

IFB Industries

Revenue growth healthy; Margin expansion awaited

IFB Industries (IFBI) posted consolidated sales of Rs10.7bn (Q1FY20-23 CAGR at 15.2%), above our estimate of Rs8.4bn. Home Appliances sales was at Rs8.6bn (Q1FY20-23 CAGR at 15%) led by healthy volume growth in AC and washing machines. Engineering sales was at Rs1.7bn (Q1FY20-23 CAGR at 14%) while Motor/Steel segment posted sales of Rs187mn/Rs369mn. Gross margin was substantially impacted by commodity costs increase as it fell 450bps YoY to 36.9%, but it was up 40bps QoQ. Operating expenses were elevated due to higher travel costs and sales promotion. Competitive intensity remained high in washing machines as top two players were aggressive, thus impacting IFBI's ability to take timely price hikes. The losses in AC continued with PBT loss of Rs208mn in Q1FY23. Thus, EBITDA margin at 3.3% was below our estimate of 4.8% and PAT at Rs19mn was below our estimate of Rs54mn. We cut our EPS by 9% for FY23E to factor lower margin. However, better scale-up in AC division with higher volumes for brand IFB and OEM manufacturing, along with expected break even by end-FY23, leads to 2% rise in FY24E EPS and an increase in PE multiple to 30x (from 28x earlier). We value IFBI at a revised SOTP target of Rs1,010 (Rs910 earlier). Post the recent run-up in the stock price, our rating stands downgraded to REDUCE (from ADD).

Room Air Conditioner business update

AC sales in Q1FY23 was robust at Rs2.6bn, with its share in appliances sales rising to 30%. Volume sales were 68,000 units under IFB brand and 34,000 units to OEMs. FY23 volume target is 220,000 units under brand IFB and 180,000 units to OEM. It expects average realization at Rs30,000/unit (Q1 was Rs25,500) and has signed 3 brands as OEM supplier. IFB took 3-5% price hike in AC in Q1FY23. It has invested Rs1.7bn in the AC plant, which was commissioned two years ago, and has posted PBT loss of Rs1.8bn till-date. However, with higher volumes, price hikes and softening of commodities, it aims to achieve break even at end-FY23. With implementation of cost reduction program, break even volumes would be 16,000 units per month (~2 lacs per annum).

Washing Machine business update

Front Load sales was Rs2.8bn while Top Load sales was Rs1.1bn as volume growth was healthy. While demand started moderating post mid-May, IFBI expects better sales from festive demand beginning with Onam. It aims to increase market share through new product portfolio of larger size (10 kg FL & 12 kg TL to be launched in Q3) and improving channel extraction. Input costs rose by 13-16%, which IFBI passed on with a lag of one to two quarters, but the pricing by top two players (especially Samsung) was aggressive as they did not take adequate price hikes. In Q1, IFBI took 3-5% price hike.

Other business updates: (1) Dishwashers demand has reduced. IFBI aims to sell 6,000 units per month by expanding reach to 4,500 outlets vs. 3,000 now. (2) Ad-spends target is 5.5% of sales in FY23 vs. 7.2% YoY. (3) Import content: FL (18%), TL (31%), AC (45%).

Downgrade to REDUCE with a revised target price of Rs1,010

We expect IFBI to report revenue CAGR of 20% over FY22-FY24E led by scale-up in AC, however, attaining high single digit margin will be a key challenge amid high competition.

Financial and valuation summary

YE Mar (Rs mn)	1QFY23A	1QFY22A	YoY (%)	4QFY22A	QoQ (%)	FY22A	FY23E	FY24E
Revenues	10,674	5,720	86.6	9,004	18.5	34,154	42,281	49,241
EBITDA	347	(316)	NA	(103)	NA	555	1,987	3,233
EBITDA margin (%)	3.3	(5.5)	NA	(1.1)	NA	1.6	4.7	6.6
Adj. Net profit	19	(413)	NA	(283)	NA	(482)	529	1,477
Adj. EPS (Rs)	0.5	(10.0)	NA	(6.9)	NA	(11.7)	12.8	35.8
EPS growth (%)						nm	nm	179.4
PE (x)						nm	80.0	28.6
EV/EBITDA (x)						78.9	21.5	12.7
PBV (x)						6.5	6.0	5.0
RoE (%)						(7.2)	7.8	19.1
RoCE (%)						(3.0)	8.3	17.2

