

**IFGL Group today is a globally recognised brand and a prominent player in the area of metal flow control engineering. With 10+ strategically located manufacturing units across Asia, Europe and North America, IFGL and its subsidiaries deliver specialised refractories and operating systems to meet the diverse needs of customers worldwide..**

**Exhibit 1: IFGL group at Glance**



**Key Highlights:**

➤ **Indian Promoter increasing stake:**

Bajoria Financial services (India promoter) purchased 15.51% stake from Krosaki Harima Corporation (Foreign Promoter) at a price of Rs 200/- in July'23. Post this transaction the Indian promoter holding increased to 72.44% reflecting the confidence in the growth potential of the company.

➤ **Inauguration of State-of-Art Research Centre at Kalunga (Odisha)  
(Cost incurred ~19crs)**

**Key focus areas:**

- Moving from reverse engineering to developing new and innovative products
- Developing indigenous raw materials and new product development (NPD) in sync with emerging process changes in user industries.
- Benchmarking flow control solutions
- Ability to replicate various steel-making environments with a captive Induction Furnace, enabling comprehensive validation of new products and shortening the overall NPD cycle time.
- Refractories for Green Steel, Clean Steel, and Hydrogen route steelmaking are also a key area of interest.

### Exhibit 2: Research centre at Odisha



Source: Company, Dalal & Broacha Research

#### ➤ New product Innovation

- Introduction of new and extended product lines for RH Degasser Snorkel, EAF Deltas, Magnesia Carbon Bricks, Casting Flux, Tube Changer Mechanism, Ladle Slide Gates which is in line with the overall strategic direction of growing rapidly in the domestic market and gaining market share.

### Exhibit 3: Products launched in FY24



Source: Company, Dalal & Broacha Research

#### ➤ Proposed Continuous Casting Refractories Manufacturing Facility at Odisha

The new facility in Odisha will have an installed capacity of 240,000 pieces per annum and the cost to be incurred is ~150crs which is a strategic location as it is estimated that Odisha would contribute ~35 to 40% of the total Indian steel production by FY30.

The production is likely to commence in FY27. ***There could be other product lines which could be set up within that plant (discussions ongoing).***

- **New Casting Flux Division at Visakhapatnam, Andhra Pradesh (Capex – 35crs, Revenue potential – 90crs)**
  - Casting flux plays a crucial role in protecting the molten steel, reducing oxidation, and ensuring a smooth and defect-free casting surface.
  - May 2024 witnessed the inauguration of new casting flux division, with production of granules, at Visakhapatnam manufacturing unit. Powered by cutting-edge technology, this state-of-the-art production unit (part of our Phase 3 expansion plan) has an annual capacity of 18000 MT casting flux granules, with fully automatic batching plant and spray dryer operations.
  - This facility not only enhances production capacity but also broadens the scope of market reach, both domestically and internationally. Already started supplying to a number of domestic steel plants and a lot of interest registered from various international markets.
  
- **Diversifying product portfolio:**
  - Commencement of a new Business vertical in the non-ferrous refractory market brings new products for customers in sectors like cement, glass, coke, lime and coal gasification. This is in line with the company's strategic direction of diversifying their product portfolio. **The company has already signed large new clients within the cement segment.**
  
- **Rationalization of manufacturing facilities**
  - Shifting and consolidation of manufacturing facilities in Peoples Republic of Czechoslovakia to that in Germany. This was done to increase the scale of operations and increase the operational efficiencies and be ready when the demand comes back.
  
- **Introduction of project GATI (SAP S4 HANA) for improving operational efficiency as well as decision making.**
  - Project GATI represents a fundamental step to leverage streamlined operations, real-time data analytics, and advanced decision-making processes to make us more agile, efficient, and responsive by harnessing the power of technology, optimising our processes and driving sustainable growth across all facets of organisation.
  
- **HR Transformation Initiative**
  - The company has partnered with Deloitte to launch the 'People First' HR program, which will help embark on a journey of organisation transformation by keeping 'people at the forefront', which will enable the company achieve 2x growth within the next 5 years.
  - The 'People First' program will align structure and processes to drive agility, innovation and growth, ensuring business-aligned and meaningful roles, well-defined career development opportunities and framework, developing the operating model and structures, new age HR policies, driving talent readiness by building a performance oriented and development focused organisation.

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**KEY ACHIEVEMENTS at Client Locations:**

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**IFGL Helps SAIL Bhilai Achieve Highest Ever Tundish Sequence**

We helped SAIL Bhilai Steel Plant (BSP) achieve a record-breaking tundish sequence, at SMS-2 Bloom Caster-5, with 22 heats and a casting duration of 24 hours 35 minutes.

**Record-Breaking Performance with Newly developed Blast Furnace Trough Castable**

Our new alumina-silicon carbide-carbon-spinel trough cover castable (no cement) for newly-developed blast furnaces was used for one of our customers, to enhance Cover Manipulator life to a record 2,38,607 tons of hot metal.

