

### Strong domestic show but Exports drag overall performance

**IFGL Refractories' Q1FY25 performance was impacted by challenges in overseas operations, overshadowing strong domestic market growth. The company has been focussing on the Indian market growing at 25% CAGR since FY20 outperforming Vesuvius (~18% CAGR), introducing new products and restructuring the organisation in terms of top tier hiring for R&D and sales team.**

**Until export demand improves, the management is concentrating on internal efficiencies, cost control, and streamlining operations. Going forward we expect the margin profile of the company to improve gradually on account of the efforts undertaken.**

#### Outlook:

- The company is targeting to triple its India business in next 5 years (~25% CAGR)
- On consol level, the company aims to double its revenue in 5 years (~15% CAGR)
- At the moment, the company is holding on to the consol margin guidance of 12% for FY25 as there could be some pressure on RM cost
- Overseas operations to recover in H2FY25
- Land in Odisha to be allotted in next 1 month
- Talks for inorganic acquisition going on

#### 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
<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
<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
<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)	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



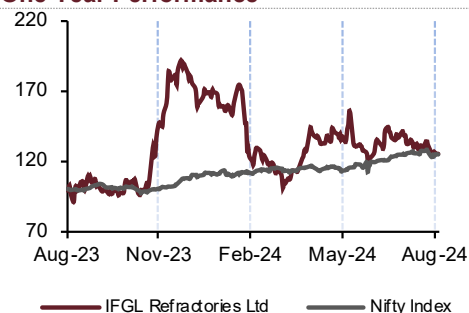
Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>728</b>	<b>22</b>

#### Market data

Current price	Rs	597
Market Cap (Rs.Bn)	(Rs Bn)	21
Market Cap (US\$ Mn)	(US\$ Mn)	256
Face Value	Rs	10
52 Weeks High/Low	Rs	935.5 / 425.25
Average Daily Volume	('000)	8
BSE Code		540774

Bloomberg **IFGLRF.IN**  
Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Jun-23	Mar-23
Promoters	72.43	72.43
Public	27.57	27.57
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Bloomberg

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### Key business highlights

- ***In Q1FY25, India business grew 14% YoY within standalone P/L which is a major positive indicating that the company is gaining market share*** while exports de-grew 6% YoY keeping the overall standalone revenue growth at 6% on a YoY basis.
- The company inaugurated casting flux granules production in Vishakapatnam with an annual capacity at 18,000 MT. This facility, part of our Phase 3 expansion, features cutting-edge technology, including fully automatic batching and spray drying. It can generate upto ~90crs annually.
- Launched a magnesia carbon production line as part of Phase 3 expansion. The initial capacity would be 9000MT with ~10crs capex incurred. Potential revenue is ~100crs. Further capacity can be enhanced to 15,000 MT at an incremental capex of ~3crs which will start production in Q2FY26. The company used to import it earlier and now with this inhouse manufacturing which should aide margins.
- The Kalunga unit in Odisha now houses a new shuttle kiln and Tar impregnation plant which would help to produce high quality zirconia products and improved performance of slide gate refractories.

### Financial Highlights:

- Revenue at Rs 4,145Mn, -2.2% yoy/+5.2% qoq
- EBITDA (excl OI) at Rs 461 Mn, -17.7% yoy/+32.5% qoq
- EBITDA margin at 11.12% vs 13.21% vs 8.83% in Q1FY24/Q4FY24
- PAT at Rs 247Mn, -16.8% yoy/+96.6% qoq

### Concall Highlights:

#### Domestic operations:

- **In Q1FY25, India business grew 14% YoY** within standalone P/L which is a major positive indicating that the company is gaining market share
- The **casting flux and magnesia carbon bricks** plant has been inaugurated in Q1 and it will cater majorly to the domestic market. **The potential turnover is ~200crs from this new capacity addition.**
- The company has **added a very big steel plant as its customer in Q1**, increased customers in mini steel segment and gained wallet share in the existing customers.
- IFGL is also **gaining a lot of management contracts in big steel plants**
- The company has signed 2 largest cement players in the country for supplying refractories (Alumina bricks and castables) which is a strategic move to enter in the non-ferrous segment. Company is expecting strong growth in this segment.
- Mini steel plant now contribute ~25% of the domestic revenue
- R&D centre: The focus is to benchmark products, increase the proportion of management contracts and increase usage of recycled materials leading to margin expansion