Source: Company, Centrum Broking

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Result Update

India | Consumer Durables

06 August, 2022

REDUCE

Price: Rs1,016
Target Price: Rs1,010
Forecast return: -1%

Institutional Research

Market Data

Bloomberg:	IFBI IN
52 week H/L:	1,366/794
Market cap:	Rs41.2bn
Shares Outstanding:	40.5mn
Free float:	25.0%
Avg. daily vol. 3mth:	1,09,516

Source: Bloomberg

Changes in the report

Rating:	REDUCE; downgrade from ADD
Target price:	Rs1,010; up 11%
EPS:	FY23E: Rs12.8; down 8.8% FY24E: Rs35.8; up 2.0%

Source: Centrum Broking

Shareholding pattern

	Jun-22	Mar-22	Dec-21	Sep-21
Promoter	75.0	75.0	75.0	75.0
FIs	0.6	7.0	7.4	7.7
DIs	4.1	3.9	3.2	2.0
Public/other	20.4	14.1	14.4	15.4

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q1FY23	Actual Q1FY23	Variance (%)
Revenue	8,370	10,674	27.5
EBITDA	403	347	(13.7)
EBITDA margin (%)	4.8	3.3	(150bps)
PAT	54	19	(65.0)
EPS	1.3	0.5	(65.0)

Source: Company, Centrum Broking



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Consumer Durables

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY23E New	FY23E Old	% chg	FY24E New	FY24E Old	% chg
Revenue	42,281	40,774	3.7	49,241	47,108	4.5
EBITDA	1,987	2,089	(4.9)	3,233	3,278	(1.4)
EBITDA margin	4.7	5.1 (40bps)		6.6	7.0 (40bps)	
Adj. PAT	529	580	(8.8)	1,477	1,449	2.0
Diluted EPS (Rs)	12.8	14.0	(8.8)	35.8	35.1	2.0

Source: Centrum Broking

IFB versus NIFTY Midcap 100

	1m	6m	1 year
IFBI IN	10.3	3.6	2.0
NIFTY Midcap 100	13.3	(0.6)	8.3

Source: Bloomberg, NSE

Key assumptions

Y/E Mar	FY23E	FY24E
YoY revenue growth (%)		
Home Appliances	27.2	16.2
Engineering	14.0	15.0
Motors	40.0	30.0
EBIT margin (%)		
Home Appliances	2.6	5.0
Engineering	5.0	6.0
Motors	6.0	6.0

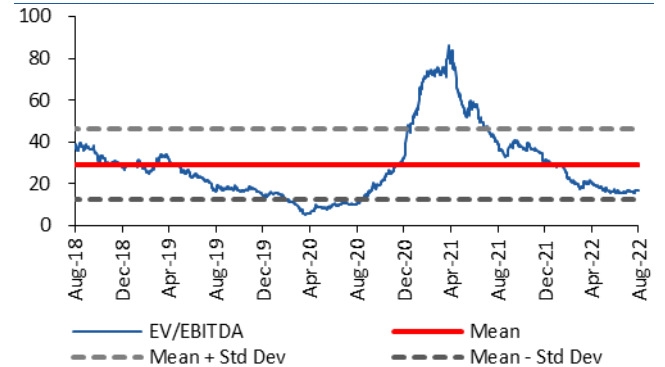
Source: Centrum Broking

Valuations

We assign P/E of 30x to FY24E EPS to Home Appliances segment and P/E of 10x to FY24E EPS to Engineering and Motors segment. We arrive at an SOTP based target price of Rs1,010.

Valuations	Rs/share
Home Appliances FY24E EPS (Rs)	32.5
Home Appliances PE (x)	30
Home Appliances price per share (Rs)	975
Engineering & motors FY24E EPS (Rs)	3.3
Engineering & motors PE (x)	10
Engineering & motors price per share (Rs)	35
Target price per share (Rs)	1,010

EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rsmn)	CAGR (FY22-24E)			P/E (x)			ROE (%)			ROCE (%)		
		Sales	EBITDA	EPS	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
BLSTR	95,144	16.6	31.4	50.4	56.7	33.4	25.1	17.6	25.9	29.7	13.9	20.6	24.5
JCHAC	41,084	23.5	58.7	177.1	254.9	76.3	33.2	2.2	7.0	14.7	3.1	7.7	15.4
IFBI	41,940	20.1	141.4	NA	NA	80.0	28.6	(7.2)	7.8	19.1	(3.0)	8.3	17.2
VOLT	3,21,868	16.2	18.6	19.7	63.9	64.8	44.6	9.6	8.8	12.1	11.4	10.5	13.4
WHIRL	2,26,970	14.8	42.3	52.5	93.9	57.6	40.4	7.8	11.1	14.3	7.7	11.1	14.2

