22 September 2025

Indian Metals and Ferro Alloys

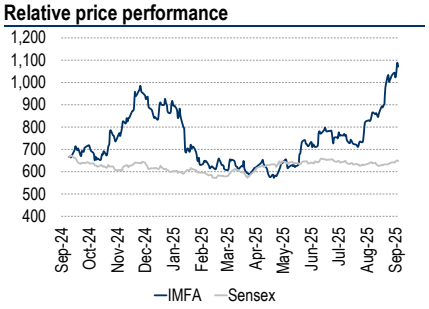
Capacity expansion, higher stainless-steel demand – growth catalysts; initiating, with a Buy

Rating: **Buy**
Target price(12-mth): Rs.1,510
Share price: Rs.1,114

Key data	IMFA IN / IMFA.BO
52-week high / low	Rs1,119 / 550
Sensex / Nifty	82160 / 25202
Market cap	Rs60bn
Shares outstanding	54m

Shareholding pattern (%)	Mar'25	Dec'24	Sep'24
Promoters	58.7	58.7	58.7
- of which, Pledged	-	-	-
Free Float	41.3	41.3	41.3
- Foreign institutions	3.4	3.8	4.0
- Domestic institutions	0.2	0.8	0.8
- Public	37.7	36.7	36.5

Relative price performance



Source: Bloomberg

The largest fully integrated value-added ferrochrome producer in India, IMFA is raising production capacity ~35%, from ~284,000 tonnes to ~384,000 with a greenfield ferrochrome plant at Kalinganagar expected by mid CY26. It has received in-principle approval to expand capacity a further ~200,000 tonnes. To support expanded operations, environmental clearance for its captive chrome ore mines at Sukinda and Mahagiri has been raised to 1.2m tonnes, with ore raising of 0.9m tonnes expected by FY28 and 1.2m by FY31 (PRC). Besides, levering the available land bank and bulk raw material handling infrastructure at Therubali, it is setting up a 120kL/day ethanol plant. This value-accretive diversification is expected to generate ~Rs3bn revenue yearly with an 8-10% EBITDA margin. >80% of demand for ferro-chrome, a key ingredient in stainless steel production, is driven by the industry. Demand in India for ferrochrome is expected to rise further as stainless steel consumption grows, backed by urbanisation, government initiatives to boost manufacturing and infrastructure, and greater demand from automotives, railways, etc. Considering IMFA's fully integrated operations, ~0.1x leverage and high-teen return ratios, we initiate coverage with a Buy rating and a sum-of-parts TP of Rs1,510.

~35% capacity expansion. IMFA is expected to strengthen its leading position as the largest ferrochrome manufacturer in India by more than doubling its installed capacity to ~584,000 tonnes in two phases (phase-I increasing by ~35%). To meet captive ore required, chrome-ore raising capacity is targeted to rise to 1.2m tonnes PRC by FY31 and the company has earmarked Rs20.5bn capex for phase-I. On the commissioning of a 2x33MVA furnace capable of producing 100,000 tonnes at Kalinganagar by mid-CY26, benefits from the ramp-up would accrue from FY28; we expect production of ~356,620 tonnes in FY28.

Rise in domestic market share. ~90% of volumes are now exported to marquee clients (POSCO, the Tsingshan Group, he E-United Group, etc.). As India's stainless steel demand outpaces global growth, domestic ferrochrome demand is set to rise. Moreover, a key domestic peer has surrendered its captive ore mine, impacting volumes. With limited ferrochrome imports to India, higher costs faced by non-integrated players and the proposed imposition of an export tax on chrome ore by South Africa, further volumes at Kalinganagar would be redirected to domestic consumption. As the Kalinganagar plant ramps up, revenue from domestic sales would rise from ~10% now to ~25%.

Valuation. With the capacity expansion, greater mine output and higher share of RE, we expect >11/16/22 volume/revenue/EBITDA CAGRs over FY25–28. Considering the raw material integration, disciplined balance sheet, greater domestic focus, value-accretive ethanol diversification, high-teen return ratios and strong correlation with the stainless steel sector, we initiate coverage with a Buy recommendation and a sum-of-parts TP of Rs1,510. **Key risks:** Volatility in ferrochrome prices, slowdown in stainless steel demand, high energy costs and ore-quality deterioration.

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Research Analyst

Prakhar Khajanchi
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Ore production (tonnes)	6,69,580	7,01,863	6,60,300	7,22,800	8,91,550
Sales (tonnes)	2,65,800	2,59,867	2,64,120	2,89,120	3,56,620
Revenue	**27,802**	**25,646**	**29,098**	**32,277**	**40,481**
Growth (%)	*3.9*	*-7.8*	*13.5*	*10.9*	*25.4*
EBITDA	**5,869**	**5,305**	**7,025**	**7,736**	**9,861**
EBITDA margins (%)	*21.1*	*20.7*	*24.1*	*24.0*	*24.4*
EBITDA/tonne (Rs)	*22,079*	*20,414*	*26,596*	*26,759*	*27,651*
Other income	422	665	838	843	848
Depreciation	780	546	687	859	945
Interest expenses	349	283	640	911	897
PBT before excep. item	**5,161**	**5,141**	**6,535**	**6,810**	**8,867**
PBT after excep. item	5,161	5,141	6,535	6,810	8,867
Effective tax	1,718	1,348	1,647	1,716	2,235
Reported PAT	**3,436**	**3,787**	**4,878**	**5,084**	**6,623**
Adj.PAT	**3,436**	**3,787**	**4,878**	**5,084**	**6,623**
Growth (%)	*42.6*	*10.2*	*28.8*	*4.2*	*30.3*

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	540	540	540	540	540
Net worth	21,133	23,571	26,986	30,544	35,180
Debt	2,214	3,733	9,733	9,433	9,433
DTL / (Assets)	496	616	616	616	616
Others	333	400	400	400	400
Capital employed	**24,176**	**28,320**	**37,735**	**40,993**	**45,629**
Net tangible assets	9,191	9,619	17,100	19,027	20,876
CWIP + RTU	1,212	1,303	2,134	2,348	2,554
Net Intangible assets	123	107	107	107	107
Investments	224	222	222	222	222
Other non-current assets	1,117	1,176	1,176	1,176	1,176
C. assets (excl. cash/bank)	12,576	10,050	11,399	12,641	15,847
Cash	518	73	87	203	200
Bank balance/Curr. Invst.	4,166	9,226	9,226	9,226	9,226
Current liabilities	4,950	3,454	3,716	3,957	4,578
Capital deployed	**24,176**	**28,320**	**37,735**	**40,993**	**45,629**

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Adj. EBITDA	5,869	5,305	7,025	7,736	9,861
Incr./ (decr.) in WC	191	1,730	-1,087	-1,002	-2,585
Taxes	-1,697	-1,285	-1,647	-1,716	-2,235
Others	233	104	828	833	838
CF from op. activity	**4,596**	**5,854**	**5,118**	**5,852**	**5,880**
Capex (tang. + intang.)	-1,130	-1,140	-9,000	-3,000	-3,000
Free cash-flow	3,466	4,714	-3,882	2,852	2,880
Others	-963	-4,479	0	0	0
CF from inv. activity	**-2,092**	**-5,619**	**-9,000**	**-3,000**	**-3,000**
Div. (incl. buyback & taxes)	-679	-1,927	-1,463	-1,525	-1,987
Debt raised	-1,036	1,521	6,000	-300	0
Interest paid	-352	-273	-640	-911	-897
Others	0	0	0	0	0
CF from fin. activity	**-2,067**	**-679**	**3,896**	**-2,736**	**-2,884**
Closing cash balance	518	73	87	203	200

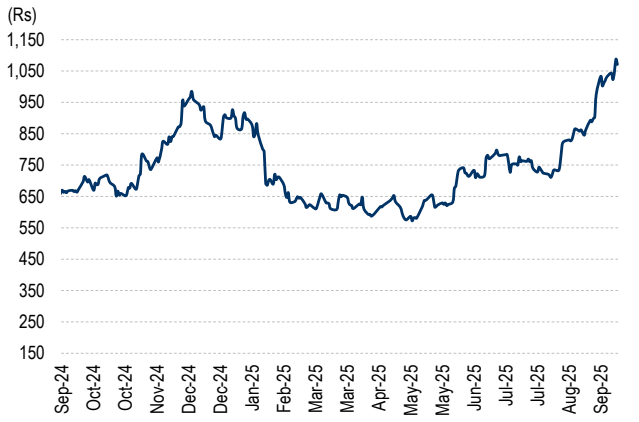
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
EPS	63.7	70.2	90.4	94.2	122.7
BVPS	391.6	436.8	500.1	566.1	652.0
DPS	30.0	20.0	27.1	28.3	36.8
P/E (x)	17.5	15.9	12.3	11.8	9.1
P/B (x)	2.8	2.6	2.2	2.0	1.7
M-Cap/Revenue (x)	2.2	2.3	2.1	1.9	1.5
EV/EBITDA (x)	9.8	10.3	8.6	7.8	6.1
RoE (%)	17.1	16.9	19.3	17.7	20.2
RoCE (%)	23.3	20.7	21.7	19.6	22.5
Debt/Equity	0.1	0.2	0.4	0.3	0.3
Ore production (tonnes)	6,69,580	7,01,863	6,60,300	7,22,800	8,91,550
Sales (tonnes)	2,65,800	2,59,867	2,64,120	2,89,120	3,56,620
Core EBITDA/tonne (Rs)	22,079	20,414	26,596	26,759	27,651
EBITDA margins (%)	21.1	20.7	24.1	24.0	24.4
Adj. PAT margins (%)	12.4	14.8	16.8	15.7	16.4

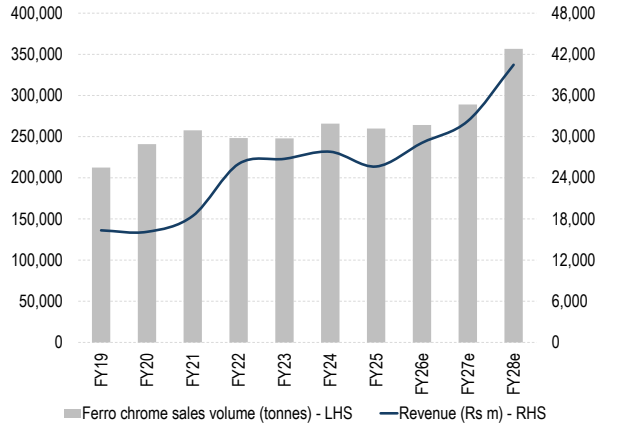
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – 16.4% revenue CAGR expected over FY25-28



Source: Company, Anand Rathi Research

Capacity to more than double

Core business capacity (ferrochrome) to expand ~35% by mid-CY26

The largest fully-integrated merchant producer of value-added ferrochrome in India operates six submerged arc furnaces at two locations in Odisha (Therubali and Choudwar) with a combined furnace capacity of 190MVA, adding ~284,000 tonnes of smelting capacity.

