



Strong domestic show but Exports drag overall performance

IFGL Refractories Q4FY24 performance was largely impacted due to weakness in the export business especially in Europe which impacted the revenue growth, higher employee costs (due to new hiring in sales & R&D team) and elevated other expenses impacted the operating margins.

The company has undertaken several key intangible changes such as implementing technology systems and creating an employee culture which will bring in tangible benefits in the medium to long term. We believe the company is moving in the right strategic direction and we continue to maintain our positive stance on the company with a recommendation of **ACCUMULATE**.

Key business highlights

- In Q4FY24, India business grew 22% YoY within standalone P/L which is a major positive indicating that the company is gaining market share while exports de-grew 38% YoY keeping the overall standalone revenue flat on a YoY basis.
- The company delivered the first ever alumina brick which would cater the non-steel industry and is in line with the strategic direction the company wants to take in terms of serving the non-steel industry.
- In Odisha, around 90% of the capex has been utilized to date. In Kandla, we have utilized 90% of the planned capex. In Visakhapatnam, approximately 75% of the planned capex has been utilized thus far. The capex is expected to be completed by Q1FY25.

Outlook:

- The company is targeting ~10% growth in standalone revenue in FY25 within which the India business should grow by ~17%
- Overseas operations especially Europe is subdued and it expects certain geographies to have sluggish demand
- Land in Odisha likely to be allocated after election

Financial Summary

Year End (Rs mn)	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Net sales	12,595	13,865	16,395	18,417	21,044
Growth	23.24%	10.08%	18.25%	12.33%	14.27%
EBIDTA	1,426	1,529	1,544	2,201	2,567
Growth	-8.21%	7.25%	0.94%	42.57%	16.66%
Margins (%)	11.3	11.0	9.4	12.0	12.2
Adjusted net profit	775	792	817	1,162	1,429
Growth	18.14%	2.22%	3.09%	42.25%	23.02%
EPS (Rs)	21.5	22.0	22.7	32.2	39.7
P/E (x)	28.8	28.2	27.4	19.2	15.6
EV/EBITDA (x)	15	15	15	10	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

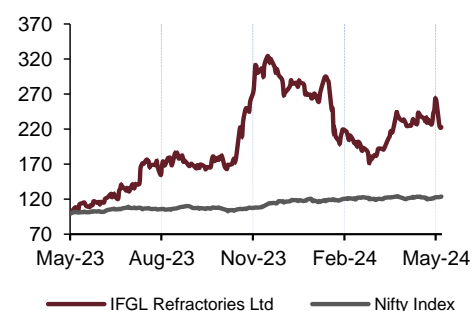
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	714	15

Market Data

Current price	Rs	620
Market Cap (Rs.Bn)	(Rs Bn)	23
Market Cap (US\$ Mn)	(US\$ Mn)	270
Face Value	Rs	10
52 Weeks High/Low	Rs	935.5 / 273.3
Average Daily Volume	('000)	32
BSE Code		540774
Bloomberg		IFGLRF

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Apr-24	Dec-23
Promoters	72.43	72.43
Public	27.57	27.57
Total	100	100

Source: Bloomberg

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- Company is looking for an inorganic acquisition in USA and India with target companies already identified
- Consolidated annual EBITDA margin guidance of 12% (FY24 -9.4%) maintained

Financial Highlights:

- Revenue at Rs 3,939Mn, +7% yoy/+7.6% qoq
- EBITDA (excl OI) at Rs 348 Mn, -28.1% yoy/1028% qoq
- EBITDA margin at 8.83% vs 13.14% vs -1.14% in Q4FY23/Q3FY24
- PAT at Rs 125Mn, -57.4% yoy/+725% qoq
- EPS at Rs 3.5 vs 8.2/0.4 in Q4FY23/Q3FY24

Concall Highlights:**Domestic operations:**

- In Q4FY24, **India business grew 22% YoY** within standalone P/L which is a major positive indicating that the company is gaining market share
- The company delivered the first ever alumina brick which would cater the non-steel industry and is in line with the strategic direction the company wants to take in terms of serving the non-steel industry.
- The company has inaugurated the casting flux plant in Vishakapatnam which at peak utilisation levels can generate 90crs which the company expects to clock in next 3years. It is a completely automated plant.
- The new plant of Magnesita carbon bricks will be inaugurated in Q1 and is a fully backward integrated plant and customers have already been signed. Potential turnover is 150crs which the company expects to generate in next 2-3 years.
- The R&D centre is progressing well in terms of internal benchmarking of products and also against competitors.

Overseas operations:

- Situation in export markets is under stress and it may take a couple of quarters to recover for some geographic locations like Germany and USA till elections. Till the demand scenario improves the management is focused on improving internal efficiencies, cost control and streamlining of operations.
- Sheffield refractories contributed 200crs to the overall topline.

