

Good set of numbers...

About the stock: Vesuvius India (VIL) is a subsidiary of the Vesuvius Group, UK. It is a leading metal flow engineering company. The company supplies high performance refractory material to the steel industry and other process industries used for lining vessels such as blast furnaces, ladles and tundishes to enable them to withstand high temperatures and/or corrosive attack.

- Shaped refractories account for ~37% of revenue in CY21 followed by unshaped refractories (~41%) and services (~ 22%)
- It holds ~11% market share in the Indian refractories industry

Q1CY22 Results: VIL reported a good set of Q1CY22* numbers.

- Revenues came in at ₹ 311.7 crore, up 25.4% YoY, aided by better demand in steel, cement
- EBITDA in Q1CY22 came in at ₹ 33.4 crore, up 41.6% YoY with margins at 10.7% but gross margins dipped marginally to ~38.5% YoY
- Consequently, PAT grew 44.1% YoY to ₹ 23.6 crore, improved by good margins

What should investors do? We expect decent earnings in the long term led by operational efficiency, product innovation, R&D and strong steel capex pipeline.

- We remain long term positive and retain our **BUY** rating on the stock

Target Price and Valuation: We value VIL at ₹ 1290 i.e. 25x on CY23E EPS

Key triggers for future price performance:

- Focused on capturing domestic market share through faster growth in the manufactured goods segment through localised manufacturing and new product launches. Currently, manufactured goods contribute 50-55%
- Focusing on margin accretive solution oriented services segment, which has grown at 34.4% CAGR in CY13-20 and now contributes 26% to revenue compared to 4% in CY13
- Higher steel production and technological advancement is expected to drive refractories demand. India's crude steel production is expected to grow at a CAGR of ~5.5% to 121 MT in FY20P-23E backed by higher infrastructure spend and strong steel capex pipeline

Alternate Stock Idea: We also like Grindwell Norton in our coverage.

- Ambition to maintain market share in abrasives and increase market share in ceramic & plastics with gradual penetration of new value added products
- BUY with a target price of ₹ 1908

Key Financial Summary

(₹ Crore)	CY19	CY20	CY21	CY22E	CY23E	CAGR (CY21-23E)
Net Sales	887.0	791.5	1,047.2	1,182.5	1,332.0	12.8
EBITDA	120.7	76.8	99.2	135.9	152.9	24.1
EBITDA margin (%)	13.6	9.7	9.5	11.5	11.5	
Net Profit	85.6	53.1	68.1	92.5	104.8	24.1
EPS (₹)	42.1	26.1	33.5	45.5	51.6	
P/E (x)	25.4	40.9	31.9	23.5	20.7	
P/BV	2.7	2.6	2.4	2.2	2.0	
EV/EBITDA (x)	14.1	21.0	16.3	11.9	10.4	
RoCE (%)	14.4	7.9	9.5	12.0	12.5	
RoE (%)	10.6	6.3	7.6	9.5	9.9	

Source: Companv. ICICI Direct Research *December year end



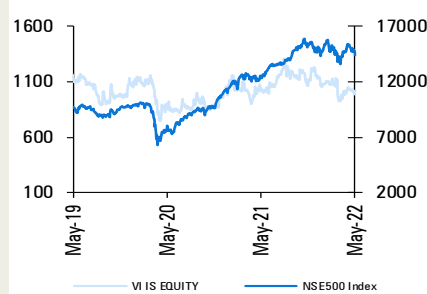
Particulars

Particular	Amount
Market Capitalization (₹ crore)	2,052
Total Debt (CY20) (₹ crore)	0
Cash and Inv (CY20) (₹ crore)	559
EV (CY20) (₹ crore)	1,493
52 week H/L (₹) (BSE)	1364 / 847
Equity capital (₹ crore)	20.3
Face value (₹)	10.0

Shareholding Pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	55.6	55.6	55.6	55.6
FII	1.8	1.9	0.7	0.6
DII	22.1	23.9	25.2	25.2
Others	20.5	18.6	18.6	18.7

Price Chart



Key risks

- i) Any slowdown in steel, cement capex to adversely affect the sales ii) Overdependence on China for raw material site can disrupt supply chain

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Key takeaways of recent quarter

