


Strong domestic show, Overseas operations under recovery

IFGL Refractories' Q1FY26 PAT was slightly below our estimates on account of lower gross margins in overseas business, lower other income and higher tax rate. However the domestic business grew 30% YoY much ahead of our peers and the overseas business has turned EBITDA +ve (incl other income).

Key business highlights

- **IFGL refractories reported a consolidated revenue growth of 9.5% YoY and 1.2% QoQ in Q1 driven by strong domestic performance growing 32% YoY & 5% QoQ.** The refractories manufactured in India and exported saw a de-growth of 22% YoY and 6.4% QoQ
- European operations (-3% YoY, -6% QoQ) & American operations (10% YoY, +6% QoQ). Combined operations contributed ~38% of overall revenue.
- Indian Operations EBITDA margins at 13.67% & +0.74% for Overseas operations. Europe continues to face losses (~87Mn EBIT losses for Q1FY26)

Outlook:

- The company is targeting 15-20% CAGR in Standalone operations for the next 2-3 years before any new plants commence.
- USA – Demand is strong, Europe – Sheffield Refractories and EL ceramics to perform much better than FY25, challenges remain in Germany operations however trials ongoing for alternate applications.
- Raw material costs currently stable, expect high cost inventory to be consumed by Q2, gross margins likely to improve from Q3 if prices sustain
- Targeting double digit EBITDA margins (incl other income) in FY26 (FY25 – 8.8%)

Financial Summary

Year End (Rs mn)	FY22	FY23	FY24A	FY25	FY26E	FY27E
Net sales	12,595	13,865	16,395	16,530	18,314	20,816
Growth	23.24%	10.08%	18.25%	0.83%	10.79%	13.66%
EBIDTA	1,426	1,529	1,544	1,286	1,740	2,394
Growth	-8.21%	7.25%	0.94%	-16.68%	35.27%	37.59%
Margins (%)	11.3	11.0	9.4	7.8	9.5	11.5
Adjusted net profit	775	792	817	430	774	1,453
Growth	18.14%	2.22%	3.09%	-47.37%	80.05%	87.80%
EPS (Rs)	21.5	22.0	22.7	11.9	21.5	40.3
P/E (x)	23.3	22.7	22.1	41.9	23.3	12.4
EV/EBITDA (x)	12	12	12	15	11	8
RoCE (%)	10.51	9.58	8.82	5.60	8.62	14.26
RoE (%)	8.30	7.88	7.62	3.88	6.68	11.36

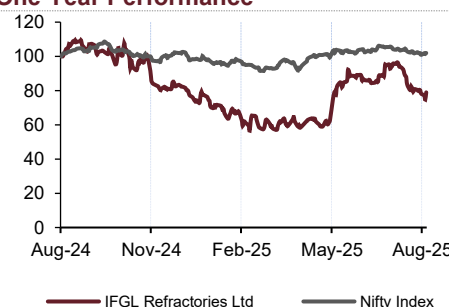
Source: Company, Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
BUY	338	45

Market data

Current price	Rs	232
Market Cap (Rs.Bn)	(Rs Bn)	17
Market Cap (US\$ Mn)	(US\$ Mn)	192
Face Value	Rs	10
52 Weeks High/Low	Rs 330.48 / 163.02	
Average Daily Volume	('000)	27
BSE Code		540774
Bloomberg		IFGLRF.IN

Source: Bloomberg

One Year Performance


Source: Bloomberg

% Shareholding	Jun-25	Mar-25
Promoters	72.43	72.43
Public	27.57	27.57
Total	100.00	100.00

Source: Bloomberg

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Concall Highlights:

- Company reported highest ever quarterly revenue with domestic operations contributing 77% of standalone operations
- Gaining market share in domestic market by improving the performance of the products (same or better than peers), increasing the product offerings, focused marketing and without undercutting leading to onboarding new clients and increasing wallet share in existing customers.
- Total Refractory Management customers now at 22, earlier was around 14. Engaged in talks with large integrated steel plants
- New leadership team appointed to drive the non-ferrous segment, results to be seen in next few years
- Restructuring at Monoccon operations in terms of leadership team and product development, initial trials have received very positive feedback
- Opened wholly owned subsidiary in Australia to capitalise on the growth opportunity (new market opening)
- Technology transfer from Sheffield to be completed by end of Q3FY26
- JV with Marvel should contribute from FY29, capex of 300crs
- New greenfield plant to start contributing from H2FY28, capex of 300-350crs

