



IFB Industries Limited

12th June 2024

Strong combination of growth and margin expansion

Established in 1974, IFB Industries Ltd. (IFB) specialises in home appliances and engineering solutions and is known for its focus on innovation and quality across its business segments. Primarily, IFB operates in four segments: a) Home Appliances Division, b) Engineering Division, c) Motor Division, and d) Steel Division. The Company has built a strong brand presence in the Indian market, recognized for its superior product quality, high performance, and innovative technology. With a vast distribution network comprising 850+ Multi-Brand Outlets (MBOs) counters and 465 exclusive IFB points as of FY24. The Company commands a dominant position in the front-load washing machine with a market share of ~35% in the domestic market. We anticipate 15% revenue growth in FY25, driven by efficient channel extraction, a diversified product portfolio, and expanding distribution. Further, management aims to improve its EBITDA margin to >10% by FY26, up from 4.9% in FY24 through its cost reduction program, enhanced channel extraction and expansion of its product portfolio.

Strong revenue guidance

IFB is poised for significant revenue growth across its divisions, driven by strategic initiatives and product innovations. The Home Appliance Division, with a 13% CAGR over the past five years, is expected to continue growing at a double-digit rate annually. This growth will be supported by filling product gaps, expanding distribution network, enhancing channel efficiency, and introducing high-end models with advanced technologies. The addition of refrigerators is also expected to boost revenue by offering a complete product mix.

The Engineering Division is targeting a growth of 2.5 to 3 times over the next three years, focusing on expanding in the EV and non-auto sectors through organic and inorganic growth opportunities.

Potential margin expansion

In FY23, IFB embarked on a cost-reduction program aimed at margin enhancement, leveraging the stabilization of raw material prices and effective cost-saving strategies across the Company. Targeting double-digit margins with an 11.3% EBITDA margin from Q3FY21 as a benchmark, IFB demonstrated the success of its cost-control efforts in FY24, where the GPM increased from ~39% to ~41%, a notable YoY gain of 159 bps. This progress, driven by stringent cost management and scaling benefits, indicates a promising direction for IFB's margin performance. Despite the Air Conditioner (AC) segment impacting overall margins, IFB maintains profitability across other segments and aims for significant margin improvement in its Home Appliances Division by FY26.

View & Valuation

We initiate our coverage on IFB Industries Ltd. with a BUY rating and a target price of Rs. 2,268 using the SOTP valuation method. We believe that IFB is set to grow its revenue by 15% and improve its PAT margins from 1.1% in FY24 to 4.0% in FY26E. This is attributed to the Company's strategic initiatives, including a cost-reduction program, a revamp in the sales team, improved channel distribution, improved capacity utilization, and a decline in interest expense resulting from reduced debt.

BUY

CMP Rs. 1,547

TARGET Rs. 2,268 (+46.6%)

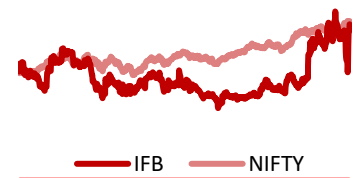
Company Data

Bloomberg Code	IFB IN
MCAP (Rs. Mn)	62,496
O/S Shares (Mn)	41
52w High/Low	1,721 / 797
Face Value (in Rs.)	10
Liquidity (3M) (Rs. Mn)	155

Shareholding Pattern %

	Mar 24	Dec 23	Sep 23
Promoters	74.96	74.96	74.96
FII	0.75	0.70	0.65
DII	6.59	3.57	4.43
Non-Institutional	17.71	20.76	19.96

IFB vs Nifty



Jun, 21 Jun, 22 Jun, 23 Jun, 24

Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Mn)	FY23	FY24	FY25E
Revenue	41,950	44,378	51,035
EBITDA	1,624	2,170	3,317
Net Profit	173	487	1,585
Total Assets	21,068	23,092	26,496
ROCE (%)	8%	11%	19%
ROE (%)	3%	7%	20%

Source: Company, Keynote Capitals Ltd.

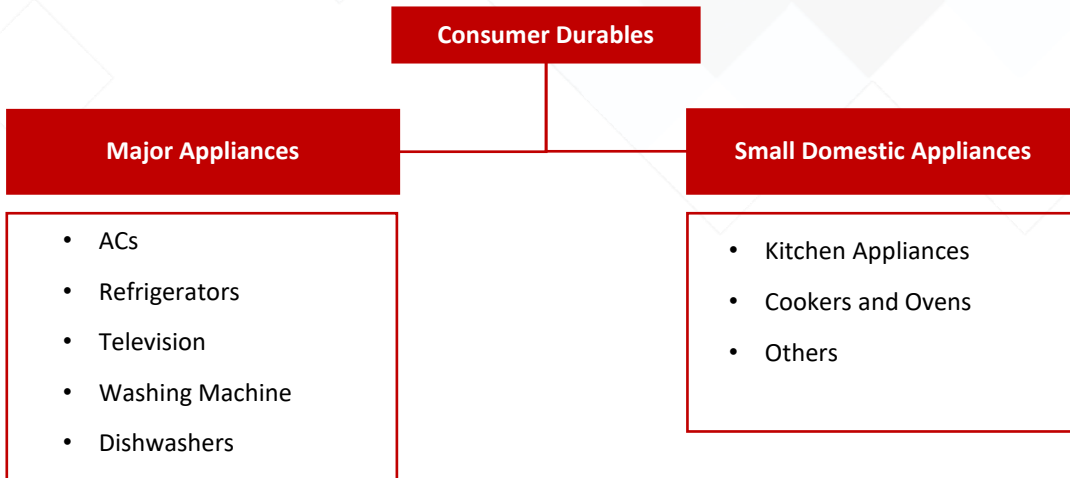
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Indian Consumer Durable Industry

The consumer durables industry is categorized into two segments by product categories: Major appliances and small domestic appliances. Major appliances, or white goods, include items like washing machines, televisions, refrigerators, and ACs. Small domestic appliances encompass kitchen and cooking appliances such as mixer-grinders, cookers, ovens, and toasters.

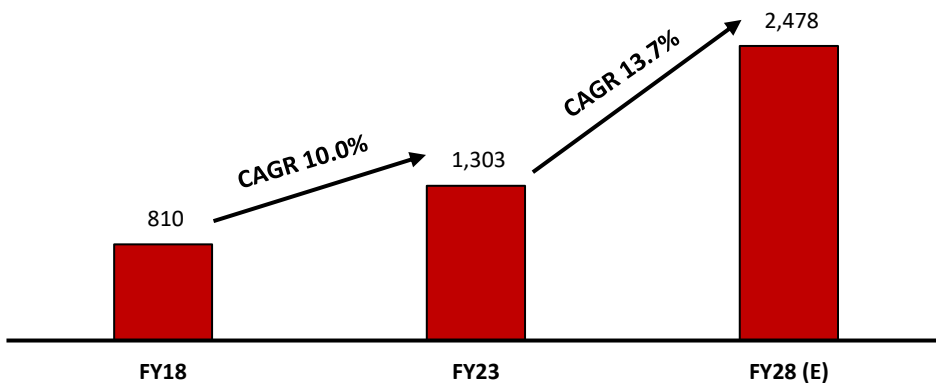


Source: EPACK Durables Ltd. RHP, Keynote Capitals Ltd.

The consumer durables market in India has shown remarkable growth from FY18 to FY23, reaching a market size of Rs 1.3 Trn in FY23. Projections indicate it will expand at ~14% CAGR until FY28E. This surge is fueled by increased rural consumption, shorter replacement cycles, and greater retail penetration.

Factors such as changing consumer preferences and lifestyle patterns, rising disposable incomes, discounts, availability of easy finance, and a greater emphasis on convenience, comfort, and energy efficiency have shaped consumer buying behaviour. Thus, manufacturers invest in R&D to introduce innovative features like smart connectivity, Internet of Things (IoT) integration, energy-efficient ratings, and eco-friendly designs. The Indian government has implemented several initiatives under the Production Linked Incentive (PLI) scheme to promote the manufacturing and consumption of home appliances through campaigns like 'Make in India' and programs like the Bureau of Energy Efficiency (BEE) star rating to encourage the production of energy-efficient appliances.

Indian Consumer Durable Industry (Rs. Bn)



Source: EPACK Durables Ltd. RHP, Keynote Capitals Ltd.

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Indian consumer durable market segmentation by product categories:

Air Conditioners (ACs): The penetration of ACs in Indian households stands at ~8% as of 2022, indicating significant growth opportunities. In FY22, the Indian AC market was valued at Rs 221 Bn, which is highly fragmented, featuring a mix of global brands, indigenous manufacturers, and importers offering a diverse range of products.

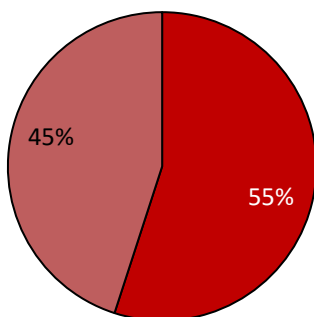
Refrigerators: Refrigerator penetration in India is currently ~33%, indicating significant potential for market expansion. The sector was estimated at Rs 256 Bn in FY22 and is projected to grow at a rate of 13.5% from FY23 to FY28, driven by increasing consumer demand.

Washing Machines: The washing machine market in India was valued at Rs 128 Bn in FY22 and is projected to grow at a CAGR of 11.1% from FY22 to FY27. This growth is fueled by increasing urbanization, rising disposable incomes, and evolving consumer lifestyles, which have made washing machines an essential household appliance, simplifying the task of laundry.

The market is segmented by technology into Fully Automatic and Semi-Automatic machines. In FY22, Fully Automatic machines dominated with a 55% market share, favored for their convenience and efficiency, reflecting a growing consumer preference for automated solutions. Conversely, Semi-Automatic machines are typically preferred for their affordability and simplicity, appealing particularly to price-sensitive consumers.

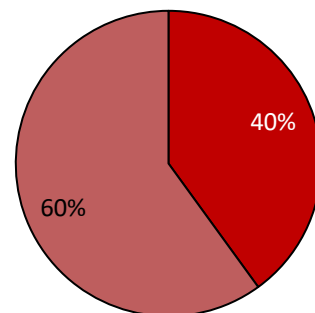
In terms of loading type, the market splits into front-load and top-load machines. Top-load machines led in market value, holding about 40% share in FY22. However, front-loading machines are gaining preference due to their superior water efficiency and washing performance.

Indian washing machine market by technology (FY22)



■ Fully Automatic ■ Semi-Automatic

Indian washing machine market by type (FY22)



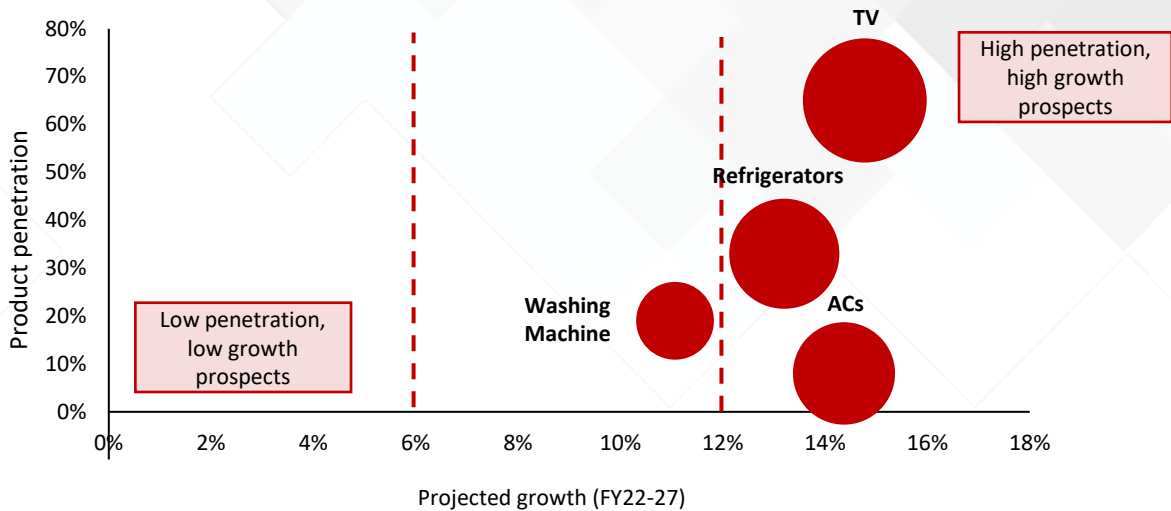
■ Top-load ■ Front-load

Source: Custom market insights, Keynote Capitals Ltd.

The Indian washing machine market has seen robust growth driven by urbanization, a rising middle-class, and an increased demand for household convenience. Recent trends show a shift toward energy-efficient models, an increasing demand for front-load machines, and smart, connected appliances with a focus on sustainability. Leading players like Samsung, LG, Whirlpool, IFB, and Haier are continuously innovating, exemplified by the introduction of AI-powered and IoT-enabled machines, expanding their product lines, and investing in R&D to cater to the evolving preferences of consumers.

