

ORIENT REFRACTORIES LIMITED

Orient Refractories Limited (ORL), headquartered in New Delhi, was incorporated in 2010 (de-merged from Orient Abrasives Ltd.) and is a subsidiary of RHI AG Austria (global No. 2 in refractory business) since 2013. ORL is a manufacturer of a wide range of special refractories and monolithic products for the iron and steel industry and enjoys a large domestic and international clientele. ORL is the market leader for special refractories in India and has many global partners for its international quality products.

Rationale for Investment

To benefit from steel demand in India - Steel sector is one of the most crucial sectors for the economic and industrial development of any nation. Steel is widely used in various sectors like construction, industrial machinery and transportation. India's steel sector has seen huge growth due to rising domestic demand by sectors such as infrastructure, real estate and automobiles. With major impetus by the Government on infrastructure, affordable housing, a booming auto industry, and implementation of the National Steel Policy, 2017, the Indian steel sector is poised for newer levels of growth.

Why is the steel sector growth important to refractory industry? - Refractories have played an important part in crude steel production, and have a crucial input impact on quality of steel products. Refractories constitute ~3% of the total steel manufacturing cost. Typically, the demand for refractories is directly correlated to steel production. With steel industry being one of the most significant consumers of refractories, we expect the demand for refractories to rise with increasing production of steel. Currently, ORL's majority of revenue is generated from the steel industry.

Strategically important for RHI AG - RHI AG views India as one of the fastest growing markets for refractories and is looking at increasing its presence in Middle East and Asia (this region accounted for ~70% of global refractories demand in CY 2016) via India. India is one of the most important individual markets and largest contributor in terms of total revenue for RHI AG. Thus, we believe that due to cost effectiveness, ORL will play an important role in RHI AG's growth going forward.

Healthy Financials - ORL has recorded double-digit growth in its operating revenues in most financial years since 2012. We believe that the Company will record revenue CAGR of 12% during the FY17 – 19E. We expect EBITDA and PAT to grow by ~9 – 10% CAGR during the FY 17 – 19E. We expect the Company to maintain its ROCE roughly in range of 33-35% with stable Free Cash Flow (FCF).

Outlook & Valuation

We believe that the Company, being one of the leading refractory manufacturer in the domestic market (parent RHI Magnesita is the largest refractory player in the world), is best positioned to ride the growth in domestic production of steel. ORL has traded at an average P/E multiple of 34.5x (last 5 years average), and so we have valued it at 27.6x FY19E earnings (20% discount to last 5 year average). We initiate a BUY rating with target price of INR 195.

Financials : (Standalone)

(In INR Cr.)

	FY2015	FY2016	FY2017	FY2018 (E)	FY2019 (E)
Net Sales	451	459	519	577	652
EBDITA	80	85	103	112	120
PAT	53	56	69	75	85
EPS	4.4	4.6	5.7	6.3	7.1
PE	34.7	32.9	26.7	24.4	21.7

Source - DSPL Research

RATING: BUY

Target: 195

Upside: 28%

CMP : 152.75 (As on 17/11/2017)

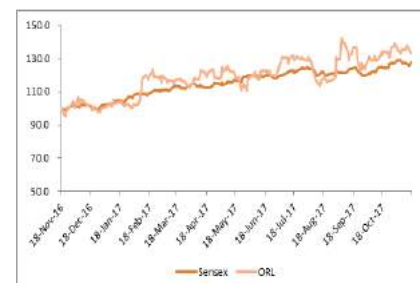
Reuter Code : ORRE.BO

Bloomberg Code : ORIENT:IN

Market Data

Face Value (INR)	1.00
Equity Share Capital (INR cr.)	12.01
Share Outstanding (cr.)	12.01
Market Cap (INR cr.)	1,835.12
Book Value / share	22.70
Daily Avj. Volume	13,114
52 W High	166.90
52 W Low	106.55
Shareholding	%
Promoter	69.62
Foreign	5.31
Institutions	5.06
Public & Others	20.01