Key Initiatives taken which will bring Intangible benefits

- Project GATI (SAP S4 Hana) was launched which represents a fundamental step to leverage streamline the operations, real-time data analytics and advanced decision-making
- The company has finalised the contract with Deloitte for studying the Organisation structure and plan for future based Organisation. The project is named as "PEOPLE FIRST". This will help to retain and attract best talents to support future growth.

Valuations and Outlook:

IFGL Refractories' Q4FY24 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. Until export demand improves, the management is concentrating on internal efficiencies, cost control, and streamlining operations. 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 and recommend investors accumulate with a target price of Rs 714, indicating a 15% upside.**

Q3FY24 Snapshot

IFGL Refractories					
Particulars (Rs Mns)	Q4FY24	Q4FY23	YoY Growth	Q3FY24	QoQ Growth
Revenue from operations	3,939	3,681	7.0%	3,662	7.6%
Other income	72	78	-7.0%	42	73.6%
Total Income	4,012	3,759	6.7%	3,703	8.3%
Cost of goods sold	2,040	1,882	8.4%	1,890	7.9%
Employee Benefit expenses	645	498	29.5%	625	3.2%
Other expenses	907	818	10.9%	1,188	-23.7%
EBITDA (excl other income)	348	484	-28.1%	-42	-932.1%
Less : Depreciation	175	159	10.1%	157	11.1%
PBIT	173	325		-199	
Less: Interest cost	34	7	385.5%	27	23.2%
PBT (before exceptional)	140	318	-56.1%	-226	
Other Income	72	78		42	
PBT (after exceptional)	212	396	-46.5%	-184	
Less : Tax	87	102		-200	
PAT	125	294	-57.4%	15	725.0%
EPS	3.5	8.2	-57.4%	0.4	725.0%
Gross Margins	48.22%	48.89%		48.38%	
EBITDA Margins	8.83%	13.14%		-1.14%	
Net profit Margin	3.13%	7.83%		0.41%	

* Consolidated P/L

Quarterly Trend

Particulars	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Consolidated Sales	3,593	3,431	3,160	3,681	4,239	4,555	3,662	3,939
Standalone Sales	2,254	2,160	1,817	2,103	2,270	2,597	1,969	2094.2
Subsidiary sales	1,339	1,271	1,343	1,579	1,969	1,958	1,693	1,845
Subsidiary EBITDA	63	93	66	98	132	139	102	42
Consolidated EBITDA	345	388	367	561	594	717	(0)	420
Standalone EBITDA	282	294	301	463	463	578	(103)	377.8
Consolidated PAT	146	195	158	294	296	380	15	125
Standalone PAT	120	139	123	229	225	301	(31)	155.6
Subsidiary PAT	26	55	35	65	71	79	46	(30)
Consolidated EBITDA Margins	9.61%	11.30%	11.60%	15.25%	14.02%	15.74%	-0.01%	10.66%
Standalone EBITDA Margins	12.51%	13.62%	16.57%	22.03%	20.39%	22.27%	-5.21%	18.04%
Subsidiary EBITDA margins	4.73%	7.35%	4.88%	6.21%	6.69%	7.09%	6.05%	2.29%
Consolidated PAT margins	4.05%	5.67%	5.00%	7.99%	6.99%	8.34%	0.42%	3.18%
Standalone PAT margins	5.31%	6.45%	6.79%	10.91%	9.92%	11.59%	-1.56%	7.43%
Subsidiary PAT margins	1.93%	4.34%	2.58%	4.11%	3.61%	4.03%	2.72%	-1.64%

* EBITDA and PAT includes other income

Source: Company, Dalal & Broacha Research

FINANCIALS

P&L (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	9,173	10,220	12,595	13,865	16,395	18,417	21,044
Total Operating Expenses	4,591	4,740	6,146	7,228	8,315	9,208	10,522
Employee Cost	1,504	1,518	1,739	1,948	2,503	2,624	2,988
Other Expenses	2,162	2,408	3,284	3,160	4,034	4,383	4,966
Operating Profit	916	1,554	1,426	1,529	1,544	2,201	2,567
Depreciation	483	486	511	556	643	704	731
PBIT	432	1,068	915	974	901	1,497	1,836
Other income	110	205	159	132	188	188	188
Interest	36	31	34	48	110	136	119
PBT (Before exceptional	506	1,242	1,039	1,057	978	1,549	1,905
PBT (post exceptional)	300	1,242	1,039	1,057	978	1,549	1,905
Provision for tax	105	586	265	265	162	387	476
Reported PAT	195	656	775	792	817	1,162	1,429