Valuations and Outlook:

The company has delivered over 20% CAGR in the Indian market since FY20, significantly outperforming peers. With additional casting flux and magnesia brick capacity coming online, coupled with its foray into the non-ferrous segment and a secured base of new customers, management anticipates strong growth momentum over the next couple of years—even without incremental capacity additions before FY27.

A further acceleration is expected from FY28 onwards, driven by the upcoming greenfield project in Odisha and the joint venture with Marvel. The company remains highly confident in sustaining 15–20% CAGR in its domestic business over the medium term, independent of new project contributions. Management is cautiously optimistic about a gradual recovery in overseas operations.

At CMP of 235, the stock is trading at 26x/13x FY26E/27E. We continue to remain optimistic about the company's mid-to-long-term prospects and believe the downside is very limited (available at 1x Price/sales).

We maintain our BUY recommendation with a target price of Rs 338 based on a SOTP valuation methodology based on FY27E.

Q1FY26 Snapshot

IFGL Refractories Particulars (Rs Mns)	Q1FY26	Q1FY25	YoY Growth	Q4FY25	QoQ Growth
Revenue from operations	4,540	4,145	9.5%	4,485	1.2%
Other income	30	69	-56.7%	37	-18.5%
Total Income	4,570	4,215	8.4%	4,522	1.1%
Cost of goods sold	2,374	2,030	17.0%	2,306	2.9%
Employee Benefit expenses	765	665	15.0%	764	0.2%
Other expenses	1,041	990	5.2%	1,083	-3.9%
EBITDA (excl other income)	360	461	-21.9%	332	8.3%
Less : Depreciation	192	171	12.4%	200	-3.8%
PBIT	168	290		133	
Less: Interest cost	46	26	76.7%	42	11.3%
PBT (before exceptional) & OI	122	264	-53.9%	91	33.6%
Other Income	30	69		37	
PBT (after exceptional)	152	333	-54%	128	19%
Less : Tax	44	87		44	
PAT	108	247	-56%	84	28%
EPS	1.5	3.4	-55.8%	1.2	28.3%
Margins					
Gross Margins	47.71%	51.04%	-333.4	48.58%	-87.0
EBITDA Margins	7.93%	11.12%	-319.1	7.41%	52.1
Net profit Margin	2.37%	5.85%	-348.3	1.86%	50.1
Revenue Split within standalone	2,755	2,416	14.0%	2,697	2.1%
Within India	2,128	1,614	31.8%	2,028	4.9%
Outside India	627	802	-21.8%	670	-6.4%
Gross margins					
Consolidated	47.7%	51.0%	-333.4	48.6%	-87.0
Standalone	46.2%	50.6%	-448.0	46.6%	-40.0
EBITDA margins incl other income					
Consolidated EBITDA Margins	8.59%	12.79%	-420.2	8.23%	36.1
Standalone EBITDA Margins	13.7%	18.4%	-471.4	15.00%	-132.9
Subsidiary EBITDA margins	0.7%	5.0%	-423.3	-1.99%	273.6