Sensex and Stock Movement


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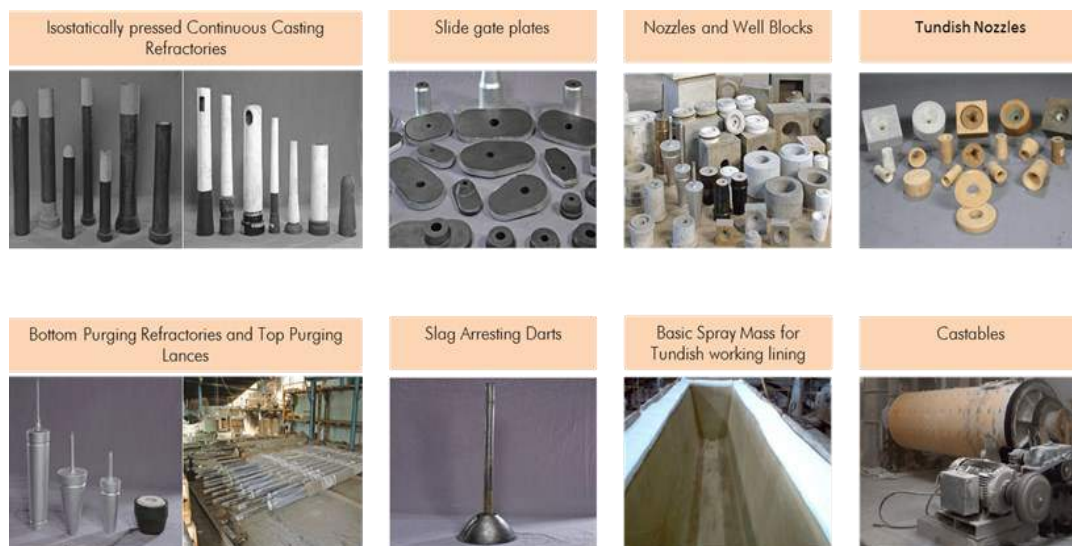
Company Overview

Orient Refractories Limited (ORL), headquartered in New Delhi, was incorporated in 2010 (de-merged from Orient Abrasives Ltd.) and is a subsidiary of RHI AG Austria (global No. 2 in refractory business) from 2013. ORL is a manufacturer of a wide range of special refractories and monolithic products for the iron and steel industry and enjoys large domestic and international clientele. ORL is the market leader for special refractories in India and has many Global partners for its international quality products. To reinforce quality and development of products, the Company has an in-house Research and Development facility that is recognized by the Government of India. ORL produces more than 40,000 tons of refractory per annum, customized products and system solutions. Refractory material is used to provide thermal insulating lining in furnaces, kilns, reactors, etc. The refractory material is mainly used in iron and steel industry, metal smelters, cement, glass industries, etc. ORL's wide range of products include ISO, slide gate plates, castables, tundish nozzles, slag arresting darts, etc., which are custom made to suit the casting conditions and grade of steel being cast.

ORL's manufacturing facility is located in Bhiwadi, Rajasthan and has the distinction of being ISO - 9001 quality certified. The division also has an allied plant based in Salem, Tamilnadu for manufacturing monolithics. The Bhiwadi facility is spread over 27 acres of land. The refractory facility is divided into 3 independent sub-divisions, one each for the manufacture of slide gate plates, continuous casting refractories and castables and pre-cast shapes. The division currently produces more than **70,000** pieces of slide gate plate, **30,000** pieces of Continuous Casting Refractory products and over **2,000** tons of castables and mortars on a monthly basis.

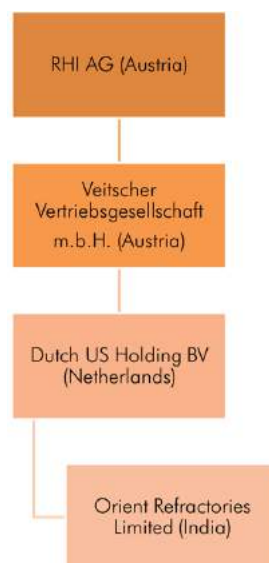
ORL's customers include large domestic integrated steel producers that include Steel Authority of India, Mukund Steel, Tata Iron and Steel Company, RINL – Vizag, Sunflag Iron, Lloyd Steel, Usha Martin and the Jindal Group, and mini steel plants. ORL also has significant presence in the global market place with exports to over 35 countries across the globe including Germany, France, Spain, Turkey, Egypt, Indonesia, Saudi Arabia, Thailand, UAE and Greece.

