



Farsight

MORNING FARSIGHT

Monday, July 09, 2018

IFGL REFRACTORIES

CMP:RS 200

TRGT:RS 240

TIME HORIZON: 1 YEAR

IFGL Refractories is looking a good buy, as fundamentals and outlook continue to remain attractive. Stock is now seen to have bottomed out and is giving a good buying opportunity, as we continue to have positive view on Domestic Steel Industry, recent capacity expansion of the company and strong Q4 earnings. Starting with Q4FY18 earnings, the performance was very strong with Revenue of Rs 228 cr against Rs 210 cr QoQ and Rs 209 cr YoY, a growth of 9%, which resulted in PAT of Rs 19.8cr against Rs 6.7 cr QoQ and Rs 15.5 cr YoY (+195%QoQ, 27% YoY), leading to an EPS of Rs 5.5 for Q4 and Rs 13.07 for FY18. On the balance-sheet front, company continues to remain debt free on net basis, with total debt of Rs 106 cr seen adequately backed by Cash Eqv of Rs 94 cr and Inventory of Rs 109 cr. Further, company has completed 80% capacity expansion project at Odisha Plant and Kandla Plant, which are expected to come on stream in Q3FY19, and will see increase the present capacity of ISO products from 160,000 pcs p.a. to 240,000 pcs p.a. Longer term outlook is also positive as the total installed capacity of Steel making in India is expected to rise to 146 million metric ton by 2020, on the back of expansion plan by various large steel companies and with resolution of insolvency cases in NCLT of distressed steel companies, utilization rate is expected to rise in the future, which will be very positive for the company. Globally as well, latest developments are very interesting and media reports are highlighting continued news flow of further environment inspections in China. Chinese FIRC prices are broadly flat at -\$5904, and iron here Mile next few months, the winter shutdown process would start again, resulting in better demand outlook for domestic steel production and demand. Stocks is now available at M cap and EV of Rs 720cr, with annual Income of closer to Rs 850 cr, EBITDA of Rs 106 cr and EPS of Rs 13, leading to EV/Sales of 0.85x, EV/EBITDA of just 6.8x and PE of 15x on historic basis. Share ruling at Rs 200 can move to Rs 240 in 1 year period

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.