Situated in Rayagada district, Odisha, **Therubali complex** was established in 1961 and houses three furnaces of 82MVA total capacity. The first of 10MVA (annual installed capacity of 7,200 tonnes) was commissioned in 1967 and inaugurated by Shri Moraji Desai. To cater to the growing demand for ferro alloys, the second furnace of 24MVA was commissioned in 1974 and a third of 48MVA in 1983.

The **Choudwar complex** houses three furnaces of 108MVA capacity total. Besides the smelting unit, the complex houses CPPs. The third furnace with 30MVA capacity commissioned in 2010 has been dedicated to a JV with POSCO (South Korea). In Oct'06, Indian Charge Chrome was merged with IMFA, raising capacity to 190MVA.

Fig 7 – Facility details

	Therubali	Choudwar	Kalinganagar (upcoming)
Location (Odisha)	Rayagada district	Cuttack district	Jajpur district
Number of furnaces	3	3	2
Furnace capacity	Furnace 1: 10MVA Furnace 2: 24MVA Furnace 3: 48MVA	Furnace 1: 48MVA Furnace 2: 30MVA Furnace 3: 30MVA	Furnace 1: 33MVA Furnace 2: 33MVA
Ferrochrome production capacity	~284,000 tonnes		~100,000 tonnes
Proximity to mines	~430km	~85km	~40km

Source: Company, Anand Rathi Research

The company is further increasing installed capacity by ~100,000 tonnes by setting up a greenfield plant at the **Kalinganagar Industrial Complex**, Jajpur, Odisha. Phase-I capex, expected to increase installed capacity ~35%, would be complete by mid CY26 and the added volumes would arise from FY28. The company has earmarked Rs9bn for Kalinganagar phase-I capex. To cater to rising domestic demand, the company has received in-principle approval for a further ~200,000 tonnes under phase-II, taking total installed capacity to ~584,000 tonnes in future. Unlike the Therubali complex, the Kalinganagar plant is close enough to the mines (~40km away) and is expected to further optimise costs.

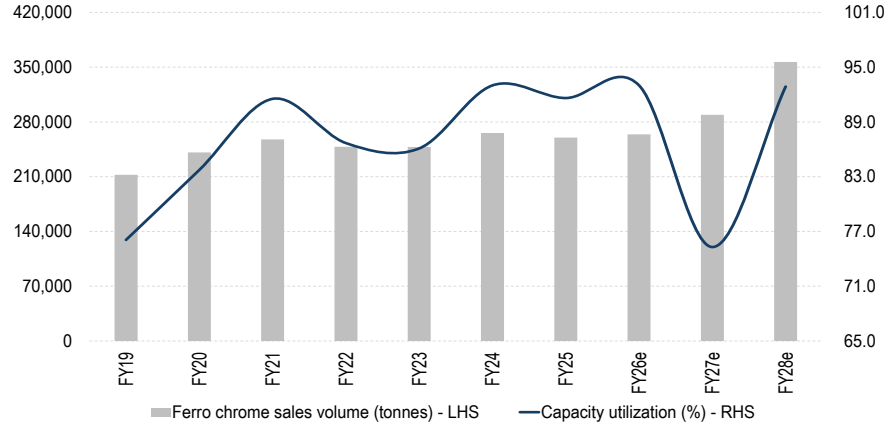
The company has earmarked Rs9bn for the Kalinganagar phase-I capex, planning to fund the capex largely through internal accruals, with minimum reliance on debt. We believe the company would keep its debt-equity ratio well below 0.5, preserving its status as a long-term net debt-free (or negligible net debt) organisation while pursuing growth plans.

Kalinganagar project details:

- 124.26 acres land bank
- 2x33 MVA high carbon ferrochrome production through A.C submerged arc furnace
- Chrome ore would be sourced from the Sukinda mines
- Total power required ~56MW
- Total direct and indirect manpower required for the project ~1,500
- Chrome content ~57-64%, Si content 1.5-4%, carbon content 6-8%
- Consumption of key raw materials (per tonne of ferrochrome produced):
  - Chrome ore (consumed in the briquetting plant): 1.7-1.8x
  - Lump chrome ore (consumed in the submerged arc furnace): 0.7x
  - Anthracite: 0.155-0.16x
  - Coke: 0.35x
  - Bauxite: 0.01x
  - Lime (consumed in the briquetting plant): 0.057 – 0.06x
  - Molasses (consumed in the briquetting plant): 0.1x
  - Quartzite: 0.11-0.12x

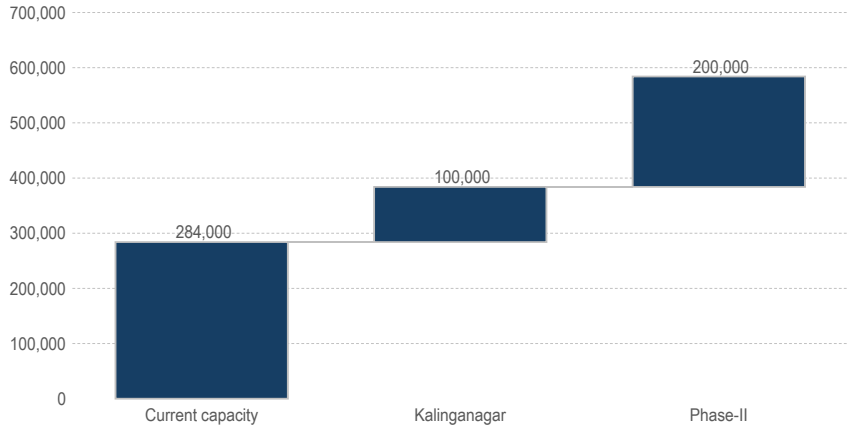
As demand for stainless steel in India outstrips the global growth rate, demand for ferrochrome in India is expected to rise. Moreover, a key domestic peer (Tata Steel's Ferro Alloys and Minerals Division) has applied to surrender its Sukinda chromite mine and is awaiting for government approvals; this would curb its ferrochrome volumes. With limited ferrochrome imports to India, higher costs faced by non-integrated manufacturers and the proposed imposition of export tax and export permit controls on chrome ore by South Africa, the added volumes from Kalinganagar are expected to be re-directed to domestic consumption. As the Kalinganagar plant ramps up, we expect >11% volume CAGR over FY25-28, with volumes expected to rise from 259,867 to 356,620 tonnes.

Fig 8 – As the Kalingangar plant is ramped up, capacity utilisation too would rise



Source: Company, Anand Rathi Research

Fig 9 – Capacity to surpass 0.5m tonnes in a few years



Source: Company, Anand Rathi Research

Fig 10 – Liquid metal

Source: Company

Fig 11 – Choudwar plant

Source: Company

Raw material integration

India's largest merchant ferrochrome manufacturer's operations span the entire value chain, incl. captive chrome ore mining

The company has two captive chrome ore mines, Sukinda and Mahagiri, in Jajpur district, Odisha, with a cumulative PRC EC of 1.2m tonnes (0.6m tonnes each). Sukinda Chromite valley (Odisha) has ~93% of India's chrome R&R. Considering chrome ore being a key input RM which drives ferro chrome margins, the two chromite captive mines were awarded under the earlier allotment regime with leases valid till 2049 and 2055. This gives the company a unique competitive advantage over its domestic and global peers.

Apart from the 15% royalty (on an *ad-valorem* basis; excl cess), the company does not shell out additional premiums. Since 2016, three chromite mines, which were auctioned, have fetched an average premium of ~88-96%. One of these mines at Sukinda, awarded to a Tata Steel subsidiary at a 93.75% premium, has been unviable due to its high premiums and high cost of operations; hence the company has applied to surrender it. IMFA's integrated operations, largely driven by being self-reliant in chrome ore, have resulted in its competitive cost structure. Further, the mines' proximity to its plants lowers the company's inward freight costs.

Fig 12 – Chrome ore auction details since FY16

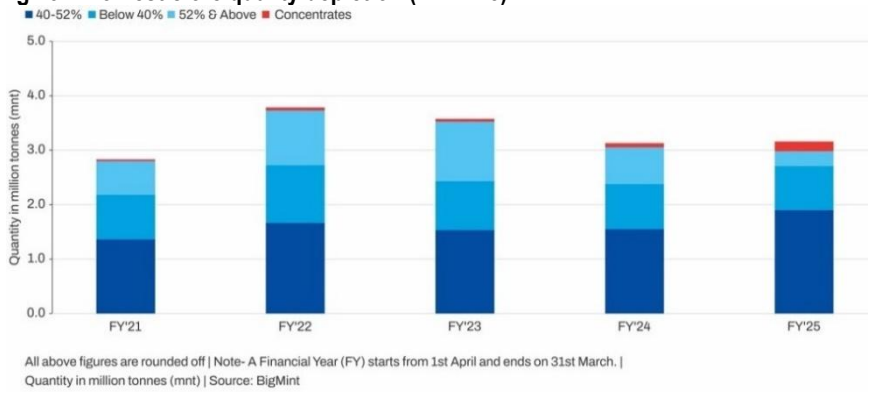
Block	State	Dt. of auction	Area (in Ha)	R&R (m tonnes)	Premium (%)	Bidder
Kamarda	Odisha	25/10/2019	107.24	2.375	96.8	T.S. Alloys Ltd.
Saruabil			246.86	10.126	88.5	
Sukinda		18/03/2020	406	92.548	93.75	

Note: T.S. Alloys Ltd. (100% subsidiary of Tata Steel)
Source: Ministry of Mines, Anand Rathi Research

Situated in Kalipani Tehsil, Jajpur district, Odisha, **the Mahagiri chromite mine** is spread over 73.77Ha. It commenced operations in Jan'06 and the lease is valid till Sep'55. Development of an UG mine was started in FY10 and production from the UG mine commenced in FY15 (completely ramped up by FY17). The mine which has EC of 0.6m tonnes is expected to reach its PRC by FY30. The R&R expected is ~16m tonnes and, at PRC, the mine is expected to have a life of ~27 years.