* Consolidated P/L

Source: Company, Dalal & Broacha Research

Quarterly Trend

Particulars	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-26
Consolidated Sales	4,239	4,555	3,662	3,939	4,145	4,111	3,788	4,485	4,540
<i>YoY growth</i>				7.0%	-2.2%	-9.7%	3.5%	13.9%	9.5%
Standalone Sales	2,270	2,597	1,969	2,094	2,416	2,536	2,327	2,697	2,755
<i>YoY growth</i>				-0.4%	6.4%	-2.3%	18.2%	28.8%	14.0%
Domestic	1,421	1,553	1,407	1,602	1,614	1,792	1,776	2,028	2,127.90
<i>YoY growth</i>				20.9%	13.6%	15.3%	26.2%	26.6%	31.8%
Export	849	1,044	562	482	802	745	552	670	627
<i>YoY growth</i>				-38.1%	-5.6%	-28.7%	-1.9%	39.0%	-21.8%
Subsidiary sales	1,969	1,958	1,693	1,845	1,730	1,575	1,461	1,788	1,785
<i>YoY growth</i>				16.9%	-12.1%	-19.6%	-13.7%	-3.1%	3.2%
Consolidated EBITDA	594	717	(0)	420	530	365	196	369	390
Subsidiary EBITDA	132	139	102	42	86	32	(26)	(36)	13
Standalone EBITDA	463	578	(103)	378	444	333	222	404.7	376.70
Consolidated PAT	296	380	15	125	246	121	(22)	84	108
Standalone PAT	225	301	(31)	156	220	137	50	169.1	147
Subsidiary PAT	71	79	46	(30)	26	(16)	(72)	(85)	(39)
Gross margins									
Consolidated	50.2%	50.1%	48.4%	48.2%	51.0%	51.1%	49.2%	48.6%	47.7%
Standalone	50.7%	49.7%	44.9%	47.5%	50.6%	47.1%	46.4%	46.6%	46.2%
*EBITDA margins									
Consolidated EBITDA Margins	14.02%	15.74%	-0.01%	10.66%	12.79%	8.88%	5.17%	8.23%	8.59%
Standalone EBITDA Margins	20.39%	22.27%	-5.21%	18.04%	18.39%	13.13%	9.54%	15.00%	13.67%
Subsidiary EBITDA margins	6.69%	7.09%	6.05%	2.29%	4.98%	2.05%	-1.81%	-1.99%	0.74%
PAT margins									
Consolidated PAT margins	6.99%	8.34%	0.42%	3.18%	5.95%	2.94%	-0.58%	1.88%	2.38%
Standalone PAT margins	9.92%	11.59%	-1.56%	7.43%	9.11%	5.39%	2.16%	6.27%	5.35%
Subsidiary PAT margins	3.61%	4.03%	2.72%	-1.64%	1.53%	-1.00%	-4.93%	-4.74%	-2.20%
* EBITDA includes other income									

Source: Company, Dalal & Broacha Research

FINANCIALS

P&L (Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	12,595	13,865	16,395	16,530	18,314	20,816
Total Operating Expenses	6,146	7,228	8,315	8,271	9,249	10,408
Employee Cost	1,739	1,948	2,503	2,812	3,060	3,366
Other Expenses	3,284	3,160	4,034	4,162	4,286	4,629
Operating Profit	1,426	1,529	1,544	1,286	1,719	2,413
Depreciation	511	556	643	727	762	527
PBIT	915	974	901	559	957	1,886
Other income	159	132	188	174	120	132
Interest	34	48	110	138	185	185
PBT (Before exceptional	1,039	1,057	978	595	892	1,832
PBT (post exceptional)	1,039	1,057	978	595	892	1,832
Provision for tax	265	265	162	166	250	513
Reported PAT	775	792	817	430	642	1,319
Balance Sheet (Rs mn)						
	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity capital	360	360	360	360	360	360
Reserves	8,980	9,690	10,360	10,710	11,099	12,167
Net worth	9,340	10,050	10,721	11,070	11,460	12,527
Non Current Liabilites	666	1,119	1,053	951	951	951
Current Liabilites	2,854	3,090	3,130	4,164	3,824	4,282
TOTAL LIABILITIES	12,861	14,259	14,904	16,185	16,235	17,760
Non Current Asset s	4,809	5,898	6,522	6,674	6,689	8,102
Fixed Assets	2,296	3,480	4,470	4,671	4,954	6,635
Goodwill	2,173	1,978	1,738	1,533	1,265	997
Non Current Investments	194	194	113	113	113	113
Deferred Tax Asset	-	-	-	-	-	-
Other Financial Assets	23	64	32	37	37	37
Other Non Current Assets	124	183	169	319	319	319
Current Asset s	8,052	8,361	8,381	9,511	9,546	9,658
Current investments	1,155	1,130	1,152	940	940	470
Inventories	2,594	3,020	3,007	4,047	3,512	3,821
Trade Receivables	2,720	3,498	3,250	3,594	3,763	3,992
Cash and Bank Balances	1,279	580	716	641	1,028	1,058
Short Term Loans and Ad	90	15	62	22	22	22
Other Current Assets	214	118	194	267	280	294
TOTAL ASSETS	12,861	14,259	14,903	16,185	16,235	17,760