Source: Company, Centrum Broking

Exhibit 1: Quarterly Financial Snapshot

Y/E March (Rsmn)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Revenue	7,373	9,510	8,252	5,720	9,898	9,531	9,004	10,674	86.6	18.5
Direct Costs	4,025	5,322	4,649	3,353	5,714	5,838	5,719	6,733	100.8	17.7
Gross Profit	3,348	4,188	3,603	2,368	4,183	3,693	3,285	3,941	66.4	20.0
Staff Cost	779	822	800	923	937	951	913	983	6.6	7.7
Other Expenses	1,741	2,294	2,262	1,761	2,543	2,472	2,475	2,610	48.2	5.4
Total Expenditure	6,545	8,438	7,711	6,036	9,195	9,261	9,108	10,327	71.1	13.4
EBITDA	828	1,072	541	(316)	703	271	(103)	347	NA	NA
Depreciation	259	267	264	264	305	293	294	286	8.6	(2.6)
EBIT	569	805	277	(579)	398	(22)	(397)	61	NA	(115.4)
Interest	87	92	48	76	79	81	82	73	(3.3)	(10.4)
Other Income	26	95	70	38	49	50	44	43	15.5	(2.0)
PBT	508	808	300	(617)	368	(53)	(434)	31	NA	NA
Tax	197	96	222	(205)	122	(21)	(152)	12	NA	NA
PAT after minority	319	687	77	(413)	246	(32)	(283)	19	NA	NA
EPS (Rs/share)	7.7	16.6	1.9	(10.0)	6.0	(0.8)	(6.9)	0.5	NA	NA

As a % of revenue

Direct Costs	54.6	56.0	56.3	58.6	57.7	61.3	63.5	63.1		
Gross Margin	45.4	44.0	43.7	41.4	42.3	38.7	36.5	36.9		
Staff Cost	10.6	8.6	9.7	16.1	9.5	10.0	10.1	9.2		
Other expenses	23.6	24.1	27.4	30.8	25.7	25.9	27.5	24.5		
EBITDA Margin	11.2	11.3	6.6	(5.5)	7.1	2.8	(1.1)	3.3		
PAT Margin	4.3	7.2	0.9	(7.2)	2.5	(0.3)	(3.1)	0.2		
Tax rate	38.7	11.8	74.3	33.2	33.2	39.5	34.9	39.3		