Situated in Kalipani Tehsil, Jajpur district, Odisha, **the Sukinda chromite mine** is spread over 116.76Ha. It has an EC of 0.6m tonnes and the mine lease is valid till Sep'49. It was predominantly an opencast mine and is seamlessly shifting toward UG operations. The company has earmarked Rs10bn capex for it. Like other minerals, even chromite is facing the issue of ore quality depletion, and the present Band 2 would yield viable quality of ore only for next 4-5 years. Like other minerals, high grade chrome ore volumes plunged ~60% y/y to 0.27m tonnes in FY25 while that of 40-52% grade increased ~23% y/y to 1.9m tonnes. Hence to maintain the ore quality, the company would require moving its operations UG.

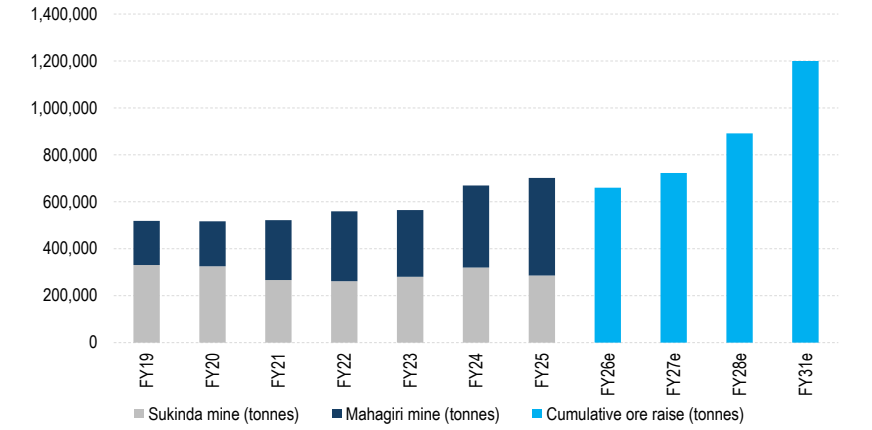
Fig 13 – Domestic ore quality depletion (FY21-25)



Source: BigMint

In FY25 the company mined ~0.7m tonnes of ore from both captive mines. However, considering early monsoons, ~4 months of ore inventory at plants and ~2 months ore inventory at mine heads, ore volumes in FY26 are expected to be lower. The ideal consumption norm is ~2.5x chrome ore (consumed in the briquetting plant and lumps) per tonne of ferro-chrome; hence, we expect ~0.66m tonnes of ore to be mined in FY26.

Fig 14 – Ore mined expected at 0.9m tonnes by FY28, 1.2m tonnes by FY31



Source: Company, Anand Rathi Research

The 576.55Ha opencast **Utkal C coal block,** in the Talchar coalfield, Angul district, Odisha, was originally allocated to Utkal Coal in May'98 primarily for its own use (UCL, the erstwhile wholly owned subsidiary, which has been amalgamated with the company in FY25). Over the years, the company had invested ~Rs3.75bn to develop the block, however, following a Supreme Court judgement in 2014, the block was cancelled due to development delays and regulatory issues, leading to its de-allocation. After various legal and regulatory interventions between FY15 and FY25, the company received final compensation in FY24 and FY25 of Rs3.52bn total. The compensation received by UCL from time to time was duly transferred against repayment of principal and payment of interest on the loan taken by UCL. The block with >123m tonnes R&R was re-auctioned in 2022 and is now with JSPL.

Fig 15 – Sukinda mine aerial view

Source: Company

Fig 16 – UG mining operations

Source: Company

Ethanol – a strategic diversification

India is the world's third largest producer and consumer of ethanol. According to the National Biofuel Policy 2018 and the Ethanol Blended Petrol (EBP) Programme, the 20% ethanol-blended timeline has been advanced from FY30 to FY26.

IMFA's brownfield expansion into grain-based ethanol production will not only help leverage surplus land and existing infrastructure available at Therubali but also help reduce dependence on ferrochrome and the mining sector, which at times experience volatile commodity swings.

The company is setting up a 120kL per day ethanol plant, for which it has earmarked Rs1.5bn. The vertical is expected to yield Rs3bn revenue annually and 8-10% EBITDA margins, which work out to a payback period of ~6-7 years (for our SoTP calculation, we have assumed EBITDA margins of 8%).

What is the rationale behind entering ethanol manufacturing?

- As the Therubali complex is ~430km from the captive mines, logistically the ferrochrome facility is at a disadvantage.
- The company has ample land at Therubali along with a railway siding.
- Therubali is an agricultural belt with a conducive climate to produce maize and rice.
- Hence, as a natural progression to utilise the ideal land bank, the company is setting up a grain-based ethanol plant.
- In phase-I it is setting up 120kL-a-day plant, which has the potential to increase to >300kL a day.

Ferrochrome, key RM to manufacture stainless steel

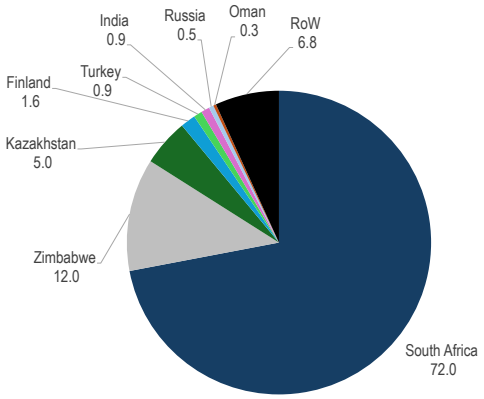
Ferrochrome derived from metallurgical grade chrome ore is a key RM in manufacturing stainless steel. Globally, >80% of the ferrochrome is consumed by the stainless steel sector. However, before we dive deep into global and domestic ferrochrome dynamics, we need to understand the global and domestic chrome ore industry.

What is chromite?

Chromite, the only ore from which chromium can be extracted, is a crystalline mineral made chiefly of iron oxide and chromium oxide compounds ($FeCr_2O_4$). Chrome ore is found in basic and ultrabasic igneous rocks and in metamorphic/sedimentary rocks. Chromite deposits are of two types: stratiform deposits and podiform deposits. The former has ~98% of chromite reserves worldwide and is found in South Africa, Canada, Finland, and Madagascar. Podiform deposits, however, are commonly found in Kazakhstan, Turkey and Albania.

South Africa is home to the world's largest chromite resources, followed by Zimbabwe and Kazakhstan, whereas India has <1% of global R&R

Fig 17 – Chromite R&R – country-wise (%)



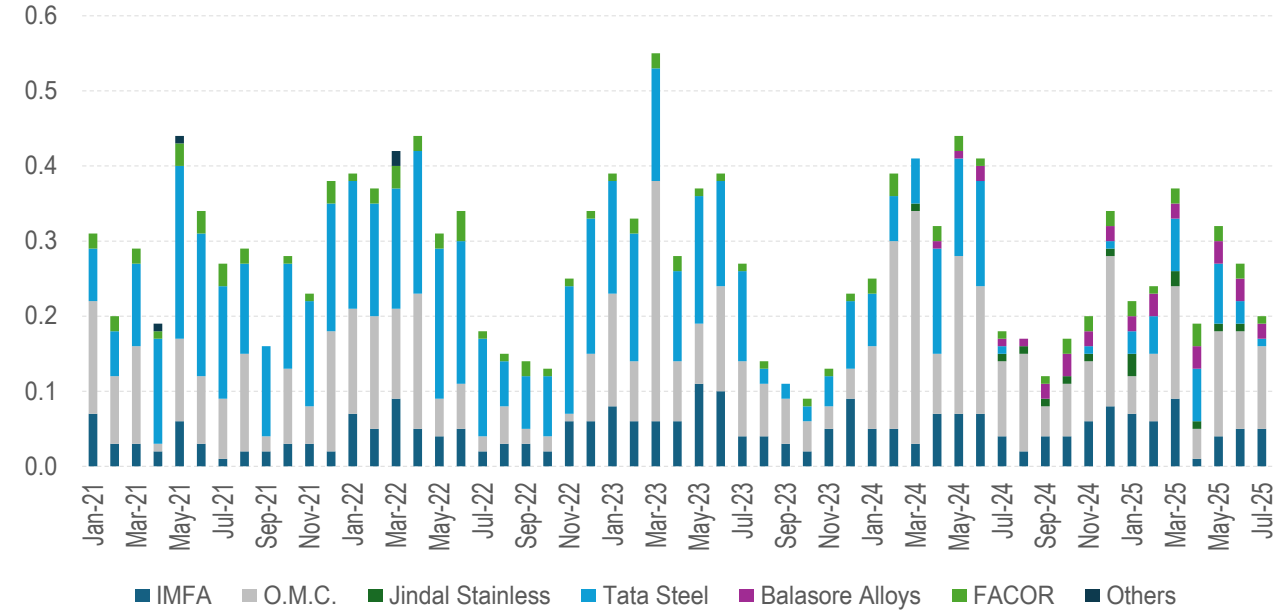
Source: International Chromium Development Association,Anand Rathi Research

Global and domestic chrome-ore production

Global chrome-ore production in CY24 rose ~9% y/y to 39.25m tonnes, with South Africa accounting for >61% of global volumes. Despite having <1% of the global R&R, India is the third largest producer of chrome ore accounting for ~8.6% of global output (CY24 production of ~3.4m tonnes). Global chrome-ore production in Q1CY25 was down 7.8% to 8.933m tonnes primarily due to reduced consumption by Chinese smelters and adverse climate in South Africa.