ORL's product range

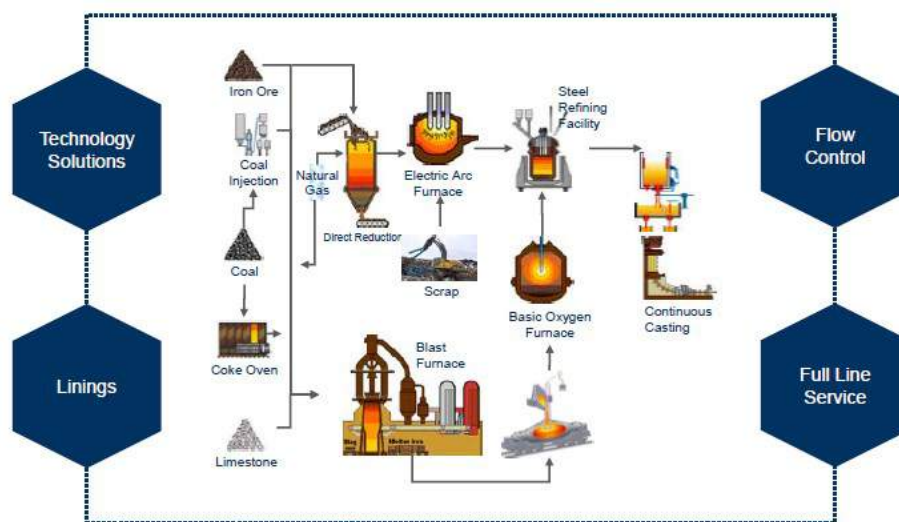


Source - Company, DSPL Research

Organisational Structure



Usage of Refractories in Steel Manufacturing



Key Management Team

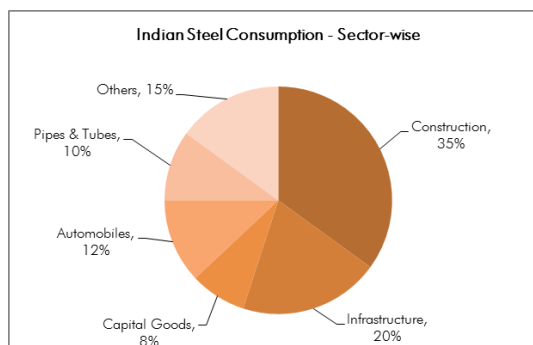
Dr. Vijay Sharma	Chairman	He joined the Company in 2014 and has wide experience in the steel industry. His qualifications include B.Tech (IIT), M.Sc., MBA and a doctorate degree.
Parmod Sagar	MD & CEO	He is a Mechanical Engineer and has an expertise in the Tecno Commercial (Operation & Marketing) in the Refractory industry. He has been associated with Orient Refractories (formerly Orient Abrasives Limited) since 1992. He had joined Orient Abrasives Limited as a Marketing Manager. He has over 34 years of work experience.
Sanjeev Bhardwaj	CFO	He is a certified Chartered Accountant and Company Secretary. He joined the Company in 2013. He has been the director of Confederation of Indian Industry from 2004 to 2006 and has 23 years of experience.
Erwin Jankovits	Director	He joined the Company in 2015 and has wide experience in the steel industry. He is a graduate in material sciences from Montan University, Leoben.