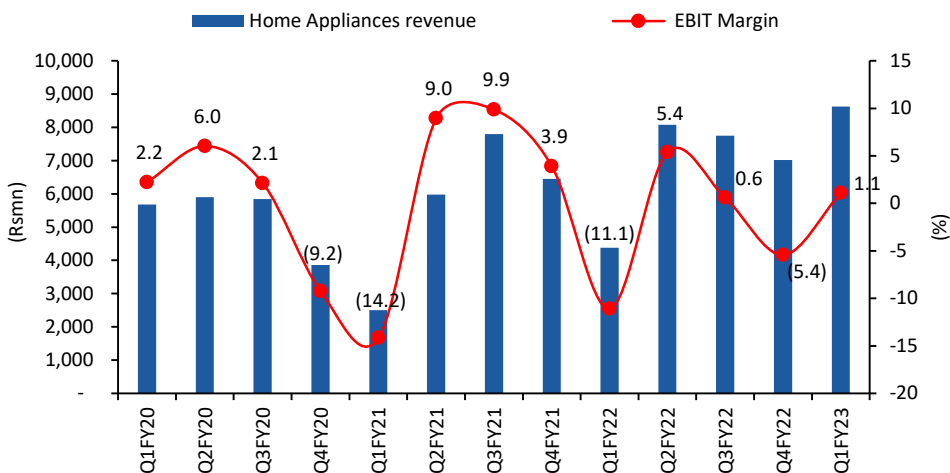
Source: Company Data, Centrum Broking

Exhibit 2: Quarterly Segmental Snapshot

Y/E March	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Revenue (Rsmn)										
Home Appliances	5,978	7,799	6,454	4,384	8,081	7,746	7,021	8,621	96.6	22.8
Engineering	1,282	1,587	1,650	1,223	1,654	1,605	1,691	1,754	43.4	3.7
Motors	72	126	121	98	108	109	178	187	90.6	4.9
Others	196	235	296	209	344	316	356	369	76.5	3.9
Total	7,529	9,747	8,521	5,914	10,187	9,776	9,246	10,931	84.8	18.2
Revenue mix (%)										
Home Appliances	79.4	80.0	75.7	74.1	79.3	79.2	75.9	78.9		
Engineering	17.0	16.3	19.4	20.7	16.2	16.4	18.3	16.0		
Motors	1.0	1.3	1.4	1.7	1.1	1.1	1.9	1.7		
Others	2.6	2.4	3.5	3.5	3.4	3.2	3.8	3.4		
Segmental EBIT (Rsmn)										
Home Appliances	535	770	252	(487)	436	46	(381)	96	NA	NA
Engineering	113	159	183	12	89	62	91	77	539.7	(14.5)
Motors	(3)	(6)	(22)	(14)	(11)	(13)	17	11	NA	(33.7)
Others	(9)	18	(8)	4	(6)	3	2	3	NA	13.6
Total	636	941	406	(485)	508	98	(272)	187	NA	NA
Segmental EBIT margin (%)										
Home Appliances	9.0	9.9	3.9	(11.1)	5.4	0.6	(5.4)	1.1		
Engineering	8.8	10.0	11.1	1.0	5.4	3.9	5.4	4.4		
Motors	(3.6)	(4.9)	(17.8)	(14.5)	(10.5)	(12.4)	9.5	6.0		
Others	(4.5)	7.7	(2.5)	1.7	(1.6)	0.9	0.6	0.7		
Total	8.5	9.7	4.8	(8.2)	5.0	1.0	(2.9)	1.7		