>96% of the chrome ore R&R in India is in Odisha, mostly in Jajpur, Kendujhar and Dhenkanal districts (Sukinda Chromite valley (Odisha) has ~93% of India's chrome R&R.), and the state accounts for 100% of the output. OMC is the largest chrome-ore producer in India, followed by IMFA (~25%).

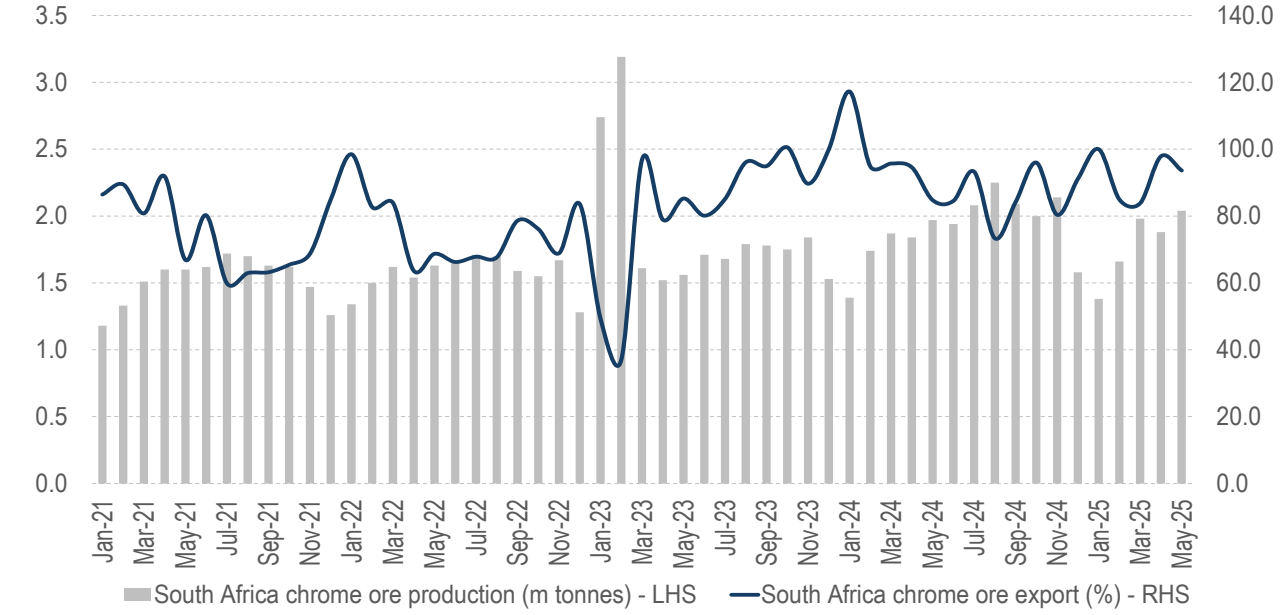
Fig 18 – Chrome ore production in India (m tonnes)



Source: BigMint, Anand Rathi Research

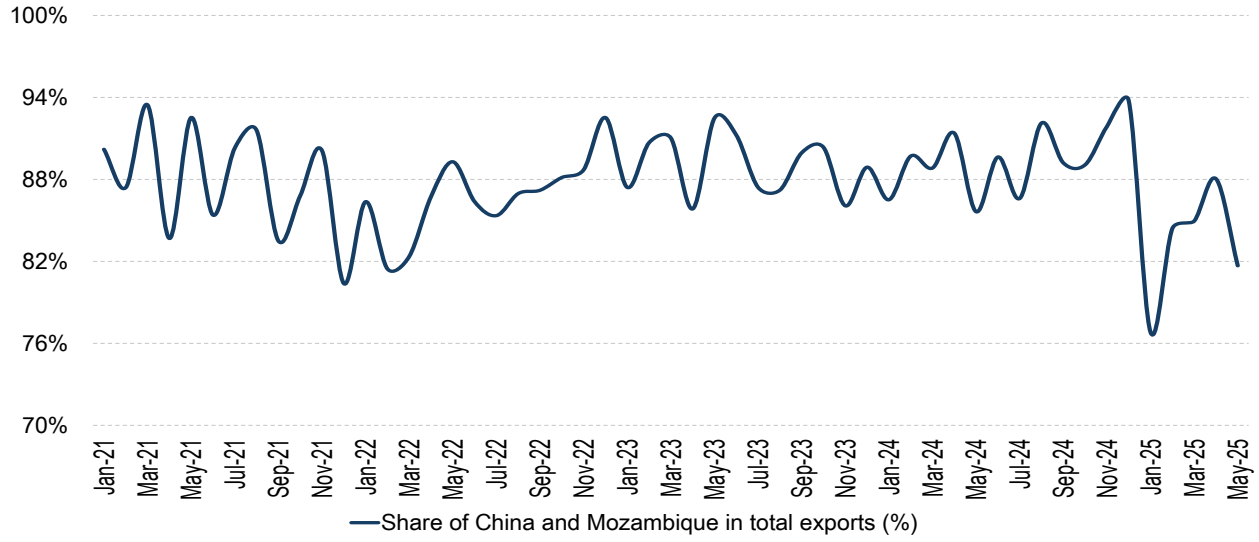
South Africa, which is the largest chrome ore miner globally, exports ~80-90% of its annual production. China and Mozambique are the largest importers of South African ore. ~88-90% of South African ore is shipped to these two countries. Komatiport is the largest loading hub for chrome ore exports followed by Richards Bay. ~55% of export volumes are shipped through Komatiport; Richards Bay and Durban cumulatively handle ~40%.

Fig 19 – South Africa chrome ore production and export (m tonnes)



Source: BigMint, Anand Rathi Research

Fig 20 – Share of China and Mozambique in South African chrome ore exports



Source: BigMint, Anand Rathi Research

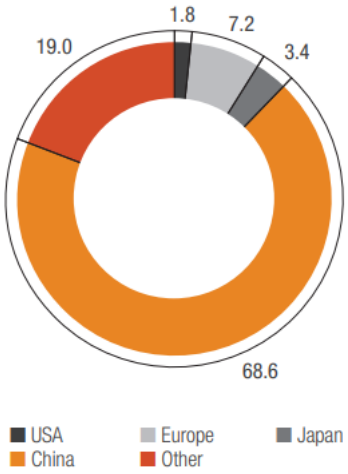
What is ferrochrome?

Ferrochrome is an alloy of chromium and iron, generally 50-70% chromium by weight. By weight, steel has a minimum of 1% and an average of ~3-4.5% ferrochrome; stainless steel has 12-20% chromium.

Ferrochrome can be further divided into four categories: a) high carbon (4-9% carbon content), b) medium/intermediate carbon (upto 4%), c) low carbon (0.03-0.15%) and d) ferro-chrome-silico-chrome. Stainless steel utilises high-carbon ferro-chrome, whereas low-carbon ferro-chrome can be used to produce super-alloys. Though high-carbon ferro alloys can be produced via a blast furnace, EAF or the plasma-furnace route, the most used route is via a submerged arc furnace. As low-carbon ferro-chrome is used to regulate the chromium content in steel production without adding carbon, the most used processes to manufacture low-carbon ferro-chrome is metallo-thermic reduction also known as the Duplex (Perrin) or Simplex processes.

Globally, China is the largest ferro-chrome producer, followed by South Africa, Kazakhstan and India. Of the 18.5m tonnes (up 15% y/y) of ferro chrome produced globally in CY24, ~95% was of high-carbon (17.6m tonnes; up 15% y/y). China produced 8.87m tonnes of high-carbon ferro-chrome in CY24, India 1.32m. ~68.6% of global ferrochrome demand is from China; ~7.2% from the EU. Q1 CY25 ferro-chrome production was impacted ~11.3% y/y to 4.08m tonnes. Reduced volumes were primarily due to weak spot market demand, high power cost and cost pressures.

Fig 21 – Global ferrochrome demand (%)



Source: Merafe Resources Annual Report

Domestic ferrochrome production in H1 CY25 was down 26% y/y to 0.7m tonnes primarily due to subdued stainless steel demand, softer prices, weaker export realisations, capacity expansions in China, suppressed global smelter margins, etc. However, the impact was prominent between Jan and Apr'25, particularly due to noise around reciprocal tariffs and global trade barriers. Headwinds have gradually eased; production volumes have risen since May'25. Further, recent high carbon ferro-chrome prices have hit a 1.5-year high on lower chrome ore available and heavy rains which impacted mining in Odisha.

Fig 22 – CY24 global ferro-chrome production (m tonnes)

Country	High-carbon production	Total production	% y/y (total production)
China	8.87	9.47	20
South Africa, Zimbabwe	3.99	3.99	3
CIS/MENA	1.85	1.99	18
India	1.32	1.42	-4
RoW	1.56	1.64	-
Total	17.59	18.51	15

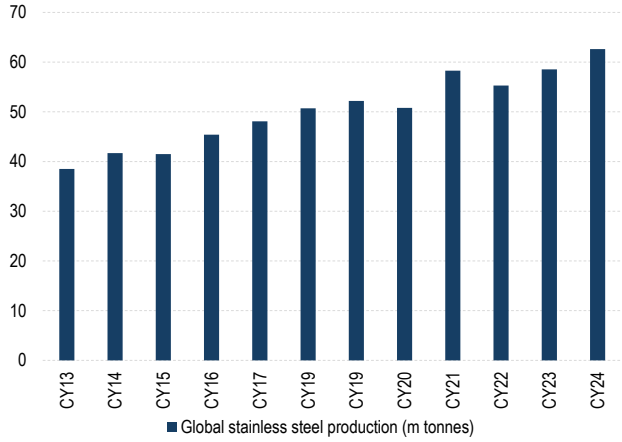
Source: International Chromium Development Association, Company, Anand Rathi Research

"Chromium makes steel stainless"

Ferrochrome forms a protective oxide layer on steel surfaces, making it resistant to oxidation and corrosion. Further, it helps to improve the hardness and tensile strength of steel and alloys, making it useful to produce materials/parts that require wear-resistance and reliability under stress. Adding chromium to carbon steel in a certain quantity helps produce stainless steel, which is corrosion resistant, mechanically strong and heat resistant. By weight, steel contains a minimum of 1% and an average ~3-4.5% ferro-chrome; stainless steel contains 12-20%. The content of chrome also varies according to stainless steel grades. For instance, the 200 series contains 13-20% chromium, the 300 series 16-26% and the 400 series 10.5-25%.

