

June 06, 2024

RESULT REPORT Q4 FY24 | Sector: Consumer Durables

IFB Industries Ltd

Margin set to improve; upgrade to ADD

Result Synopsis

IFBI revenue grew 7.9% yoy (9.5% lower than estimates). Its home Appliances business registered muted revenue growth of 4.9%, while engineering services registered strong growth of 24%. Company's overall gross margin expanded by 80bps yoy on lower commodity costs and initiatives taken by the company to reduce material costs. Muted revenue growth in home appliances was on back of washers' industry registering de-growth in Q4 and RAC facing supply chain issues. IFBI has taken certain actions like launching larger capacity SKUs with capacity of 9-10kgs which has resulted in company gaining market share. As far as RAC supply chain issues are concerned it has been resolved and month of April and May have been significantly better resulting in increased production target to 500,000 units vs 400,000 units earlier. The company expects strong growth in FY25 as IFBI now has got full range of washers and have introduced in Q1. Company is working towards its goal of 10% margin in home appliances segment and is confident of its achievement by Q2. On the engineering front company is looking for acquisition which will push up the growth. Considering the new launches in washers, refrigerators, and strong growth in RAC we believe the company can grow in double digits in FY25. We however have been conservative in our estimates as company in past have not been able to deliver on its guidance. We however upgrade the stock to ADD as our EPS get upgraded on lower interest costs, higher other income, and lower tax incidence.

We now expect IFB to pose revenue/EBITDA CAGR of 12%/29% over FY24- 26E. We build in EBITDA margins of 6.5% in FY26, which is lower than management aspiration of 10% as competition continues to remain intense and IFBI is yet to demonstrate double digit margins. Despite scale benefits and increased efficiencies, IFB's margins are lower than peers. We continue to value company at 30x as company is working on the cost reduction initiatives to improve the margins. We upgrade the stock to ADD PT of Rs1,514 as management has done work which will enable margin improvement.

Result Highlights

- Revenue** – Revenue grew 7.9% yoy as home appliances business revenue grew at muted pace of 4.9% yoy. Engineering segment grew by 24% on yoy basis on back of strong marketing push.
- Margins** – Gross margins stood at 39.9% registered expansion of 80bps, while EBITDA margin stood at 4.3% expanding by 141bps. The company is currently working on sourcing and supply chain management to improve the margins.
- AC Segment** – AC sales were affected by supply chain issues in Q4FY24. In the month of April and May 2024 company managed to rectify the situation to some extent. The supply chain issues continue to prevail.
- IFB Refrigeration** – The company holds 41.1% stake in IFB refrigeration, the company may look to raise its stake further in IFBI refrigeration. The company's target is to reach volume of 50,000 refrigerators by August 2024.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	10,902	12,051	NA	-9.5	NA	Subdued performance of Home Appliances division has resulted in revenue miss
EBITDA	465	773	NA	-39.8	NA	
EBITDA Margin (%)	4.3	6.4	NA	-210 bps	NA bps	
Adjusted PAT	120	246	NA	-51.2	NA	

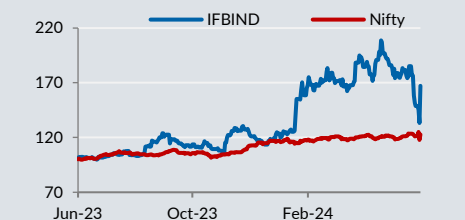
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 1,337
Target Price	: Rs 1,514
Potential Return	: 13.2%

Stock data (as on Jun 06, 2024)

Nifty	22,821
52 Week h/l (Rs)	1720 /792
Market cap (Rs/USD mn)	45596 /546
Outstanding Shares (mn)	41
6m Avg t/o (Rs mn):	110
Div yield (%):	NA
Bloomberg code:	IFBI IN
NSE code:	IFBIND

Stock performance



	1M	3M	1Y
Absolute return	-8.7%	-1.5%	66.4%

Shareholding pattern (As of Mar'24 end)

