Stock Note

IFGL Refractories Ltd.

August 02, 2023

RETAILRESEARCH

IFGL Refractories Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Electrodes & Refractories	**Rs.460.30**	**Buy in the band of Rs.456 - 470 & add more on dips to Rs.400-406 band**	**503**	**552**	**3 quarters**

HDFC Scrip Code	IFGREFEQNR
BSE Code	540774
NSE Code	IFGLEXPOR
Bloomberg	IFGLRF:IN
CMP August, 01 - 2023	460.3
Equity Capital (Rs cr)	36
Face Value (Rs)	10
Equity Share O/S (cr)	3.6
Market Cap (Rs cr)	1,661
Book Value (Rs)	279
Avg. 52 Wk Volumes	38,480
52 Week High	472
52 Week Low	196

Share holding Pattern % (June, 2023)	
Promoters	72.44
Institutions	10.50
Non Institutions	17.06
Total	100.0

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Based out of Kolkata, IFGL is an Indian Multinational Company. The company has an international presence with operations spread across China, Germany, India, UK and USA through various step-down subsidiaries with strategic supply edge to cater to customers across 50+ countries world-wide.

IFGL Refractories Ltd has been leading manufacturer of specialized refractories and requisite operating systems for Iron and Steel Industry. IFGL has its expertise in Slide Gate Systems, Purging Systems, Ladle Lining & Ladle Refractories, Tundish Furniture's & Tundish Refractories, and others. The company earlier has dual promoters (both Indian and Foreign). Recently in July 2023, Krosaki Harima Corporation, Japan has agreed to sell its entire 15.51% stake in the company to the Indian Promoters for a cash consideration of Rs.200/share.

IFGL has recently completed its expansion of Sheffield Refractories Limited (SRL) and is planning to come with more niche and innovative products which will lead to improvement in margins going forward.

The company has recently announced in capex plans and it is expected to be completed by FY24. With inauguration its first Research & Technology Centre at Kalunga, Odisha the company will be investing into research and innovation of refractory products competing with the MNC players.

We are positive about the company’s ability to deliver growth driven by capex and acquisitions. Overall demand growth in steel industry in the longer term is inevitable given the disparity in steel consumption in India and across the globe. With various government initiatives to protect/promote domestic steel industry and various steel demand inducing steps of higher infra spend and increased housing requirements, the demand for refractories is set to rise structurally.

IFGL is available at attractive valuations compared to its peers and now with one promoter driving the business, focused steps to increase revenues and profits may become visible over the next few quarters.

On account of its strong global presence, strong global demand, strong management capabilities, increase in capacities on higher capex and Improvement in EBITDA margins, we remain positive on the stock.

Valuation & Recommendation:

On the back of strong long term outlook and revenue growth in the upcoming years. We expect revenue/EBITDA/PAT to grow at a CAGR of 15.6%/19.9%/21.8% over FY23–25E. **We think the base case fair value of the stock is Rs. 503(15.5x FY25E EPS) and the bull case fair value is Rs.552 (17x FY25E EPS) over the next two-three quarters. Investors can buy the stock in the band of Rs.456-470 (14.4x FY25E EPS) and add more on dips to Rs. 400-406 band (12.5x FY25E EPS).**

Financial Summary (Rs Cr)