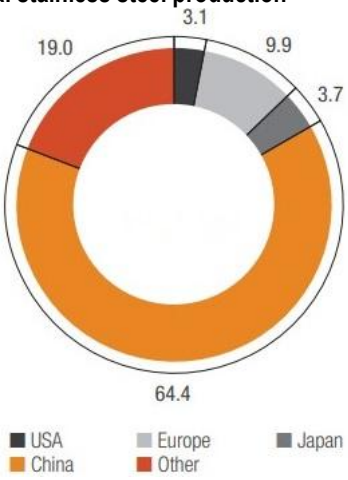
In the last four decades, stainless steel has been the fastest growing metal, a 5.1% CAGR, against 3.61% for aluminium, 2.6% for copper and 2.3% for carbon steel. China continues as the largest stainless steel producer (~64% of global output). Chinese stainless steel production in CY24 rose 7.5% y/y to 39.4m tonnes, against global production of 62.6m tonnes (up 7% y/y). Urbanisation, greater use in infrastructure & construction and increasing use in auto and RE are expected to drive demand ahead. Global H1CY25 stainless steel production rose 5% y/y to 31.9m tonnes. Stainless steel production in China rose 7% y/y to 20.16m tonnes, (~63% of global output).

Fig 23 – Global stainless steel production (m tonnes)



Source: Indian Stainless Steel Development Association, World Steel Association, Anand Rathi Research

Fig 24 – Global stainless steel production



Source: Merafe Resources Annual Report

The pattern of stainless steel utilisation has come a long way in the last 25 years. Consumer durables, which used to drive ~80% of demand for SS in 1998 have been replaced by building and construction, ART (automotive, railways, transportation), process industries, etc. India's stainless-steel market is being driven by rising demand for corrosion-resistant materials, besides increasing applications in emerging sectors (green hydrogen, nuclear energy, ethanol, water treatment, marine, space, Defence), further expanding the market.

Since FY10, domestic stainless steel consumption has risen ~2.5x to ~4.85m tonnes (in FY25) and expected at 6.5m tonnes by FY30. India is the second-largest consumer and third-largest producer of stainless steel. The government's great reliance on stainless steel in many sectors significantly boosts domestic demand.

The Indian Stainless Steel Development Association saysFY25 stainless steel consumption rose ~8% y/y to 4.85m tonnes and is expected to clock a >6% CAGR over FY25-35. As India's per-capita consumption rises from ~3kg to the global ~6.5kg average, driven by robust demand (from automotive, Railways, metro-rail, process industries, green hydrogen, nuclear energy, ethanol, etc.) the stainless steel sector's capacity utilisation is expected to rise.

The Stainless Steel Vision Document 2047 by CRISIL puts India's stainless steel consumption by FY40 at 9kg/per capita and 12kg by FY47, translating

to respectively ~12.7m and ~20m tonnes. India has one of the lowest per capita consumption. But, as it reaches the global ~6.5kg/per capita average (China >20kg, South Korea ~59kg, USA ~9kg) it is poised to grow at one of the highest rates globally.

Domestic demand for stainless steel directly drives ferro-chrome demand. To cater to the mounting domestic demand, the coming 100,000-tonne Kalinganagar plant will be only for the domestic market. As this plant comes on stream, the share of domestic revenue is expected to rise from 10% to ~25%

To tackle global trade uncertainties, The Indian Stainless Steel Development Association has submitted an anti-dumping duty application to the DGTR regarding certain CR flat products imported from China, Vietnam and Indonesia. Once implemented, this would further increase capacity utilization of stainless steel manufacturers in India, now operating at ~65% utilisation. As demand for ferro-chrome is directly linked to stainless steel, at the present domestic installed capacity of ~7.5m tonnes, we believe, with every 5% rise in capacity utilization, domestic demand for ferro-chrome would rise by ~65,000-70,000 tonnes.

Other applications of chrome

Chromium-containing special steels can come in various categories: a) alloying engineering steels, b) alloy tool steels & high-speed steels and c) chrome-nickel alloys.

Chromium also is used to manufacture super-alloys. Super-alloys/high performance alloys are high-strength alloys which are corrosion resistant and can withstand extreme temperatures and severe mechanical stress. These alloys are used in the hottest sections of jets and rocket engines. For instance, an A320 aircraft engine contains ~250kg of chrome. Chrome-containing super-alloys would contain 99.5% pure chrome. Aerospace is the largest consumer of super alloys (~27% of demand).

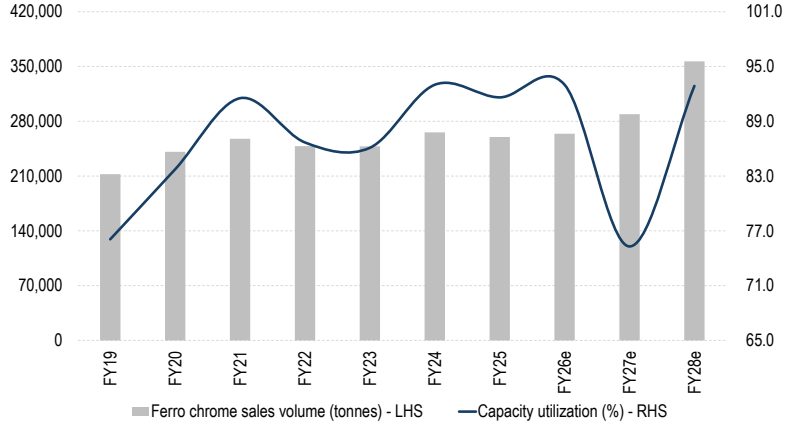
Globally, ~80% of all leather is chrome tanned. Leather-tanning products represent the one of the major end-use of chrome chemicals. Chromium (III) hydroxide sulphate, a chromium compound, is the most efficient and versatile tanning agent available with a track record of nearly 100 years.

Financial analysis, peer comparison

We estimate ~11.1% volume CAGR over FY25–28

The company which currently operates >90% utilization level is raising installed capacity by ~35% from ~2,84,000 tonnes to ~3,84,000 tonnes in phase I, to eventually reach ~5,84,000 tonnes in a few years. The ~100,000-tonne Kalinganagar plant is expected to come on-stream mid-CY26, with complete benefits expected to accrue from FY28 onwards. Further ~90% of the revenue are export-driven. However, as stainless-steel demand in India rises and with the Kalinganagar plant ramp-up, the share of domestic business is expected to rise to 25%.

Fig 25 –Sales volumes expected to surpass 350,000 tonnes by FY28

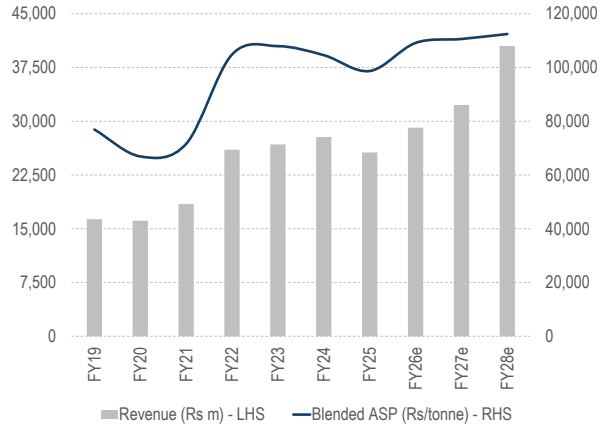


Source: Company, Anand Rathi Research

Revenue expected to rise 1.5x over FY25-28

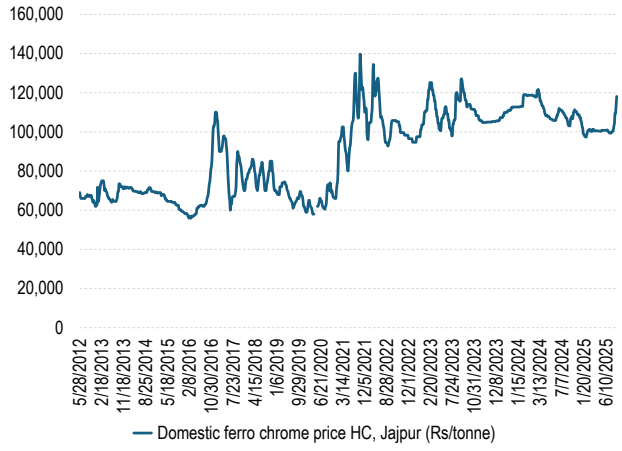
Recently, high-carbon ferrochrome prices in India crossed Rs118,000/tonne, hovering at a near 1.5-year high, due to ore shortages (revenue depends on ferrochrome prices). Further, as the Kalinganar plant ramps up, added revenue would arise from further volumes from the coming plant. Our calculations, however, assume ferro-chrome prices ~Rs113,000 to Rs114,000 per tonne.