Promoter	75.0%
FII+DII	7.3%
Others	17.7%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	REDUCE
Target Price	1,514	1,182

Δ in earnings estimates

	FY25e	FY26e
EPS (New)	37.5	50.5
EPS (Old)	30.2	39.4
% change	24.2%	28.2%

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Revenue	44,378	50,219	55,865
YoY Growth	5.8	13.2	11.2
EBIDTA	2,171	3,164	3,631
YoY Growth	33.4	45.7	14.8
PAT	504	1549	2083
YoY Growth	237.1	207.6	34.5
ROE	10.8	21.9	22.9
EPS	12.2	37.5	50.5
P/E	109.6	35.6	26.5
BV	173.8	211.4	261.8
EV/EBITDA	25.3	16.9	14.0

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Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	y/y %	q/q %	FY24	FY23	y/y %
Sales	10,102	10,859	11,009	11,608	10,902	7.9	(6.1)	44,378	41,950	5.8
EBITDA	288	348	704	653	465	61.4	(28.8)	2,171	1,628	33.4
EBITDA Margin %	2.9	3.2	6.4	5.6	4.3			4.9	3.9	
Depreciation	338.1	302.4	303.5	318.0	320.0	(5.4)	0.6	1,244	1,215	2.4
EBIT	-50	46	401	335	145	(392.0)	(56.6)	927	413	124.6
EBIT Margin %	-0.5	0.4	3.6	2.9	1.3			2.1	1.0	
Interest charges	77	75	69	68	67	(12.2)	(0.4)	279	294	(5.2)
Other Income	93	78	61	71	114	23.1	61.8	324	228	42.3
PBT	-58	6	314	263	148	(356.0)	(43.8)	730	322	126.9
Tax	42	12	99	88	28	(33.4)	(68.6)	226	172	31.3
Effective Tax Rate (%)	-72.1	210.7	31.4	33.6	18.8			31.0	53.6	
PAT	-99	-6	215	174	120	(220.8)	(31.2)	504	149	237.3
PAT Margin %	-1.0	-0.1	2.0	1.5	1.1			1.1	0.4	
EPS (Rs)	-2.4	-0.2	5.2	4.2	2.9	(220.8)	(31.2)	12.2	3.6	237.3