Particulars (Rs cr)	Q4FY23	Q4FY22	YoY-%	Q3FY23	QoQ-%	FY21	FY22	FY23P	FY24E	FY25E
Total Operating Income	368.1	361.2	1.9	316.0	16.5	1,022.0	1,259.5	1,386.5	1,695.0	1,847.6
EBITDA	48.4	37.3	29.6	34.3	40.9	155.4	142.6	152.9	194.6	219.1
Depreciation	15.4	14.8	3.9	13.4	14.7	48.6	51.1	55.6	61.1	67.2
Other Income	7.8	5.4	45.0	2.3	231.6	20.5	15.9	13.2	15.8	18.9
Interest Cost	0.7	0.6	25.5	1.3	-45.2	3.1	3.4	4.8	15.0	17.0
Tax	10.2	6.6	53.2	6.2	63.2	58.6	26.5	26.5	30.9	36.9
PAT	29.4	20.7	42.1	15.8	86.3	65.6	77.5	79.2	103.4	116.9
Adjusted PAT	29.4	20.7	42.1	15.8	86.3	65.6	77.5	79.2	103.4	116.9
EPS (Rs)	8.2	5.7	42.1	4.4	86.3	18.2	21.5	22.0	28.7	32.4
RoE-%						7.7	8.5	8.2	9.8	10.0
P/E (x)						25.3	21.4	20.9	16.0	14.2
EV/EBITDA						9.7	11.3	11.4	9.3	8.0

(Source: Company, HDFC sec)

Q4 FY23 Earnings Update:

- IFGL ended year with strong quarterly performance in the Q4 of the financial year. The revenue for the period stood at Rs. 368 Crore (+2% YoY/ +16.5% QoQ).
- Within segments, the America business grew by 20% yoy due to recovery in performance of EI Ceramics and exports to US, while the India revenues de-grew 10% yoy.
- The company reported EBIDTA of Rs.48.4 Crore (+29.6% YoY/ +41% QoQ) with an EBITDA margin of 13.1% indicating a strong improvement of 280bps in margins YoY.
- In Q4FY23, while standalone margins grew by 330bps QoQ to 18.5%, consolidated margins improved by 220bps QoQ and 280 bps YoY to 13.1% mainly due to benefits from favourable forex, reduction in freight cost and rise in margins of US and Europe business subsidiaries.
- Net profit for the quarter stood at Rs.29.4 crores Vs 21 crores.

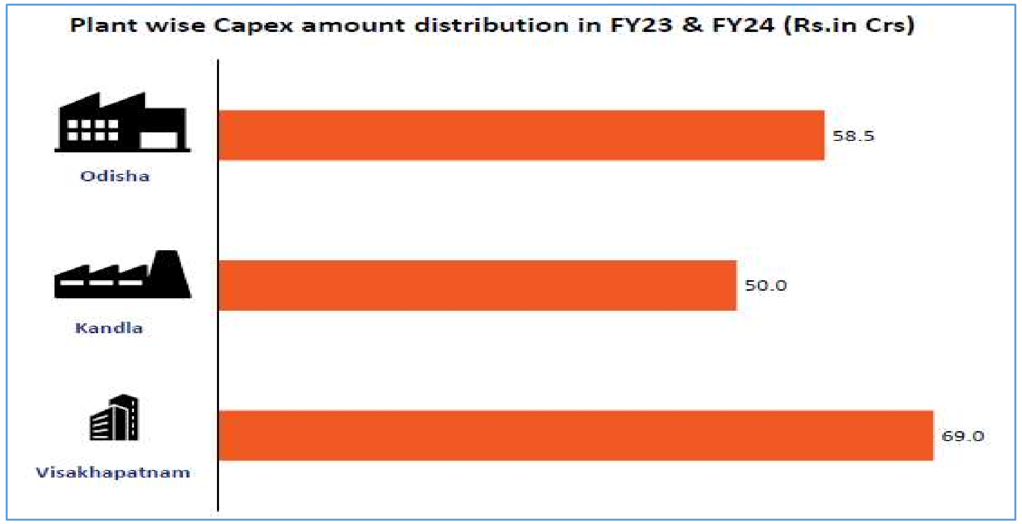
- We believe company's guidance to be around 12% going forward on conservative front given the uncertainty in global economic scenario along with availability and pricing of raw materials.