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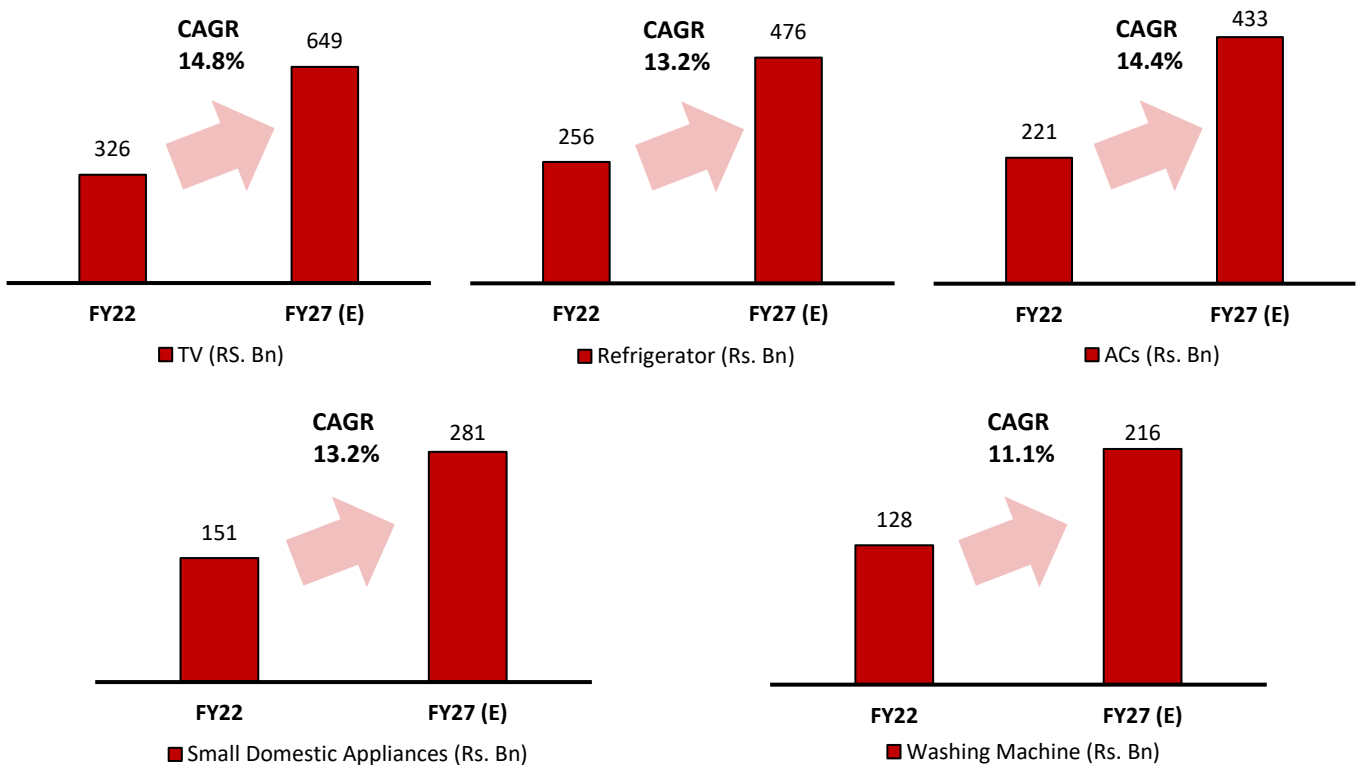
Market size, Penetration and 5-year growth potential for major consumer durable segment (FY22)



Note: The size of the bubble indicates the size of the segment.
 Penetration of Consumer durable products = Total number of products sold/Total number of large households.

Source: Industry, CRISIL Research; EPACK Durables Ltd. RHP.

Market size and growth potential of major consumer durables segments



Source: EPACK Durables Ltd. RHP, Keynote Capitals Ltd.

Growth drivers of the consumer durable industry in India

- **Increasing household income and discretionary spending:** India's per capita PPP (Purchasing Power Parity) is steadily increasing, enhancing the purchasing power of Indian middle-class families. This economic uplift is transforming India into one of the most significant global markets for home appliances.
- **Rising temperature:** The increase in temperatures is having a notable impact on the demand for consumer durables, particularly in the room air conditioning market. As temperatures rise, the demand for cooling solutions becomes more acute, driving growth in this segment.
- **Regulatory landscape:** India is undergoing significant changes in its regulatory and business environments. The government's long-due reforms have improved India's ranking in the 'Ease of Doing Business' index. Additionally, the appliance and consumer electronics sector is expected to benefit from the National Policy for Electronics (NPE), which aims to implement major policy changes to foster industry growth.
- **Low-cost of production in India:** The Indian government has taken decisive steps to strengthen the country's manufacturing ecosystem. The availability of low-cost inputs, access to skilled and semi-skilled labour at competitive wages, and government incentives have all contributed to reducing production costs. This affordability, combined with rising income levels, makes consumer durables more accessible to new Indian customers.
- **Rise in nuclear households:** India's demographic shift towards a younger population, with more than 45% under the age of 25, is leading to increased urbanization and a rise in the workforce in Tier I cities. This trend has resulted in a higher number of nuclear households, which now make up 70% of families, with projections to reach 74% by 2025. Nuclear families typically spend 20% to 30% more per capita than joint families, significantly influencing the consumer durables market.

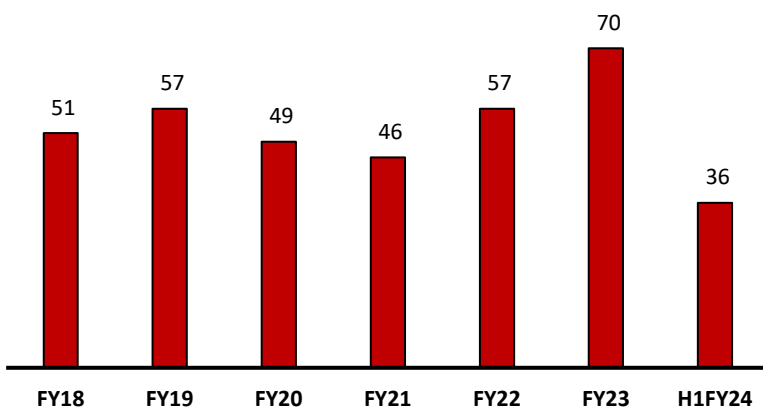
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Auto Components Industry

Amid a shifting global supply chain, India is experiencing robust demand for auto components. In FY23, the Indian Auto Component Industry recorded its highest-ever turnover, reaching \$70 Bn. For H1FY24, the turnover grew by 12.6% on a YoY basis to \$36 Bn.

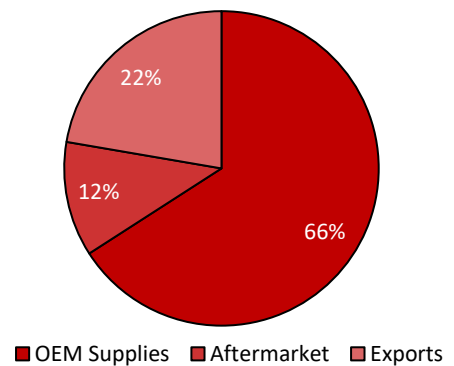
The attraction of global Original Equipment Manufacturers (OEMs) to source from India, coupled with increased indigenization efforts by global OEMs, is establishing India as a preferred design and manufacturing hub. The auto components industry currently accounts for 2.3% of India's GDP and directly employs over 1.5 Mn people.

Indian auto component industry (\$ Bn)



Source: IBEF, Keynote Capitals Ltd.

Segmentation of Indian auto components industry (FY23)



Growth Drivers for the Indian auto component industry:

Expanding R&D Hub: The automotive sector contributes 8% to the country's R&D expenditure, underscoring its crucial role in driving technological advancements.

Cost Competitiveness: A reduction in excise duty on vehicles is poised to boost demand, thereby enhancing the sector's cost competitiveness.

Policy Support: Initiatives like the Automotive Mission Plan 2016-26, Faster Adoption & Manufacturing of Electric and Hybrid Vehicles (FAME, April 2015), and the National Mission on Electric Mobility (NMEM 2020) are set to stimulate growth in the auto component sector. Additionally, the PLI schemes have been extended to the automobile sector with the goal of generating an incremental output of \$311 Bn.

Self-Reliant India Mission: As part of the Self-Reliant India mission, the auto industry aims to reduce its auto component imports, currently valued at \$13.6 Bn, which is expected to be half over the next 4-5 years. This strategic move opens substantial opportunities for both existing and new auto component players to expand and scale up.

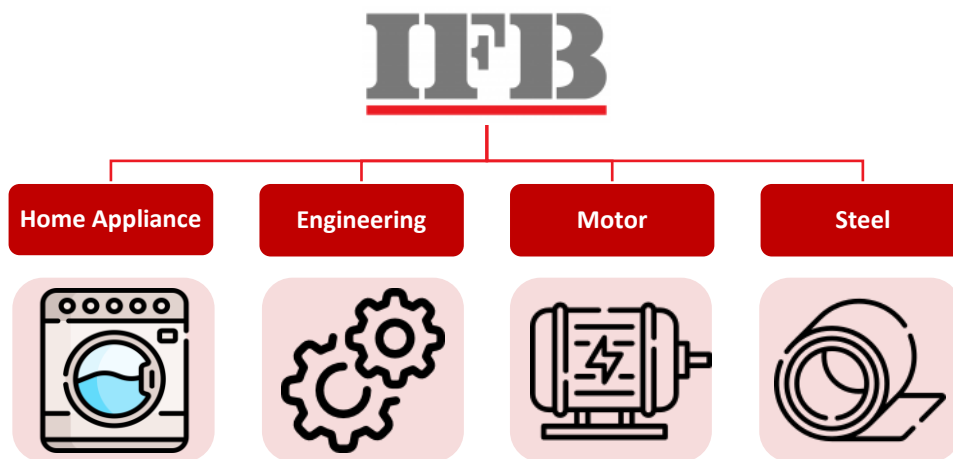
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About IFB Industries Ltd.

IFB Industries Ltd (IFB), originally known as Indian Fine Blanks Limited, was established in 1974 in collaboration with Heinrich Schmid AG of Switzerland. The Company began its operations focusing on manufacturing fine-blanked components, press tools, and related machine tools used in a wide range of precision engineering industries at its manufacturing unit in Kolkata.

A significant turn in IFB's journey occurred in 1989 when it entered into an agreement with Bosch-Siemens Hausgeräte of Germany to produce fully automatic washing machines and other state-of-the-art domestic appliances. This marked the Company's diversification into the home appliances sector, launching the Home Appliances Division in 1991. This diversification allowed IFB to subsequently offer a wide range of products for laundry, kitchen, living, and industrial purposes, including washing machines, ACs, microwave ovens, dishwashers, and clothes dryers.

Over the years, the contribution from the Home Appliances Division grew significantly, accounting for ~77% of the Company's revenues in FY24, while the Fine Blanking Division (Engineering Division) accounted for ~18%. IFB became synonymous with fully automatic front-load washing machines, holding a ~35% market share in this segment, alongside a dominant presence in microwaves and dishwashers.