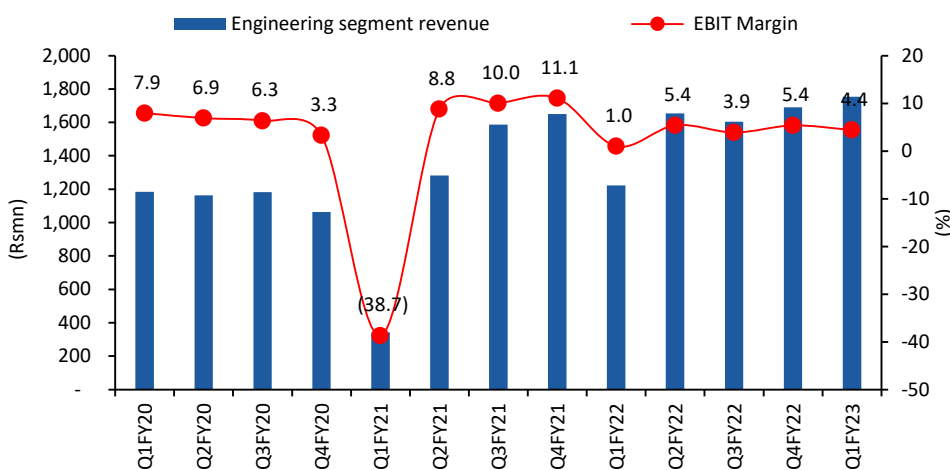
Source: Company Data, Centrum Broking

Exhibit 3: IFBI’s Home Appliance revenue and EBIT margin trend



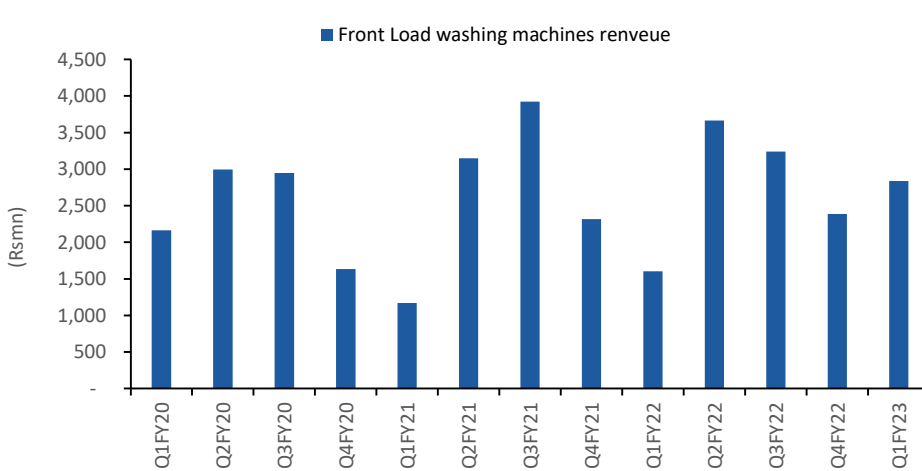
Source: Company Data, Centrum Broking

Exhibit 4: IFBI’s Engineering segment revenue and EBIT margin trend



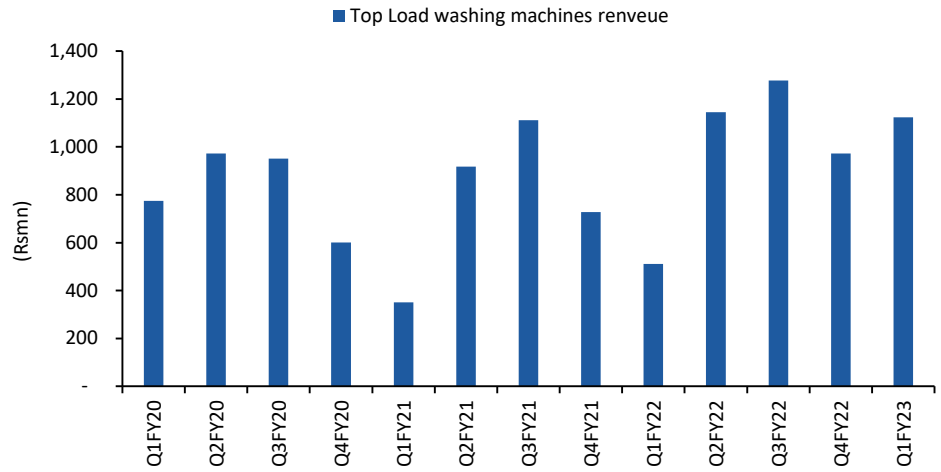
Source: Company Data, Centrum Broking

Exhibit 5: IFBI’s Front-load washing machines revenue trend



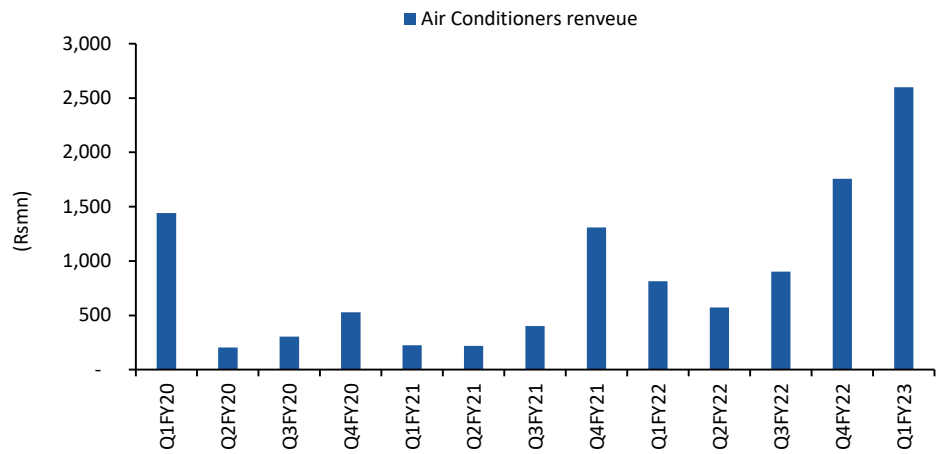
Source: Company Data, Centrum Broking

Exhibit 6: IFBI's Top-load washing machines revenue trend



Source: Company Data, Centrum Broking

Exhibit 7: IFBI's Air conditioners revenue trend



Source: Company Data, Centrum Broking

P&L					
YE Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Revenues	26,370	28,008	34,154	42,281	49,241
Operating Expense	14,937	15,646	20,624	26,003	29,988
Employee cost	2,989	3,069	3,724	4,017	4,530
Others	7,236	7,194	9,251	10,274	11,490
EBITDA	1,208	2,099	555	1,987	3,233
Depreciation & Amortisation	920	1,024	1,155	1,184	1,220
EBIT	289	1,075	(600)	804	2,013
Interest expenses	161	309	318	291	252
Other income	125	224	181	194	213
PBT	268	989	(737)	706	1,974
Taxes	10	348	(255)	178	497
Effective tax rate (%)	3.7	35.2	34.6	25.2	25.2
PAT	258	641	(482)	529	1,477
Minority/Associates	16	0	0	0	0
Recurring PAT	274	641	(482)	529	1,477
Extraordinary items	0	0	0	0	0
Reported PAT	274	641	(482)	529	1,477