Con-Call Highlights:

- The company has acquired 2 new land parcels nearing to approximately 3 acres of land near the Kalunga plant (the existing factory). This will eventually result in improving quality, debottlenecking its operations and expanding capacity.
- The company's step down subsidiary Monocon International Refractories Limited U.K., successfully completed the acquisition of Sheffield Refractories U.K.
- **Capex:** The Company is on track to execute the estimated capex plan of Rs.177 crores out of which Rs.120 crores will be financed from loans and rest from Internal accruals. As of March 2023, Rs. 80 crores has already been spent & the balance capex is expected to be completed by FY24. The company is aiming a revenue of 3 to 3.5x the size of the capex undertaken.
- The company's state of the art facility in Odisha will be operational by H1FY23, and will serve as a hub of research, innovation and development, enabling IFGL to enhance its product offerings and advance understanding of material applications in various industries and eventually leading to better margins with new products.
- The domestic steel industry is performing very well, constituting approximately 55% of the overall sales and some incremental capacities are also lined up in the country which will aid some additional benefit once operational, as company's product are consumable. Generally, 10 to 15 kgs of refractory is consumed per ton of steel production.
- On margins front, the company is confident to maintain margins in the band of 13-15%.
- The company's subsidiary Hofmann Ceramic's performance has improved significantly, and company is looking to expand some capacities which will further improve margins. The steel production & consumption is comparatively slow in Europe and is expected to normalize once the war situation ends.
- The major reason for decline in the revenue during the quarter was the weak export demand compared to last quarter from CIS countries due to weak payment terms, and slow demand from Europe & certain Middle East countries.
- The price reduction is not more than anywhere between 2% to 4% due to cooling off in commodity and raw material prices in last 2 quarters.
- The company's inventory has been increasing and also the Sheffield acquisition has added to the inventory and receivable numbers; the company has guided for lower receivable days going forward but higher inventory could sustain.
- Hofmann Ceramics and EI Ceramics are running at a good capacity of around 80-90%. At Indian operations of isostatic and Side Gate the capacity utilization is 80-85%. In Monocon, also, the capacity utilization should be somewhere around 50% - 60%.
- The acquisition of Sheffield Refractory is for primarily to take that product to other parts of the world, especially in India; the company was not making such products in Indian market pre acquisition.

Key Drivers:

Newer capacity addition expected to drive overall revenues and robust growth visibility: Currently, IFGL has announced its capacity expansion plans in its Indian operations with approximately Rs.177 crores of fresh capex to be done at company's Orissa, Kandla and Vizag facilities. For this announced capex, a term loan of Rs.120 crores will be availed by the company and balance will be funded by internal accruals. This facility once commissioned will be able to generate total revenue of 3 to 3.5x at peak capacity utilization. The company has also recently acquired two Plots of land admeasuring about 3 acres from Odisha Industrial Infrastructure Development Corporation and situated adjacent to Company's manufacturing facilities at Kalunga Industrial Estate near Rourkela in the state of Odisha. These enhanced capacities and new product capabilities, will help improve the scale of the business which will lead to scale benefits and operating leverage playing out in the long term for the company. The company in this capex is undertaking a Research and Technology development centre in Orissa which will aid to help company's innovative product portfolio in creating niche and better margin products.



Acquisitions to drive growth with new innovation product portfolio: IFGL has recently acquired UK based leading Sheffield Refractories Limited (SRL) which is engaged into manufacturing of blast furnace cast-house products, shot-creting materials, and an extensive range of other specialist monolithic products, that are used in the Iron & Steel, Cement, Incineration, and Waste-to-Energy industries. Sheffield has its expertise in the Blast Furnace Cast house which will enable the company to expand its superior product portfolio in India and expanding its presence in UK market. The revenue of Sheffield was Rs.175 crores for year ended Sept 2022. IFGL has completed the acquisition in Feb 2023 for GBP 5Million cash consideration.