Q1CY22 Results: Vesuvius India reports good set of numbers

- Vesuvius India (VIL) reported revenues at ₹ 311.7 crore, up 25.4% YoY aided by better demand in steel, cement
- EBITDA came in at ₹ 33.4 crore, up 41.6% YoY. EBITDA margins improved 122 bps YoY to 10.7% but gross margins dipped 100 bps to ~38.5% YoY
- Vesuvius India reported PAT at ₹ 23.6 crore, up 44.1% YoY, improved by good margins
- Vesuvius India has completed the acquisition of industrial freehold land at Vizag at a cost of ~₹ 48.5 crore to meet future expansion/business needs

Exhibit 1: Variance analysis

Year	Q1CY22	Q1CY21	YoY (%)	Q4CY21	QoQ(%)	Comments
Income from Operation	311.7	248.5	25.4	258.9	20.4	Aided by better demand in steel, cement
Cost of materials consumed	129.1	107.5	20.1	121.1	6.6	
Purchase of stock-in-trade	74.3	45.4	63.6	63.3	17.3	
Change in inventories	(11.5)	(2.5)		(31.6)		
Employee cost	21.8	19.1	14.1	21.9	(0.4)	
Other expenses	64.7	55.5	16.6	64.2	0.9	
EBITDA	33.4	23.6	41.6	20.2	65.5	
EBITDA Margin (%)	10.7	9.5	122 bps	7.8	292 bps	
Other Income	5.3	4.5	17.8	5.2	2.5	
Depreciation	7.0	6.5	7.4	7.6	(8.2)	
Interest	0.0	0.0	-	0.0	-	
PBT	31.7	21.6	47.0	17.7	78.7	
Taxes	8.1	5.2	56.1	4.6	75.4	
PAT	23.6	16.4	44.1	13.1	79.8	Supported by good margins

Source: Company, ICICI Direct Research, *December Year End.

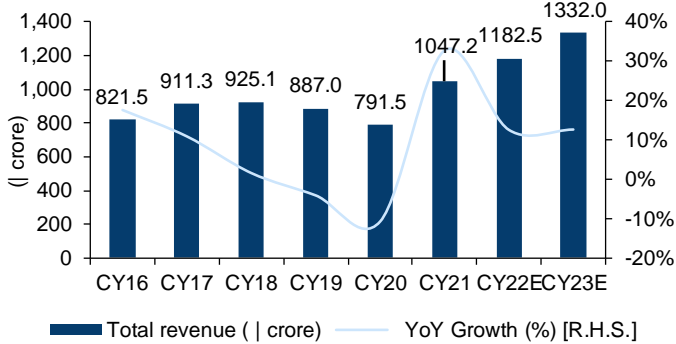
Exhibit 2: Change in estimates

₹ crore	Actual		CY22E			CY23E	
	FY20	FY21	Old	New	Change	New	Change
Revenue	792	1047	1157	1182	2.2	1332	-
EBITDA	77	99	168	136	(19.1)	153	-
EBITDA Margin (%)	9.7	9.5	14.5	11.5	-303 bps	11.5	-
PAT	53	68	122	92	(24.2)	105	-
EPS (₹)	26.1	33.5	60	45.5	(24.3)	51.6	-

Source: Company, ICICI Direct Research

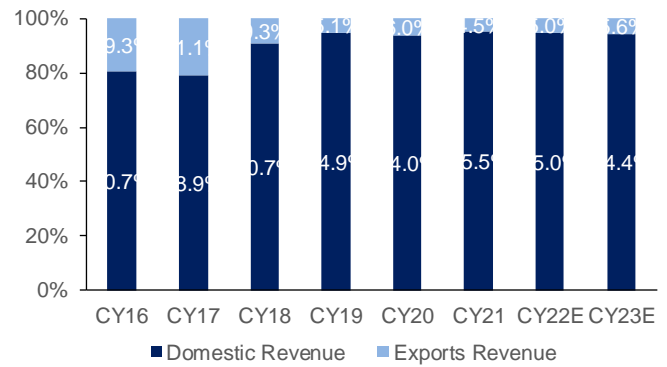
Financial story in charts:

Exhibit 4: Overall revenue CAGR trend over CY16-23E



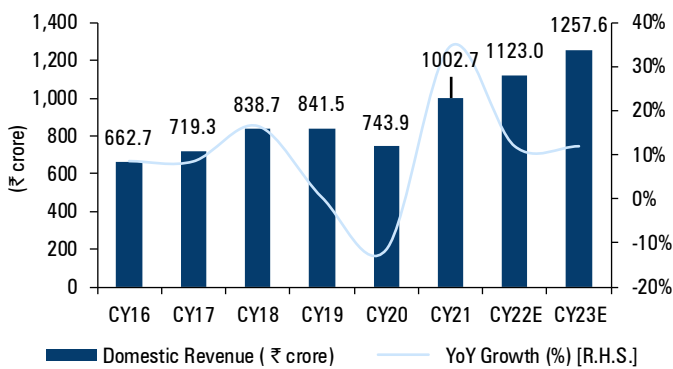
Source: Company, ICICI Direct Research

Exhibit 5: Domestic and export share...