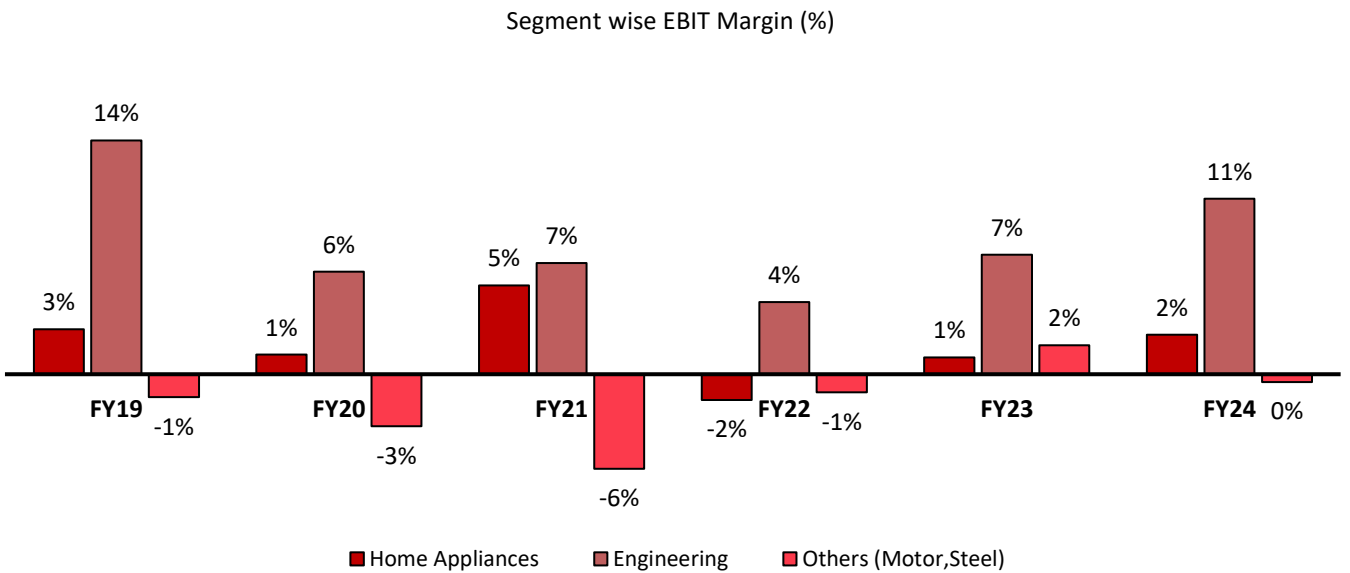
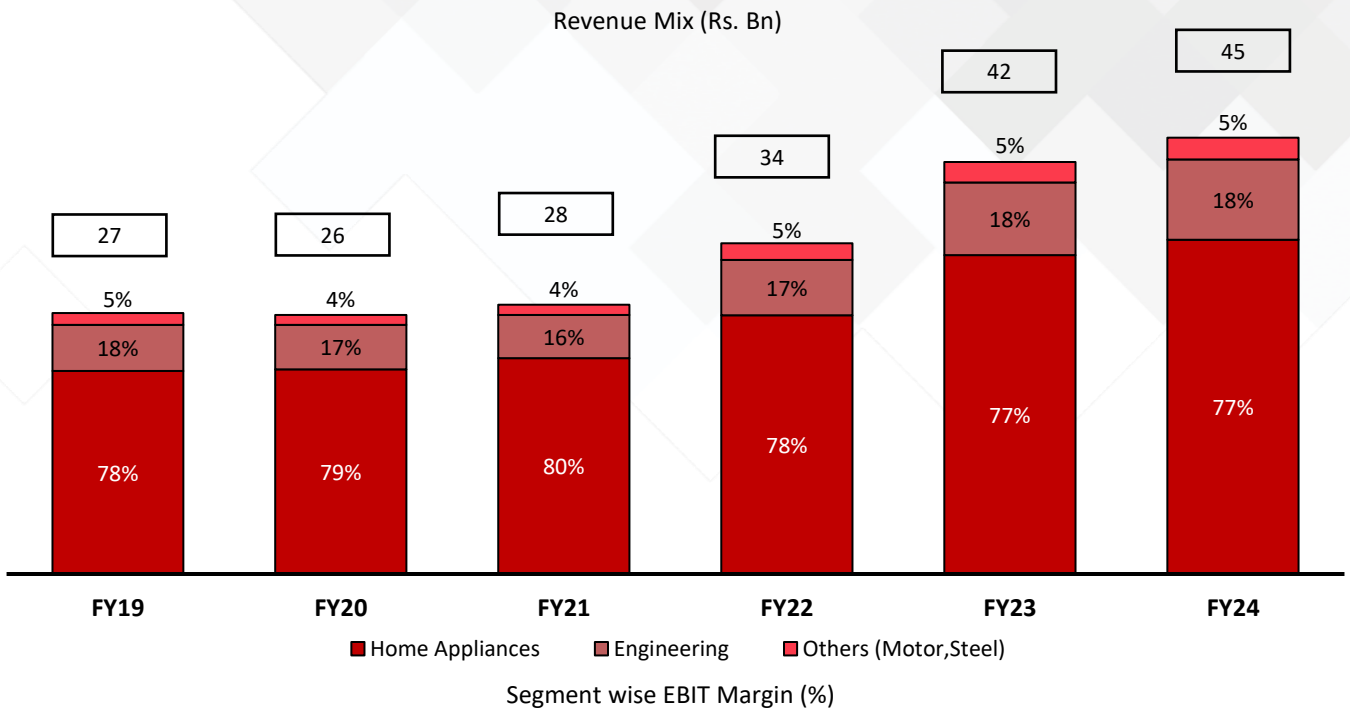
Source: Company, Keynote Capitals Ltd.

Currently, the Company operates in 4 key divisions: Home Appliances, Engineering (Fine Blanking Division), Motors, and Steel. It has 6 manufacturing plants across India. The home appliances manufacturing facility is located in Goa, while the Engineering Division has facilities in Kolkata and Bengaluru. The Bengaluru unit, apart from fine-blanked components, also manufactures motors for white goods and automotive applications.

Recently, IFB expanded its product range by acquiring a significant 41.4% stake in IFB Refrigeration Limited (IFBRL), an associate company specializing in refrigerator manufacturing. The new refrigerator plant in Pune commenced commercial production in May 2023.

Over the years, the Company has developed an extensive distribution network with 850+ Multi-Brand Outlets (MBOs) counters in FY24, along with 465 exclusive IFB points.

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Source: Company, Keynote Capitals Ltd.

Range of products under different segments:

Segment	Products
Home Appliances	Washing machines, Dryers, Microwaves, Dishwashers, ACs, Refrigerators etc.
Engineering	Fine Blanked & Stamped components to 4Ws, 2Ws, HV, EV, Tractors and other OEMs.
Motor	Appliances and Automotive motors
Steel	Cold rolled low, medium & high carbon steel strips

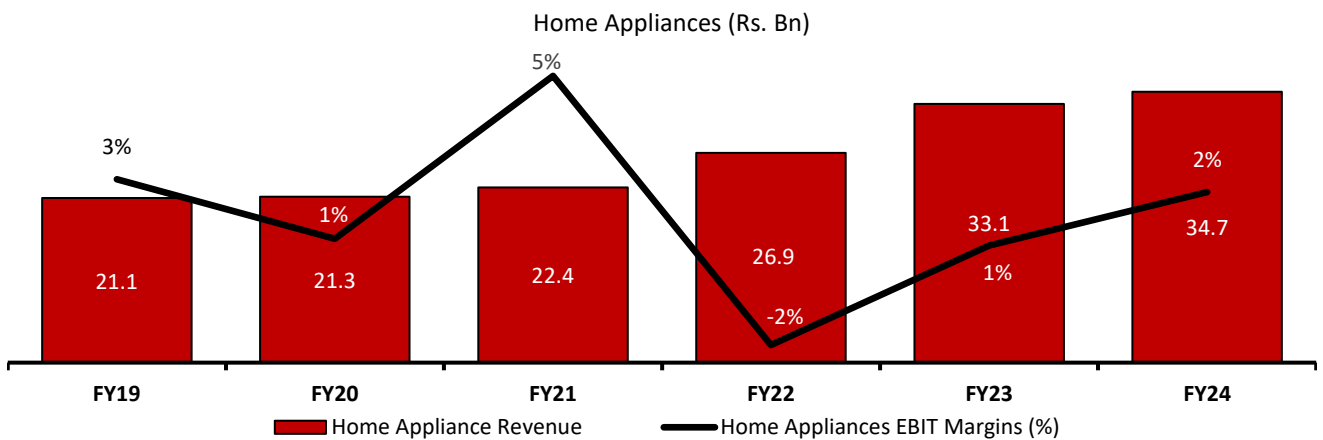
Source: Company, Keynote Capitals Ltd.

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Home Appliances Division (77% Revenue in FY24)

Over the years, the Home Appliances Division has emerged as the primary business of IFB, contributing for ~77% of the Company's revenue in FY24 and significantly overshadowing its original engineering (fine blanking) business. This strategic shift towards home appliances as the primary business was driven by several factors, such as growing domestic demand, strong brand equity, constant product innovation and strategic investments in domestic manufacturing capabilities.

The Company initially began as a manufacturer of washing machines but soon expanded its product portfolio to include a range of related appliances such as dryers, microwaves, dishwashers, and ACs. Today, the IFB brand is synonymous with quality, durability, high performance, and cutting-edge technology. It holds a leading position in certain segments, including front-load washing machines, microwaves, and dishwashers, where it enjoys a dominant market share.



Challenges in achieving profitability

Despite achieving a strong revenue growth of 13% CAGR over the last five years in the Home Appliances Division, IFB has faced challenges in sustaining its profitability. In the recent past, the division has struggled to maintain its profit margins, which has adversely affected the overall profitability of the Company. A significant impact was observed in FY22 when the Home Appliances Division reported an EBIT loss of Rs. 420 Mn, down from EBIT of Rs. 1.2 Bn in the previous year. This shift led to a contraction of EBIT margins in the Home Appliances Division by ~700 Bps to -2% in FY22, despite a YoY revenue increase of 20% in the same period.

These profitability issues were mainly attributed to factors like:

Depreciating Rupee: In FY22, the Indian Rupee depreciated by ~4%. This depreciation, coupled with high logistics costs and rising import prices, led to an increase in the costs of imported components. These imported components accounted for around 45% of the total raw material costs in FY22.

Increased custom duties: Higher duties on imported goods like ACs and microwaves could not be fully passed on to consumers, impacting margins.

Higher material costs: The cost of raw materials, such as steel, increased, which affected profitability.

Competitive pricing pressure: The Company faced intense competition, which made it difficult to increase prices to offset cost inflation.

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To address these challenges, several initiatives were taken by IFB:

Localization: The Company focused on localizing the manufacturing of high-cost import items such as ACs and other components to mitigate the impact of currency depreciation and customs duties.

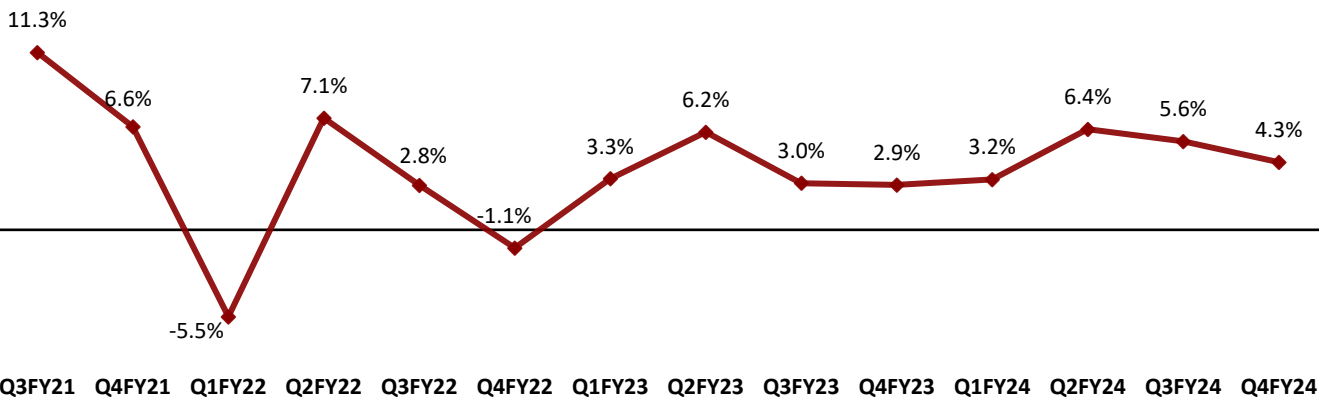
Price Adjustments: Strategic price increases were implemented to partially offset increased costs. A price hike of 3-5% was taken across different models and segments in Q1FY23.

Cost Reduction: Specific projects, such as localizing AC manufacturing, adapting BLDC motors, and internal cost reduction programs aimed at reducing material costs in manufacturing, were undertaken.

Productivity Improvement: The Company fortified its sales force by expanding its Counter Sales Representatives to areas where they were previously absent. This strategic move aimed to enhance productivity, drive revenue growth, and consequently reduce overall costs.

This initiative is expected to lead to margin improvement

EBITDA Margins (%)



Source: Company, Keynote Capitals Ltd.

In FY23, IFB launched a cost-reduction program to improve its margin profile, capitalizing on the stabilization of raw material prices and Company-wide cost-saving measures. The Company is on track to significantly reduce both material and fixed operating costs. The material cost reduction strategy, aimed at saving Rs. 560 Mn, involves consolidated purchasing, re-sourcing, and leveraging lower commodity prices. This strategy is largely completed in Q4FY24, with full realization expected by H1FY25.

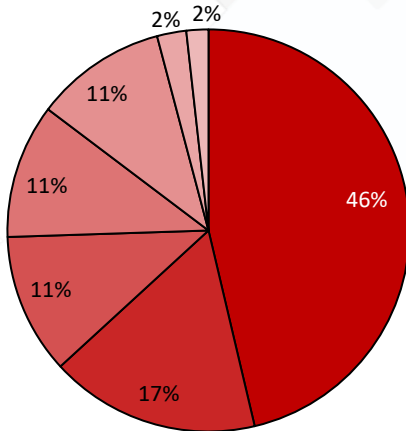
The fixed cost reduction effort, initiated in Q2FY24, focuses on optimizing logistics, warehousing, and staffing, with a goal to reduce monthly expenditures by Rs. 65-70 Mn. This initiative is still a work in progress. Preliminary savings have already been observed, with the full impact anticipated by Q1 or Q2 of FY25.

While earlier material cost benefits stemmed from lower commodity prices, future savings will come from consolidated purchases, re-sourcing, and designed reductions. Targeting 10% EBITDA margins by H1FY25 and using the 11.3% EBITDA margins of Q3FY21 as a benchmark, IFB's strategic cost-control measures have already led to a GPM improvement from ~39% in FY23 to ~41% in FY24, marking a strong YoY growth of 159 bps.