FINANCIALS

Cash flow statement (Rs in mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Cash flow from operating activities						
Profit before tax	1,039	1,057	978	595	892	1,832
Depreciation & Amortization	511	556	643	727	762	527
Interest expenses	34	48	110	138	185	185
Operating profit before working capital change	1,585	1,661	1,731	1,460	1,839	2,545
Working capital adjustment	(1,032)	(1,215)	192	(818)	14	(92)
Gross cash generated from operations	552	446	1,924	642	1,853	2,452
Direct taxes paid	265	265	231	(267)	250	513
Others	244	118	171	(93)	539	476
Cash generated from operations	44	63	1,522	283	2,142	2,415
Cash flow from investing activities						
Capex	(656)	(1,358)	(826)	(7,292)	(1,050)	(2,150)
Investment	25	59	212	-	470	-
Others	391	72	(346)	(6,920)	(268)	(268)
Cash generated from investment activities	(240)	(1,227)	(1,172)	(372)	(848)	(2,418)
Cash flow from financing activities						
Proceeds from issue of share	-	-	-	-	-	-
Borrow ings/ (Repayments)	317	798	140	392	-	-
Interest paid	(34)	(48)	(110)	(138)	(185)	(185)
Dividend paid	(360)	(252)	(252)	(252)	(252)	(252)
Others	8	-	-	(40)	-	0.00
Cash generated from financing activities	(70)	498	(243)	(38)	(437)	(437.47)
Net cash increase/ (decrease)	(285)	(622)	129	(127)	857	(440)
Ratios	FY22	FY23	FY24	FY25	FY26E	FY27E
OPM	11.3%	11.0%	9.4%	7.8%	9.4%	11.59%
NPM	6.1%	5.7%	4.9%	2.6%	3.5%	6.30%
Tax Rate	25.4%	25.1%	16.5%	27.8%	28.0%	28.00%
Growth Ratios (%)						
Net Sales	23.2%	10.1%	18.2%	0.8%	10.8%	13.66%
Operating Profit	-8.2%	7.3%	0.9%	-16.7%	33.7%	40.34%
PBIT	-14.3%	6.5%	-7.5%	-38.0%	71.3%	97.01%
PAT	18.1%	2.2%	3.1%	-47.4%	49.4%	105.45%
Per Share (Rs.)						
Net Earnings (EPS)	10.8	11.0	11.3	6.0	8.9	18.3
Cash Earnings (CPS)	17.8	18.7	20.2	16.1	19.5	25.62
Dividend	7.0	7.0	7.0	7.0	7.0	7.0
Book Value	129.6	139.4	148.7	153.6	159.0	173.80
Free Cash Flow	30.1	-17.0	-35.9	19.3	-194.5	30.3
Valuation Ratios						
P/E(x)	21.8	21.4	20.7	39.4	26.4	12.84
P/B(x)	1.8	1.7	1.6	1.5	1.5	1.35
EV/EBIDTA(x)	11.6	11.7	11.6	14.2	10.4	7.42
Div. Yield(%)	3.0	3.0	3.0	3.0	3.0	2.98
FCFF Yield(%)	12.8	(7.2)	(15.3)	8.2	(82.8)	12.90
Return Ratios (%)						
ROE	8.3%	7.9%	7.6%	3.9%	5.6%	10.53%
ROCE	10.5%	9.6%	8.8%	5.6%	8.0%	13.87%

Source: Company, Dalal & Broacha Research

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