**Highest-ever performance with Purging Refractories at JSW Bellary SMS-3**

We helped JSW Bellary to achieve a record-breaking Purging Plug performance (at SMS-3) of 55 heats, with our 'Make In India' high-performance purging refractories.

**LSG90 Successfully Commissioned at JSPL ANGUL PHASE-2**

We marked a notable milestone with the successful commissioning of the LSG90 system at the JSPL Angul Phase-2, marking a smooth initiation of the casting process.

**Successful Performance of RH Degasser Snorkel at JSPL Raigarh**

Our Visakhapatnam unit marked an important milestone by dispatching our first Snorkel sets to JSPL Limited Raigarh. Snorkels delivered the highest service life in recent history, completing 61 heats.

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Source: Company, Dalal & Broacha Research

## Consolidated Balance Sheet and Cashflow Position:

- Cash & Cash Equivalents (incl investments): 1867 Mn (FY24) vs 1709 Mn (FY23)
- Borrowings (excl Lease liabilities): 1629 Mn (FY24) vs 1484 Mn (FY23)
- Net Capex incurred: 1340 Mn (FY24) vs 1358 Mn (FY23)
- Working Capital Management

| Particulars                 | FY20      | FY21      | FY22       | FY23       | FY24      |
|-----------------------------|-----------|-----------|------------|------------|-----------|
| Inventory Days              | 56        | 60        | 75         | 80         | 67        |
| Receivable Days             | 84        | 82        | 79         | 92         | 72        |
| Payable Days                | 49        | 55        | 54         | 49         | 40        |
| <b>Working capital Days</b> | <b>91</b> | <b>87</b> | <b>100</b> | <b>123</b> | <b>99</b> |

(calculated on sales)

### Other Details:

#### 1. Subsidiaries

| Name of company   | Subsidiary/Step-down subsidiary | % Held |
|---|---------------------------------|--------|
| IFGL Worldwide Holdings Limited, Isle of Man                | Subsidiary                      | 100%   |
| EI Ceramics LLC, USA  | Step-down subsidiary            | 100%   |
| Goricon Metallurgical Services Ltd, UK                      | Step-down subsidiary            | 100%   |
| Hofmann Ceramic CZ s.r.o., Czech Republic                   | Step-down subsidiary            | 100%   |
| Hofmann Ceramic GmbH, Germany                               | Step-down subsidiary            | 100%   |
| IFGL GmbH, Germany  | Step-down subsidiary            | 100%   |
| IFGL Monocon Holdings Limited, UK                           | Step-down subsidiary            | 100%   |
| Mono Ceramics Inc, USA                                      | Step-down subsidiary            | 100%   |
| Monocon International Refractories Limited, UK              | Step-down subsidiary            | 100%   |
| Monocon Overseas Limited, UK                                | Step-down subsidiary            | 100%   |
| Monotec Refratarios Ltda, Brazil                            | Step-down subsidiary            | 95%    |
| Sheffield Refractories Limited, UK                          | Step-down subsidiary            | 100%   |
| Tianjin Monocon Aluminous Refractories Company Limited, PRC | Step-down subsidiary            | 100%   |
| Tianjin Monocon Refractories Company Limited, PRC           | Step-down subsidiary            | 100%   |

#### 2. Plant Locations

| Plant Location | No of plants |
|----------------|--------------|
| India          | 4            |
| China          | 1            |
| UK             | 2            |
| Germany        | 1            |
| USA            | 2            |

**3. Auditor's Remuneration**

|                       | FY20  | FY21  | FY22  | FY23  | FY24  |
|-----------------------|-------|-------|-------|-------|-------|
| Auditors Remuneration | 3.5   | 3.0   | 3.7   | 3.9   | 5.0   |
| % of sales            | 0.04% | 0.03% | 0.03% | 0.03% | 0.03% |

**4. Remuneration of Key Managerial Personnel**
*(Rs in Mn)*

| Particulars                             | FY20  | FY21  | FY22  | FY23  | FY24  |
|---|-------|-------|-------|-------|-------|
| SK Bajoria (Chairman)                   | 22.35 | 28.28 | 28.27 | 26.76 | 31.85 |
| P Bajoria (passed away on 19.7.21)      | 39.07 | 43.30 | 25.24 | -     | -     |
| R Aggarwal (Director - General Counsel) | -     | -     | -     | 14.47 | 16.29 |
| J McIntosh (Managing Director)          | -     | -     | 9.24  | 20.69 | 18.12 |
| K Sarda (CEO & CFO till 1.03.24)        | 10.19 | 10.65 | 12.82 | 15.79 | 29.30 |
| Arasu Shanmugam (CEO w.e.f 12.03.24)    | -     | -     | -     | -     | 13.03 |

**5. Sustainable Sourcing:**

IFGL engaged with its Suppliers to communicate its vision and aspirations on sustainable policy and goals to the extent possible. About 21.85% of Total Inputs were sourced sustainably in FY 2023-24 and target set out for FY 2024-25 is even better.