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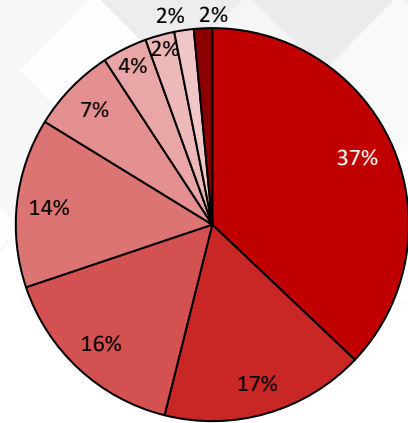
Major portfolio products includes:

Product-wise mix in Home Appliances Division in FY19



Product-wise mix in Home Appliances Division in FY24

- Front Loaders
- AC
- Service
- Top Loaders
- Microwaves
- Industrial product
- Others
- Dishwashers
- Refrigerators



Source: Company, Keynote Capitals Ltd.

Washing Machines:

Washing machines contribute substantially to the Home Appliances Division, constituting ~51% of revenue in FY24. IFB manufactures two major types of washing machines: front-load and top-load. Front-load accounts for 37% of this division, and top load contribute 14%.

IFB has a dominant position in the domestic front-load segment, with a market share of ~35%, followed by the top-load segment with ~8% market share. The Company is recognized for the quality of its products, which are distinguished by unique features, appealing aesthetics, and high performance. These offerings are further enriched with IoT/AI features.

The majority of washing machine manufacturing is conducted domestically in the Goa facility, which operated at a capacity utilization rate of 85-90% in FY23.

The Company recently addressed gaps in its product portfolio by introducing higher-capacity models in the 9 kg and 10 kg segments in FY24. These models have been well-received in the market, resulting in a slight increase in market share. The premium models in the front-load segment are gaining a larger market share, with sales volume more than doubling, thereby enhancing the brand's value share. However, channel penetration remains significantly lower for top-load washers compared to front-load washers. The Company is addressing this issue with the rollout of a new range of top-load washers.

The focus for the next fiscal year is now on two key initiatives :

New product introduction: A new range of front-load and top-load washing machines with Inverter/ WiFi technology is planned for launch in phases from Q1FY25. The new range will elevate the entire portfolio to the "Deep Clean platform," introduced last year in the higher capacity segments. This range features some of the industry's most innovative technologies, such as patented Oxyjet Technology, 100% Steam Refresh, and Warm Soak, while being super silent and efficient with the Eco Inverter Motor. These new introductions are expected to fill any price point or feature gap in the market.

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Optimizing sales front: The Company is focusing on enhancing its product availability and placements, which are being driven through channel expansion, adequate manning and more extraction from the existing network. These initiatives, along with increasing volumes in the newly introduced 9/10 kg segment, are part of the Company's strategy to increase market share.

Air Conditioners (ACs):

IFB's ACs are well-received in the market and are acknowledged to be among the best-in-class. These products contribute ~17% of the Home Appliances Division revenue in FY24. The AC manufacturing facility, situated in Goa, India, was established in FY20 with an investment of Rs. 1.8 Bn. Previously, the Company was engaged in trading of ACs but later shifted to domestic manufacturing as the scale increased to enhance margins and improve product quality. Despite these efforts, the plant has experienced a loss of Rs. ~420 Mn at the PBDIT level in FY24.

The facility operates both as a manufacturer and a contractor, enhancing overall capacity utilization. With a capacity of 500k units per annum on a single-shift basis and a total revenue potential of Rs. ~15 Bn, the plant faced some supply chain issues in Q4FY24, leading to lower-than-expected volumes, but these issues have now been rectified. In FY25 and beyond, IFB anticipates robust demand, with a primary focus on branded sales, as contract manufacturing for OEMs accounted for only ~20% of the business in FY24 and ~4% in Q4FY24.

To achieve profitability in the AC segment, IFB has initiated several measures, primarily focusing on material cost reductions in areas such as PCBs and compressor selection. Additionally, efforts are being made to ensure minimum operational volumes for better overhead absorption. The Company is optimistic about scaling up and reaching profitability in H1FY25. During April-May'24, the Company produced 110k units compared to ~240k units in entire FY24. This growth is driven by the maturation of channel work in the AC segment and the strategic introduction of refrigerators that complement AC sales channels.

Recent product launches include new models in the 1-ton 5-star segment, featuring hot and cold options, which performed well in Q4FY24. IFB has also expanded its presence on e-commerce platforms starting Q2FY24. Additionally, a geography-specific, dealer-by-dealer plan, including key accounts where ACs were previously absent, has been implemented to expand market share in this segment. The Company offers a diverse range of AC models for differentiated channel placements, including distribution, key accounts, and smaller multi-brand and Sales and Service Dealers (SSD) channels. The SSD channels, catering to direct customer purchases from dealers, are gradually gaining momentum through dedicated team efforts.

Aiming for ambitious branded sales of 500k units in FY25, up from the previous target of 400k units, IFB is significantly investing in brand building and sales team restructuring to enhance channel extraction and offer a comprehensive product portfolio.

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Microwave Ovens:

IFB is among the top 3 dominant players in this category, holding onto the No. 2 position in Q4FY24. This segment accounted for ~7% of the Company's home appliances revenue in FY24. The Company recently expanded its microwave product line by introducing models in the 24/28 litre solo category, which represents ~40% of the total market. This expansion has effectively addressed significant gaps in IFB's product offering, enhancing its competitive edge in the market.

For FY25, the key strategy is to bolster market share and enhance margins through the introduction of premium models. The Company has plans to launch a top-of-the-line 34-litre convection model featuring a Steam function in Q2FY25.

Dishwashers:

The dishwasher market is largely dominated by 3 major brands, with IFB securing a significant market share of ~36% in FY23. Despite experiencing a decline in market demand during Q4FY24, the dishwasher segment is still projected to grow at a rate of 12.5% CAGR from 2023-29. In response, IFB is committed to expanding its presence in the distribution network, setting a goal to surpass 4,000 counters, up from the current 3,000 by Q2FY25.

There's been an increase in the demand for new models, with IFB's Neptune VX2 Plus emerging as one of the market's top-selling SKUs. Recognizing shifts in market preferences towards appliances with higher capacities and advanced technological features, IFB is in the process of developing premium models equipped with innovations such as BLDC technology, triple wash mechanisms, and direct wash technology, among others.

Refrigerators:

The Company entered into a strategic partnership with its associate company, IFB Refrigeration Limited (IFBRL), to manufacture refrigerators. With an investment of Rs. 970 Mn in December 2022, IFB Industries secured a 41.44% stake in IFBRL's total equity by FY24. The investment in IFBRL was made as an associate to take advantage of the tax rate incentive (corporate tax rate of 15%), necessitating it to be a separate company. Additionally, this structure allowed IFB to isolate IFBRL from issues related to its scale and profitability.

The refrigerators produced by IFBRL include both direct cool and frost-free models, with capacities ranging from 193 litre to 370 litre. The product range is positioned in the mid-to-premium range, similar to IFB's positioning in the washing machine segment.

The Pune-based manufacturing facility has an annual production capacity of 1 Mn units. In FY24, the plant has produced a total of ~155k units, of which ~139k units were effectively sold.

With the plant ramping up its capacities to exceed breakeven with a minimum volume of ~36K units per month in FY25, and current efforts concentrated on expanding product placement across retail counters, significant revenue growth is expected.

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Industrial Segment – Laundry and Dishwashing Equipment:

IFB provides a comprehensive solution for commercial laundry setups, catering to various verticals such as hotels, educational institutions, medical facilities, defence, pharmaceuticals and railways. The range of IFB equipment includes Washer Extractors, Tumble Dryers, Flat Work Ironers, Folding Machines, Dry Cleaners, and Body Presses, offering reliable and durable solutions for diverse laundry needs.

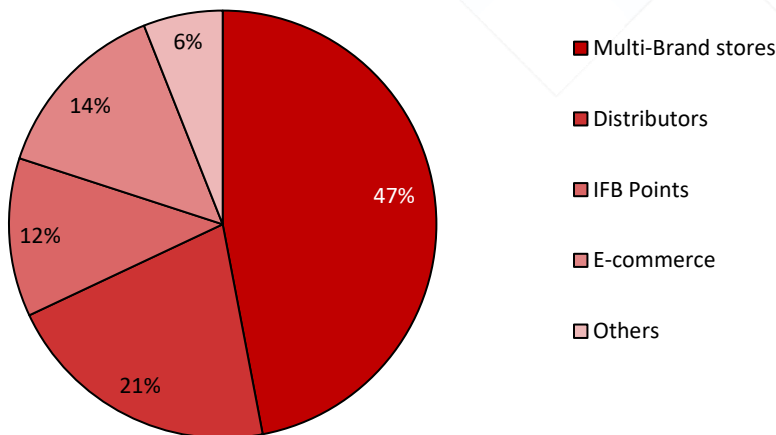
Under the three-year 'Vision-26' Plan '3 x 3,' IFB aims for a 3x revenue growth in three years in this segment. Venturing into new territories, IFB has recognized prospects in the UAE and Africa, securing consistent orders from the UAE and identifying business partners for the Russian market, too. Furthermore, the Company is actively exploring potential markets in Myanmar, Sri Lanka, SAARC countries, Singapore, and Oman to improve export business.

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Distribution Channel

The Company's strategy for FY25 focuses on optimizing the placement of models in key distribution channels, including e-commerce and Mutli-Brand Outlets (MBOs), which collectively contribute to nearly half of IFB's total business. Looking ahead, IFB is focusing on essential upgrades in design, aesthetics, and capacity to align with global market trends. This initiative is expected to be a key driver in product development in FY25 and FY26.

Channel-Mix (FY23)



Source: Company, Keynote Capitals Ltd.

The Home Appliances Division operates via five key channel segments through which it reaches its customer base:

- Multi-brand stores:** This segment includes large format chain stores that operates nationwide and regional or town-level single stores, including regional and geographic-specific chain stores. These stores play a crucial role in IFB's distribution and accounts for a major part of the sales volume.
- Channel of distributors:** Distributors are vital to IFB's supply chain, distributing products to various retail outlets and, in some instances, directly to consumers.
- IFB points:** These exclusive stores showcase the entire range of IFB products, allowing customers to interact directly with them. These outlets serve as a direct selling point for the Company's products to consumers. The Company is currently revamping these IFB points to a new design for better conversion ratios. Around 173 IFB points have been redesigned as of FY24 from a total of 465 with plans to complete the remaining by FY25.
- E-commerce:** The IFB website acts as an important online storefront, attracting a significant number of visitors who either purchase online or decide to buy in stores later. This channel has grown in importance for expanding the customer base through online sales.
- Others (Canteen Stores Department (CSD)/ Defence canteens, Institutions and SSD):** This category includes CSD/ Defence canteens and institutions that purchase directly from the Company and covers industrial products. The SSD segment primarily caters to ACs, including dealers who offer services in addition to sales.



Source: Vijay Sales; An example of LFR stores.



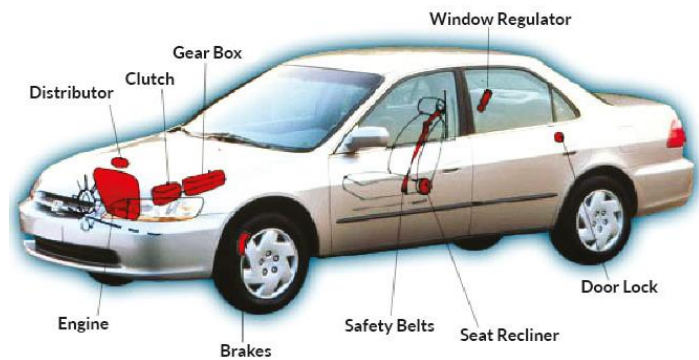
Source: Company, IFB Point.

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Engineering Division (18% Revenue in FY24)

The Engineering Division is a key segment of IFB, accounting for 18% of its revenue as of FY24. This division caters to the precision engineering for the automotive sector by manufacturing an extensive array of fine-blanked or stamped components, tools, and related machine tools. With manufacturing facilities in Kolkata and Bengaluru, it serves a wide variety of segments, including 4-Wheelers (4W), 2-Wheelers (2W), Heavy Vehicles (HV), and Electric Vehicles (EV). This division also benefits from backward integration with the Steel Division, securing high-quality steel at competitive prices and timely deliveries, which enhances operational efficiency and margins.

The division's expertise in producing high-precision parts such as engines, transmission parts, braking systems, door latches, window lifters, and gearboxes components. This has positioned IFB as the pre-eminent fine blanking company in India. With a highly diversified customer base exceeding 150 clients, serving all major OEMs and Tier 1 companies, this division helps de-risk the Company's business. In FY23, the division's capacity utilization was upward of 90%, showcasing its operational efficiency.



Source: Company, Keynote Capitals Ltd.