Source - Company, DSPL Research

Investment Rationale

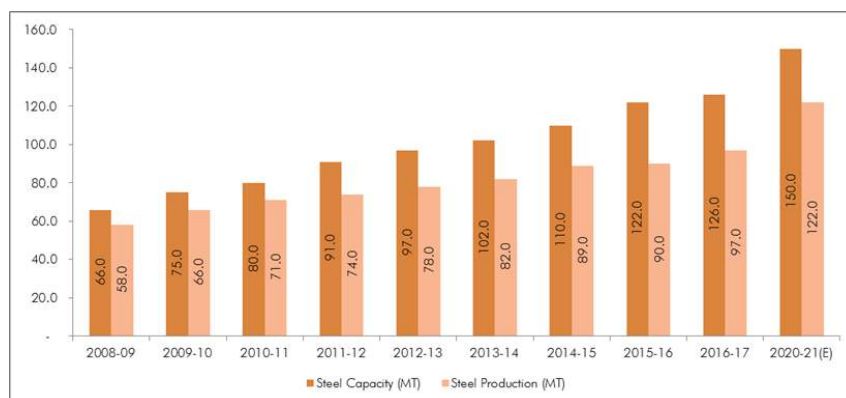
To benefit from steel demand in India

Steel sector is one of the most crucial sectors for the economic and industrial development of any nation. Steel is widely used in various sectors like construction, industrial machinery and transportation. India's steel sector has seen huge growth due to rising domestic demand by sectors such as infrastructure, real estate and automobiles.



Source - Industry, DSPL Research

As per IBEF, as India moves towards being a USD10 trillion economy and aspires to achieve an ambitious target of manufacturing contribution of 25% to GDP, the steel industry is poised to play a pivotal role. As per World Steel Association, steel demand in India is expected to grow at 6-7% p.a in the next two years, compared to 4% in 2016. India's annual capacity currently stands at 126 million metric tons and is expected to rise to 150 million tons by 2021. India's finished steel consumption rose by 4.3% to 43 million tons in the six months ending September 2017, while output climbed 5% to 52 million tons during the same period.



Source - JPC, Ministry of Steel, DSPL Research

Production (MT Tonnes)	CY06	CY07	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16
World	1,250	1,348	1,343	1,239	1,433	1,538	1,560	1,650	1,670	1,620	1,609
Growth (%)	9.3%	7.8%	-0.3%	-7.8%	15.7%	7.3%	1.4%	5.8%	1.2%	-3.0%	-0.7%
China	421	490	512	577	639	702	731	822	823	804	808
Growth (%)	19.2%	16.3%	4.6%	12.6%	10.7%	9.9%	4.1%	12.4%	0.1%	-2.3%	0.6%
World ex-China	829	858	831	662	795	836	829	828	847	817	801
Growth (%)	4.8%	3.5%	-3.2%	-20.4%	20.1%	5.2%	-0.8%	-0.1%	2.3%	-3.6%	-1.9%
India	49	53	58	64	69	73	77	81	87	89	96
Growth (%)	8.0%	8.1%	8.1%	9.9%	8.6%	6.5%	5.2%	5.2%	7.4%	2.0%	7.4%

Source - Worldsteel.org, DSPL Research

Favorable economic conditions to drive Steel demand in India

- **Government push on Infrastructure and Housing sector** - With the Government's focus on infrastructure development, major expansion plans are underway for power, roads, railways, ports and airports. An amount of INR 3.95 lakh crores has been allotted to the infrastructure development in the current budget. Around INR 1.31 trillion of capital expenditure is assigned towards railways. Further, in order to fill the gap of affordable housing, the Government has launched various initiatives like 100 new Smart City projects, Housing for All by 2022, Pradhan Mantri Awas Yojana and various affordable housing schemes by many state governments. This push by the Government will help recoup domestic steel demand.
- **Promising Growth in the Automotive Sector** - With the government's "Make In India" initiative, the Indian automotive industry has come center stage. With a total investment of over USD 35 billion, this industry is likely to contribute over 12% of the country's GDP in the coming decade versus the current contribution of 7.1%.

1) Commercial Vehicles: The industry volumes are expected to increase on the back of robust growth in the transport and mining sector, replacement demand and adoption of hub-n-spoke model and an increase in overall economic activity in the country.

2) Passenger Vehicles: Strong demographics and expanding middle class will act as a booster to the sales of entry – level and mid – level PVs.

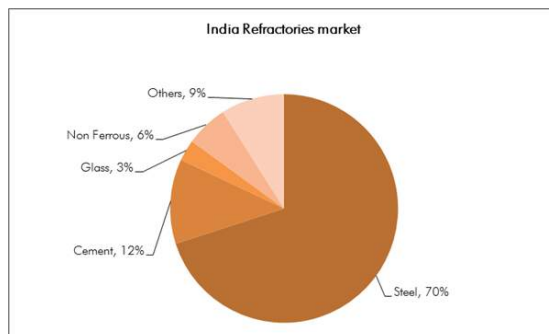
3) 2 wheelers (2W): With rural incomes getting a push from good monsoons and growing young population, the 2W segment is expected to record high single digit growth.