Key Products:

Strong Geographical diversification and Export presence: The company through its subsidiaries has its operations and manufacturing capability across 10 locations across Asia, Europe and North America. The company caters to large steel manufacturing companies in the domestic and overseas markets, while enjoying long-term relationships with several of its key clients. The company's customer profile remains well diversified with its top five customers driving 30-35% of its total sales. The company through its International subsidiaries caters to wide range of specialized products and strong export demand. The Company's exports account for 55-60% of its total sales. Steel industry has a bright future going by the new capacities being set up across the globe and the infra spend laid out by various countries.

Key Risks:

Competition in the Industry from MNC players: The company faces pricing pressure from its large global peers which restricts its bargaining power and results in lower margins compared to its peers.

Raw Material Price Fluctuation: The company's imports a large portion of its raw materials (like zirconia and aluminum oxide) from China. The company has established stable supply linkages, any disruption in supply may result in an increase in raw material prices, going forward, impacting the profitability of the company.

Steel Industry – Cyclicality: The company is exposed to the cyclicality inherent in the steel industry as it derives most of its revenues from sales to the steel companies. Any impact in the demand and slowdown in production can impact company's operations and revenues.

Company Background:

IFGL Refractories Ltd. is a manufacturer of specialized refractories and requisite operating systems for the steel Industry. IFGL offers its customers total solution for refractory for flow control in steel teeming and continuous casting of Steel. The Co.'s products include Isostatic refractories, Slide gate refractories & systems, Tube Changer refractories & system, Purging system & refractories, Cast Products & Zirconia Nozzles and Foundry Ceramics.

The Company has an international presence with operations spread across China, Germany, India, UK and USA through various step-down subsidiaries with strategic supply edge to cater to customers across 50+ countries world-wide.
The company has 4 established subsidiaries which includes Monocon International Refractories Ltd (MIRL), a subsidiary of IFGL Refractories, is a leading manufacturer of Monolithic Metallurgical Lances for Desulfurization, Argon Stirring in Steel Ladle, and Oxy-lances for steel pre-heating , second subsidiary hofmann CERAMiC GmbH engaged in high-quality ceramic manufacturing, third subsidiary EI Ceramics specializes in the design, manufacture and supply of quality optimized continuous casting products and accessories & Sheffield Refractories Limited(SRL) is a leading manufacturer and installer of advanced, high-quality monolithic refractory products.

The company specializes in blast furnace casthouse products, shot creting materials, and an extensive range of other specialist monolithic products, that are used in the Iron & Steel, Cement, Incineration, and Waste-to-Energy industries.

The Company's clients include companies like Arcelor Mittal, Thyssenkrupp, China Steel, Nucor, Tata Steel, Ann Joo Steel, US Steel, SAIL, Liberty Steel, BlueScope Steel, JSW, Celsa Group, Severstal, KSRM, and others.

IFGL Refractories Limited during FY 2022-23, ICRA Limited reaffirmed Credit Ratings assigned to long term rating of ICRA AA and short term rating of ICRA A1+.The Outlook on the long-term rating was assigned Stable.

Business Subsidiaries Overview:

- Founded in 1973, based out of UK **Monocon International Refractories Ltd (MIRL)**, a subsidiary of IFGL Refractories, is a leading manufacturer of Monolithic Metallurgical Lances for Desulfurization, Argon Stirring in Steel Ladle, and Oxy-lances for steel pre-heating. The company also has Clay Graphite Stoppers and Nozzle for Iron and Steel Foundries. With research-backed refractory manufacturing capabilities. The company currently operates at utilization level of 50-60% due to weaker demand outlook from Europe.
- Founded in 1937, **Hofmann CERAMiC GmbH** operating over 9 decades, the company has been laying down the benchmark in high-quality ceramic manufacturing engaged in design, manufacturing & installation of products, as per the exact specifications of customers. The company caters to European market through its subsidiaries located in Germany and Czech Republic. IFGL acquired the company in 2008 and is currently operating at utilization rate of 80%.
- **EI Ceramics (EIC)** was established in 2002. The company specialises in the design, manufacture and supply of quality optimized continuous casting products and accessories. Based out of Ohio, United States, the company offers a full range of high-performance engineered ceramic solutions, including tundish nozzles, ladle shrouds, stopper rods, gaskets & more. The technical competence and infrastructural excellence of EIC help it in meeting precise buyer requirements. EIC was acquired by IFGL in 2010 and is currently operating at utilization rate of 80%.
- **Sheffield Refractories Limited (SRL)** is a leading manufacturer and installer of advanced, high-quality monolithic refractory products. The company specialises in blast furnace casthouse products, shotcreting materials, and an extensive range of other specialist monolithic products. IFGL completed its acquisition in 2023 with aim to introduce high end blast furnance and monolithic products into the Indian Market.

