



Farsight

## MORNING FARSIGHT

Wednesday, June 20, 2018

**IFGL REFRACTORIES**

**CMP:RS 202**

**TRGT:RS 240**

**TIME HORIZON: 1 YEAR**

IFGL Refractories, having been the victim of general correction in small cap in valuation multiples across the names, 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 cash surplus, with debt of Rs 21 cr backed by Cash Eqv of Rs 94 cr, giving net cash per share of Rs20. Further, company has completed 80% capacity expansion at Odisha Plant and Kandla Plant, which are expected to come on stream in Q3FY19, and will see increase the present capacity from 160,000 pcs p.a. to 240,000 pcs p.a. Longer term outlook is also positive as the total installed capacity 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. Globally as well, latest developments are very interesting and media reports are highlighting continued news flow of further environment inspections in China. As per Bloomberg, China has once again re-start environmental and pollution checks between June 5th and July 5th for one month and is part of a wider program of 1 month checks in 10 provinces, which include Hebei and Henan among others. Stocks is now available at M cap and EV of Rs 725 cr and Rs 650 cr, with annual Income of closer to Rs 850 crores, EBITDA of Rs 106 crores and EPS of Rs 13, leading to EV/Sales of 0.75x, EV/EBITDA of 6x and PE of 15x. Share ruling at Rs202 can move to Rs240 in a year.

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