



Strong domestic show but Exports drag overall performance

IFGL Refractories' Q2FY25 performance was impacted by challenges in overseas operations, overshadowing strong domestic market growth.

The financials of FY27 can see a significant improvement as the new greenfield plant in Odisha and this JV will start commercial production. Also the goodwill ammortisation impact of ~27crs in P/L will go away leading to direct bottomline improvement.

Key business highlights

- In Q2FY25, India business grew 15% YoY within standalone P/L which is a major positive indicating that the company is gaining market share** while exports de-grew 30% YoY keeping the overall standalone revenue de-growing at 2.3% on a YoY basis.
- IFGL Refractories will set up a joint venture company in India with Marvels International Group Co. Ltd of Seychelles and Marvel Refractories (Anshan) Co. Ltd. of PR China to enhance brick production capabilities in the country. IFGL Refractories will hold a 51% share in the JV entity, while 49% stake will be held by the MIG. The cost of the project is estimated at Rs 300 crore. The JV company in India will be set up to establish a greenfield facility for manufacturing basic fired magnesite spinel bricks, basic fired magnesite bricks, and fired magnesia chrome bricks (non-ferrous)
- El Ceramics LLC (subsidiary) has acquired a building situated in Ohio which will be converted into a state-of-the-art ISO Plan facility leading to +40% capacity addition.
- The greenfield capex in Odisha will be utilized to manufacture DBM bricks instead of Continuous casting refractories which will cater mainly to the non-ferrous segment.

Financial Summary

Year End (Rs mn)	FY22	FY23	FY24A	FY25E	FY26E	FY27E
Net sales	12,595	13,865	16,395	17,002	19,233	21,963
Growth	23.24%	10.08%	18.25%	3.70%	13.12%	14.20%
EBIDTA	1,426	1,529	1,544	1,768	2,346	2,745
Growth	-8.21%	7.25%	0.94%	14.56%	32.69%	17.01%
Margins (%)	11.3	11.0	9.4	10.4	12.2	12.5
Adjusted net profit	775	792	817	837	1,263	1,806
Growth	18.14%	2.22%	3.09%	2.53%	50.88%	42.98%
EPS (Rs)	21.5	22.0	22.7	23.2	35.1	50.1
P/E (x)	25.1	24.6	23.8	23.2	15.4	10.8
EV/EBITDA (x)	13	13	13	11	8	7
RoCE (%)	10.51	9.58	8.82	9.41	12.91	16.28
RoE (%)	8.30	7.88	7.62	7.41	10.35	13.23

Source: Company, Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
BUY	697	29

Market data

Current price	Rs	540
Market Cap (Rs.Bn)	(Rs Bn)	19
Market Cap (US\$ Mn)	(US\$ Mn)	231
Face Value	Rs	10
52 Weeks High/Low	Rs	935.5 / 466.05
Average Daily Volume	('000)	14
BSE Code		540774
Bloomberg		IFGLRF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	72.43	72.43
Public	27.57	27.57
Total	100	100

Source: Bloomberg

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Outlook:

- H2FY25 will see a better performance within standalone operations
- Standalone EBITDA margin guidance of ~15% maintained for FY25 (H1 -13.5%)
- Recent JV with Marvel group (combined investment of ~300crs) to start commercial production from Mar'26
- The greenfield capex in Odisha to start commercial production in H2FY27
- Acquisition of an Indian refractory player is currently under review
- Slight recovery in export market expected in Q4

Financial Highlights:

- Revenue at Rs 4,111Mn, -9.7% yoy/-0.8% qoq
- EBITDA (excl OI) at Rs 326 Mn, -52% yoy/-29% qoq
- EBITDA margin at 7.93% vs 14.88% vs 11.12% in Q2FY24/Q1FY25
- PAT at Rs 121Mn, -68% yoy/-51% qoq

Concall Highlights:

Domestic operations:

- In Q2FY25, **India business grew 15% YoY** within standalone P/L which is a major positive indicating that the company is gaining market share inspite of certain large capacities by big steel plants shutdown.
- The casting flux and magnesia carbon bricks plant has been inaugurated and the potential turnover is ~300-350crs from this new capacity addition. FY26 will see very strong growth for these products.
- TRM in steel making currently contributes ~30 to 35% to the revenue
- Technology transfer from Sheffield refractories to complete by end of CY24 and trials to begin from Q1CY25
- *JV with Marvel Group*: The plant will be setup in the North West region as very large modern cement players are coming up with their new capacities. The annual market size of the products to be manufactured is ~650crs and it is an import substitution opportunity.
- Sufficient capacity in Continuous casting refractories to serve for the next 5 years (~80,000 pieces p.a capacity)
- Non-ferrous segment to contribute ~15 to 17% of the overall revenue in next 5 years

Overseas operations:

- Situation in export markets is under stress and the management expects *slight recovery to happen from Q4FY25*
- Revenue lost due to the client under preventive restructuring is ~35crs for H1FY25
- USA should see better recovery in steel growth in CY25
- Sheffield refractories contributed ~50crs to the overall topline in Q2
- New incremental capacity addition post capex in El ceramics (USA) is ~40%

Valuations and Outlook:

IFGL Refractories' Q2FY25 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)*

With the new capacity of casting flux and magnesia bricks coming online, along with the entry into the non-ferrous segment and new customers already secured, growth should be robust for FY26. Additionally, with the new joint venture starting production in March 2026 and the new greenfield capital expenditure in Odisha also beginning to contribute, FY27 could see significant revenue growth.

We cut our EPS estimates for FY25/26/27 by 28%/9%/7% based on how H1FY25 has panned out.

At CMP of 540, the stock is trading at 23x/15x/10.5x FY25E/26E/27E.

We continue to remain optimistic about the company's mid-to-long-term prospects and maintain our BUY recommendation with a target price of Rs 697 based on a SOTP valuation methodology based on FY26E, indicating a 29% upside.

Performance comparison against Vesuvius India*Comparison of India business*

	FY23	FY24	Q1FY25	Q2FY25
Vesuvius India	13,990	16,880	4,620	4,440
YoY growth		21%	14%	8%
IFGL Refractories	4,584	5,983	1,614	1,792
YoY growth		31%	14%	15%

Comparison of India business

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

Q2FY25 Snapshot

IFGL Refractories Particulars (Rs Mns)	Q2FY25	Q2FY24	YoY Growth	Q1FY25	QoQ Growth
Revenue from operations	4,111	4,555	-9.7%	4,145	-0.8%
Other income	39	39	-0.8%	69	-43.6%
Total Income	4,150	4,595	-9.7%	4,215	-1.5%
Cost of goods sold	2,010	2,273	-11.6%	2,030	-1.0%
Employee Benefit expenses	682	618	10.2%	665	2.5%
Other expenses	1,094	986	10.9%	990	10.5%
EBITDA (excl ot her income)	326	678	-51.9%	461	-29.3%
Less : Depreciation	177	155	14.1%	171	3.6%
PBIT	149	523		290	
Less: Interest cost	34	24	41.6%	26	31.3%
PBT (before exceptional)	115	498	-77.0%	264	
Other Income	39	39		69	
PBT (after exceptional)	154	538	-71.4%	333	-53.9%
Less : Tax	33	158		87	
PAT	121	380	-68.2%	247	-51.0%
EPS	3.4	10.5	-68.2%	6.8	-51.0%
Gross Margins	51.11%	50.10%		51.04%	
EBITDA Margins	7.93%	14.88%		11.12%	
Net profit Margin	2.91%	8.27%		5.85%	
Revenue Split within standalone op					
Within India	1,792	1,553	15.3%	1,614	11.0%
Outside India	745	1,044	-28.7%	802	-7.1%