- Compared to its peers, IFGL has same the product offerings except Dolomite and Silica bricks (Market size - 500crs)
- Vizag plant contribution to increase from 80crsin FY24 to ~200crs in FY25
- **Technology transfer from Sheffield refractories to complete by end of CY24 and trials to begin from Q1CY25**

#### Overseas operations:

- Situation in export markets is under stress and the management expects recovery to happen from H2FY25. **Arcelor Mittal is a relatively larger client in Europe for IFGL which is performing better than other steel giants.** Europe to improve from Q4FY25.
- America should maintain similar revenue as FY24 in FY25, with growth to come in FY26.
- To compensate the de-growth in Europe, the company is targeting to grow in Russia, Ukraine, Middle East and Turkey.
- Sheffield refractories contributed ~50crs to the overall topline.

#### Valuations and Outlook:

IFGL Refractories' Q1FY25 performance was impacted by challenges in overseas operations, overshadowing strong domestic market growth. **The company has been focusing on the Indian market growing at 25% CAGR since FY20 outperforming Vesuvius (~18% CAGR), introducing new products and restructuring the organisation in terms of top tier hiring for R&D and sales team.**

Until export demand improves, the management is concentrating on internal efficiencies, cost control, and streamlining operations. Going forward we expect the margin profile of the company to improve gradually on account of the efforts undertaken.

We remain optimistic about the company's mid-to-long-term prospects and **change the valuation methodology to SOTP from P/E to reflect true picture of the company** and arrive at a target price of Rs 728, indicating a 22% upside. **We recommend investors to BUY and use any market correction as an opportunity.**

#### Performance comparison against Vesuvius India

##### Comparison of India business

	FY23	FY24	Q1FY25
Vesuvius India	13,990	16,880	4,620
<b>YoY growth</b>		<b>21%</b>	<b>14%</b>
IFGL Refractories	4,584	5,983	1,614
<b>YoY growth</b>		<b>31%</b>	<b>14%</b>

##### Comparison of India business

	FY20	FY24	CAGR 20-24
Vesuvius India	8,666	16,880	18%
IFGL Refractories	2,480	5,983	25%

Source: Dalal & Broacha Research

## Q1FY25 Snapshot

IFGL Refractories Particulars (Rs Mns)	Q1FY25	Q1FY24	YoY Growth	Q4FY24	QoQ Growth
Revenue from operations	4,145	4,239	-2.2%	3,939	5.2%
Other income	69	35	100.9%	72	-4.0%
<b>Total Income</b>	<b>4,215</b>	<b>4,273</b>	<b>-1.4%</b>	<b>4,012</b>	<b>5.1%</b>
Cost of goods sold	2,030	2,112	-3.9%	2,040	-0.5%
Employee Benefit expenses	665	614	8.3%	645	3.1%
Other expenses	990	953	3.9%	907	9.2%
<b>EBITDA (excl other income)</b>	<b>461</b>	<b>560</b>	<b>-17.7%</b>	<b>348</b>	<b>32.5%</b>
Less : Depreciation	171	156	9.4%	175	-2.1%
PBIT	290	404		173	
Less: Interest cost	26	25	3.1%	34	-21.8%
PBT (before exceptional)	264	378	-30.2%	140	
Other Income	69	35		72	
<b>PBT (after exceptional)</b>	<b>333</b>	<b>413</b>	<b>-19.3%</b>	<b>212</b>	<b>57.2%</b>
Less : Tax	87	117		87	
<b>PAT</b>	<b>247</b>	<b>296</b>	<b>-16.8%</b>	<b>125</b>	<b>96.6%</b>
<b>EPS</b>	<b>6.8</b>	<b>8.2</b>	<b>-16.8%</b>	<b>3.5</b>	<b>96.6%</b>
Gross Margins	51.04%	50.18%		48.22%	
EBITDA Margins	11.12%	13.21%		8.83%	
Net profit Margin	5.85%	6.93%		3.13%	