Fig 26 – Revenue expected to surpass Rs40bn



Note: The revenue is for core business and we have not accounted for ethanol vertical
Source: Company, Anand Rathi Research

Fig 27 – High carbon ferrochrome prices (Rs/tonne)

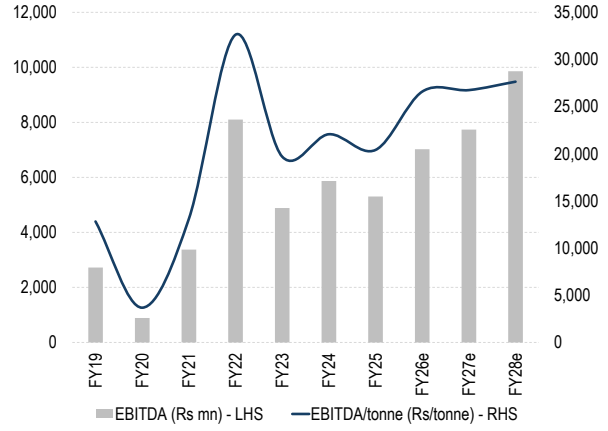


Source: Company, Anand Rathi Research

We estimate the EBITDA margin to surpass 24%

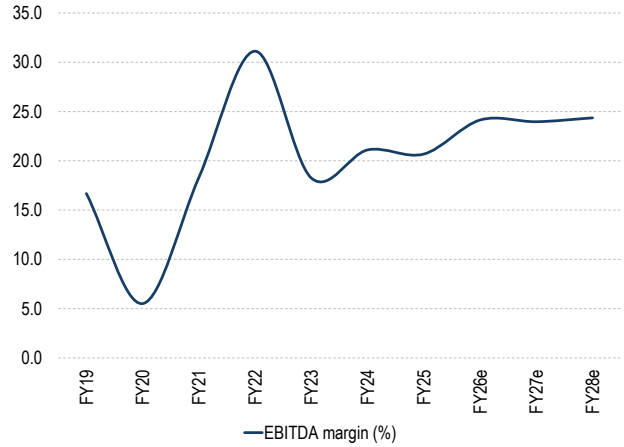
The largest fully integrated merchant ferrochrome miner in India, the company's chrome ore mines have been allotted to it, rather than procured through auctions. Hence it has an RM advantage over peers with mine acquired through auctions and over non-integrated manufacturers. Further it has a 204.5MW CPP and is increasing this by 110MW RE, expected to keep power cost in check. The company's integrated operations result in a competitive costs. Further, the proximity of its mines to its coming plant at Kalinganagar along with plant locations in the coal-rich region of Odisha result in the competitive landed cost of coal.

Fig 28 – EBITDA expected to inch toward Rs10bn by FY28



Note: EBITDA for core business and we have not accounted for ethanol vertical
Source: Company, Anand Rathi Research

Fig 29 – EBITDA margin expected to surpass 24% by FY28

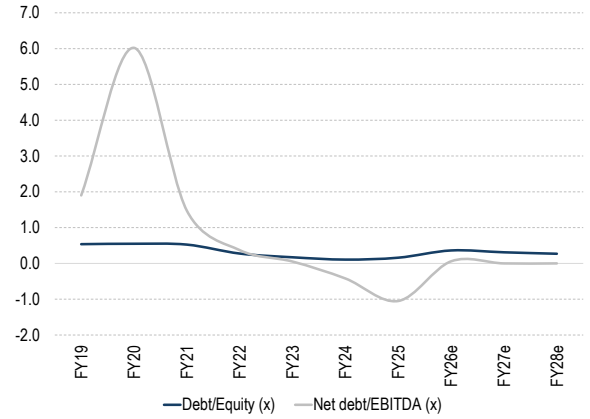


Source: Company, Anand Rathi Research

Debt to be in check despite ~Rs20.5bn ongoing capex

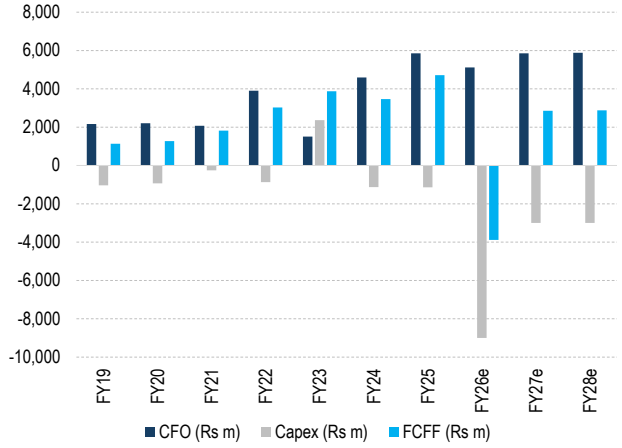
The company is undertaking ~Rs20.5bn capex, Rs9bn earmarked for the Kalinganagar plant, Rs1.5bn for its ethanol business and Rs10bn for the Sukinda mine. However, in the next three years it is expected to spend ~Rs15bn capex as the UG mine capex will be spent gradually till FY31, increasing volumes to 1.2m tonnes PRC. Further, most phase-I capex would be funded via internal accruals, expected to keep cash flow in check. Though the company might have to borrow in the near term to complete the Kalinganagar plant, ahead it is expected to wind down debt.

Fig 30 – Leverage has improved substantially in the last few years



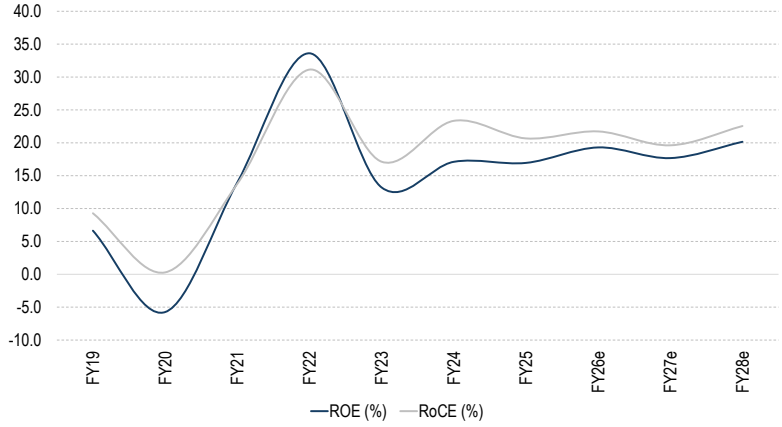
Source: Company, Anand Rathi Research

Fig 31 – FCFF to be long-run positive



Source: Company, Anand Rathi Research

Fig 32 – RoE and RoCE (%)



Source: Company, Anand Rathi Research

Per-tonne analysis

RM and power are two critical components in ferro-chrome manufacturing, However, as the Sukinda mine would gradually move from open-cast to UG operations (expected to increase mining costs), this is not expected in 2-3 years, expected to keep overall costs in check till FY28. Despite employee cost per tonne of sales increasing, the percentage of revenue is expected to be a steady ~9%.

Power consumed in producing a tonne of ferrochrome is typically ~3,300 to 4,000 kWh (for instance Merafe Resources consumes 2,890 kWh per tonne produced). However, as 110MW of RE come on-stream, per tonne power consumption cost is expected to reduce (a 70MW RE PPA has been signed with JSW Energy and of 40MW with Ampin Energy Utility One Pvt. Ltd.).

Fig 33 – Per tonne calculation (Rs/tonne)

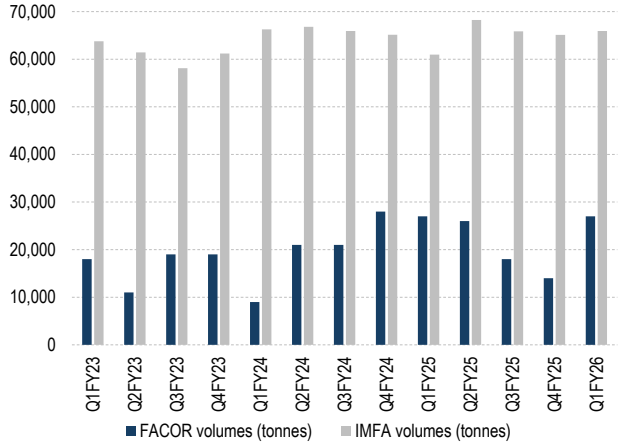
Per tonne	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Blended ASP	76,918	66,900	71,578	1,04,839	1,07,943	1,04,596	98,688	1,09,153	1,10,609	1,12,466
Expenses										
RM cost	36,507	39,020	36,302	44,184	58,788	43,663	39,179	39,449	40,557	41,005
Employee cost	7,635	6,441	6,458	8,353	7,911	8,363	9,154	9,636	9,755	10,537
Other expenses	19,949	17,750	15,712	19,668	21,543	30,491	29,940	34,487	34,567	34,319
EBITDA	12,827	3,688	13,106	32,634	19,701	22,079	20,414	26,596	26,759	27,651
PBT (after EO)	900	-3,768	8,867	26,488	13,062	19,418	19,784	24,741	23,553	24,865
Reported PAT	-48	-2,760	6,464	20,430	9,085	12,926	14,574	18,468	17,583	18,571
Adj. PAT	3,750	-2,760	6,464	20,430	9,718	12,926	14,574	18,468	17,583	18,571

Source:Company, Anand Rathi Research *Note: ASP does not include export incentives*

Peer comparison; one of the lowest CoP globally

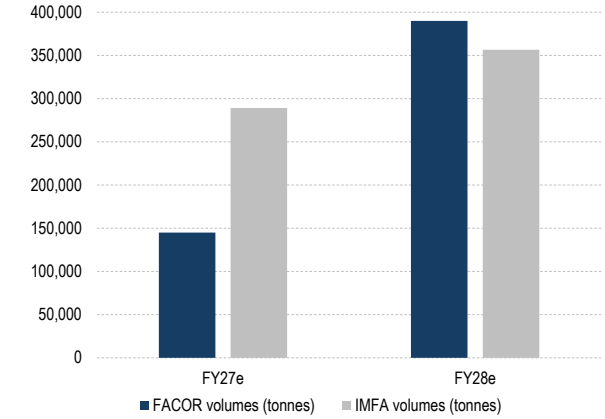
OMC is the largest chrome ore miner in India, but IMFA is the largest ferro chrome manufacturer. As with the company, FACOR (part of the Vedanta Group) is also raising capacity from ~145,000 to 500,000 tonnes in 3-4 years. FACOR also has captive mines in Odisha, expected to feed the increased capacity. However, despite FACOR being the company's peer, its EBITDA is expected to be below those of IMFA. Further, Tata Steel's Ferro Alloys and Minerals Division which manufactures ferro alloys is in the process of submitting its Sukinda mine and is currently a loss making vertical. The impact has been seen in its H1CY25 in its production volumes (down 45% y/y to 0.m tonnes). Similarly, according to IMFA's management production cost in China is higher than that of IMFA. As per our calculations, in early CY25, China's per tonne ferro-chrome production cost was ~$1,050-1,070, against IMFA's ~$885-900.