Source: Company, YES Sec

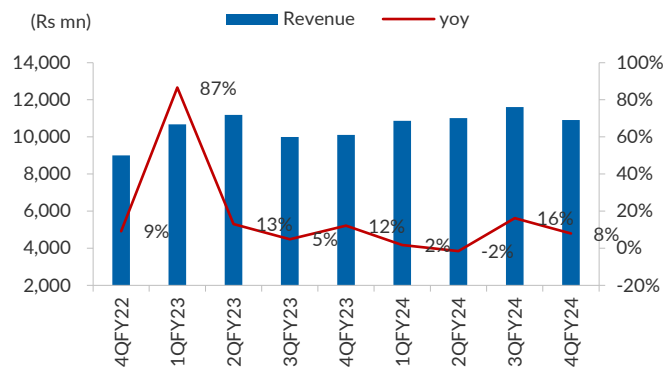
Exhibit 3: Segmental Performance

Rs mn	Q4FY23	Q1FY24	Q2FY23	Q3FY24	Q4FY24	y/y %	q/q %	FY24	FY23	y/y %
Home Appliances	7,923	8,633	8,636	9,139	8,310	4.9	(9.1)	34,719	33,147	4.7
Engineering	1,812	1,922	2,056	2,145	2,247	24.0	4.8	8,370	7,541	11.0
Others	331	376	377	380	441	33.1	15.9	1,574	1,424	10.5
Motors	165	163	155	166	185	12.2	11.6	668	709	(5.8)
Less: Intersegment	130	235	215	222	281	116.5	26.5	952	872	9.2
Total Sales	10,102	10,859	11,009	11,608	10,902	7.9	(6.1)	44,378	41,950	5.8
PBIT										
Home Appliances	-13.4	72.2	333.7	358.6	46.0	(443.3)	(87.2)	811	402	101.9
PBIT %	-0.2	0.8	3.9	3.9	0.6			2.3	1.2	
Engineering	152.7	143.3	210.0	216.2	314.7	106.1	45.6	884	543	62.7
PBIT %	8.4	7.5	10.2	10.1	14.0			10.6	7.2	
Motors	1.2	0.9	-4.5	1.6	3.8	216.7	137.5	2	22	
PBIT %	0.7	0.6	-2.9	1.0	2.1			0.3	3.0	
Others	-3.0	-8.5	-6.9	-4.4	7.4	(346.7)	(268.2)	-12	16	(180.0)
PBIT %	-0.9	-2.3	-1.8	-1.2	1.7			-0.8	1.1	
Total PBIT	138	208	532	572	372	170.5	(35.0)	1,684	982	72
Finance Costs	76.8	74.7	69.2	67.7	67.4	(12.2)	(0.4)	279	294	(5.2)
Eliminations	7.6	5.8	-4.5	3.4	-2.4	(131.6)	(170.6)	2	-3	
Unallocable expense	111	122	154	238	159	43.6	(33.1)	673	369	82.5
as % of sales	1.1	1.1	1.4	2.1	1.5			1.5	0.9	
PBT	-58	6	314	263	148	(355.5)	(43.8)	730	322	126.8