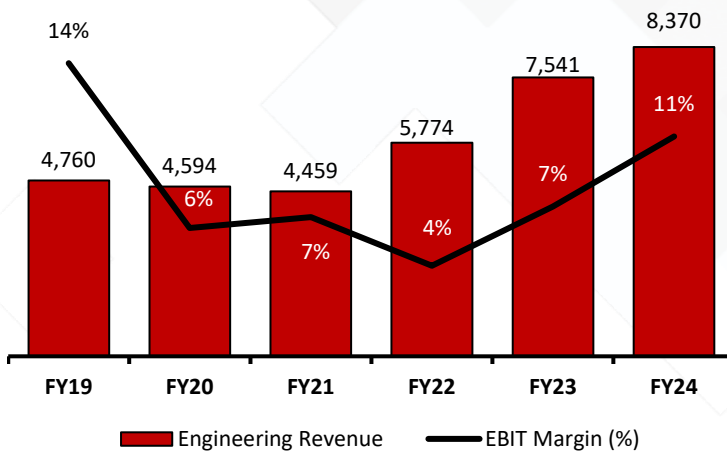
The Engineering Division witnessed a growth of 11% in FY24 as all 4W OEMs reported higher numbers compared to the previous year. This upward trend is anticipated to persist, driven by new model launches and the thriving SUV segment. The 2W segment also witnessed a robust increase in demand in FY24, particularly in rural areas following the implementation of OBD1 and OBD2 (diagnostic system) standards. Despite a drop in export numbers, the domestic market remains robust, with EV demand also showing strength.

In the coming quarters, all 4W, 2W and CV are expected to be in the growth phase. The chip shortage issue, which was a deterrent to the industry, has considerably improved along with low commodity prices. The Company has increased its focus on EV and EV-neutral segments and booked business worth Rs. ~1.8 Bn in FY24. Furthermore, the Company is also actively diversifying into non-automotive sectors, including appliances, electronics and industrial applications. Efforts to enhance efficiency and optimize plant capacity utilization have led to an increase in new business acquisitions, totaling Rs. 1.2 Bn on a YTD basis in Q4FY24. Furthermore, ongoing discussions with customers are expected to generate additional business.

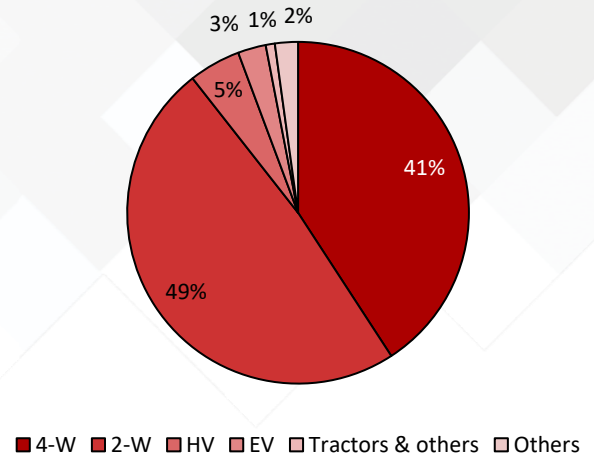
The Engineering Division also achieved the targeted ROCE of 32% in Q4FY24 because the management revised its estimates of the lease term for one of its lease arrangements. The new target is to stabilize at a 35% ROCE.

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Engineering Revenue Trend (Rs. Mn)



Segment Analysis of IFB (9MFY24)



Source: Company, Keynote Capitals Ltd.

IFB's Engineering Division is further segmented into:

1. Fine Blanking Division (FBD): Fine Blanking is a precision metal forming process crucial for producing high-accuracy and intricately shaped sheet metal components. This technique utilizes specialized tooling systems to create precise and finely detailed parts with minimal edge deformation. In FY24, the FBD contributed 80% of the Engineering Division revenue with an impressive EBITDA margin of 17%.

2. Stamping Division: Similar to FBD, Stamping is a metal forming process that utilizes presses, dies and punches to cut, shape or form metal sheets into desired shapes. While Stamping is efficient for mass production, it may result in some edge deformation, requiring secondary operations for tight tolerances.

The Stamping Division was acquired from IFB Automotive Pvt. Ltd., a related company, in Oct'19 and is well-integrated into the existing business, providing a comprehensive solution for automotive components and exhibiting a consistent upward revenue trend since its acquisition.

In FY24, the Stamping Division contributed a monthly revenue of Rs. ~67 Mn with an EBITDA margin of 15%. With a goal to surpass a monthly turnover exceeding Rs. 75 Mn (compared to Rs. 66 Mn in Q4FY24). IFB targets a ROCE of 30% in this segment.

3. After-Market Division: IFB is also involved in the sale of automotive components in the after-market, representing a 10% contribution to the Engineering Division in FY24. Historically, this segment was incurring losses at EBITDA level but achieved breakeven in H1FY24.

Going forward, the focus is on material cost reduction, enhancing price competitiveness and expanding the distribution network to sustain EBITDA positivity.



Source: Company, Keynote Capitals Ltd.

Future Guidance and expansion

In the Engineering Division of IFB, the Company is implementing a two-fold strategy to foster growth and ensure sustainable margins. Firstly, the Company aims to expand its existing business across all segments it operates in, including 4W, 2W, 3W and CV. This approach seeks to leverage market-driven growth opportunities within these segments.

Second is Mergers and Acquisitions (M&A). IFB is actively exploring M&A opportunities that align with its business and have the potential for growth while being resilient to technological disruptions, unlike those related to internal combustion engine (ICE) vehicles or non-EVs. Currently, discussions are underway with 7-8 companies, and an additional revenue of Rs. 7-8 Bn is expected in this division as part of this strategy. The division has set an ambitious goal to achieve a growth of ~2.5 to 3 times over the next three years, fueled by both organic and inorganic opportunities.

Engineering Division's clientele

4-wheelers

2-wheelers

Source: Company, Keynote Capitals Ltd.

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Motor Division (1% Revenue in FY24)

The Motor Division of IFB Industries is divided into Appliance and Automotive Motor segments. The Appliance Motor Division's sales are internal to the Home Appliances Division and are not reported separately. The Automotive Motor Division was acquired in 2019 from IFB Automotive Pvt. Ltd. for operational synergies.

The Appliance Motor Division has since transitioned to energy-efficient BLDC technology for ACs and washing machines. A new production line with a capacity of 1 Mn units for washing machines and ACs each is expected to commence in H2FY25, with a total revenue potential of Rs. 1.5 Bn, assuming no internal consumption. Discussions are ongoing with several OEMs like Samsung, Whirlpool, Daikin, and Panasonic to meet their BLDC motor requirements.

During FY24, the Automotive Motor Division reported a revenue of Rs. 670 Mn with a marginal EBITDA margin of ~2%. The profitability has been impacted due to non-achievement of the budgeted sales and targeted cost reductions. To ensure satisfactory margins, a monthly revenue turnover of Rs. 80 Mn is needed (Rs. 62 Mn in Q4FY24). To achieve this, the Motor Division is implementing various cost reduction initiatives, including alternate sourcing, using alternative grade materials, vendor consolidation and reducing high process rejection rates.

Additionally, the Company is in advanced stages of developing BLDC motors for a range of automotive applications, including engine cooling, battery cooling, and seat ventilation. Furthermore, the division is expanding its export offerings to include starter motors, HVAC blower motors, and engine cooling fan motors for the aftermarket. These measures are expected to boost revenue starting in FY25.

Steel Division (3% Revenue in FY24)

The Steel Division of IFB, acquired from Trishan Metals Pvt. Ltd. in Oct'20, was established to supply materials to the Engineering Division and strategically secure steel with the right quality, price, and timely delivery.

In FY24, the Steel Division reported a revenue of Rs. 1.58 Bn, a slight increase from Rs. 1.43 Bn in FY23. However, EBITDA margins declined from 2.1% to ~1%. This decline was primarily due to the division's consistent failure to meet budgeted volumes. Total sales for FY24 were 18,702 MT, significantly lower than the budgeted 28,100 MT, primarily because the division experienced production setbacks due to a shortage of specific grades of raw materials. Additionally, a reduction in sales prices to match competitor prices for key customers was made to maintain market share, which led to a decrease in value addition.

Looking ahead to FY25, IFB plans to recover these losses by ensuring production volumes meet targets through increased capacity utilization, particularly with higher sales to automotive customers. Most of the modernization work started in FY23, which includes capacity expansion and the upgrading of several mechanical and electrical components, was completed in FY24.



HVAC Blower Motor



BLDC Motor

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Key Milestones:

Year	Milestone
1974	Incorporated on September 12 th in West Bengal as Indian Fine Blanks Ltd in collaboration with Heinrich Schmid AG of Switzerland.
1989	Entered into a collaboration agreement with Bosch-Siemens Hausgerate GmbH of Germany to produce fully-automatic washing machines and other domestic appliances.
2008	Mr. Bikranjit Nag was inducted into the board and appointed as Joint Executive Chairman and Managing Director of the Company.
2017	Acquired 51.12% stake in Trishan Metals Pvt Ltd. Global Appliances & Automotive Ltd. (GAAL), a wholly owned subsidiary and Thai Automotive and Appliances Ltd. (TAAL), a step-down subsidiary was acquired.
2018	Industrial Laundry Business was acquired from Ramsons group at a consideration of Rs 350 Mn.
2019	Acquired the Stamping business from IFB Automotive Private Limited, a related party at a consideration of Rs. 350 Mn.
2020	Acquired the remaining 48.88% equity shares of Trishan Metals Pvt Ltd, thereby making TMPL as its wholly owned subsidiary and later a separate division.
2023	Entered into a strategic partnership with its associate company, IFB Refrigeration Limited (IFBRL), by acquiring 44.44% of it's total equity.

Source: Company, Keynote Capitals Ltd.

Company Structure

As of FY24, the Company has 1 Wholly Owned Subsidiary (WOS), 1 Step Down Subsidiary (SDS) and 1 Associate company. The key highlights of these subsidiaries and associate companies are as follows:

Sr. No.	Name of the Entity	Type	Description
1.	Global Automotive & Appliances Pte Ltd. (GAAL)	WOS	GAAL is engaged in trading of Electronics Parts and semiconductors and other commodities
2.	Thai Automotive and Appliances Ltd. (TAAL)	SDS	TAAL is engaged in the business of Fine Blanking and Conventional Blanking in Thailand.
3.	IFB Refrigeration Ltd. (IFBRL)	Associate	IFBRL is engaged in the business of manufacturing refrigerators.

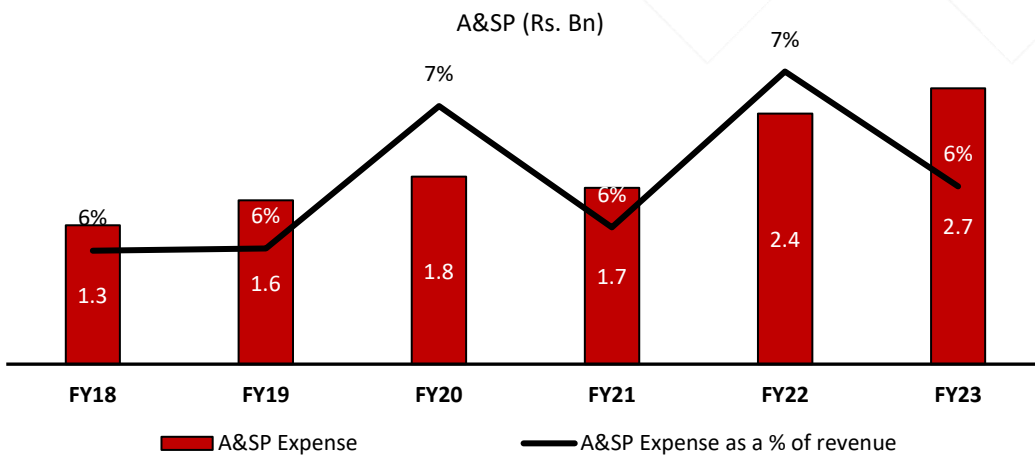
Source: Company, Keynote Capitals Ltd.

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Advertisements and Sales Promotion (A&SP)

IFB has established a strong brand presence in India, significantly supported by its consistent investment in A&SP activities, which accounted for 7.2% of revenue in 9MFY24. Despite being a 'Made in India' entity, IFB is often perceived as a foreign brand due to its high-quality products.

The Company employs a targeted Below-The-Line (BTL) advertising strategy to engage directly with specific consumer groups. This includes participation in trade shows and expos, in-store promotions, marketing at exclusive IFB Points and deploying counter sales representatives at various retail locations. IFB also effectively uses digital marketing as 50% of foot traffic to IFB points in Q4FY24 was driven by its effective digital marketing efforts.



Source: Company, Keynote Capitals Ltd.

