June 12, 2025

IFGL Refractories Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based - Cash credit/Packing credit	142.00	142.00	[ICRA]AA- (Stable); reaffirmed
Long term – Fund-based - Term loan	120.00	120.00	[ICRA]AA- (Stable); reaffirmed
Short term – Non-fund based - Letter of credit/Bank guarantee	11.00	11.00	[ICRA]A1+; reaffirmed
Short term – Interchangeable limits - Letter of credit/Bank guarantee#	(61.00)	(61.00)	[ICRA]A1+; reaffirmed
Total	**273.00**	**273.00**	

**Instrument details are provided in Annexure I; #Non-fund based limits of Rs. 61.00 crore is the sub-limit to the fund-based working capital limits*

Rationale

While arriving at the ratings, ICRA has considered consolidated financials of IFGL Refractories Limited (IFGL) along with its Indian and foreign subsidiaries against the earlier rating approach of analysing the standalone profile of the entity. The change in the rating approach follows IFGL's recent joint venture in India with Marvels International Group Co. Limited, named IFGL Marvel Refractories Limited.

The reaffirmed ratings factor in IFGL's strong financial risk profile, as reflected in its conservative capital structure and healthy debt coverage indicators. Its consolidated liquidity position has remained strong over the years, reflected in a large free cash/bank/liquid investment portfolio. Despite IFGL's large capex plans over the next few years for capacity expansion that are partly debt-funded, ICRA expects its credit metrics and liquidity profile to remain comfortable, going forward. The ratings also factor in the extensive experience of the promoters and the company's established track record of operations in the refractory business, which ensures repeat business.

The ratings further consider the company's strong customer base, its long-term relationships with several key clients as well as its diversified revenue base across multiple geographies and customers. Further, its diversified manufacturing operations across multiple countries partly reduces the downside risks arising from region/customer-specific demand concerns. While the demand outlook for refractories in IFGL's certain overseas operations like the UK remains challenging due to an unfavourable operating environment, the outlook for the Indian operations is favourable (which constitutes 97 % of consolidated operating profits in FY2025), given that its primary end user, the steel industry, is expected to significantly scale up its capacity in India in the future. IFGL has already set up additional capacities through greenfield and brownfield expansions and is in the process of setting up another plant through its joint venture (IFGL Marvel Refractories Limited) in India to cater to the expected increased demand, which will support its future revenue and profit growth.

The ratings, however, remain constrained by the company's exposure to the cyclical steel industry, which contributes to a major part of its revenue. Moreover, the pricing power of the refractory players, including IFGL, is limited owing to intense competition from large and established global refractory manufacturers operating in India and overseas. Such factors, coupled with IFGL's limited bargaining power with established customers, restrict the company's pricing flexibility. However, for the Indian operations, the threat of imports is not prevalent in the refractories segment where IFGL operates, which helps maintain the price discipline to an extent.

The ratings also factor in IFGL's exposure to fluctuations in the supply and prices of raw materials, as its Indian operations import a large portion of its raw materials from China. While IFGL's long-term relationships have resulted in stable supply linkages, any disruption in supply may increase the raw material prices, impacting the company's profitability.

The ratings also remain constrained by execution and operation-specific risks associated with the large-scale capex programme towards capacity expansion to be incurred over the medium term. Besides the long gestation period, the project's operational risks will increase if the commissioning coincides with a cyclical downturn in the steel sector, IFGL's end-user industry.

The Stable outlook on the long-term rating reflects IFGL's established position in the flow control refractory segment, which, along with its efficient cost structure, is expected to keep its credit metrics comfortable, going forward.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established track record of operations in refractory business– The company is promoted by the S. K. Bajoria Group of India. The vast experience of the management and the company's established track record of more than four decades of operations in the refractory manufacturing business help IFGL remain competitive in the market. Further, repeat orders from reputed customers highlight the technical competence of IFGL and the confidence it has gained from its customers. On a consolidated basis, IFGL's operations are spread across China, Germany, India, the UK and the US.

Conservative capital structure and healthy debt coverage indicators – On a consolidated basis, the company's capital structure has remained conservative (gearing of 0.2 times as on March 31, 2025) over the past years owing to a healthy net worth and low reliance on debt. IFGL's consolidated coverage indicators continue to remain healthy (interest coverage of 17.16 times in FY2024 and 9.35 times in FY2025) on account of healthy profitability and low debt level. Notwithstanding the company's large capex plan towards capacity expansion over the next few years that is partly debt-funded, ICRA expects IFGL's consolidated credit metrics to remain comfortable, going forward. The company's liquidity profile, on a consolidated basis, remains strong, reflected in the large free cash/bank/liquid investment portfolio of ~Rs. 158 crore as on March 31, 2025.

Strong customer profile and geographical diversification of revenues – The company has a strong customer profile, which includes several large steel manufacturing companies in the domestic and overseas markets, and it enjoys long-term relationships with several of its key clients. The company's customer profile remains well diversified for its Indian operations with the top five customers driving 30-40% of its total sales. IFGL's revenues are diversified in the domestic and overseas markets. Exports account for ~30% of its total sales in Indian operations. The access to the overseas markets insulates IFGL's revenue profile from demand fluctuations in the domestic market and provides higher growth opportunities.

