IFGL Refractories

Q4FY25 Result Update | **Refractories**

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

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Strong domestic show, Outlook cautiously optimistic

IFGL Refractories' Q4FY25 performance was a beat on all fronts with Revenue/EBITDA/PAT was +15%/65%/179% vs our estimates.

The company remains very confident about their growth trajectory in the domestic market targeting 15-20% CAGR over the next few years even before any of their new projects commence. Management is cautiously opitmistic about a recovery in their overseas operations.

Key business highlights

- **IFGL refractories reported a consolidated revenue growth of 14% YoY and 18% QoQ in Q4 driven by strong domestic performance growing 29% YoY & 16% QoQ.** The refractories manufactured in India and exported has also seen a strong recovery of 39% growth YoY after a weak 9MFY25.
- For FY25, the Indian operations (refractories manufactured and sold in India) has grown by 20% YOY, much higher than peers indicating market share gains.
- European operations (-6% YoY, +36% QoQ) & American operations (6.5% YoY, + 12.8% QoQ). Combined operations contributed ~40% of overall revenue.
- Indian Operations EBITDA margins at 15% & -1.99% for Overseas operations. Europe continues to face losses (~248Mn EBIT losses for FY25)

Financial Highlights:

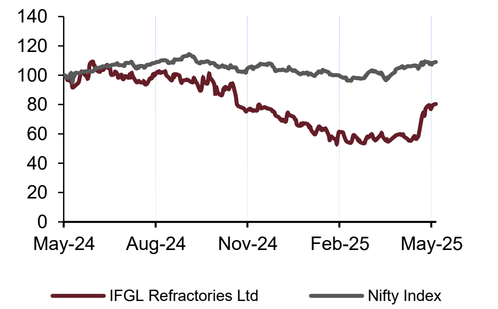
- Revenue at Rs 4,485Mn, +13.9% yoy/+18.4% qoq
- EBITDA (excl OI) at Rs 332 Mn, -4.5% yoy/+99.2% qoq
- EBITDA margin at 7.41% vs 8.83% vs 4.4% in Q4FY24/Q3FY25
- PAT at Rs 84Mn, -33% yoy/+481% qoq

Rating	TP (Rs)	Up/Dn (%)
BUY	**687**	**36**

Market data		
Current price	**Rs**	**505**
Market Cap (Rs.Bn)	(Rs Bn)	18
Market Cap (US$ Mn)	(US$ Mn)	214
Face Value	Rs	10
52 Weeks High/Low	Rs	698 / 326.05
Average Daily Volume	('000)	32
BSE Code		540774
Bloomberg		IFGLRF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	**Mar-25**	**Dec-24**
Promoters	72.43	72.43
Public	27.57	27.57
Total	**100**	**100**

Source: Bloomberg

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

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Outlook:

- The company is targeting 15-20% CAGR in Standalone operations for the next 2-3 years before any new plants commence.
- Standalone margins – More than 14% to continue
- USA – Early signs of recovery visible, Europe – Hopeful of improved performance in FY26, April was very good for the foundry business in Germany. Entire focus in FY25 in subsidiaries was on product development which should yield benefits in coming years.
- Technology transfer from Shefield to be completed by end of Q1FY26
- JV with Marvel should contribute from FY28
- New greenfield plant to start contributing from Q2FY28 and 35% capacity utilisation expected in Yr1 itself.
- Capex: FY26 - ~1000-1500Mn, FY27 – More than ~1500Mn

Concall Highlights:

Domestic operations:

- In Q4FY25, India business grew 27% YoY within standalone P/L which is a major positive indicating that the company is gaining market share. For FY25, the growth was 20%.
- The industry leading growth is on account of contribution from Magnesia carbon bricks, incremental revenue of ~80-100Mn from new products introduced in ferrous segment, contribution from non-ferrous products (~100Mn) and new customers acquired in TRM (17 customers from 10 earlier)
- EBITDA margin for Non-ferrous: >20% and DBM Bricks: > 29-30%
- Seeing strong traction from large cement plants and mills.
- Product segment targeted within Bricks has only 3 players (incl IFGL), target is to be No1 and pricing will be better due to limited supply.
- Market size to double in next 4years for DBM bricks.
- Very confident on the technology the company is going to utilise on the Iron side of blast furnace. Contracts are 1-3 years. ~250-300Mn revenue projection from this segment in next 3 years.
- Focus is on more recycled refractories to help reduce input costs and improve margins

Overseas operations:

- USA has already seen early signs of recovery as steel production ramps up on account of Make In America Policy.

  Europe Operations:

  A. **Hoffman (Germany)** – most impacted in FY25, full focus was on product development and managed to find new applications for foundry products. April was very good in terms of performance. Hoping that the new bill in Germany will provide a trigger for foundry products.

  B. **Shefield UK** – Showed considerable resilience in such subdued demand environment. British steel production resumption is a positive for Shefield.

C. **Monocon** – Complete rejig in entire management, R&D team and personnel has taken place. Full focus is on product development, very positive trials of products have taken place but will take a couple of quarters to flow in the numbers.

Other Key Details:

- **Working Capital**: Inventory was elevated on account of strategic built up in anticipation of ramp up of Vizag plant and certain Raw materials received in advance for the Rourkela production lines. Working capital to normalised over the course of time.
- **Raw Material:** Some spike in Fuel magnesita seen but it would set off by the price hikes taken from customers.

Valuations and Outlook:

IFGL Refractories' Q4FY25 performance was much better than anticipation driven by strong domestic performance. The company has been focusing on the Indian market growing more than 20% CAGR since FY20 outperforming peers. 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 the next couple of years even without any new projects coming onstream by FY27. The

The company remains very confident about their growth trajectory in the domestic market targeting 15-20% CAGR over the next few years even before any of their new projects commence. Management is cautiously opitmistic about a recovery in their overseas operations.

At CMP of 505, the stock is trading at 23x/12.5x 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 687 based on a SOTP valuation methodology based on FY27E.**

Performance comparison against Vesuvius India

Comparison of India business ***(Rs in Mn)***

	FY23	FY24	FY25
Vesuivus India	13,990	16,880	18,970
YoY growth		***21%***	***12%***
IFGL Refractories	4,584	5,983	7,209
YoY growth		***31%***	***20%***

Q4FY25 Snapshot

IFGL Refractories Particulars (Rs Mns)	Q4FY25	Q4FY24	YoY Growth	Q3FY25	QoQ Growth
Revenue from operations	4,485	3,939	*13.9%*	3,788	*18.4%*
Other income	37	72	*-49.0%*	29	*27.3%*
Total Income	**4,522**	**4,012**	*12.7%*	**3,817**	*18.5%*
Cost of goods sold	2,306	2,040	*13.1%*	1,925	*19.8%*
Employee Benefit expenses	764	645	*18.3%*	702	*8.8%*
Other expenses	1,083	907	*19.5%*	995	*8.9%*
EBITDA (excl other income)	**332**	**348**	*-4.5%*	**167**	*99.2%*
Less : Depreciation	200	175	*14.4%*	180	*10.9%*
PBIT	133	173		-13	
Less: Interest cost	42	34	*24.2%*	35	*17.8%*
PBT (before exceptional)	91	140	*-34.8%*	-48	*87.8%*
Other Income	37	72		29	
PBT (after exceptional)	**128**	**212**	*-39.7%*	**(20)**	*740.0%*
Less : Tax	44	87		2	
PAT	**84**	**125**	*-32.8%*	**(22)**	*481.0%*
EPS	**2.3**	**3.5**	*-32.8%*	**-0.6**	*481.0%*
Margins					
Gross Margins	48.58%	48.22%	*35.6*	49.19%	*-60.8*
EBITDA Margins	7.41%	8.83%	*-142.0*	4.40%	*300.6*
Net profit Margin	1.86%	3.13%	*-126.2*	-0.57%	*243.5*
Revenue Split within standalone	**2,697**	**2,084**	*29.4%*	**2,327**	*15.9%*
Within India	2,028	1,602	*26.6%*	1,776	*14.2%*
Outside India	670	482	*39.0%*	552	*21.4%*
Gross margins					
Consolidated	48.6%	48.2%	*35.6*	49.2%	*-60.8*
Standalone	46.6%	47.5%	*-93.0*	46.4%	*16.0*
EBITDA margins					
Consolidated EBITDA Margins	8.23%	10.66%	*-243.2*	5.2%	*306.3*
Standalone EBITDA Margins	15.00%	18.0%	*-303.6*	9.5%	*546.0*
Subsidiary EBITDA margins	-1.99%	2.3%	*-427.8*	-1.8%	*-18.4*