\* Consolidated P/L

## Quarterly Trend

Particulars	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-25
Consolidated Sales	3,593	3,431	3,160	3,681	4,239	4,555	3,662	3,939	4,145
Standalone Sales	2,254	2,160	1,817	2,103	2,270	2,597	1,969	2,094	2,416
Subsidiary sales	1,339	1,271	1,343	1,579	1,969	1,958	1,693	1,845	1,730
Consolidated EBITDA	345	388	367	561	594	717	(0)	420	530
Subsidiary EBITDA	63	93	66	98	132	139	102	42	86
Standalone EBITDA	282	294	301	463	463	578	(103)	378	444
Consolidated PAT	146	195	158	294	296	380	15	125	246
Standalone PAT	120	139	123	229	225	301	(31)	156	220
Subsidiary PAT	26	55	35	65	71	79	46	(30)	26
<b>Gross margins</b>									
Consolidated	46.6%	48.0%	48.3%	48.9%	50.2%	50.1%	48.4%	48.2%	51.0%
Standalone	44.4%	43.3%	45.8%	46.5%	50.7%	49.7%	44.9%	47.5%	50.6%
<b>*EBITDA margins</b>									
Consolidated EBITDA Margins	9.61%	11.30%	11.60%	15.25%	14.02%	15.74%	-0.01%	10.66%	12.79%
Standalone EBITDA Margins	12.51%	13.62%	16.57%	22.03%	20.39%	22.27%	-5.21%	18.04%	18.39%
Subsidiary EBITDA margins	4.73%	7.35%	4.88%	6.21%	6.69%	7.09%	6.05%	2.29%	4.98%
<b>PAT margins</b>									
Consolidated PAT margins	4.05%	5.67%	5.00%	7.99%	6.99%	8.34%	0.42%	3.18%	5.95%
Standalone PAT margins	5.31%	6.45%	6.79%	10.91%	9.92%	11.59%	-1.56%	7.43%	9.11%
Subsidiary PAT margins	1.93%	4.34%	2.58%	4.11%	3.61%	4.03%	2.72%	-1.64%	1.53%

\* EBITDA and PAT includes other income

## 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	20,647
Total Operating Expenses	4,591	4,740	6,146	7,228	8,315	9,208	10,323
Employee Cost	1,504	1,518	1,739	1,948	2,503	2,624	2,932
Other Expenses	2,162	2,408	3,284	3,160	4,034	4,383	4,873
<b>Operating Profit</b>	<b>916</b>	<b>1,554</b>	<b>1,426</b>	<b>1,529</b>	<b>1,544</b>	<b>2,201</b>	<b>2,519</b>
Depreciation	483	486	511	556	643	704	731
PBIT	432	1,068	915	974	901	1,497	1,788
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	1,857
PBT (post exceptional)	300	1,242	1,039	1,057	978	1,549	1,857
Provision for tax	105	586	265	265	162	387	464
Reported PAT	195	656	775	792	817	1,162	1,393
<b>Balance Sheet (Rs mn)</b>							
	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>
Equity capital	360	360	360	360	360	360	360
Reserves	7,729	8,545	8,980	9,690	10,360	11,270	12,302
<b>Net worth</b>	<b>8,089</b>	<b>8,905</b>	<b>9,340</b>	<b>10,050</b>	<b>10,721</b>	<b>11,630</b>	<b>12,662</b>
<b>Non Current Liabilities</b>	366	677	666	1,119	1,053	1,241	1,116
<b>Current Liabilities</b>	1,836	2,258	2,854	3,090	3,130	3,553	3,682
<b>TOTAL LIABILITIES</b>	<b>10,292</b>	<b>11,830</b>	<b>12,861</b>	<b>14,259</b>	<b>14,904</b>	<b>16,423</b>	<b>17,460</b>
<b>Non Current Assets</b>	<b>4,606</b>	<b>4,555</b>	<b>4,809</b>	<b>5,898</b>	<b>6,522</b>	<b>5,817</b>	<b>6,086</b>
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
<b>Current Assets</b>	<b>5,686</b>	<b>7,275</b>	<b>8,052</b>	<b>8,361</b>	<b>8,381</b>	<b>10,606</b>	<b>11,373</b>
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	3,790
Trade Receivables	2,105	2,282	2,720	3,498	3,250	3,784	4,242
Cash and Bank Balances	1,107	1,908	1,279	580	716	2,023	1,913
Short Term Loans and Ad	21	39	90	15	62	62	62
Other Current Assets	97	151	214	118	194	204	214
<b>TOTAL ASSETS</b>	<b>10,292</b>	<b>11,830</b>	<b>12,861</b>	<b>14,259</b>	<b>14,903</b>	<b>16,423</b>	<b>17,460</b>