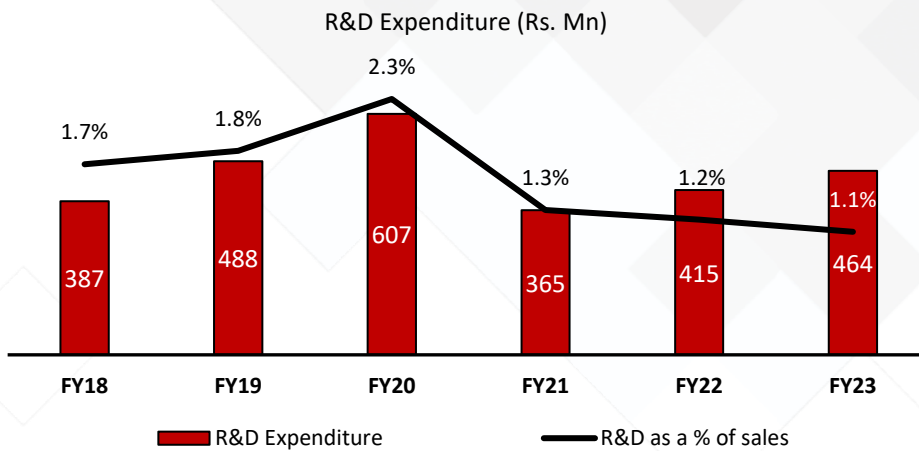
Recent initiatives such as better product placement, redesigning IFB Points and introducing a new product segments on its website are all expected to fructify in the long run and improve brand visibility, enhance channel efficiency, and compete effectively in the home appliance market.

Constant product innovation

IFB is renowned for its technologically advanced appliances, featuring new and innovative technologies that enhance product differentiation and premiumization.

The Company is constantly innovating, having recently introduced new product lines with Inverter motor technology, Wi-Fi, and AI. These developments not only fill gaps in their portfolio but also align it with evolving consumer preferences. The Company is also upgrading its existing product categories with these technologies to maintain its competitive edge. IFB's strong emphasis on R&D is evident from its continuous investments aimed at improving product quality and integrating advanced features, ensuring high performance and customer satisfaction.

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Source: Company, Keynote Capitals Ltd.

IFB has also adopted Brushless DC (BLDC) motor technology for its home appliances. BLDC motors are known for their energy efficiency, reduced noise levels, higher reliability, and superior performance compared to traditional motors. A new production line for BLDC motors, capable of producing 1 Mn units for washing machines and air conditioners, is expected to start in Q4FY24.

In FY24, IFB launched its 'IFB Deep Clean' line of high-end washing machines, boasting the latest in Inverter, Wi-Fi, and AI technologies. This range features some of the industry's most innovative technologies, including patented Oxyjet Technology, 100% Steam Refresh, and Warm Soak, all while operating silently and efficiently thanks to the Eco Inverter Motor. These models were well-received in the market, underscoring IFB's commitment to integrating advanced technology into its products.



Source: Company, Keynote Capitals Ltd.

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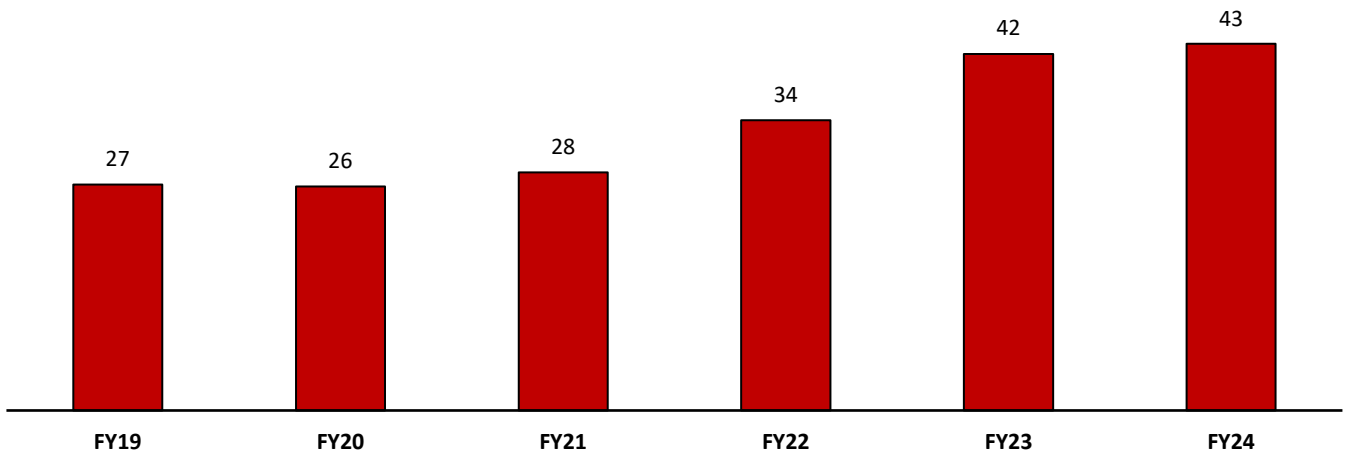
Financials

Over the past five years, IFB Industries has seen a growth of ~14% CAGR in revenue, overcoming challenges such as the COVID-19 pandemic, rising commodity prices and intense competition from foreign players. This growth was primarily driven by the Engineering Division, which recorded a ~15% CAGR, while the Home Appliances Division grew at ~13% CAGR during the same period, distinguished by the Company's strong brand recognition and superior product quality.

Key products, including washing machines and microwaves, as well as newly introduced ACs and refrigerators, propelled a 23% growth in FY23. However, growth slowed to 4% in FY24, largely due to weaker performance in the AC segment.

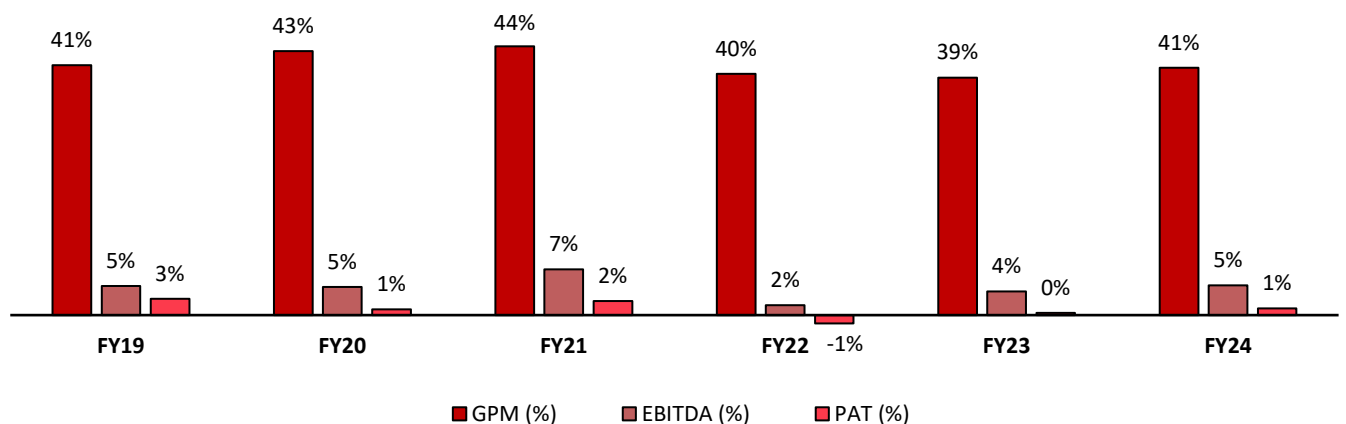
Looking ahead, the Company's continued focus on optimizing the distribution network and maturing of channels in the AC segment, are expected to improve performance along with a more comprehensive product lineup. Management has identified key areas for improvement and is targeting an ambitious annual growth rate of at least 30-35% in the Home Appliance business. Additionally, anticipated revenue from the new BLDC motors and inorganic growth in the Engineering Division are expected to further enhance this growth trajectory.

Revenue (Rs. Bn)



Source: Company, Keynote Capitals Ltd.

Margin (%)



Source: Company, Keynote Capitals Ltd.

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The Company's GPM has typically ranged between 40-44%. In FY22, these margins were adversely impacted by a rise in raw material prices. However, by FY24, as raw material prices began to stabilize, the Company experienced an improvement in margins, reaching 41% in FY24.

Previously, EBITDA and PAT margins were negatively affected by various profitability challenges, including the increased cost of imported components, a weaker domestic currency, and higher customs duties that could not be entirely passed on to consumers. In response, the Company implemented several strategies to address these issues, such as increasing the localization of inputs, making strategic price adjustments, and initiating an internal cost reduction program.

Looking ahead, margins are expected to improve further as the cost reduction program is completed, and efforts in channel optimization are expected to yield higher sales volumes, particularly in the AC segment. This is anticipated to enhance overall financial performance as the Company moves forward.

Management Analysis

IFB Industries Ltd. was established in 1974 by Mr. Bijon Nag, who led the Company as its chairman until his passing in Jan'24 at the age of 82. Leadership then transitioned to his son, Mr. Bikramjit Nag, who had been deeply involved in the Company's management since 2008, when he joined the board as Joint Executive Chairman and Managing Director. Mr. Bikramjit Nag now serves as the Executive Chairman of the Company, continuing his father's legacy and guiding the Company into its next phase of growth.

Key Managerial Personnel

Name	Designation	Brief profile
Mr. Bikramjit Nag	Executive Chairman	He earned a BBA from Richmond College, U.K. His expertise includes strategic business management, controls, planning, marketing, and legal matters.
Late Mr. Bijon Bhushan Nag	Founder & Ex-Chairman	He was a mechanical engineer and mentor with over five decades of extensive experience in machine tool, fine blanking, sheet metals, engineering, stamping, appliances, and alcohol industries. He was the visionary behind IFB's state-of-the-art washing machine factory in Goa and engineering factories in Kolkata & Bengaluru.
Mr. Rajshankar Ray	MD & CEO - Home Appliances Division	He is a B. Tech graduate in mechanical engineering from IIT Kharagpur. He brings over 30 years of experience in areas such as operations and sales.
Mr. P. H. Narayanan	MD & CEO - Engineering Division	He brings over 38 years of experience in the auto component industry, including a previous role as CEO of UCAL Fuel Systems Ltd.
Mr. Anand Reddy	CEO – Motor Division	Has over 3 decades of experience with IFB Industries.
Mr. Prabir Chatterjee	Director & CFO	He is a B.Sc graduate and qualified Cost Accountant. His core areas of competency include management accounting, financial accounting, budgeting, control, and financial analysis.

MD is Managing Director, CEO is Chief Executive Officer, and CFO is Chief Financial Officer
 Source: Company, Keynote Capitals Ltd.

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Compensation and Skin in the Game

Particulars	FY19	FY20	FY21	FY22	FY23
% Promoter Holding	75.0%	75.0%	75.0%	75.0%	75.0%
Management Salary (Rs Mn)	14.1	24.4	24.1	29.0	22.8
As a % of PAT	2.9%	14.0%	4.0%	-5.9%	17.1%

Source: Company, Keynote Capitals Ltd.

Top shareholders >1%

Stakeholders	FY20	FY21	FY22	FY23	FY24
Plutus Wealth Management LLP	-	1.9%	2.8%	7.4%	-
Jwalamukhi Management Services Pvt. Ltd.	7.2%	7.2%	6.4%	-	-
Nippon Life India	-	-	1.9%	3.1%	-
HDFC	1.3%	-	-	-	-
Chatterjee Management Services Pvt. Ltd.	-	1.7%	1.7%	1.7%	-
LLP	-	1.9%	2.8%	7.4%	1.1%
DSP MF	-	-	-	-	4.1%
UTI MF	-	-	-	-	1.8%
Total	8.5%	12.6%	15.6%	19.5%	7.0%

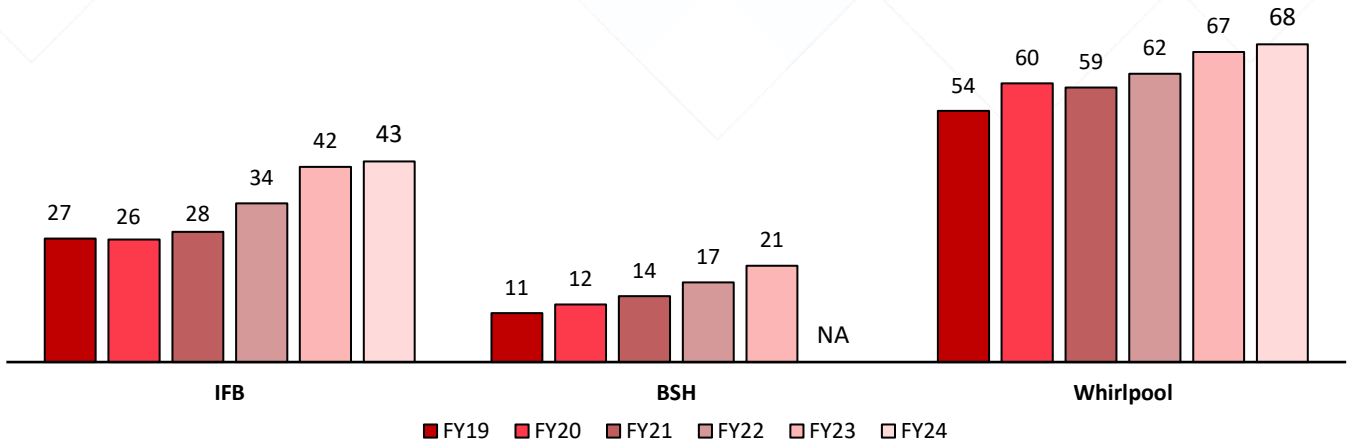
Source: Company, Keynote Capitals Ltd.