* Consolidated P/L

Quarterly Trend

Particulars	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-25	Sep-25
Consolidated Sales	3,681	4,239	4,555	3,662	3,939	4,145	4,111
Standalone Sales	2,103	2,270	2,597	1,969	2,094	2,416	2,536
Domestic	1,325	1,421	1,553	1,396	1,613	1,614	1,792
Export	778	849	1,044	573	482	802	745
Subsidiary sales	1,579	1,969	1,958	1,693	1,845	1,730	1,575
Consolidated EBITDA	561	594	717	(0)	420	530	365
Subsidiary EBITDA	98	132	139	102	42	86	32
Standalone EBITDA	463	463	578	(103)	378	444	333
Consolidated PAT	294	296	380	15	125	246	121
Standalone PAT	229	225	301	(31)	156	220	137
Subsidiary PAT	65	71	79	46	(30)	26	(16)
Gross margins							
Consolidated	48.9%	50.2%	50.1%	48.4%	48.2%	51.0%	51.1%
Standalone	46.5%	50.7%	49.7%	44.9%	47.5%	50.6%	47.1%
*EBITDA margins							
Consolidated EBITDA Margins	15.25%	14.02%	15.74%	-0.01%	10.66%	12.79%	8.88%
Standalone EBITDA Margins	22.03%	20.39%	22.27%	-5.21%	18.04%	18.39%	13.13%
Subsidiary EBITDA margins	6.21%	6.69%	7.09%	6.05%	2.29%	4.98%	2.05%
PAT margins							
Consolidated PAT margins	7.99%	6.99%	8.34%	0.42%	3.18%	5.95%	2.94%
Standalone PAT margins	10.91%	9.92%	11.59%	-1.56%	7.43%	9.11%	5.39%
Subsidiary PAT margins	4.11%	3.61%	4.03%	2.72%	-1.64%	1.53%	-1.00%

* EBITDA and PAT includes other income

FINANCIALS

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	10,220	12,595	13,865	16,395	17,002	19,233	21,963
Total Operating Expenses	4,740	6,146	7,228	8,315	8,501	9,616	10,982
Employee Cost	1,518	1,739	1,948	2,503	2,686	2,731	3,075
Other Expenses	2,408	3,284	3,160	4,034	4,046	4,539	5,161
Operating Profit	1,554	1,426	1,529	1,544	1,768	2,346	2,745
Depreciation	486	511	556	643	704	731	465
PBIT	1,068	915	974	901	1,064	1,615	2,281
Other income	205	159	132	188	188	188	188
Interest	31	34	48	110	136	119	60
PBT (Before exceptional	1,242	1,039	1,057	978	1,116	1,684	2,408
PBT (post exceptional)	1,242	1,039	1,057	978	1,116	1,684	2,408
Provision for tax	586	265	265	162	279	421	602
Reported PAT	656	775	792	817	837	1,263	1,806
Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	360	360	360	360	360	360	360
Reserves	8,545	8,980	9,690	10,360	10,945	11,848	13,294
Net worth	8,905	9,340	10,050	10,721	11,306	12,208	13,654
Non Current Liabilites	677	666	1,119	1,053	1,241	1,116	991
Current Liabilites	2,258	2,854	3,090	3,130	3,398	3,527	3,712
TOTAL LIABILITIES	11,830	12,861	14,259	14,904	15,944	16,851	18,357
Non Current Assets	4,555	4,809	5,898	6,522	5,817	6,086	5,912
Fixed Assets	1,913	2,296	3,480	4,470	4,034	4,571	4,664
Goodwill	2,454	2,173	1,978	1,738	1,470	1,202	934
Non Current Investments	62	194	194	113	113	113	113
Deferred Tax Asset	-	-	-	-	-	-	-
Other Financial Assets	55	23	64	32	32	32	32
Other Non Current Assets	71	124	183	169	169	169	169
Current Assets	7,275	8,052	8,361	8,381	10,126	10,765	12,445
Current investments	1,217	1,155	1,130	1,152	1,152	1,152	1,152
Inventories	1,678	2,594	3,020	3,007	3,121	3,530	4,032
Trade Receivables	2,282	2,720	3,498	3,250	3,493	3,952	4,513
Cash and Bank Balances	1,908	1,279	580	716	2,095	1,855	2,462
Short Term Loans and Adv	39	90	15	62	62	62	62
Other Current Assets	151	214	118	194	204	214	225
TOTAL ASSETS	11,830	12,861	14,259	14,903	15,944	16,851	18,357