Source: Company, YES Sec

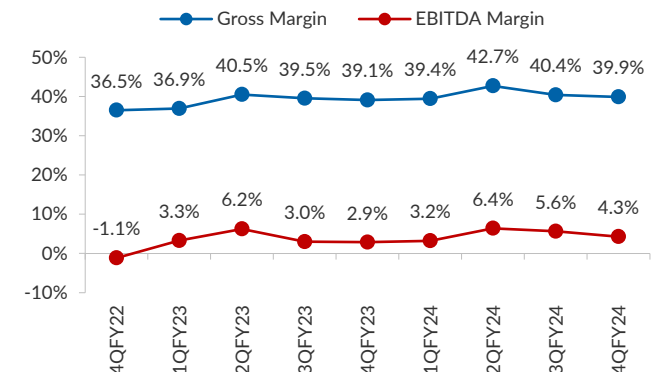
CHARTS

Exhibit 4: Muted consumer demand (Ex-RAC) has resulted in revenue miss



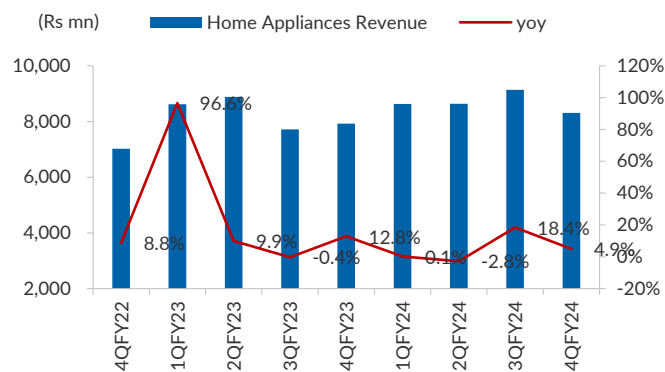
Source: Company, YES Sec

Exhibit 5: Gross margins have been steady on back of stable RM prices



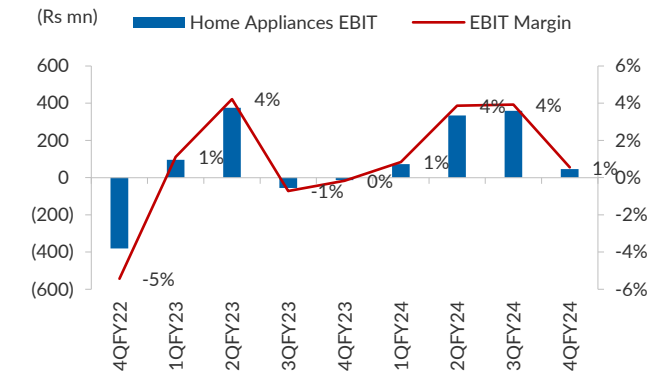
Source: Company, YES Sec

Exhibit 6: Supply chain issues in RAC has dragged revenue of home appliances



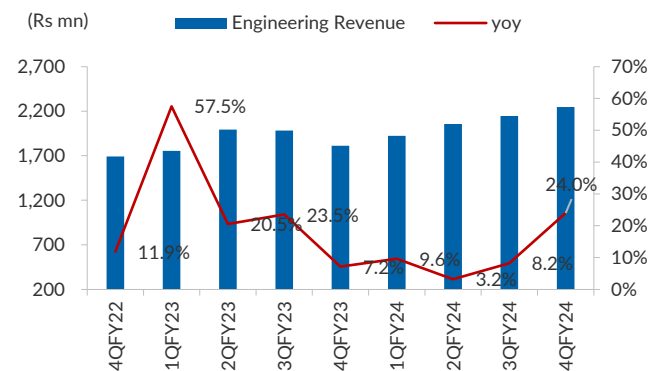
Source: Company, YES Sec

Exhibit 7: Negative operating leverage has resulted in lower margins



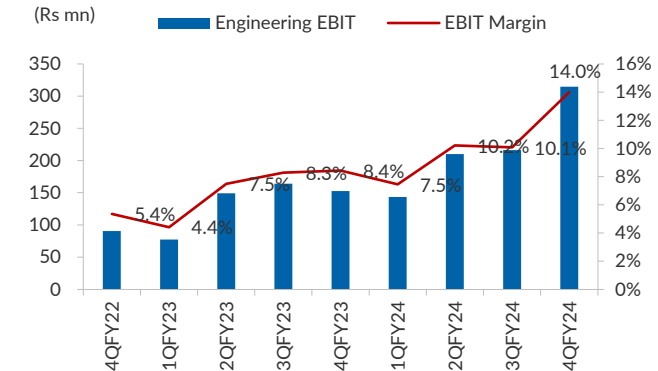
Source: Company, YES Sec

Exhibit 8: Engineering division has seen strong revenue on back of marketing push



Source: Company, YES Sec

Exhibit 9: Material costs reduction and higher operating leverage boost margins



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Cost savings** – Material cost reduction is on track as per internal plans of the company, maximum impact of RAC material cost will be visible in Q1 ad Q2 FY25. Full impact of fixed costs reduction will be visible in ensuing quarters.
- **Margins** – Appliances margins will see improvement from Q1 as benefit of cost reduction activity will start showing in 1HFY25. Intent of reaching 10% margin in appliances is there and Q1 will see higher margins.
- **RAC** – The company has increased RAC manufacturing volume to 500,000 units vs 400,000 earlier. Large part of increase will be coming from IFB brand sales. FY24 RAC sales under IFB brand stands at ~200,000 units and ~42,000 on OEM basis.
- **JV losses** – Losses from IFBR has been Rs590mn while the company share of the losses has been 41% of the total losses. Breakeven volume would be around 37,000 to 40,000 units per month.
- **IFB refrigeration** – IFB refrigeration is expected to break-even in Q2FY25.
- **RAC supply chain** – Issues was on account of higher volumes and compressor was out of supply, the company has lost out on production on account of shortage of components. Creditor payments streamlining has also impacted supply chain, which has now been sorted out.
- **Distribution spread** – The company has broad-based distribution spread as compared to earlier, resulting in higher demand for RAC
- **Washers** – Washers sales have been lower than the anticipated in Q4. April and May have been better. Company is not happy with the washers sales. GFK data suggest that washers market has de-grown in Q4. IFB has managed to increase market share as the company has introduced 9-10kgs of washers which was not present earlier.
- **Engineering division** – The company is looking 7-8 companies for in-organic growth. The revenue range of the companies are in he revenue range of Rs3bn. The company will not do acquisition till the cash moves o Rs5bn.
- **Dealer extraction** – The company has failed to get extraction from the channel, now the work has been done and there will be increase in extraction from he channel.
- **Capacity utilization** – RAC capacity utilization in month of April was 100%, and May Utilization was lower on back of supply chain issues. Refrigerator capacity stands at 1mn units. The company is targeting 6.5 lakhs units production in FY25.
- **RAC losses** – The company has incurred losses of Rs420mn in FY24.
- **Refrigerator break-even** – The company has done break-even at 38,000 units of refrigeration sales.
- **IFB points** – Sales growth from IFB points is expected to be around 15%.
- **New launches** – The company is revamping the entire range of front load as well as top load, which will have better usable features.
- **Marketing** – The company needs to be improve in terms of marketing which company is looking on expedite
- **Interest costs** – Interest cost will continue to see reduction in FY25
- **Pricing** – Pricing strategy is same across front load as well as top load washers. The company has improved MOP across the retailers. Company is happy with the products and not with the sales.