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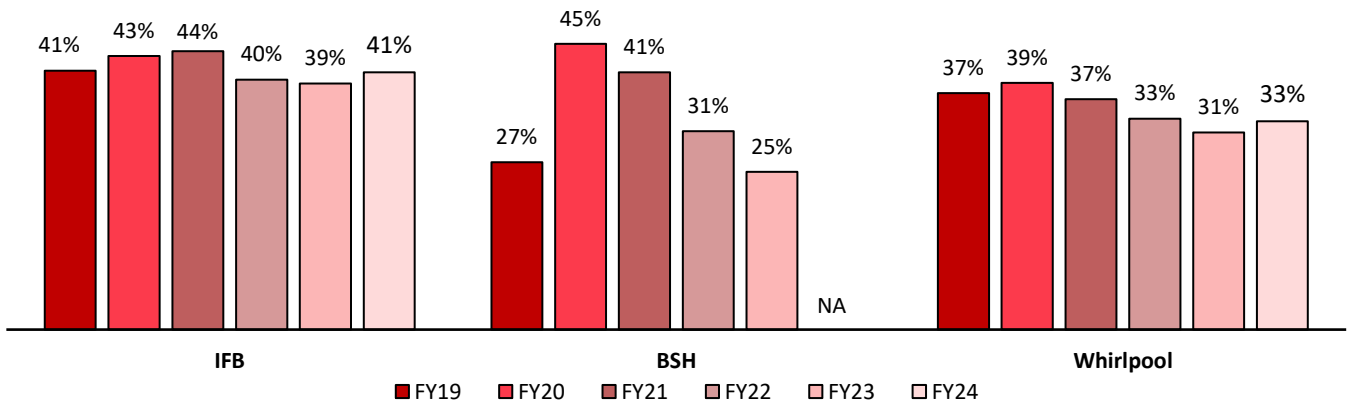
Peer Comparison

We reviewed IFB against its closest peers, Whirlpool of India Ltd. (Whirlpool), and BSH Home Appliance Pvt. Ltd (BSH), focusing on their product mix. IFB operates in both the home appliance and engineering sectors, while Whirlpool specializes exclusively in home appliances with a strong focus on washing machines and refrigerators. BSH, a private company, is renowned for its high-quality washing machines, dishwashers, and refrigerators.

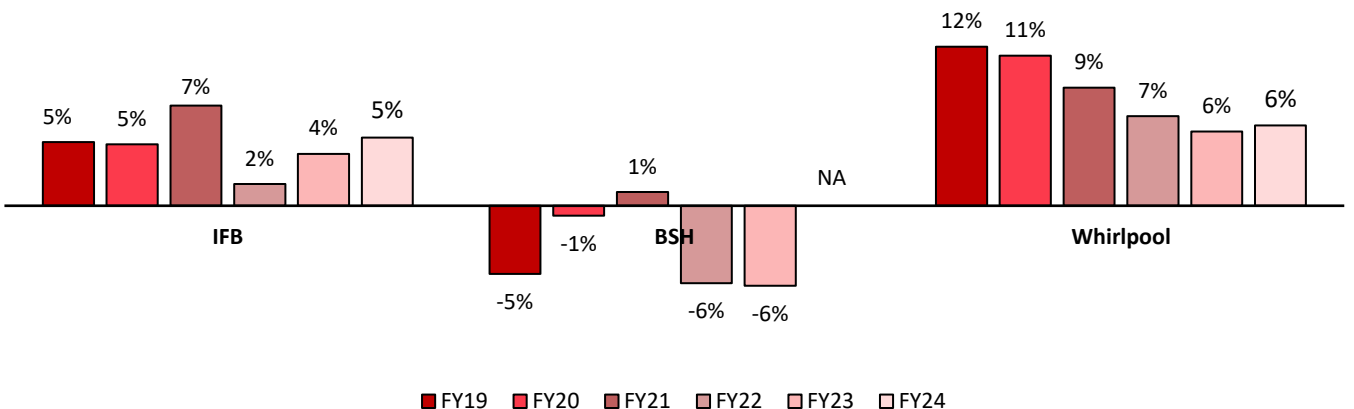
Revenue (Rs.Bn)



Gross profit margin (%)

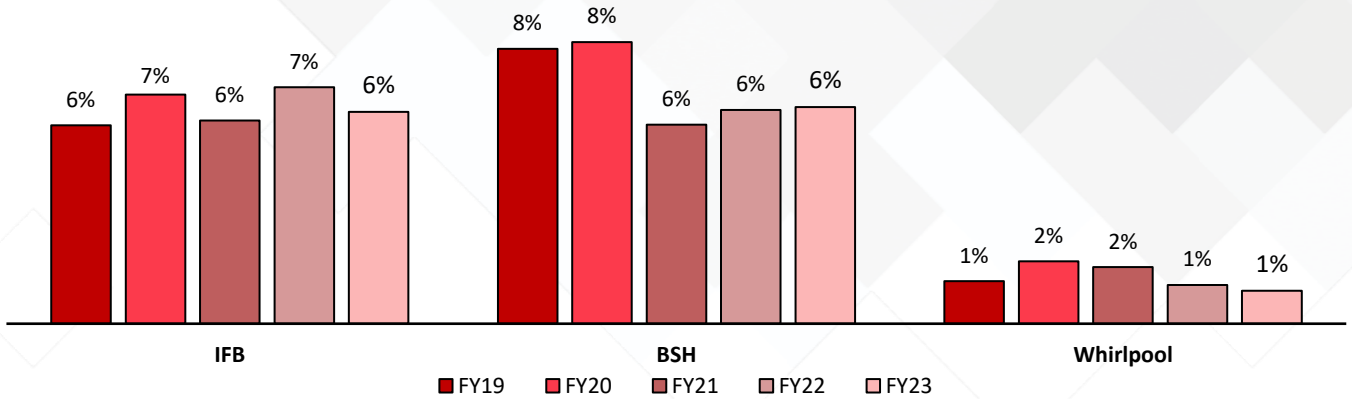


EBITDA margin (%)

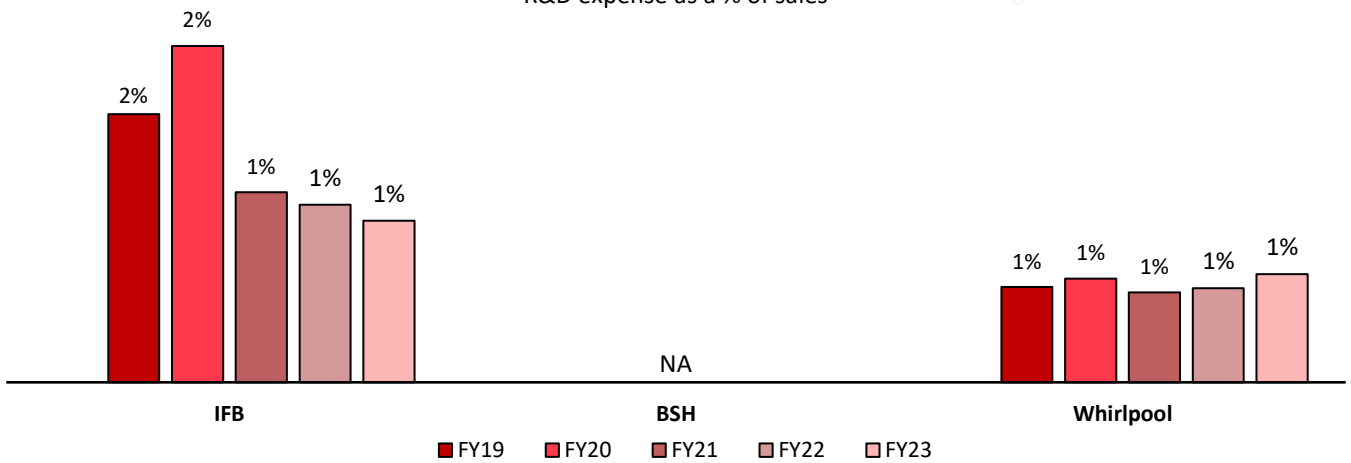


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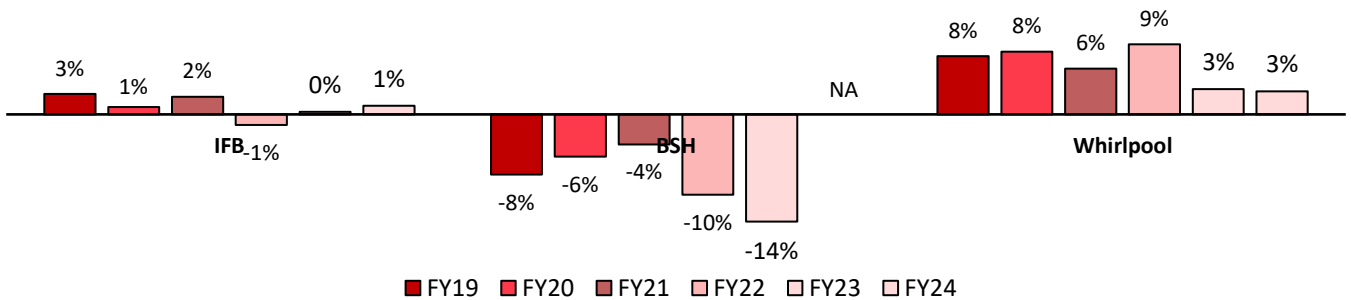
A&SP expense as a % of sales



R&D expense as a % of sales



PAT margin (%)



Source: Company, BSH Home Appliance Pvt. Ltd., Whirlpool of India Ltd., Keynote Capitals Ltd.

Particulars	IFB	BSH	Whirlpool
TTM ROE %	7%	-	6%
TTM ROCE %	13%	-	9%
5Y cumulative CFO/EBITDA %	107%	70%	186%
Debt/ Equity (FY24)	0.09	1.13*	0.01
Net Working Capital Days	-25	27*	3

Source: Company, BSH Home Appliance Pvt. Ltd., Whirlpool of India Ltd., Keynote Capitals Ltd. (*) means as of FY23.

Opportunities

Strong guidance on revenue

IFB is expected to experience strong revenue growth as various strategic initiatives are expected to yield favourable results. These initiatives include new product introduction such as refrigerators, ramping up of existing products, and better channel extractions in the Home Appliances Division. Additionally, organic and inorganic growth in the Engineering Division, along with BLDC motors revenue, are anticipated to significantly contribute to the Company's overall performance.

Home Appliances Division

The Home Appliances Division of IFB Industries has demonstrated strong resilience, achieving a 13% CAGR over the past five years despite challenging market conditions. The Company anticipates that this division will achieve strong annual growth and reach double-digit margins by FY25, signaling a robust growth trajectory and strong financial health.

To drive this growth, the division is focusing on filling product gaps, expanding its distribution network and enhancing channel efficiency. Additionally, the introduction of high-end models featuring advanced technologies is designed to fill product gaps and meet evolving consumer preferences. The maturation of AC channels and the inclusion of refrigerators to offer a complete product mix are also expected to significantly contribute to revenue growth.

Engineering Division

In the Engineering Division, IFB is actively expanding its presence in the EV and non-auto sectors, having secured some orders in FY24 and engaging in ongoing discussions for further growth. The division has set an ambitious goal to achieve a growth of ~2.5 to 3 times over the next three years, fueled by both organic and inorganic opportunities. Previously, while the division experienced strong margins, it did not see the top-line growth that was anticipated.

The organic growth strategy includes increasing market share in existing segments such as 4Ws, 2Ws, and CVs, while also venturing into new sectors like EVs and non-auto industries.

M&A is identified as a key strategy for inorganic growth. The Company is actively exploring M&A opportunities and has earmarked over Rs. 5 Bn for acquisitions that align with future-oriented businesses, offering synergies with existing operations, potential for significant growth, and resilience against upcoming technological disruptions. This strategic focus is designed to enhance the division's overall market position and ensure long-term sustainability.

Potential margin expansion

In FY23, IFB initiated a cost-reduction program with the aim of increasing its margins. This strategic effort is designed to take advantage of the stabilization in raw material costs and the effective implementation of a Company-wide cost reduction initiative.

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IFB is targeting double-digit margins, using the 11.3% EBITDA margin from Q3FY21 as a benchmark for performance. The effectiveness of these cost-control strategies was apparent in FY24, with the GPM rising from 39% in FY23 to 41%, marking a significant YoY improvement of 159 bps.

The Company is on track to increase its margins, targeting a >10% EBITDA margin in the overall business by FY26. This growth strategy encompasses comprehensive initiatives such as reductions in material and fixed costs, expansion of market share, enhanced operational efficiency, and strategic investments in technology.

The Company had reduced its material costs by Rs. 560 Mn in Q4FY24 through consolidated purchasing, re-sourcing, and capitalizing on lower commodity prices to substantially improve gross margins. Furthermore, IFB is driving operational efficiencies through a fixed cost reduction program anticipated to save Rs. 60-80 Mn per month, directly enhancing EBITDA in H1FY25.