- **Encouraging Government Policy Measures** - In May 2017, the Government has approved the National Steel Policy (NSP), 2017 to provide the ideal platform for growth. The below are the objectives of the NSP, 2017:
 - Build a globally competitive industry with a crude steel capacity of 300 MT by 2030-31;
 - Increase per Capita Steel Consumption to 160 Kgs by 2030-31;
 - To domestically meet entire demand of high grade automotive steel, electrical steel, special steels and alloys for strategic applications by 2030-31;
 - Increase domestic availability of washed coking coal so as to reduce import dependence on coking coal to 50% by 2030-31;
 - To be net exporter of steel by 2025-26;
 - Encourage industry to be a world leader on energy and raw material efficient steel production by 2030-31, in a safe and sustainable manner; and
 - Develop and implement quality standards for domestic steel products.

The current per capita consumption of steel in India is 61 kgs (rural consumption at 10 kgs), much lower than the global average of 208 kgs. (Source: National Steel Policy, 2017). With major impetus by the Government on infrastructure, affordable housing, a booming auto industry, and implementation of the NSP, 2017, the Indian steel sector is poised for newer levels of growth.

Why Steel sector growth is important to refractory Industry ?




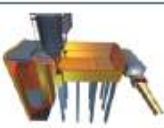

Refractories are critical consumables for high-temperature manufacturing processes. Refractory materials have played an important part in crude steel production, and has a crucial impact on the quality of steel products. The diversification of steel products and their purity requirements in recent years have increased the demand for high quality refractory.



Consumption of Refractory in India	
Industry	Refractory Consumption Per Tonne
Steel	12 kg
Aluminium	4-5 kg
Cement	08-0.9 kg

Source - informed.com, Steel 360, DSPL Research

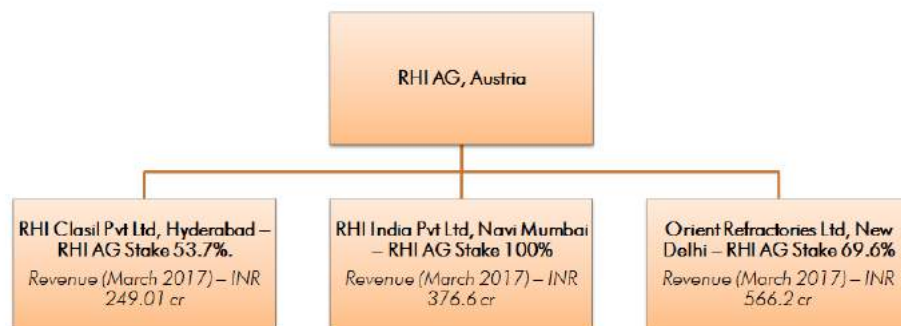
Refractories Consumption by Key Industries

Key industries	Applications	Replacement	Costs
Steel	Basic oxygen-, electric arc furnace casting ladles 	20 minutes to 2 months	~3.0%
Cement/Lime	Rotary Kiln 	Annually	~0.5%
Nonferrous metals	Copper-converter 	1 – 10 years	~0.2%
Glass	Glass furnace 	Up to 10 years	~1.0%
Energy/ Environmental/ Chemicals	Secondary reformer 	5 – 10 years	~1.5%