Corporate Structure: Subsidiaries of IFGL Refractories Limited. (India) & Performance of Key Material Subsidiaries(March'23)

Name of the subsidiary	Country	Ownership	Revenue (Crs)	Profit (Crs)
IFGL Worldwide Holdings Limited (IWHL)	Isle of Man	100%		
Step Down Subsidiaries				
IFGL Monocon Holdings Limited (IMHL)	United Kingdom	100%		
Monocon International Refractories Limited (MIRL)	United Kingdom	100%	167.48	9.86
Monocon Overseas Limited (MOL)	United Kingdom	100%		
Goricon Metallurgical Services Limited (GMSL)	United Kingdom	100%		

Sheffield Refractories Limited (SRL)*		100%	20.22	0.74
Tianjin Monocon Refractories Company Limited (TMRL)	Peoples Republic of China	100%	55.67	1.98
Tianjin Monocon Aluminous Refractories Company Limited (TMARL)		100%	26.74	2.34
Monotec Refratarios Ltda (MRL)	Brazil	95%		
Hofmann Ceramic CZ s.r.o. (HCC)	Czech Republic	98.78%		
EI Ceramics LLC (EIC LLC)	USA	100%	187.19	9.07
IFGL Inc (IFGL INC)		100%		
Mono Ceramics Inc (MCI)		100%	91.97	6.15
Hofmann Ceramic GmbH (HCG)	Germany	100%	85.20	6.52
IFGL GmbH (IG)		100%		

***The company was acquired in Feb'23 hence consolidated for 2 months.**

About Refractories:

Refractories are ceramic materials designed to withstand the very high temperatures (in excess of 1,000°F [538°C]) encountered in modern manufacturing. More heat-resistant than metals, they are used to line the hot surfaces found inside many industrial processes. In addition to being resistant to thermal stress and other physical phenomena induced by heat, refractories can withstand physical wear and corrosion caused by chemical agents.

Raw material Uses: Refractories are produced from natural and synthetic materials, usually nonmetallic, or combinations of compounds and minerals such as alumina, fireclays, bauxite, chromite, dolomite, magnesite, silicon carbide, and zirconia.

Uses: From the simple (e.g., fireplace brick linings) to the sophisticated (e.g., re-entry heat shields for the space shuttle), refractories are used to contain heat and protect processing equipment from intense temperatures. In industry, they are used to line boilers and furnaces of all types (reactors, ladles, stills, kilns, etc.).

Demand for refractories is driven in the first instance by demand from industries requiring advanced heat-resistant materials for their production processes, being predominantly the steel, cement/lime, non-ferrous metals, glass, energy and chemicals industries.

Industry Triggers: Growth Drivers from Infrastructure sector and increasing demand from Steel and Iron industry will boost usage of refractory products significantly. As Iron and steel industry accounts for around 70% of the refractories market share.

As per WSA, demand will see a 2.3% rebound to reach 1,822.3 Mt. Steel demand is forecast to grow by 1.7% in 2024 to reach 1,854.0 Mt. Manufacturing is expected to lead the recovery.