Additionally, IFB is increasing its market presence with strategic product placements and effective channel extraction. Investments in innovative technologies such as BLDC motors, along with prudent capital expenditure management, are integral to the Company's strategy to sustain margin growth. These strategic efforts aim to enhance IFB's overall profitability, demonstrating the Company's strong commitment to improving its margin going forward.

Revamping Distribution

IFB Industries is actively revamping its distribution strategy to enhance its market presence and improve sales efficiency. The Company is focused on expanding its distribution network across India, aiming to increase product reach and availability. This expansion strategy includes strategic product placements, the introduction of new products, redesigning IFB points, and deploying counter sales representatives to capture a wider market share.

Additionally, IFB is restructuring its sales team to align more closely with its objectives and maximize sales potential. These adjustments are integral to IFB's efforts to strengthen its presence at chain counters nationwide and make the most of its expanded product portfolio. The Company's revamped distribution strategies are expected to lead to better market penetration and overall sales growth.

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Challenges

Intense competition

The intense competition in the home appliance market poses a significant challenge for IFB, especially given the dominant presence of two major Korean competitors, Samsung and LG, which have strong footholds across all three key pillars of the segment. While IFB has strengths in the Laundry and Cooking verticals which includes washing machines and microwaves respectively, its lesser presence in the Cooling vertical, which includes ACs and refrigerators, leaves a noticeable gap in its market coverage. Securing a strong position across all three verticals is crucial for IFB to enhance its product placement power and improve its channel presence, which would lead to more favorable terms within the distribution network.

This competitive landscape is further complicated by the aggressive pricing strategies employed by these Korean competitors. This environment pressures IFB to match or undercut competitor prices, which is particularly challenging when facing increases in raw material costs. This pricing pressure restricts IFB's ability to implement necessary price adjustments and maintain profitability. Achieving the desired market share and growth in this highly competitive market remains a formidable task for IFB.

Weak Channel Extraction

Despite steady sales growth, IFB faces significant challenges due to weak channel extraction, particularly low sales from its distribution network. While sales to OEMs are on target, branded sales require improvement, largely due to gaps in product capacity segments and inadequate staffing. In the home appliances industry, proper staffing is critical as customer assistance significantly influences purchasing decisions.

To address these issues, IFB has expanded its product lineup, introducing larger capacities in its washer segment (9kg/10kg models) and a 28-litre model in the microwave segment. The addition of refrigerators to the product portfolio enhances the Company's offering to dealers, allowing for cross-selling opportunities and a more comprehensive range representation.

IFB has also secured arrangements with 50 key accounts, with 15 already on board as of H1FY24. Going forward, the Company anticipates that 75-80% of these key accounts will be affiliated with IFB, encompassing ~2,600-2,700 individual store counters nationwide. Failure to effectively engage these counters or improve branded sales could significantly impact the Company, particularly given its reliance on high volumes for a financial turnaround.

Improper Execution

As IFB undertakes several strategic initiatives aimed at enhancing its financial strength, the risk of improper execution presents a significant challenge. Effective implementation of strategies such as improved channel extraction, new product introductions, and M&A activities in the Engineering Division is crucial for realizing their full potential.

For instance, previous delays in setting up the BLDC motor plant and continuous shortcomings in meeting branded volume targets and engineering sub-division goals have hindered the Company's recovery.

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Past issues, such as gaps in the product portfolio, insufficient channel extraction due to the absence of counter-sales representatives, and losses in the AC segment, have all previously impeded IFB's growth and are critical areas to address.

In the context of M&A, thorough due diligence, effective integration, and alignment with the Company's long-term goals are imperative. Failure in any of these areas can lead to missed opportunities, financial losses, and a detrimental impact on IFB's growth trajectory and market reputation.

Related Party Transactions

IFB has a history of acquiring assets from related parties, such as the Stamping Division and Automotive Motor Division from IFB Automotive Pvt Ltd, along with a recent purchase of a stake in IFB Refrigeration Ltd (IFBRL). Given IFB's track record of acquiring assets from related entities and the alignment in business focus, the prospect of IFB contemplating the acquisition of IFB Automotive Pvt Ltd (a separate promoter entity) in the future cannot be ruled out.

While these acquisitions are conducted at arm's length, the frequency of related party transactions and the consistent pattern of transactions with related parties, especially during periods of profitability challenges, raise concerns about transparency and corporate governance standards.

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Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Net Sales	34,154	41,950	44,378	51,035	58,690
Growth %		23%	6%	15%	15%
Raw Material Expenses	20,624	25,582	26,358	29,600	33,454
Employee Expenses	3,724	4,051	4,394	5,104	5,869
Other Expenses	9,319	10,693	11,456	13,014	14,966
EBITDA	487	1,624	2,170	3,317	4,402
Growth %		234%	34%	53%	33%
Margin%	1%	4%	5%	7%	8%
Depreciation	1,155	1,215	1,244	1,327	1,409
EBIT	-668	409	926	1,990	2,992
Growth %		-161%	126%	115%	50%
Margin%	-2%	1%	2%	4%	5%
Interest Paid	348	332	279	201	148
Other Income & exceptional	279	269	324	324	324
PBT	-737	346	971	2,113	3,168
Tax	-255	172	243	528	792
PAT	-482	173	729	1,585	2,376
Others (Minorities, Associates)	-	-24	-242	0	0
Net Profit	-482	149	487	1,585	2,376
Growth %		131%	226%	225%	50%
Shares (Mn)	40.5	40.5	40.5	40.5	40.5
EPS	-11.89	3.69	12.02	39.12	58.64

Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Cash, Cash equivalents & Bank	929	971	1,106	1,869	4,317
Current Investments	2,272	892	1,921	1,921	1,921
Debtors	3,103	4,134	4,631	4,899	5,576
Inventory	5,768	5,731	5,392	6,216	7,025
Short Term Loans & Advances	422	530	212	212	212
Other Current Assets	148	186	947	947	947
Total Current Assets	12,642	12,443	14,208	16,064	19,997
Net Block & CWIP	7,095	7,072	6,428	5,866	5,337
Long Term Investments	23	968	709	709	709
Other Non-current Assets	525	586	453	453	453
Total Assets	20,284	21,068	21,798	23,092	26,497
Creditors	8,120	8,303	9,832	9,736	10,964
Provision	90	102	136	136	136
Short Term Borrowings	633	840	776	776	776
Other Current Liabilities	1,952	2,144	1,744	1,744	1,744
Total Current Liabilities	10,794	11,390	12,488	12,392	13,620
Long Term Debt	1,147	637	866	672	472
Deferred Tax Liabilities	-21	156	196	196	196
Other Long-Term Liabilities	1,881	2,211	1,072	1,072	1,072
Total Non-Current Liabilities	3,007	3,004	2,134	1,940	1,740
Paid-up Capital	413	413	413	413	413
Reserves & Surplus	6,070	6,262	6,763	8,348	10,725
Shareholders' Equity	6,483	6,675	7,176	8,761	11,137
Total Equity & Liabilities	20,284	21,068	21,798	23,092	26,497

Cash Flow Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	-737	346	971	2,113	3,168
Adjustments	1,299	1,391	1,267	1,204	1,234
Change in Working Capital	-1	-628	1,369	-1,190	-257
Total Tax Paid	-57	-30	-101	-528	-792
Cash flow from operating Activities	506	1,079	3,506	1,599	3,353
Net Capital Expenditure	-731	-659	-649	-766	-880
Change in investments	416	505	-2,266	0	0
Other investing activities	42	94	1,540	324	324
Cash flow from investing activities	-272	-60	-1,375	-442	-556
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	30	-397	-1,739	-194	-200
Dividend (incl. tax)	0	0	0	0	0
Other financing activities	-544	-544	-117	-201	-148
Cash flow from financing activities	-515	-941	-1,856	-395	-348
Net Change in cash	-281	78	275	763	2,448

Valuation Ratios

Particulars	FY22	FY23	FY24	FY25E	FY26E
Per Share Data					
EPS	-12	4	12	39	59
Growth %		-136%	226%	225%	50%
Book Value Per Share	160	165	177	216	275
Return Ratios					
Return on Assets (%)	-2%	1%	2%	7%	10%
Return on Equity (%)	-7%	3%	7%	20%	24%
Return on Capital Employed (%)	-5%	8%	11%	19%	22%
Turnover Ratios					
Asset Turnover (x)	1.7	2.0	2.1	2.3	2.4
Sales / Gross Block (x)	3.2	3.5	3.5	3.8	4.2
Working Capital / Sales (x)	7%	3%	3%	5%	9%
Receivable Days	31	31	36	34	33
Inventory Days	92	82	77	72	72
Payable Days	123	117	127	117	110
Working Capital Days	0	-4	-14	-12	-5
Liquidity Ratios					
Current Ratio (x)	1.2	1.1	1.1	1.3	1.5
Interest Coverage Ratio (x)	-1.1	2.0	4.5	11.5	22.4
Total Debt to Equity	0.4	0.2	0.2	0.2	0.1
Net Debt to Equity	0.2	0.1	0.1	0.0	-0.3
Valuation					
PE (x)	-87.6	243.0	90.8	27.9	18.6
Earnings Yield (%)	-1%	0%	1%	4%	5%
Price to Sales (x)	1.2	1.0	1.0	0.9	0.8
Price to Book (x)	6.5	4.5	6.2	5.0	4.0
EV/EBITDA (x)	89.7	19.1	20.6	13.5	10.2
EV/Sales (x)	1.3	0.7	1.0	0.9	0.8

Source: Company, Keynote Capitals Ltd. estimates

IFB Industries Ltd | Initiating Coverage Report

SOTP Valuations

Particulars (Rs. Mn, unless mentioned)	Estimates
Estimate Period	FY26E
Home Appliance	
Revenue (Rs. Mn)	45,915
EBIT (Rs. Mn)	1,837
EBIT Margin (%)	4.0%
EV/ EBIT (x)	45.6
Home Appliance – Business Value (Rs. Mn) (1)	83,750
Engineering	
Revenue (Rs. Mn)	11,070
EBIT (Rs. Mn)	1,162
EBIT Margin (%)	10.5%
EV/ EBIT (x)	6.3
Engineering Division – Business Value (Rs. Mn) (2)	7,322
Net cash (Rs. Mn) (3)	770
SOTP	
Total MCAP (Rs. Mn) (1+2-3)	91,842
No. Eq. Shares (Mn)	40.5
Target Price (Rs.)	2,268
CMP (Rs.)	1,547
% Upside/(Downside)	46.6%

Source: Company, Keynote Capitals Ltd. estimates

Based on our analysis, we anticipate overall revenue growth of ~15% in the home appliances and engineering segment in FY25 and FY26. Furthermore, we project an improved trajectory for margins in the future. In the Home Appliances Division, we are expecting an improvement in margin from 2.4% in FY24 to 4.0% in FY26 and expect an increase of 10 Bps improvement in the Engineering Division. This is attributed to the Company's strategic initiatives, including a cost-reduction program, a revamp in the sales team, improved channel distribution, improved capacity utilization, and a decline in interest expense resulting from reduced debt. The Company continue to make investments in brand development and improving its distribution strategy to enhance its market presence and improve sales efficiency. Further, the Company introduced new capacity models previously absent from IFB's product portfolio, presenting a substantial opportunity for the Company. With a range of revamping of existing categories and the launch of new products, the Company is well-positioned to maintain its growth momentum. Considering all these factors, we have assigned an EV/ EBIT (x) multiple of 45.6x in the Home Appliances Division, which is a 20% discount to Whirlpool India and in the Engineering Division, we have compared with L G Balakrishnan & Bros Ltd with an average EV/ EBIT (x) multiple of 6.3 for the last five years. Given the above multiple, we ascribe the SOTP price of Rs. 2,268, an upside of 46.6%.

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Our Recent Reports

MPS Ltd. | Initiating Coverage Report **KEYNOTE**

17th May 2024

BUY

Target Price: 2,000 (+40.0%)

Company Data

Revenue (Rs. Cr.)	10,974
Profit (Rs. Cr.)	1,200
EPS (Rs.)	12.00
P/E Ratio	16.67

Key Highlights:

- Strong growth in the pulp and paper segment.
- Expansion into new markets and products.
- Robust financial performance with strong margins.

Eveready Industries India Ltd | Initiating Coverage Report **KEYNOTE**

6th April 2024

BUY

Target Price: 4,200 (+20.0%)

Company Data

Revenue (Rs. Cr.)	1,000
Profit (Rs. Cr.)	100
EPS (Rs.)	10.00
P/E Ratio	42.00

Key Highlights:

- Stable performance in the consumer goods sector.
- Consistent revenue growth and strong margins.
- Expansion into emerging markets.

Lemon Tree Hotels | Initiating Coverage Report **KEYNOTE**

26th February 2024

BUY

Target Price: 1,200 (+10.0%)

Company Data

Revenue (Rs. Cr.)	1,000
Profit (Rs. Cr.)	100
EPS (Rs.)	10.00
P/E Ratio	12.00

Key Highlights:

- Strong growth in the hospitality sector.
- Expansion into new markets and products.
- Robust financial performance with strong margins.

MPS Ltd.

Eveready Industries Ltd.

Lemon Tree Hotels Ltd.

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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