** Consolidated P/L*

Quarterly Trend

Particulars	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Consolidated Sales	**3,681**	**4,239**	**4,555**	**3,662**	**3,939**	**4,145**	**4,111**	**3,788**	**4,485**
YoY growth					***7.0%***	***-2.2%***	***-9.7%***	***3.5%***	***13.9%***
Standalone Sales	**2,103**	**2,270**	**2,597**	**1,969**	**2,094**	**2,416**	**2,536**	**2,327**	**2,697**
YoY growth					***-0.4%***	***6.4%***	***-2.3%***	***18.2%***	***28.8%***
Domestic	1,325	1,421	1,553	1,407	1,602	1,614	1,792	1,776	2,028
YoY growth					***20.9%***	***13.6%***	***15.3%***	***26.2%***	***26.6%***
Export	778	849	1,044	562	482	802	745	552	670
YoY growth					***-38.1%***	***-5.6%***	***-28.7%***	***-1.9%***	***39.0%***
Subsidiary sales	1,579	1,969	1,958	1,693	1,845	1,730	1,575	1,461	1,788
YoY growth					***16.9%***	***-12.1%***	***-19.6%***	***-13.7%***	***-3.1%***
Consolidated EBITDA	561	594	717	(0)	420	530	365	196	369
Subsidiary EBITDA	98	132	139	102	42	86	32	(26)	(36)
Standalone EBITDA	463	463	578	(103)	378	444	333	222	404.7
Consolidated PAT	294	296	380	15	125	246	121	(22)	84
Standalone PAT	229	225	301	(31)	156	220	137	50	169.1
Subsidiary PAT	65	71	79	46	(30)	26	(16)	(72)	(85)
Gross margins									
Consolidated	48.9%	50.2%	50.1%	48.4%	48.2%	51.0%	51.1%	49.2%	48.6%
Standalone	46.5%	50.7%	49.7%	44.9%	47.5%	50.6%	47.1%	46.4%	46.6%
***EBITDA margins**									
Consolidated EBITDA Margins	15.25%	14.02%	15.74%	-0.01%	10.66%	12.79%	8.88%	5.17%	8.23%
Standalone EBITDA Margins	22.03%	20.39%	22.27%	-5.21%	18.04%	18.39%	13.13%	9.54%	15.00%
Subsidiary EBITDA margins	6.21%	6.69%	7.09%	6.05%	2.29%	4.98%	2.05%	-1.81%	-1.99%
PAT margins									
Consolidated PAT margins	7.99%	6.99%	8.34%	0.42%	3.18%	5.95%	2.94%	-0.58%	1.88%
Standalone PAT margins	10.91%	9.92%	11.59%	-1.56%	7.43%	9.11%	5.39%	2.16%	6.27%
Subsidiary PAT margins	4.11%	3.61%	4.03%	2.72%	-1.64%	1.53%	-1.00%	-4.93%	-4.74%