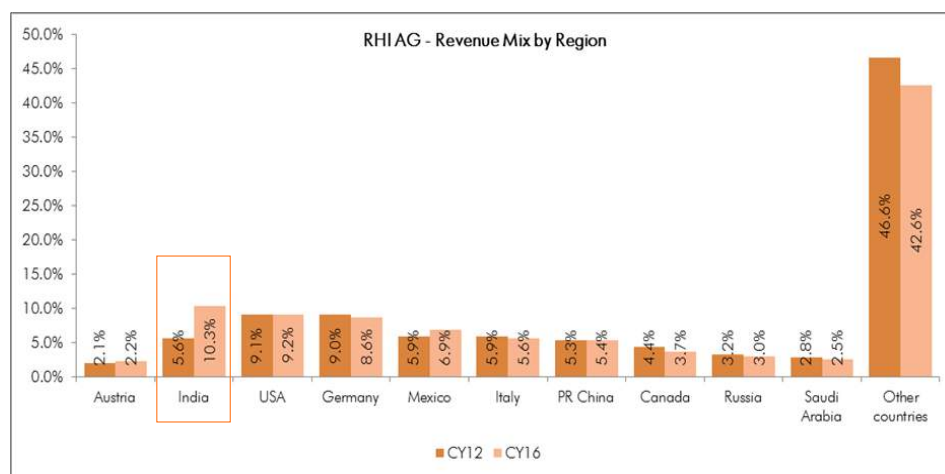
Source - RHP Magnesita Presentation

Refractories constitute ~3% of the total steel manufacturing cost. Typically, the demand for refractories is directly correlated to steel production. As per Ministry of Steel's forecast, 3.2 MT (Million Tonnes) refractories raw material will be needed by 2030 – 31 to fulfill steel production requirements. With steel industry being one of the most significant consumers of refractories, we expect the demand for refractories to rise with increasing production of steel. Currently, ORL's majority of revenue is generated from the steel industry.

ORL's parent (RHI AG) became the global leader in the refractory business after the merger with Magnesita Refratarios and will have a combined revenue base of Euro2.5 billion in CY16. RHI AG has two other unlisted subsidiaries in India - RHI India Pvt. Ltd and RHI Clasil Pvt. Ltd. The unlisted subsidiaries are engaged in manufacturing and trading of brick and lining refractory solutions while ORL is engaged in flow control segment.



RHI AG views India as one of the fastest growing markets for refractories and is looking at increasing its presence in Middle East and Asia (this region accounted for ~70% of global refractories demand in CY 2016) via India. India is one of the most important individual markets and largest contributor in terms of total revenue for RHI AG. Thus, we believe that due to cost effectiveness, ORL will play an important role in RHI AG's growth going forward.



RHI AG - Revenue by Country (in € mn)	CY11	CY12	CY13	CY14	CY15	CY16	5 Yrs CAGR
India	83.0	102.9	127.7	153.1	186.2	170.7	15.5%
USA	134.7	166.4	156.5	157.2	164.9	151.2	2.3%
Other Countries	1,540.9	1,566.4	1,470.5	1,410.9	1,401.4	1,329.3	-2.9%
Total	1,758.6	1,835.7	1,754.7	1,721.2	1,752.5	1,651.2	-1.3%

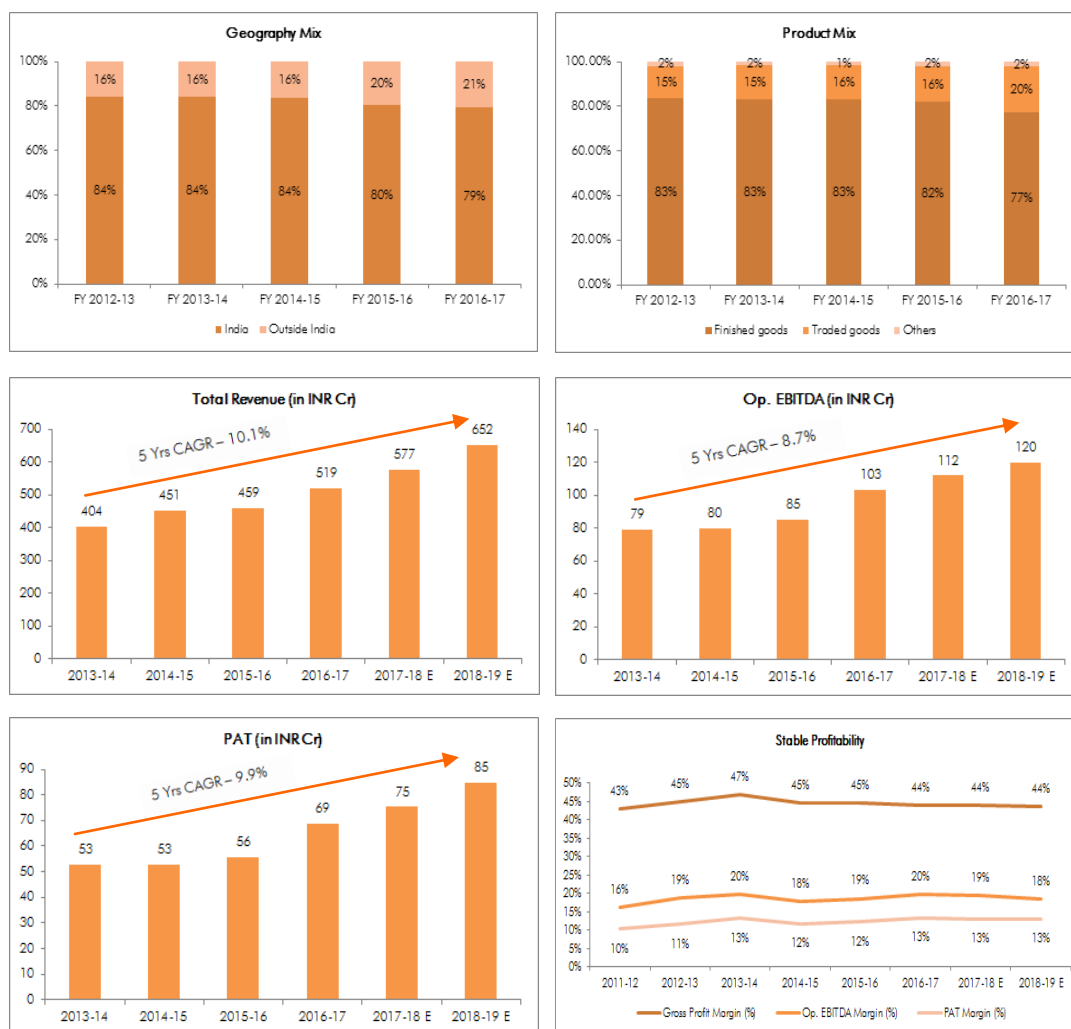
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Healthy Financials