Favourable demand scenario for Indian operations – As per ICRA's estimates, the domestic steel demand is expected to increase by 7-8% in the FY2026. This comes on the back of expectations of rising steel demand, aided by the Government's strong infrastructure push, among other factors. Such factors bode well for refractory manufacturers, including the Indian operations of IFGL (which constitute 97 % of consolidated operating profits in FY2025), whose primary end users are the steel companies. IFGL has already set up additional capacities through greenfield and brownfield expansions and is in the process of setting up another plant through a joint venture (IFGL Marvel Refractories Limited) in India to cater to the expected increased demand, besides entering into new refractory categories, which will support its future revenue and profit growth.

Credit challenges

Intense competition in the industry – The pricing power of refractory players, including IFGL, is limited owing to intense competition from large and established global refractory manufacturers. Besides, the limited bargaining power of the company with its established customers restricts its pricing flexibility. However, the threat of imports is not prevalent in the refractories segment where IFGL's Indian segment operates, helping it to maintain the price discipline to an extent.

Exposure to fluctuations in supply and prices of raw materials, cyclicality inherent in steel industry – The domestic segment of IFGL imports a large portion of its raw materials (like zirconia and aluminium oxide) from China. While IFGL's long-term relationships have resulted in stable supply linkages, any disruption in supply may increase the raw material prices going forward, impacting the company's profitability. IFGL also remains exposed to the inherent cyclicality in the steel industry, as it derives most of its revenue from sales to steel companies.

Sizeable capex and associated risks – The company is in the midst of a large-sized capex plan, including the recently announced greenfield project in India under a joint venture, IFGL – Marvels Refractories Limited, which will be completed in the medium term. The capex plans are large vis-à-vis IFGL's current balance sheet size and, hence, remain exposed to operational and execution risks. Besides the long gestation period, the operational risks associated with the project will increase if its commissioning coincides with a cyclical downturn in the steel sector, which is IFGL's primary consumer.

Foreign operation remains less profitable – ICRA notes that the foreign operations of IFGL remain less profitable than the domestic operations. In FY2025, the performance of the overseas operations, particularly in the UK, was adversely affected by the shutdown of several steel plants because of unfavourable demand. The performance of the overseas operations will remain a key monitorable, going forward.

Environmental and social risks

Environmental considerations - The refractory manufacturing process generates various pollutants, which results in emission, industrial waste generation and environmental pollution. Increasing regulatory requirements to reduce emissions and stricter pollution standards push up costs for refractory manufacturers in the medium term. Further, the entities face climate risks such as floods and drought that impact the availability of minerals and water.

IFGL Refractories Ltd. has demonstrated a structured and proactive approach towards environmental sustainability across both its Indian and overseas operations. In India, all the manufacturing units are ISO 14001:2015 certified. The company commissioned a 150-kW solar plant at its Vizag facility and is transitioning to natural gas at its Kalunga unit, which is expected to reduce emissions by ~13%. Water consumption declined by 16% year-on-year to 65,290 KL, supported by zero liquid discharge systems at Kalunga and Kandla. Overseas, IFGL's subsidiaries in the UK and Germany have also adopted solar and photovoltaic systems, contributing to renewable energy usage and improved energy efficiency. The company has implemented LED lighting, daylight harvesting and VFDs across all geographies to reduce energy intensity.

Social considerations - Social risks for refractory manufacturers manifest from the health and safety of employees involved in the manufacturing activity. Casualties/accidents at operating units due to gaps in safety practices not only result in production outages for refractory manufacturers like IFGL but also invite penal actions from regulatory bodies. The sector is exposed to labour-related risks and risks of protests/social issues with local communities, which might impact the expansion/modernisation plans. Also, the adverse impact of environmental pollution in nearby localities could hamper the smooth operations of the plant.

IFGL has maintained a strong focus on social responsibility, with measurable improvements in FY2024. The company employed 1,312 people in India as on March 31, 2024 (up from 1,009 in FY2023), and over 2,000 globally. The lost time injury frequency rate (LTIFR) in India improved to 2.38 from 2.64, supported by ISO 45001-certified safety systems and regular training. Its CSR spending in India stood at Rs. 73.87 lakh in FY2024, with initiatives in education, sanitation, healthcare and vocational training, which are tailored to local needs through targeted programmes, drives and surveys. The company also launched a 'People First' HR transformation initiative with Deloitte and maintained a low attrition rate. Globally, IFGL's subsidiaries in the UK, Germany and the US adhere to local labour and safety regulations, with no material grievances or regulatory non-compliances reported.

Liquidity position: Strong

IFGL's liquidity profile remains strong on a consolidated basis, reflected in the large free cash/bank balance and liquid investment portfolio of around Rs. 169 crore as on March 31, 2025, which imparts a high degree of financial flexibility to the company. Despite the large capex programme, the low utilisation of working capital limits (~39% average utilisation between January and December of CY2024) and the expected stable cash flow from operations would support IFGL's overall liquidity profile, going forward.