FINANCIALS

Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	413	413	413	413	413
Reserves	6,070	6,262	6,763	8,312	10,395
Net worth	6,483	6,675	7,176	8,725	10,808
Debt	2,386	2,041	694	757	818
Deferred tax liab (net)	0	156	196	196	196
Other non current liabilities	1,881	2,211	1,722	1,861	1,997
Total liabilities	10,750	11,083	9,789	11,540	13,820
Fixed Asset	5,820	5,645	5,459	5,259	4,998
Investments	2,296	1,861	2,631	2,631	2,631
Other Non-current Assets	1,819	2,011	1,455	1,014	598
Net Working Capital	112	806	(795)	241	297
Inventories	5,768	5,731	5,392	7,402	8,234
Sundry debtors	3,103	4,134	4,631	4,678	5,204
Loans and Advances	6	6	5	6	6
Sundry creditors	8,120	8,303	9,832	10,759	11,969
Other current liabilities	1,345	1,584	2,041	2,266	2,484
Cash & equivalents	704	760	1,039	2,395	5,297
Total Assets	10,750	11,083	9,789	11,540	13,820

Source: Company, YES Sec

Exhibit 11: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	34,154	41,950	44,378	50,219	55,865
Operating profit	555	1,628	2,171	3,164	3,631
Depreciation	1,155	1,215	1,244	1,279	1,313
Interest expense	318	294	279	148	142
Other income	181	228	324	526	762
Profit before tax	(737)	346	972	2,263	2,938
Taxes	(255)	172	226	521	701
Minorities and other	-	-	-	-	-
Adj. profit	(482)	173	745	1,742	2,238
Exceptional items	-	24	242	193	155
Net profit	(482)	149	504	1,549	2,083

Source: Company, YES Sec

Exhibit 12: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	(419)	640	1,251	2,411	3,080
Depreciation	1,155	1,215	1,244	1,279	1,313
Tax paid	255	(172)	(226)	(521)	(701)
Working capital Δ	(58)	687	571	(1,036)	(56)
Other operating items					
Operating cashflow	932	2,370	2,839	2,133	3,636
Capital expenditure	(910)	(1,040)	(1,058)	(1,079)	(1,052)
Free cash flow	22	1,329	1,781	1,054	2,584
Equity raised	5	43	(2)	(0)	-
Investments	-	(946)	260	-	-
Debt financing/disposal	404	(345)	(1,347)	63	61
Interest paid	(318)	(294)	(279)	(148)	(142)
Dividends paid	-	-	-	-	-
Net Δ in cash	(279)	57	279	1,356	2,901