Stable Growth and Margins

Since getting listed on the stock exchange post the de-merger from Orient Abrasives Limited, ORL has recorded double-digit growth in its operating revenues in most financial years (since 2012). We expect this momentum to continue on the back of robust growth in the Indian steel sector and hence, believe the Company to record revenue growth of 12% CAGR during the FY17 – 19E.

Also, on the operating margin front, the Company has continued to have double-digit EBITDA margin since 2012. Furthermore, being a zero-debt company, ORL's operating margin has translated into improving bottom-line and double-digit PAT margins. Having zero debt ensures that the Company's bottom-line will not be hurt severely in case of a downturn in steel industry. We expect the EBITDA and PAT to grow by ~9 – 10% CAGR during the FY 17 – 19E.

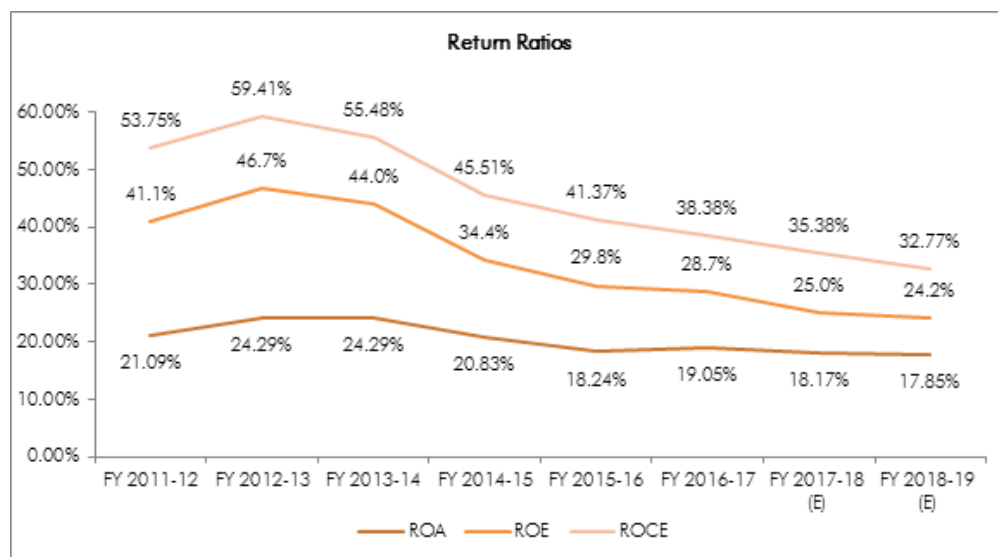


Source - Company, DSPL Research

Sound Return on Investments

The Company has managed to maintain its profitability and returns to investors. Despite a slump in the steel sector since the last few years, ORL has managed to sustain its profitability and returns to shareholders. Having a strong ROA highlights the fact that the Company has been effectively using its assets to generate profits. Having zero debt has also enabled the Company to constantly re-invest and grow its business.