Fig 34 – IMFA quarterly volumes are ~3x those of FACOR



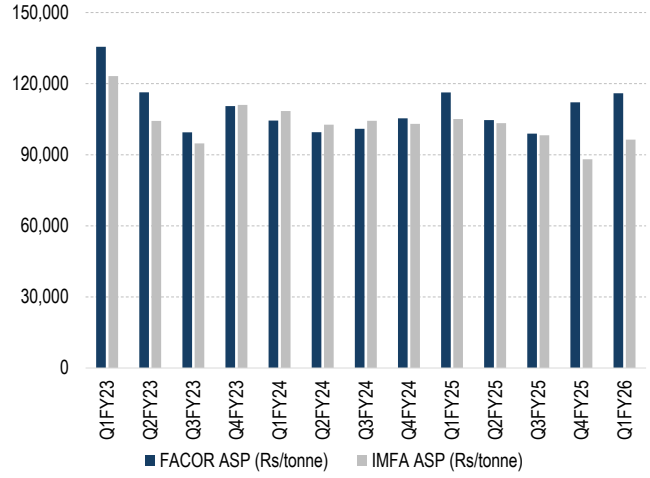
Source: Company, Anand Rathi Research

Fig 35 – Once Kalinganagar phase-II commences operations, volumes would improve even further



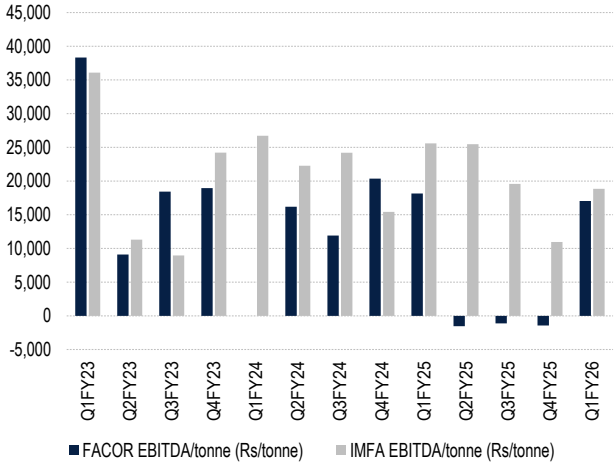
Source: Company, Anand Rathi Research

Fig 36 – FACOR enjoys better realisations than IMFA …



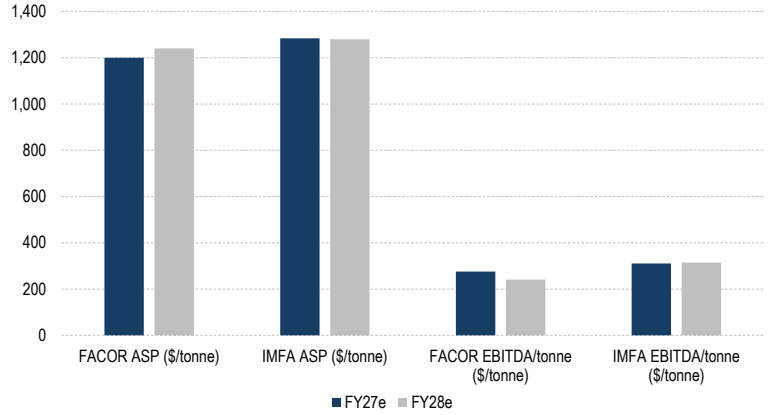
Source: Company, Anand Rathi Research

Fig 37 – …despite that, IMFA has better EBITDA



Source: Company, Anand Rathi Research

Fig 38 –IMFA operating profitability is expected to touch $315/tonne in FY28



Source: Company, Anand Rathi Research

Fig 39 –Ferrochrome companies; peer comparison at a glance

Company	Volumes (k tonnes)	Revenue ($ m)	EBITDA ($ m)	EBITDA/tonne ($/tonne)	EBITDA margin (%)	EV/EBITDA (2 year forward)
IMFA	259.8	303	63	241	20.7	6.1
FACOR	83	109	5	100	4.3	4.4 [1]
Glencore	1,165.7	2,128 [2]	472 [2]	-	22	5.2
Merafe Resources [3]	298	489	100	336	20.5	-

1: FACOR 2 year forward EV/EBITDA is of Vedanta Ltd.
2: Glencore revenue and EBITDA is for ferroalloy vertical (which includes ferrochrome)
3: South African Rand:USD forex conversion = 0.058
Note: The financials are either as on FY25/CY24

Source: Company, Industry, Bloomberg, Anand Rathi Research

Valuation

The company, which is the largest ferro-chrome manufacturer in India, is increasing installed capacity ~35%, expected eventually to reach ~584,000 tonnes in a few years, on its way to mark its place among the leading ferro-chrome manufacturers globally.

A few global companies (IMFA, Merafe Resources, Glencore) have their own mines; this gives them a cost-competitive edge over non-integrated manufacturers (incl. those in China). In early CY25, China's per tonne ferro-chrome production cost was ~$1,050-1,070, against IMFA's ~$885-900.

Rather than won at auctions the company's two chrome ore mines have been allotted; hence it does not pay additional premiums, unlike peers. This gives it an edge. The mines are gradually raising ore mined to 1.2m tonnes by FY31. At the PRC, such increased ore volumes would suffice to meet higher production.

Despite the company's Rs20.5bn capex, the balance sheet is not expected to be stretched, and debt-equity is expected to hold below its 0.5x threshold. The company's fully integrated operations, captive allotted chrome ore mines, benefits from increased share of RE, proximity of plants to mines, experienced promoters, largest exporter of ferrochrome, healthy balance sheet and high return ratios justifies a higher multiple than global and domestic peers. We expect >11%/>16%/>22% volume/revenue/EBITDA CAGRs over FY25–28. We initiate coverage on the stock with a Buy recommendation and a sum-of-parts TP of Rs1,510.

Fig 40 – TP calculation

Valuation	UoM	FY28e
A. Core business		
Sales	tonnes	3,56,620
EBITDA/tonne	Rs	27,651
EBITDA	Rs m	9,861
EV/EBITDA	x	8
Target EV of the core business	Rs m	78,887
B. Ethanol business		
Potential revenue	Rs m	3,000
EBITDA margin	%	8
EBITDA	Rs m	240
EV/EBITDA	x	5
Target EV of the ethanol business	Rs m	1,200
Target EV for the company (A+B)	Rs m	80,087
Net debt	Rs m	7
C-WIP (at 85%)	Rs m	1,164
Equity value	Rs m	81,244
No. of shares	m (in Nos.)	54
TP	**Rs/share**	**1,510**

Source: Anand Rathi Research *Note: Rounded to nearest 5's*

Management profile

Non-executive Chairman and Independent Director Dr Barada Kanta Mishra is a metallurgical engineer with degrees from NIT Rourkela and a Ph.D. from the University of Utah. He has held leading positions at IIT Kanpur, and CSIR-IMMT Bhubaneswar, and was the founding director of IIT, Goa. He has received prestigious awards incl. the National Geoscience Award, VASVIK Award, CSIR Technology Award and IEEE IAS Global Lifetime Achievement Award, and is highly ranked globally in Mining and Metallurgy by Stanford University, which recognises his immense contributions, ranking him as the #1 scientist in India and #11 globally in Mining and Metallurgy.

Vice-Chairman Mr Baijayant Panda has degrees in engineering and management from the Michigan Technological University. He has held key corporate roles, served on Odisha's Industrial Advisory Committee and was Director of Industrial Promotion and of the Investment Corporation of Odisha (IPICOL). He represents Kendrapara (Odisha) in the Lok Sabha, previously served in the Rajya Sabha, and received the "Bharat Asmita National Award" for parliamentary excellence in 2008.

Managing Director Mr Subhrakant Panda has driven IMFA's growth as a leading integrated ferrochrome producer, focusing on sustainability and global supply chains. Under his leadership, IMFA has achieved significant milestones in innovation and competitiveness. A past president of FICCI, he was only the third Indian to lead The International Chromium Development Association (ICDA) and is a prominent advocate of India's manufacturing potential and economic reforms.

Whole-time Director and Chief Operating Officer Mr Bijayananda Mohapatra brings over 12 years at IMFA and 37 years' experience in managing coal-based thermal power plants across OSEB, NTPC, Adani Power and Lanco Power. He oversees IMFA's operations, focusing on risk management and adaptability, levering his extensive industry expertise to provide strong leadership.

Chief Financial Officer Mr Saunak Gupta drives IMFA's financial operations, levering 29 years' experience to drive transparency, quality and sustainable business growth. He focuses on optimising financial processes and enhancing reporting standards to support informed decision-making and stakeholder value.