Source: Company, Dalal & Broacha Research

FINANCIALS

Cash flow statement (Rs in mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Cash flow from operating activities							
Profit before tax	1,242	1,039	1,057	978	1,116	1,684	2,408
Depreciation & Amortization	486	511	556	643	704	731	465
Interest expenses	31	34	48	110	136	119	60
Operating profit before working capital change	1,759	1,585	1,661	1,731	1,956	2,534	2,933
Working capital adjustment	(129)	(1,032)	(1,215)	192	(287)	(624)	(763)
Gross cash generated from operations	1,629	552	446	1,924	1,670	1,911	2,170
Direct taxes paid	586	265	265	231	279	421	602
Others	(351)	244	118	171	300	268	478
Cash generated from operations	1,394	44	63	1,522	1,691	1,757	2,046
Cash flow from investing activities							
Capex	(310)	(656)	(1,358)	(826)	(1,041)	(1,000)	(500)
Investment	(70)	25	59	-	-	-	-
Others	(684)	391	72	(346)	(268)	(268)	(268)
Cash generated from investment activities	(1,064)	(240)	(1,227)	(1,172)	(1,309)	(1,268)	(768)
Cash flow from financing activities							
Proceeds from issue of share	-	-	-	-	-	-	-
Borrowings/ (Repayments)	(28)	317	798	140	375	(250)	(250)
Interest paid	(31)	(34)	(48)	(110)	(136)	(119)	(60)
Dividend paid	-	(360)	(252)	(252)	(252)	(360)	(360)
Cash generated from financing activities	(46)	(70)	498	(243)	1,017	(729)	(671)
Net cash increase/ (decrease)	379	(285)	(622)	129	1,399	(240)	607
Ratios	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	15.2%	11.3%	11.0%	9.4%	10.4%	12.2%	12.50%
NPM	6.3%	6.1%	5.7%	4.9%	4.9%	6.5%	8.15%
Tax Rate	47.2%	25.4%	25.1%	16.5%	25.0%	25.0%	25.00%
Growth Ratios (%)							
Net Sales	11.4%	23.2%	10.1%	18.2%	3.7%	13.1%	14.20%
Operating Profit	69.6%	-8.2%	7.3%	0.9%	14.6%	32.7%	17.01%
PBIT	147.0%	-14.3%	6.5%	-7.5%	18.1%	51.8%	41.18%
PAT	237.1%	18.1%	2.2%	3.1%	2.5%	50.9%	42.98%
Per Share (Rs.)							
Net Earnings (EPS)	18.2	21.5	22.0	22.7	23.2	35.1	50.1
Cash Earnings (CPS)	31.7	35.7	37.4	40.5	42.8	55.3	63.01
Dividend	10.0	7.0	7.0	7.0	7.0	10.0	10.0
Book Value	247.1	259.2	278.9	297.5	313.7	338.8	378.88
Free Cash Flow	34.9	30.1	-17.0	-35.9	19.3	18.0	21.0
Valuation Ratios							
P/E(x)	29.7	25.1	24.6	23.8	23.2	15.4	10.77
P/B(x)	2.2	2.1	1.9	1.8	1.7	1.6	1.43
EV/EBIDTA(x)	11.6	13.4	13.3	13.2	11.0	8.3	6.74
Div. Yield(%)	1.9	1.3	1.3	1.3	1.3	1.9	1.85
FCFF Yield(%)	6.5	5.6	(3.1)	(6.7)	3.6	3.3	3.89
Return Ratios (%)							
ROE	7.4%	8.3%	7.9%	7.6%	7.4%	10.3%	13.23%
ROCE	13.5%	10.5%	9.6%	8.8%	9.4%	12.9%	16.28%

Source: Company, Dalal & Broacha Research

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