Rating sensitivities

Positive factors – The rating could be upgraded if the company is able to significantly scale up its operations and maintain comfortable credit metrics and a strong liquidity profile while further diversifying its product profile across various refractory sub-segments.

Negative factors – Pressure on IFGL's ratings may arise if there is a significant drop in profitability, an increase in the working capital intensity of operations and/or any substantial debt-funded capital expenditure/investment. A specific credit metric for downgrade would be gross debt/OPBDITA of more than 1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of IFGL

Note (for analyst reference only):

About the company

IFGL Refractories Limited (IFGL, formerly known as IFGL Exports Limited) is a Kolkata-based Indian multinational company. IFGL was merged with its subsidiary, IFGL Exports Limited, with effect from April 1, 2016, which is engaged in the manufacturing of continuous casting refractories at Kandla, Gujarat. Subsequently, the name of IFGL Exports Limited was changed to IFGL Refractories Limited with effect from October 25, 2017. IFGL Refractories Limited was promoted by the S. K. Bajoria Group, India, and Krosaki Harima Corporation, Japan, a subsidiary of Nippon Steel Corporation. However, KHC exited its entire stake in the FY2024 by selling it off to the S. K. Bajoria Group. Currently, S.K. Bajoria Group holds 72.43% stake in IFGL. The company manufactures specialised refractories and requisite operating systems for flow control in steel teeming and continuous casting of steel. The manufacturing facilities of the company are in Kandla (Gujarat), Rourkela (Odisha) and Vizag (Andhra Pradesh). IFGL is a subsidiary company of Bajoria Financial Services Private Limited, which holds 51.21% shares in the company. Apart from this, the company's overseas operations have manufacturing facilities across the UK and the US, along with China and Germany.

Key financial indicators (audited)

IFGL (Consolidated)	FY2023	FY2024	FY2025
Operating income	1,376.2	1,634.4	1,653.0
PAT	79.2	81.7	43.0
OPBDIT/OI	10.4%	11.6%	7.8%
PAT/OI	5.8%	5.0%	2.6%
Total outside liabilities/Tangible net worth (times)	0.4	0.4	0.5
Total debt/OPBDIT (times)	1.0	0.9	1.6
Interest coverage (times)	29.5	17.2	9.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	June 12, 2025	Date	Rating	Date	Rating	Date	Rating
Cash credit/Packing credit	Long Term	142.00	[ICRA]AA- (Stable)	-	-	Mar-26-24	[ICRA]AA- (Stable)	Mar-29-23	[ICRA]AA- (Stable)
Term loan	Long Term	120.00	[ICRA]AA- (Stable)	-	-	Mar-26-24	[ICRA]AA- (Stable)	Mar-29-23	[ICRA]AA- (Stable)
Letter of credit/Bank guarantee	Short Term	11.00	[ICRA]A1+	-	-	Mar-26-24	[ICRA]A1+	Mar-29-23	[ICRA]A1+
Letter of credit/Bank guarantee#	Short Term	(61.00)	[ICRA]A1+	-	-	Mar-26-24	[ICRA]A1+	Mar-29-23	[ICRA]A1+

#Non-fund based limits of Rs. 61.00 crore is the sub-limit to the fund-based working capital limits

Complexity level of the rated instruments

Instrument	Complexity indicator
Cash credit/Packing credit	Simple
Term loan	Simple
Letter of credit/Bank guarantee	Very simple
Letter of credit/Bank guarantee	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit/Packing credit	NA	NA	NA	142.00	[ICRA]AA- (Stable)
NA	Term loan	FY2023	NA	FY2028	120.00	[ICRA]AA- (Stable)
NA	Letter of credit/Bank Guarantee	NA	NA	NA	11.00	[ICRA]A1+
NA	Letter of credit/Bank guarantee#	NA	NA	NA	(61.00)	[ICRA]A1+

Source: Company; # Non-fund based limits of Rs. 61.00 crore is the sub-limit to the fund-based working capital limits

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
IFGL Worldwide Holdings Limited	100%	Full consolidation
Monocon International Refractories Limited	100%	Full consolidation
EI Ceramics LLC	100%	Full consolidation
Hofmann Ceramic GmbH	100%	Full consolidation
Mono Ceramics Inc.	100%	Full consolidation
Tianjin Monocon Refractories Company Limited	100%	Full consolidation
Tianjin Monocon Aluminious Refractories Company Limited	100%	Full consolidation
Hofmann Ceramic CZ s.r.o.	100%	Full consolidation
Goricon Metallurgical Services Limited	100%	Full consolidation
IFGL GmbH	100%	Full consolidation
IFGL Monocon Holdings Limited	100%	Full consolidation
Monocon Overseas Limited	100%	Full consolidation
Monotec Refractories Ltda	95%	Full consolidation
Sheffield Refractories Ltd	100%	Full consolidation
IFGL – Marvels Refractories Limited	51%	Full consolidation

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