Q1FY26 performance at a glance

Fig 41 – Quarterly performance

(Rs m)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	% y/y	% q/q
Ore volumes (tonnes)	270,648	133,666	147,392	117,874	202,772	104,327	174,515	220,248	103,780		
Sales volume (tonnes)	64,695	67,448	65,676	67,981	63,035	66,951	65,490	64,391	66,580	5.6	3.4
Revenue	7,017	6,926	6,853	7,006	6,623	6,919	6,432	5,672	6,415	-3.1	13.1
ASP (Rs/tonne)	108,467	102,688	104,341	103,052	105,065	103,347	98,217	88,079	96,356		
EBITDA	1,729	1,502	1,590	1,048	1,613	1,705	1,282	705	1,255	-22.2	77.9
EBITDA margin (%)	24.6	21.7	23.2	15.0	24.4	24.6	19.9	12.4	19.6		
EBITDA/tonne (Rs/tonne)	26,721	22,272	24,202	15,420	25,595	25,459	19,572	10,953	18,843		
Other Income	99	116	98	110	132	191	172	170	220		
Depreciation	250	257	147	126	136	135	137	139	147		
Interest Expenses	83	130	84	52	43	58	82	100	70		
PBT (before EO)	1,494	1,232	1,456	979	1,567	1,703	1,235	637	1,257	-19.8	97.4
PBT (after EO)	1,494	1,232	1,456	979	1,567	1,703	1,235	637	1,257		
Tax	389	338	366	624	433	451	301	163	332		
Reported PAT	1,104	892	1,087	353	1,131	1,250	933	473	923		
APAT	1,104	892	1,087	353	1,131	1,250	933	473	923	-18.4	95.0
APAT margin (%)	15.7	12.9	15.9	5.0	17.1	18.1	14.5	8.3	14.4		

Source: Company, Anand Rathi Research

Sensitivity analysis

We have considered changes in ASP (Rs/tonne) and volumes (tonnes) to derive the sensitivity. It is interesting to note that, in an improving situation, the quantum of impact on EBITDA is higher than in a bear case.

Fig 42 – Change in revenue to change in ASP (Rs/tonne) and volume (tonnes)

FY28		Change in volumes (tonnes)				
Change in ASP (Rs/tonne)	Revenue	-10,000	-5,000	-	5,000	10,000
	-2,000	37,531	38,646	39,761	40,876	41,991
	-1,000	37,871	38,996	40,121	41,246	42,371
	-	38,211	39,346	-	41,616	42,751
	1,000	38,550	39,696	40,841	41,986	43,131
	2,000	38,890	40,045	41,201	42,356	43,511

Source: Anand Rathi Research

Fig 43 – Change in revenue (%) to change in ASP (Rs/tonne) and volume (tonnes)

FY28		Change in volumes (tonnes)				
Change in ASP (Rs/tonne)	Revenue	-10,000	-5,000	-	5,000	10,000
	-2,000	-7.29	-4.53	-1.78	0.98	3.73
	-1,000	-6.45	-3.67	-0.89	1.89	4.67
	-	-5.61	-2.80	-	2.80	5.61
	1,000	-4.77	-1.94	0.89	3.72	6.55
	2,000	-3.93	-1.08	1.78	4.63	7.49

Source: Anand Rathi Research

Fig 44 – Change in EBITDA to change in ASP (Rs/tonne) and volume (tonnes)

FY28		Change in volumes (tonnes)				
Change in ASP (Rs/tonne)	EBITDA	-10,000	-5,000	-	5,000	10,000
	-2,000	8,423	8,785	9,147	9,508	9,870
	-1,000	8,760	9,132	9,504	9,876	10,247
	-	9,097	9,479	-	10,243	10,624
	1,000	9,434	9,826	10,218	10,610	11,002
	2,000	9,771	10,173	10,575	10,977	11,379

Source: Anand Rathi Research

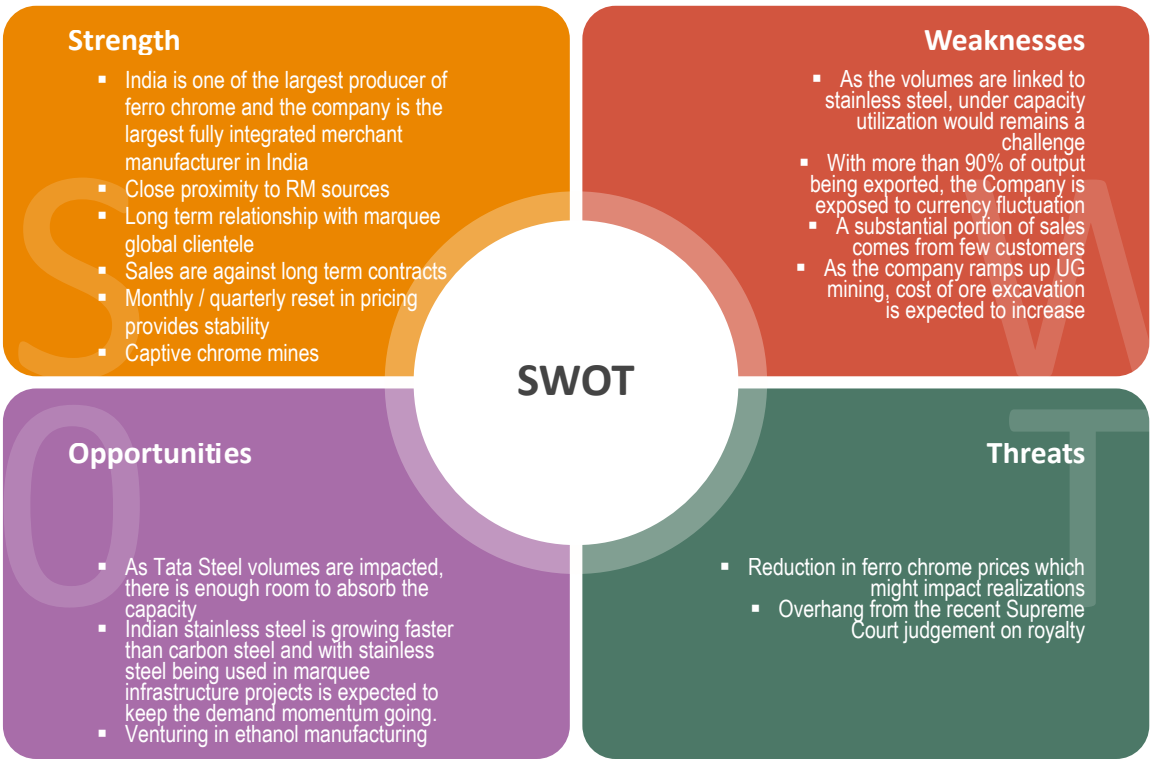
Fig 45 – Change in EBITDA (%) to change in ASP (Rs/tonne) and volume (tonnes)

FY28		Change in volumes (tonnes)				
Change in ASP (Rs/tonne)	EBITDA	-10,000	-5,000	-	5,000	10,000
	-2,000	-14.58	-10.91	-7.24	-3.57	0.09
	-1,000	-11.16	-7.39	-3.62	0.15	3.92
	-	-7.74	-3.87	-	3.87	7.74
	1,000	-4.32	-0.35	3.62	7.59	11.57
	2,000	-0.91	3.17	7.24	11.32	15.39

Source: Anand Rathi Research

SWOT

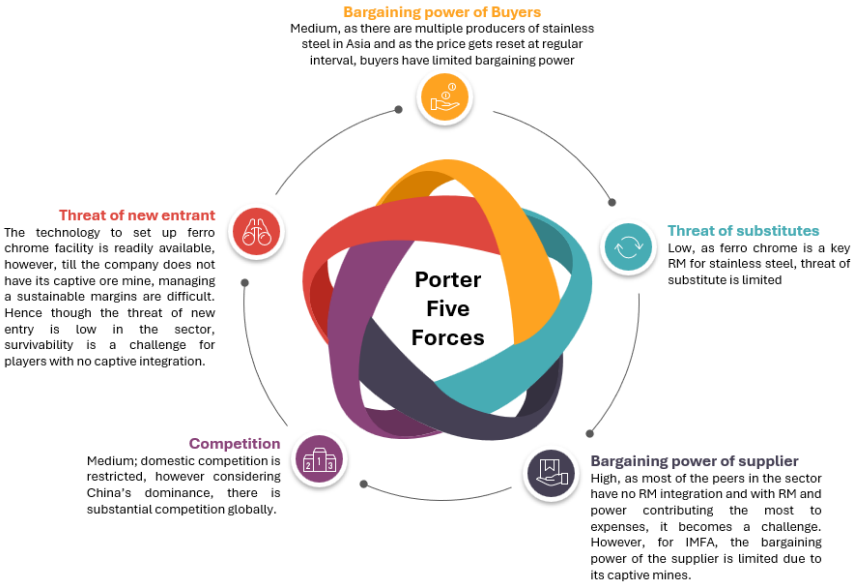
Fig 46 – SWOT



Source: Company, Anand Rathi Research

Porter's 5 forces analysis

Fig 47 – Porter's 5 forces analysis



Source: Company, Anand Rathi Research

Annexures (ESG)

Fig 48 – ESG

Environmental	Social	Governance
• Use of electric vehicles within plant premises • Solar RE at the Therubali plant to reduce Scope 2 emissions • Kalinganagar facility with RE PPA • Hazardous waste is stored, handled and disposed of per The Hazardous Waste Management Rules, 2016 • Fly ash is utilized through partnerships with brick and cement manufacturers • All manufacturing sites operate under a Zero Liquid Discharge model. • STPs treat domestic wastewater for gardening and plantation use • Fly / bottom ash utilised in captive UG mines void filling • Therubali plant is 'water positive' • All furnaces are fitted with Fume Extraction Systems and Mist Cannons to suppress fumes and dust. • Two continuous ambient air quality monitors for real-time monitoring • Scope 1 emissions were down ~4.2% y/y; scope-1 & -2 (combined) emissions were down ~5.8% y/y	• Zero fatalities in FY25 • All sites are covered under structured grievance redressal mechanisms • Bansidhar & Ila Panda Foundation (BIPF) works as the social development arm of IMFA • The Foundation's operational framework is structured around five key pillars skill and livelihood, healthcare, education, water and sanitation and advocacy and appreciation. • ~25m beneficiaries across 420 villages in Odisha • The Prof. Ghanashyam Dash Scholarship (PGDS) offers financial support up to Rs0.6m per recipient, to pursue professional degree courses.	• Board of Directors: 8 members, including 3 Independent Directors and 1 woman directors. • Share of purchases from related parties ~3.51% in FY25 and nil sales. • 67.29% of the materials are indigenously sourced • Mr Baijayant Panda and Mr Subhrakant Panda median salary is at 217:1 and 228:1 respectively (metal/mining companies of similar size have median salary in the range of 150:1 to 250:1)

Source: Company, Anand Rathi Research

Appendix

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