Peer Comparison:

Company	Mkt Cap.(Crs)	Revenue				EBITDA Margin				Profit After tax			
		FY(A)/CY22	FY(A)/CY23E	FY/CY24E	FY/CY25E	FY(A)/CY22	FY(A)/CY23E	FY/CY24E	FY/CY25E	FY(A)/CY22	FY(A)/CY23E	FY/CY24E	FY/CY25E
IFGL Refractories Ltd.	1656	1259	1386	1695	1847	11.3	11	11.5	11.9	78	79	105	116
Vesuvius India Ltd. (CY)	7449	1343	1542	1803	-	12.2	15.1	15.6	-	117	142	176	-
RHI Magnesita Ltd.	13793	1995	2726	4550	5125	19.3	13.2	15.9	16	269	-466	369	473

Financials

Income-Statement

(Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
Net Revenues	**1022**	**1259.5**	**1386.5**	**1695**	**1847.6**
Growth (%)	11.4	23.2	10.1	22.3	9
Operating Expenses	866.6	1116.9	1233.6	1500.4	1628.5
EBITDA	**155.4**	**142.6**	**152.9**	**194.6**	**219.1**
Growth (%)	**69.6**	**-8.2**	**7.3**	**27.3**	**12.6**
EBITDA Margin (%)	**15.2**	**11.3**	**11**	**11.5**	**11.9**
Depreciation	48.6	51.1	55.6	61.1	67.2
EBIT	**106.8**	**91.5**	**97.4**	**133.5**	**151.9**
Other Income	20.5	15.9	13.2	15.8	18.9
Interest expenses	3.1	3.4	4.8	15	17
PBT	**124.2**	**103.9**	**105.7**	**134.3**	**153.9**
Tax	58.6	26.5	26.5	30.9	36.9
PAT	65.6	77.5	79.2	103.4	116.9
Adjusted PAT	**65.6**	**77.5**	**79.2**	**103.4**	**116.9**
Growth (%)	**63.6**	**18.1**	**2.2**	**30.6**	**13.1**
EPS	18.2	21.5	22	28.7	32.4

Balance-Sheet

As at March	FY21	FY22	FY23P	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	36	36	36	36	36
Reserves	854	898	969	1072	1189
Shareholders' Funds	**890**	**934**	**1005**	**1108**	**1225**
Long Term Debt	0	0	50	100	80
Net Deferred Taxes	46	48	52	52	52
Long Term Provisions & Others	22	19	10	10	10
Total Source of Funds	**958**	**1001**	**1117**	**1270**	**1367**
APPLICATION OF FUNDS					
Net Block & Goodwill	416	422	500	596	549
CWIP	22	25	46	15	7
Other Non-Current Assets	19	34	44	48	53
Total Non Current Assets	**456**	**481**	**590**	**659**	**609**
Current Investments	122	115	113	124	137
Inventories	168	259	302	362	415
Trade Receivables	228	272	350	418	481
Cash & Equivalents	191	128	58	52	85
Other Current Assets	19	30	13	15	16
Total Current Assets	**727**	**805**	**836**	**971**	**1134**
Short-Term Borrowings	40	78	99	101	91
Trade Payables	155	187	186	232	253
Other Current Liab & Provisions	31	20	24	27	32
Total Current Liabilities	**226**	**285**	**309**	**361**	**375**
Net Current Assets	502	520	527	611	758
Total Application of Funds	**958**	**1001**	**1117**	**1270**	**1367**

