uptake in steel itself is much higher as compared to cement. So for 1 ton of steel, you need 10x more refractory compared to cement. Rather than putting in new resources into expanding into cement, wouldn't it be a better idea to focus on steel and grow faster that given we have a lot of expertise there?

James McIntosh:

To suggest that because we want to grow into new areas means that, in some way, we have diminishing our focus on steel is incorrect. We never said that. Our focus is to continue to grow our segments in steel, but we are also interested in growing our segments outside steel.

It makes sense in any company to have different product areas that you're involved in because it increases the capability of the company to reduce risk. Because when steel industry is down, sometimes it's cement industry is up, the industrial area is up. We're not just saying cement. We're saying all areas outside steel, we are interested in evaluating and interested in looking at developing it.

But it doesn't, in any way, shape or form, diminish the focus which IFGL has in steel. And this is why if you look at the development of the new plant in Odisha which we are currently looking for land and we're hoping to get the land allocated next month is 100% steel, and that's a completely new plant. We are not diminishing our focus on steel. We are increasing our product capabilities into other areas.

Aditya:

Are these plants in a sense fungible? For example, if you want to expand into new products, do we have to build new plants or can the current plants be able to manufacture products for different industries as well?

James McIntosh:

So we are at the early stages of this process. And I would say all of the above. We could be building new plants. We could be forming new associations. We could be acquiring new organizations. This will be decided upon in the future. And the main area that we need to focus on here today is that the company, as Kamal has mentioned earlier, the company is focused in India to look at developing into new areas of business. And that's a process that's going to take time to develop. And in the forthcoming quarters, we'll be very excited to be able to describe those to you as they occur.

Moderator:

Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Kamal Sarda:

Thank you, everyone. we hope we have been able to answer most of your queries. We look forward to your participation in the subsequent calls. For any queries you have in this regard, you can contact SGA, our Investor Relation Advisors. Thank you, and stay safe.

Moderator:

On behalf of Asian Market Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.