## FINANCIALS

Cash flow statement ( Rs in mn )	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Cash flow from operating activities</b>						
Profit before tax	1,242	1,039	1,057	978	1,549	1,857
Depreciation & Amortization	486	511	556	643	704	731
Interest expenses	31	34	48	110	136	119
<b>Operating profit before working capital change</b>	<b>1,759</b>	<b>1,585</b>	<b>1,661</b>	<b>1,731</b>	<b>2,389</b>	<b>2,707</b>
Working capital adjustment	(129)	(1,032)	(1,215)	192	(682)	(623)
<b>Gross cash generated from operations</b>	<b>1,629</b>	<b>552</b>	<b>446</b>	<b>1,924</b>	<b>1,706</b>	<b>2,084</b>
Direct taxes paid	586	265	265	231	387	464
Others	(351)	244	118	171	1,330	268
<b>Cash generated from operations</b>	<b>1,394</b>	<b>44</b>	<b>63</b>	<b>1,522</b>	<b>2,649</b>	<b>1,887</b>
<b>Cash flow from investing activities</b>						
Capex	(310)	(656)	(1,358)	(826)	(1,041)	(1,000)
Investment	(70)	25	59	-	-	-
Others	(684)	391	72	(346)	(268)	(268)
<b>Cash generated from investment activities</b>	<b>(1,064)</b>	<b>(240)</b>	<b>(1,227)</b>	<b>(1,172)</b>	<b>(1,309)</b>	<b>(1,268)</b>
<b>Cash flow from financing activities</b>						
Proceeds from issue of share	-	-	-	-	-	-
Borrowings/ (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	-	-	-	-
<b>Cash generated from financing activities</b>	<b>(46)</b>	<b>(70)</b>	<b>498</b>	<b>(243)</b>	<b>(13)</b>	<b>(729)</b>
<b>Net cash increase/ (decrease)</b>	<b>379</b>	<b>(285)</b>	<b>(622)</b>	<b>129</b>	<b>1,327</b>	<b>(110)</b>
<b>Ratios</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>
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%
<b>Growth Ratios (%)</b>						
Net Sales	11.4%	23.2%	10.1%	18.2%	12.3%	12.1%
Operating Profit	69.6%	-8.2%	7.3%	0.9%	42.6%	14.5%
PBIT	147.0%	-14.3%	6.5%	-7.5%	66.1%	19.4%
PAT	237.1%	18.1%	2.2%	3.1%	42.2%	19.9%
<b>Per Share (Rs.)</b>						
Net Earnings (EPS)	18.2	21.5	22.0	22.7	32.2	38.6
Cash Earnings (CPS)	31.7	35.7	37.4	40.5	51.8	58.9
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	351.3
Free Cash Flow	34.9	30.1	-17.0	-35.9	19.3	44.6
<b>Valuation Ratios</b>						
P/E(x)	33.0	27.9	27.3	26.5	18.6	15.5
P/B(x)	2.4	2.3	2.2	2.0	1.9	1.7
EV/EBIDTA(x)	13.0	14.9	14.7	14.6	9.8	8.5
Div. Yield(%)	1.7	1.2	1.2	1.2	1.2	1.7
FCFF Yield(%)	5.8	5.0	(2.8)	(6.0)	3.2	7.4
<b>Return Ratios (%)</b>						
ROE	7.4%	8.3%	7.9%	7.6%	10.0%	11.0%
ROCE	13.5%	10.5%	9.6%	8.8%	12.4%	13.7%

Source: Dalal &amp; Broacha Research

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