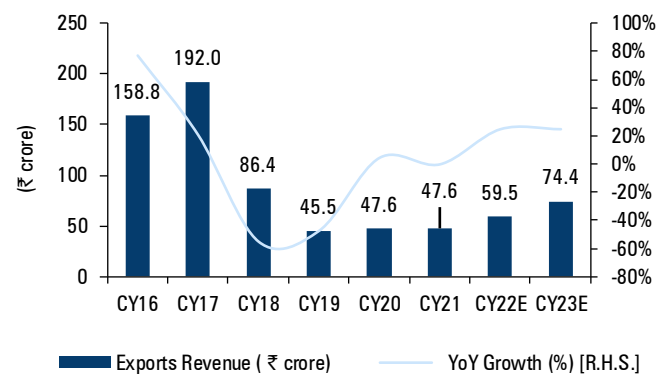
Source: Company, ICICI Direct Research

Exhibit 6: Domestic revenue growth trend over CY16-23E



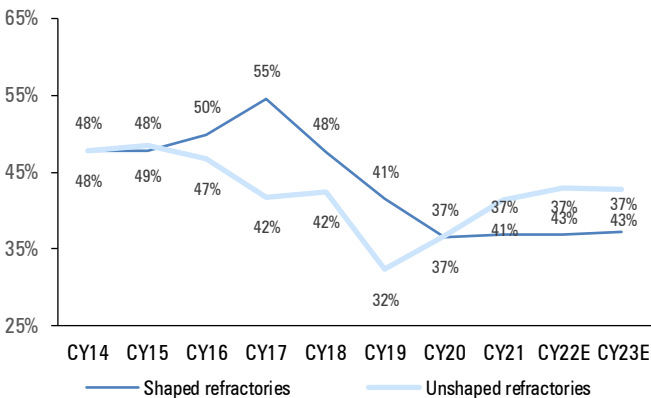
Source: Company, ICICI Direct Research

Exhibit 7: Exports revenue growth trend in CY16-23E



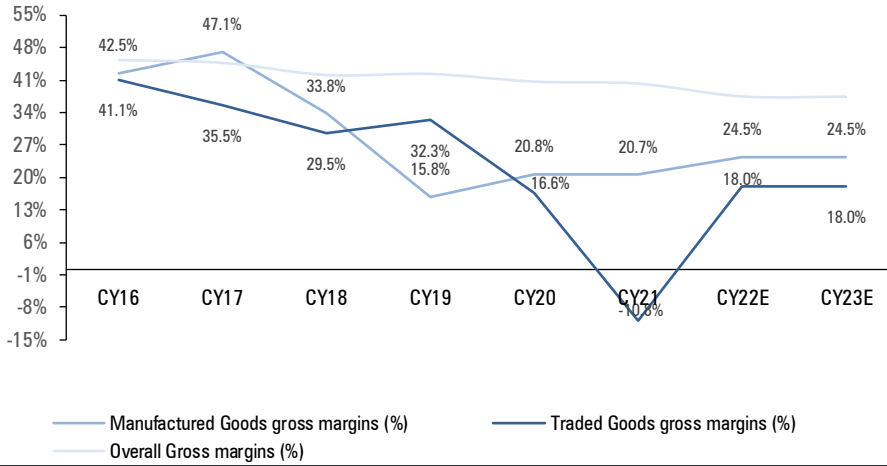
Source: Company, ICICI Direct Research

Exhibit 8: Revenue contribution by refractories type....