**6. Senior Management Team:**

| Name                   | Designation                            |
|------------------------|--|
| Mr Manoj Rakhecha      | Deputy Chief Executive Officer India   |
| Mr Samit Sengupta      | Chief Strategic Planning w.e.f 1/06/24 |
| Mr Navin Kumar Das     | CHRO                                   |
| Mr Sikander Yadav      | Chief Financial Officer w.e.f 3/06/24  |
| Mr Amit Agarwal        | VP - Finance and Accounts              |
| Mr Narendra Kr Mishra  | Chief Research Officer                 |
| Mr Bikashendu Mohanty  | Vice President                         |
| Mr Subrata Talukda     | Vice President                         |
| Mr K Selva Muthu Kumar | Vice President                         |
| Mr Prabal Ranjan Hota  | Asst. Vice President (TRM)             |
| Mr Dipak Sarkar        | GM (Purchase)                          |
| Mr Sunil Kumar Chaman  | Senior GM – IT & SAP                   |

**7. Contribution from material subsidiaries**

| Name of Step Down Subsidiary                                | Turnover | Profit/Loss |
|---|----------|-------------|
| EI Ceramics LLC, USA  | 1,893    | 127         |
| Hofmann Ceramic CZ s.r.o., Czech Republic                   | 49       | 75          |
| Hofmann Ceramic GmbH, Germany                               | 803      | -82         |
| Mono Ceramics Inc, USA                                      | 1,006    | 75          |
| Monocon International Refractories Limited, UK              | 1,783    | 68          |
| Sheffield Refractories Limited, UK                          | 1,944    | 45          |
| Tianjin Monocon Aluminous Refractories Company Limited, PRC | 285      | 25          |
| Tianjin Monocon Refractories Company Limited, PRC           | 478      | 17          |

*(Hofmann Ceramic CZ s.r.o. (HCC) in liquidation with effect from 1st April 2024)*

## Valuation & Outlook

IFGL Refractories FY24 performance was impacted by challenges in overseas operations, overshadowing strong domestic market growth. The company is now focusing on the Indian market, improving its domestic mix, which is expected to benefit margins in the medium term. For FY24, revenue from Indian operations grew by 31%, showing successful efforts in expanding domestically which was higher than its comparable peers. Until export demand improves, the management is concentrating on internal efficiencies, cost control, and streamlining operations. Also the recovery from customer for which provision was made in Q3FY24 will see recovery from FY25 and business will also resume from that client. They are also making intangible improvements like hiring top talent and implementing technology-based systems to boost operational efficiency. ***We remain optimistic about the company's mid-to-long-term prospects as it has taken all the right strategic steps over the last few years and now it is time for execution. We recommend investors to ACCUMULATE with a target price of 714.***

### Financial Summary

| Year End<br>(Rs mn) | FY22          | FY23          | FY24E         | FY25E         | FY26E         | CAGR (%)<br>23-26E |
|---------------------|---------------|---------------|---------------|---------------|---------------|--------------------|
| Net sales           | 12,595        | 13,865        | 16,395        | 18,417        | 21,044        | 14.92              |
| <b>Growth</b>       | <b>23.24%</b> | <b>10.08%</b> | <b>18.25%</b> | <b>12.33%</b> | <b>14.27%</b> |                    |
| EBIDTA              | 1,426         | 1,529         | 1,544         | 2,201         | 2,567         | 18.85              |
| <b>Growth</b>       | <b>-8.21%</b> | <b>7.25%</b>  | <b>0.94%</b>  | <b>42.57%</b> | <b>16.66%</b> |                    |
| Margins (%)         | 11.3          | 11.0          | 9.4           | 12.0          | 12.2          |                    |
| Adjusted net profit | 775           | 792           | 817           | 1,162         | 1,429         | 21.74              |
| <b>Growth</b>       | <b>18.14%</b> | <b>2.22%</b>  | <b>3.09%</b>  | <b>42.25%</b> | <b>23.02%</b> |                    |
| EPS (Rs)            | 21.5          | 22.0          | 22.7          | 32.2          | 39.7          |                    |
| P/E (x)             | 31.5          | 30.8          | 29.9          | 21.0          | 17.1          |                    |
| EV/EBITDA (x)       | 17            | 17            | 16            | 11            | 9             |                    |
| RoCE (%)            | 10.51         | 9.58          | 8.82          | 12.35         | 14.00         |                    |
| RoE (%)             | 8.30          | 7.88          | 7.62          | 9.99          | 11.25         |                    |

Source: Company, Dalal & Broacha Research

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