Source: Company, YES Sec

Exhibit 13: Du-pont analysis

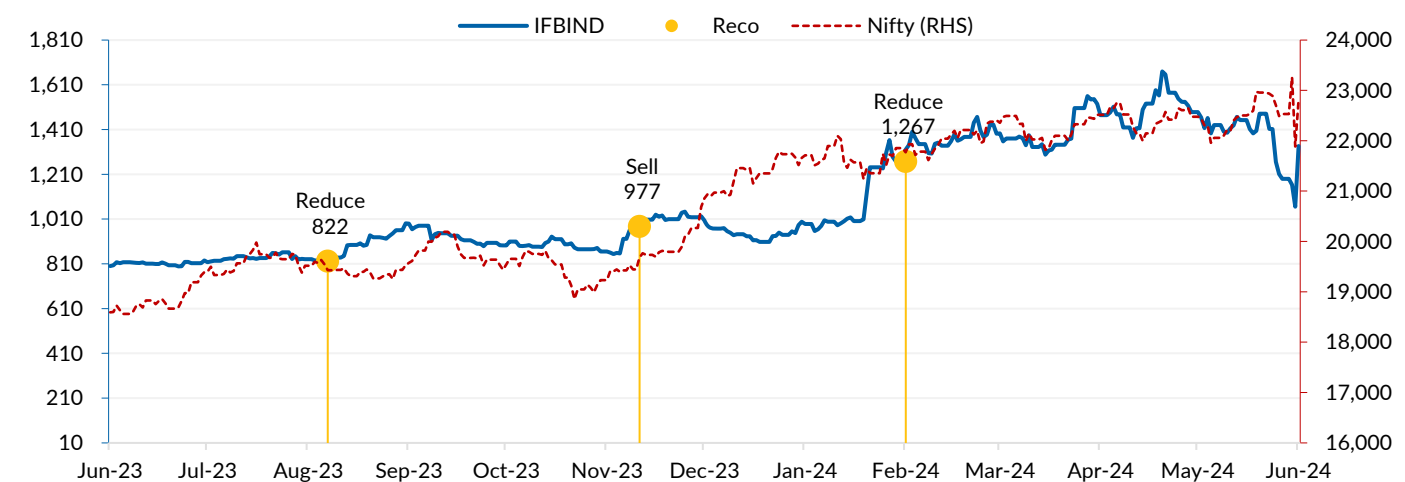
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Tax burden (x)	0.65	0.50	0.77	0.77	0.76
Interest burden (x)	1.76	0.54	0.78	0.94	0.95
EBIT margin (x)	(0.01)	0.02	0.03	0.05	0.06
Asset turnover (x)	1.74	2.03	2.07	2.16	2.10
Financial leverage (x)	2.92	3.14	3.09	2.93	2.72
RoE (%)	(7.2)	2.6	10.8	21.9	22.9

Exhibit 14: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue growth	21.9	22.8	5.8	13.2	11.2
Op profit growth	(73.6)	193.5	33.4	45.7	14.8
EBIT growth	(132.3)	(252.8)	95.3	92.8	27.7
Net profit growth	(175.1)	(136.0)	329.5	133.8	28.4
Profitability ratios (%)					
OPM	1.6	3.9	4.9	6.3	6.5
EBIT margin	(1.2)	1.5	2.8	4.8	5.5
Net profit margin	(1.4)	0.4	1.7	3.5	4.0
RoCE	(4.7)	7.3	15.1	27.8	29.2
RoNW	(7.2)	2.6	10.8	21.9	22.9

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
RoA	(2.5)	0.8	3.5	7.5	8.4
Per share ratios					
EPS	(11.7)	3.6	12.2	37.5	50.5
Dividend per share	-	-	-	-	-
Cash EPS	16.3	33.6	48.2	73.2	86.0
Book value per share	157.0	161.7	173.8	211.4	261.8
Valuation ratios					
P/E	(114.6)	369.4	109.6	35.6	26.5
P/CEPS	82.0	40.5	31.6	19.5	16.3
P/B	8.5	8.3	7.7	6.3	5.1
EV/EBIDTA	102.5	34.7	25.3	16.9	14.0
Payout (%)					
Dividend payout	-	-	-	-	-
Tax payout	34.6	49.8	23.3	23.0	23.8
Liquidity ratios					
Debtor days	33.2	36.0	38.1	34.0	34.0
Inventory days	61.6	49.9	44.3	53.8	53.8
Creditor days	86.8	72.2	80.9	78.2	78.2

Recommendation Tracker



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BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

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