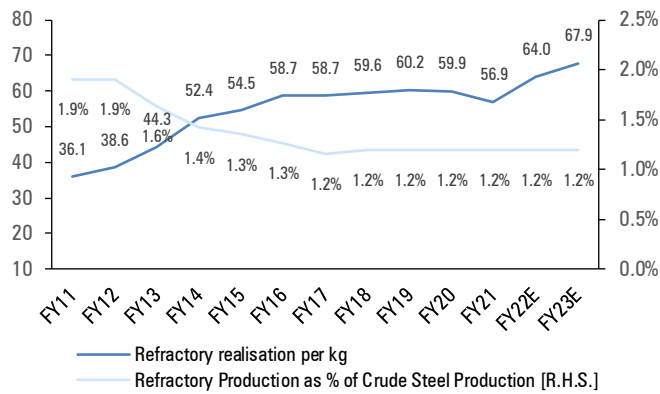
Source: Company, ICICI Direct Research

Exhibit 9: Type-wise gross margin trend....



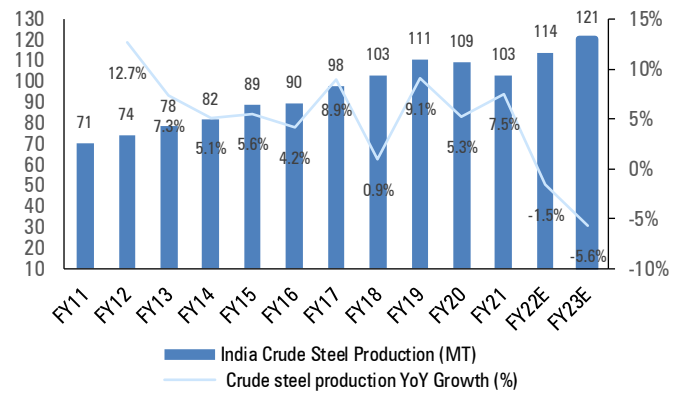
Source: Company, ICICI Direct Research

Exhibit 10: Refractory as % of steel production vs. realisation.



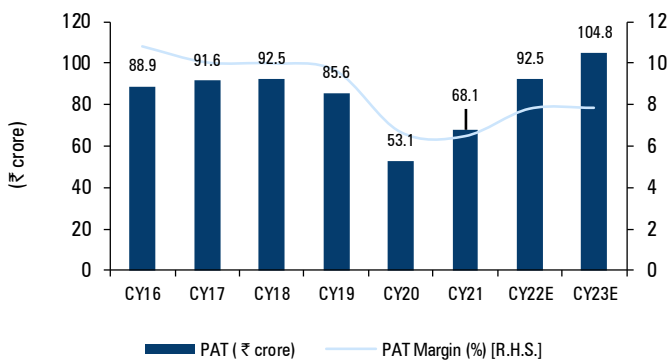
Source: Company, ICICI Direct Research

Exhibit 11: India crude steel production (MT) trend...



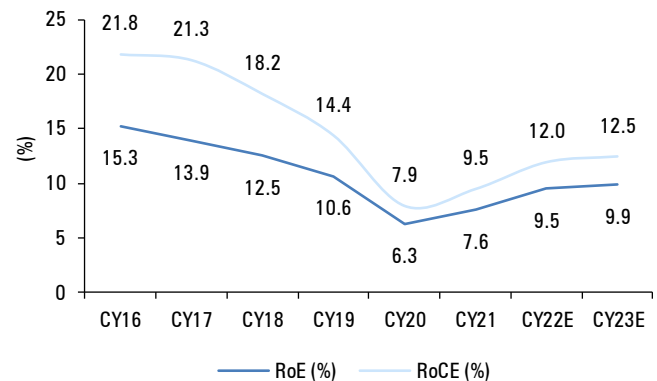
Source: Company, ICICI Direct Research

Exhibit 12: PAT, PAT margin (%) trend....



Source: Company, ICICI Direct Research

Exhibit 13: RoE & RoCE trend...



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 14: Profit & loss statement (₹ crore)				
(₹ Crore)	CY19	CY21	CY22E	CY23E
Net Sales	884	1,042	1,177	1,326
Total Operating Income	887	1,047	1,182	1,332
% Growth (Op. Income)		18.1	12.9	12.6
Other Income	29.2	19.7	22.1	24.9
Total Revenue	916	1,067	1,205	1,357
Cost of materials consumed	339	444	488	550
Purchase of stock-in-trade	171	231	225	253
Change in inventories	1	(48)	-	-
Employee cost	66	79	90	101
Other Expenses	190	241	244	274
Total expenditure	766	948	1,047	1,179
EBITDA	121	99	136	153
% Growth (EBITDA)		(17.8)	36.9	12.6
Interest	-	-	-	-
PBDT	150	119	158	178
Depreciation	27	27	34	37
PBT	123	92	124	141
Tax	38	24	32	36
PAT	86	68	92	105
% Growth (PAT)		(20.5)	35.9	13.3
EPS	42.1	33.5	45.5	51.6