**** EBITDA includes other income***

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	9,066	10,304
Employee Cost	1,739	1,948	2,503	2,812	2,930	3,122
Other Expenses	3,284	3,160	4,034	4,162	4,579	4,996
Operating Profit	1,426	1,529	1,544	1,286	1,740	2,394
Depreciation	511	556	643	727	762	527
PBIT	915	974	901	559	978	1,867
Other income	159	132	188	174	174	174
Interest	34	48	110	138	120	103
PBT (Before exceptional	1,039	1,057	978	595	1,032	1,938
PBT (post exceptional)	1,039	1,057	978	595	1,032	1,938
Provision for tax	265	265	162	166	258	484
Reported PAT	775	792	817	430	774	1,453

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	11,231	12,432
Net worth	**9,340**	**10,050**	**10,721**	**11,070**	**11,592**	**12,793**
Non Current Liabilites	666	1,119	1,053	951	826	701
Current Liabilites	2,854	3,090	3,130	4,164	3,699	4,032
TOTAL LIABILITIES	**12,861**	**14,259**	**14,904**	**16,185**	**16,117**	**17,525**
Non Current Assets	**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 Assets	**8,052**	**8,361**	**8,381**	**9,511**	**9,428**	**9,423**
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	910	823
Short Term Loans and Adv	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**	**16,117**	**17,525**

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	1,032	1,938
Depreciation & Amortization	511	556	643	727	762	527
Interest expenses	34	48	110	138	120	103
Operating profit before working capital change	1,585	1,661	1,731	1,460	1,914	2,568
Working capital adjustment	(1,032)	(1,215)	192	(818)	14	(92)
Gross cash generated from operations	552	446	1,924	642	1,928	2,476
Direct taxes paid	265	265	231	(267)	258	484
Others	244	118	171	(93)	539	476
Cash generated from operations	44	63	1,522	283	2,209	2,467
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	-	-	-	-	-	-
Borrowings/ (Repayments)	317	798	140	392	(250)	(250)
Interest paid	(34)	(48)	(110)	(138)	(120)	(103)
Dividend paid	(360)	(252)	(252)	(252)	(252)	(252)
Others	8	-	-	(40)	-	0.00
Cash generated from financing activities	(70)	498	(243)	(38)	(622)	(605.41)
Net cash increase/ (decrease)	(285)	(622)	129	(127)	739	(556)

Ratios	FY22	FY23	FY24	FY25	FY26E	FY27E
OPM	11.3%	11.0%	9.4%	7.8%	9.5%	11.50%
NPM	6.1%	5.7%	4.9%	2.6%	4.2%	6.92%
Tax Rate	25.4%	25.1%	16.5%	27.8%	25.0%	25.00%
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%	35.3%	37.59%
PBIT	-14.3%	6.5%	-7.5%	-38.0%	75.0%	90.92%
PAT	18.1%	2.2%	3.1%	-47.4%	80.1%	87.80%
Per Share (Rs.)						
Net Earnings (EPS)	21.5	22.0	22.7	11.9	21.5	40.3
Cash Earnings (CPS)	35.7	37.4	40.5	32.1	42.6	54.95
Dividend	7.0	7.0	7.0	7.0	7.0	7.0
Book Value	259.2	278.9	297.5	307.2	321.6	354.97
Free Cash Flow	30.1	-17.0	-35.9	19.3	-194.5	32.2
Valuation Ratios						
P/E(x)	23.3	22.7	22.1	41.9	23.3	12.40
P/B(x)	1.9	1.8	1.7	1.6	1.6	1.41
EV/EBIDTA(x)	12.4	12.4	12.3	15.1	10.9	7.82
Div. Yield(%)	1.4	1.4	1.4	1.4	1.4	1.40
FCFF Yield(%)	6.0	(3.4)	(7.2)	3.9	(38.9)	6.43
Return Ratios (%)						
ROE	8.3%	7.9%	7.6%	3.9%	6.7%	11.36%
ROCE	10.5%	9.6%	8.8%	5.6%	8.6%	14.26%

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