Balance Sheet (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity capital	360	360	360	360	360	360	360
Reserves	7,729	8,545	8,980	9,690	10,360	11,270	12,338
Net worth	8,089	8,905	9,340	10,050	10,721	11,630	12,699
Non Current Liabilites	366	677	666	1,119	1,053	1,241	1,116
Current Liabilites	1,836	2,258	2,854	3,090	3,130	3,553	3,726
TOTAL LIABILITIES	10,292	11,830	12,861	14,259	14,904	16,423	17,540
Non Current Assets	4,606	4,555	4,809	5,898	6,522	5,817	6,086
Fixed Assets	3,437	1,913	2,296	3,480	4,470	4,034	4,571
Goodwill	1,036	2,454	2,173	1,978	1,738	1,470	1,202
Non Current Investments	5	62	194	194	113	113	113
Deferred Tax Asset	-	-	-	-	-	-	-
Other Financial Assets	22	55	23	64	32	32	32
Other Non Current Assets	105	71	124	183	169	169	169
Current Assets	5,686	7,275	8,052	8,361	8,381	10,606	11,453
Current investments	939	1,217	1,155	1,130	1,152	1,152	1,152
Inventories	1,417	1,678	2,594	3,020	3,007	3,381	3,863
Trade Receivables	2,105	2,282	2,720	3,498	3,250	3,784	4,324
Cash and Bank Balances	1,107	1,908	1,279	580	716	2,023	1,839
Short Term Loans and Ad	21	39	90	15	62	62	62
Other Current Assets	97	151	214	118	194	204	214
TOTAL ASSETS	10,292	11,830	12,861	14,259	14,903	16,423	17,540

FINANCIALS

Cash flow statement (Rs in mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Cash flow from operating activities						
Profit before tax	1,242	1,039	1,057	978	1,549	1,905
Depreciation & Amortization	486	511	556	643	704	731
Interest expenses	31	34	48	110	136	119
Operating profit before working capital change	1,759	1,585	1,661	1,731	2,389	2,755
Working capital adjustment	(129)	(1,032)	(1,215)	192	(682)	(734)
Gross cash generated from operations	1,629	552	446	1,924	1,706	2,021
Direct taxes paid	586	265	265	231	387	476
Others	(351)	244	118	171	1,330	268
Cash generated from operations	1,394	44	63	1,522	2,649	1,813
Cash flow from investing activities						
Capex	(310)	(656)	(1,358)	(826)	(1,041)	(1,000)
Investment	(70)	25	59	-	-	-
Others	(684)	391	72	(346)	(268)	(268)
Cash generated from investment activities	(1,064)	(240)	(1,227)	(1,172)	(1,309)	(1,268)
Cash flow from financing activities						
Proceeds from issue of share	-	-	-	-	-	-
Borrow ings/ (Repayments)	(28)	317	798	140	375	(250)
Interest paid	(31)	(34)	(48)	(110)	(136)	(119)
Dividend paid	-	(360)	(252)	(252)	(252)	(360)
Others	13	8	-	-	-	-
Cash generated from financing activities	(46)	(70)	498	(243)	(13)	(729)
Net cash increase/ (decrease)	379	(285)	(622)	129	1,327	(185)

Ratios	FY21	FY22	FY23	FY24	FY25E	FY26E
OPM	15.2%	11.3%	11.0%	9.4%	12.0%	12.2%
NPM	6.3%	6.1%	5.7%	4.9%	6.2%	6.7%
Tax Rate	47.2%	25.4%	25.1%	16.5%	25.0%	25.0%
Growth Ratios (%)						
Net Sales	11.4%	23.2%	10.1%	18.2%	12.3%	14.3%
Operating Profit	69.6%	-8.2%	7.3%	0.9%	42.6%	16.7%
PBIT	147.0%	-14.3%	6.5%	-7.5%	66.1%	22.7%
PAT	237.1%	18.1%	2.2%	3.1%	42.2%	23.0%
Per Share (Rs.)						
Net Earnings (EPS)	18.2	21.5	22.0	22.7	32.2	39.7
Cash Earnings (CPS)	31.7	35.7	37.4	40.5	51.8	59.9
Dividend	10.0	7.0	7.0	7.0	7.0	10.0
Book Value	247.1	259.2	278.9	297.5	322.7	352.4
Free Cash Flow	34.9	30.1	-17.0	-35.9	19.3	44.6
Valuation Ratios						
P/E(x)	34.1	28.8	28.2	27.4	19.2	15.6
P/B(x)	2.5	2.4	2.2	2.1	1.9	1.8
EV/EBIDTA(x)	13.5	15.4	15.2	15.1	10.1	8.7
Div. Yield(%)	1.6	1.1	1.1	1.1	1.1	1.6
FCFF Yield(%)	5.6	4.9	(2.7)	(5.8)	3.1	7.2
Return Ratios (%)						
ROE	7.4%	8.3%	7.9%	7.6%	10.0%	11.3%
ROCE	13.5%	10.5%	9.6%	8.8%	12.4%	14.0%

Source: Company, Dalal & Broacha Research

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