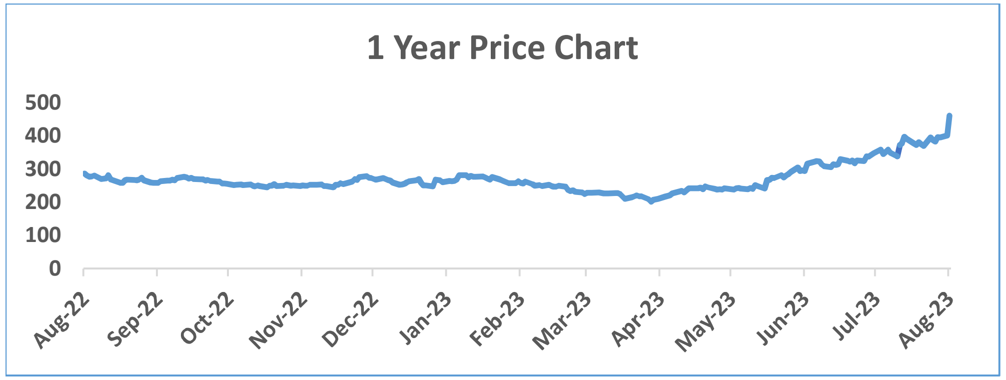
IFGL Refractories Ltd.

Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	124.2	103.9	105.7	134.3	153.9
Non-operating & EO items	-8.5	6	-11.8	0	0
Interest Expenses	0.7	-0.1	3	12	14
Depreciation	48.6	51.1	55.6	61.1	67.2
Working Capital Change	-6.3	-131.2	-117.3	-82.6	-95
Tax Paid	-19.3	-25.4	-28.9	-30.9	-36.9
OPERATING CASH FLOW (a)	**139.4**	**4.4**	**6.3**	**94**	**103.1**
Capex	-31.1	-66.1	-135.1	-157	-20
Free Cash Flow	108.3	-61.7	-123.3	-63	83.1
Investments	-30.8	-0.2	6.6	-13.2	-14.6
Non-operating income	-44.5	42.3	6.6	3	3
INVESTING CASH FLOW (b)	**-106.4**	**-24**	**-122**	**-167.2**	**-31.6**
Debt Issuance / (Repaid)	-0.8	35.4	83.7	52	-30.1
Interest Expenses	-1.8	-2.6	-4.8	-15	-17
FCFE	105.8	-31.9	-44.4	-26.1	36.1
Share Capital Issuance/ (Buy Back)	0	0	0	0	0
Dividend	0	-36	-25.2	-21.6	-18
Others	7.4	-1.1	-1.09	0	0
FINANCING CASH FLOW (c)	**4.9**	**-8.9**	**52.6**	**15.4**	**-65**
NET CASH FLOW (a+b+c)	**37.9**	**-28.5**	**-63.8**	**-57.9**	**6.5**

Key-Ratios

	FY21	FY22	FY23P	FY24E	FY25E
PROFITABILITY RATIOS					
EBITDA Margin	15.2	11.3	11	11.5	11.9
EBIT Margin	10.4	7.3	7	7.9	8.2
PAT Margin	6.4	6.2	5.7	6.1	6.3
RoE	7.7	8.5	8.2	9.9	10.3
RoCE	11.9	9.4	9	10.9	11.5
SOLVENCY RATIOS					
Debt/EBITDA (x)	0.3	0.6	1	1	0.8
D/E	0	0.1	0.1	0.2	0.1
PER SHARE DATA					
EPS	18.2	21.5	22	28.7	32.4
CEPS	31.7	35.7	38.9	45.6	51.1
Dividend	6	7	7	6	5
BVPS	247.1	259.2	278.9	301.6	329
TURNOVER RATIOS					
Debtor days	78	72	82	83	89
Inventory days	55	62	74	72	77
Creditors days	50	50	49	45	48
VALUATION					
P/E	25.3	21.4	20.9	16	14.2
P/BV	1.9	1.8	1.7	1.5	1.4
EV/EBITDA	9.7	11.3	11.4	9.4	8.1
EV/Revenues	1.5	1.3	1.3	1.1	1



JINESH DHAVAL KOTHARI

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HDFC Sec Retail Research Rating description

Green Rating stocks
This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks
This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks
This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.