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement (₹ crore)				
(₹ Crore)	CY19	CY21	CY22E	CY23E
Profit after Tax	85.6	68.1	92.5	104.8
Depreciation	26.6	27.3	33.5	36.8
Interest	-	-	-	-
Other income	(29.2)	(19.7)	(22.1)	(24.9)
Prov for Taxation	37.9	23.5	32.0	36.2
Change in Working Capital	(10.7)	(54.2)	(6.0)	(26.4)
Taxes Paid	(29.8)	(12.9)	(32.0)	(36.2)
Cashflow from Operating Activities	80.2	32.1	97.8	90.3
(Purchase)/Sale of Fixed Assets	(31.4)	(31.9)	(92.4)	(66.8)
(Purchase)/Sale of Investments	(10.1)	(14.3)	(5.0)	(9.1)
Other Income	29.2	19.7	22.1	24.9
Cashflow from Investing Activities	(12.2)	(26.5)	(75.3)	(51.0)
Changes in Networth	(4.2)	(0.0)	0.0	0.0
Interest	-	-	-	-
Dividend paid	(14.7)	(14.7)	(16.2)	(16.2)
Cashflow from Financing Activities	(18.9)	(14.7)	(16.2)	(16.2)
Changes in Cash	49.1	(9.1)	6.3	23.0
Opening Cash/Cash Equivalent	419.3	559.3	550.2	556.5
Closing Cash/ Cash Equivalent	468.5	550.2	556.5	579.5

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet (₹ crore)				
(₹ Crore)	CY19	CY21	CY22E	CY23E
Share Capital	20.3	20.3	20.3	20.3
Reserves & Surplus	784.2	874.8	951.0	1,039.6
Total Shareholders fund	804.5	895.1	971.3	1,059.9
Goodwill	-	-	-	-
Total debt	-	-	-	-
Other liabilities	52.3	69.3	69.3	69.3
Total Liabilities	856.7	964.4	1,040.6	1,129.2
Gross Block	215.3	254.9	304.9	334.9
Acc: Depreciation	92.2	137.3	137.3	137.3
Net Block	123.1	117.7	167.7	197.7
Capital WIP	27.7	27.2	36.0	36.0
Investments	48.4	66.8	71.8	80.9
Inventory	107.5	213.1	145.1	163.5
Sundry debtors	187.7	164.0	196.6	221.4
Cash	468.5	550.2	556.5	579.5
Loans & Advances	0.3	0.4	0.6	0.6
Inv+Other current assets	17.1	47.1	33.3	37.7
CL& Prov.	124.4	222.7	167.7	188.9
Net Current Assets	656.7	752.0	764.4	813.8
Total Assets	856.7	964.4	1,040.6	1,129.2

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios (Year-end March)				
	CY19	CY21	CY22E	CY23E
EPS	42.1	33.5	45.5	51.6
Cash EPS	55.2	47.0	62.1	69.8
BV	396.3	441.0	478.5	522.1
DPS	7.3	7.3	8.0	8.0
Cash Per Share	45.4	67.6	67.6	67.6
EBITDA Margin	13.6	9.5	11.5	11.5
PBT / Net Sales	10.6	6.9	8.7	8.7
PAT Margin	9.6	6.5	7.8	7.9
Inventory days	44.2	74.3	44.8	44.8
Debtor days	77.2	57.2	60.7	60.7
Creditor days	51.2	77.6	51.8	51.8
RoE	10.6	7.6	9.5	9.9
RoCE	14.4	9.5	12.0	12.5
RoIC	32.0	26.4	29.9	29.4
P/E	25.4	31.9	23.5	20.7
EV / EBITDA	14.1	16.3	11.9	10.4
EV / Net Sales	1.9	1.5	1.4	1.2
Market Cap / Sales	2.4	2.1	1.8	1.6
Price to Book Value	2.7	2.4	2.2	2.0
Net Debt / Equity	-	-	-	-
Current Ratio	2.4	1.7	2.0	2.0
Quick Ratio	1.5	0.7	1.2	1.2

Source: Company, ICICI Direct Research

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