Ratios					
YE Mar	FY20A	FY21A	FY22A	FY23E	FY24E
Growth (%)					
Revenue	(0.8)	6.2	21.9	23.8	16.5
EBITDA	(4.8)	73.7	(73.6)	258.4	62.7
Adj. EPS	(62.4)	133.9	nm	nm	179.4
Margins (%)					
Gross	43.4	44.1	39.6	38.5	39.1
EBITDA	4.6	7.5	1.6	4.7	6.6
EBIT	1.1	3.8	(1.8)	1.9	4.1
Adjusted PAT	1.0	2.3	(1.4)	1.3	3.0
Returns (%)					
ROE	4.3	9.6	(7.2)	7.8	19.1
ROCE	5.1	9.0	(3.0)	8.3	17.2
ROIC	4.7	11.6	(7.1)	11.1	29.6
Turnover (days)					
Gross block turnover ratio (x)	3.5	3.1	3.2	3.7	4.0
Debtors	31	31	31	30	31
Inventory	96	99	92	90	92
Creditors	114	132	130	127	130
Net working capital	22	3	(6)	1	13
Solvency (x)					
Net debt-equity	0.3	0.2	0.2	0.1	(0.1)
Interest coverage ratio	7.5	6.8	1.7	6.8	12.8
Net debt/EBITDA	1.4	0.5	2.6	0.3	(0.4)
Per share (Rs)					
Adjusted EPS	6.6	15.5	(11.7)	12.8	35.8
BVPS	156.6	168.6	157.0	169.8	205.6
CEPS	28.9	40.3	16.3	41.5	65.3
DPS	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	nm	0.0	0.0
Valuation (x)					
P/E	154.4	66.0	nm	80.0	28.6
P/BV	6.5	6.1	6.5	6.0	5.0
EV/EBITDA	36.4	20.7	78.9	21.5	12.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Equity share capital	413	413	413	413	413
Reserves & surplus	6,050	6,546	6,070	6,598	8,076
Shareholders fund	6,462	6,959	6,483	7,011	8,488
Minority Interest	4	0	0	0	0
Total debt	2,889	2,329	2,386	2,086	1,786
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	113	268	(21)	(21)	(21)
Total liabilities	9,468	9,556	8,848	9,077	10,254
Gross block	7,582	8,977	10,654	11,473	12,223
Less: acc. Depreciation	(1,987)	(3,011)	(4,165)	(5,349)	(6,570)
Net block	5,595	5,966	6,489	6,124	5,653
Capital WIP	89	188	119	50	50
Net fixed assets	6,343	6,747	7,127	6,693	6,222
Non Current Assets	6	5	6	8	9
Investments	1,529	2,606	2,296	2,296	2,296
Inventories	3,834	4,623	5,768	7,124	8,051
Sundry debtors	2,045	2,657	3,103	3,881	4,587
Cash & Cash Equivalents	1,251	1,225	929	1,579	3,028
Loans & advances	6	5	6	7	9
Other current assets	1,633	1,046	1,050	1,691	1,970
Trade payables	4,731	6,555	8,120	9,974	11,338
Other current liab.	1,750	2,152	2,716	3,171	3,447
Provisions	698	652	600	1,057	1,133
Net current assets	1,590	198	(580)	81	1,727
Total assets	9,468	9,556	8,848	9,077	10,254

Cashflow					
YE Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Profit Before Tax	268	989	(737)	706	1,974
Depreciation & Amortisation	920	1,024	1,155	1,184	1,220
Net Interest	161	309	318	291	252
Net Change – WC	1,109	1,367	481	(12)	(199)
Direct taxes	3	(193)	(33)	(178)	(497)
Net cash from operations	2,460	3,496	1,183	1,991	2,750
Capital expenditure	(3,363)	(1,494)	(1,608)	(750)	(750)
Acquisitions, net	0	0	0	0	0
Investments	(1,255)	(1,077)	310	0	0
Others	0	0	0	0	0
Net cash from investing	(4,619)	(2,571)	(1,298)	(750)	(750)
FCF	(2,159)	925	(115)	1,241	2,000
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	2,681	(560)	57	(300)	(300)
Dividend paid	0	0	0	0	0
Interest paid	(161)	(309)	(318)	(291)	(252)
Others	(77)	(91)	79	0	0
Net cash from financing	2,443	(960)	(181)	(591)	(552)
Net change in Cash	284	(35)	(296)	651	1,448

Source: Company, Centrum Broking

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IFB Industries



Source: Bloomberg

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