Though there could be a slight dip in its Return on Assets (ROA), we expect the Company to maintain its return ratios roughly in the same range. The dip could be on account of rising raw material costs.



Source - Company, DSPL Research

Strong Financial Position and Efficient Working Capital Management

With zero debt and healthy reserves on its balance sheet, the Company is financially well placed. ORL has an efficient working capital management, which is evident from its net current asset status. The Company's average debtor days are 75 days, against the industry average of 90 days. The Company's working capital turnover ratio signifies that they are effectively using their current assets to generate revenues.

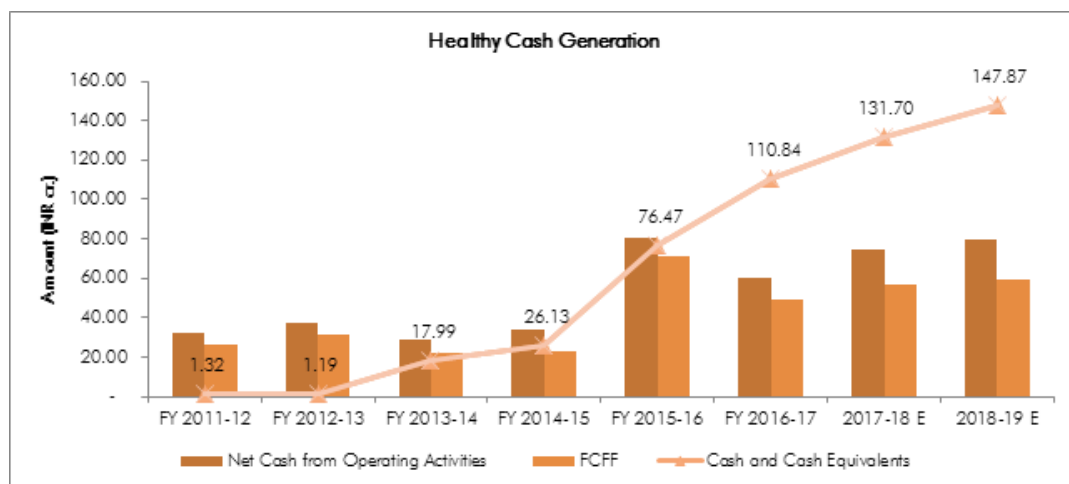
Particular	2013-14	2014-15	2015-16	2016-17	2017-18 E	2018-19 E
Working Capital (% of Net Sales)	23%	25%	19%	22%	22%	21%
Inventory Turnover Days	54	55	54	51	53	52
Debtors Days	77	86	92	82	75	73
Creditors Days	43	41	49	53	51	49
Cash Conversion Cycle	89	99	97	80	77	75

Source - Company, DSPL Research

Steady Free Cash flow

With steady earnings growth, stable margins and modest capex, ORL has been free cash flow positive for the last six years. Thus, we believe that stable revenue growth, operating efficiency and effective working capital management will enable ORL to generate sizeable cash from operations. Also, the Company has been consistently paying dividends to its shareholders, having an average payout ratio of approximately 32% (5-years average). Rising cash reserves will enable the Company to plan expansion, without depending on external sources of funds.

Particulars (in INR Cr)	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 E	2018-19 E
Operating Cash Flow	32	38	29	34	80	60	75	80
Less - Capex	-6	-7	-7	-12	-9	-12	-18	-20
Less - Interest Cost	-3	-1	-0	-0	0	-0	0	0
Free Cash Flow	22	30	22	22	71	49	57	60
Free Cash Flow Yield (%)	5%	6%	2%	2%	5%	3%	3%	3%



Source - Company, DSPL Research

Q2 FY 2018 Result Update:

The Company posted 12% y-o-y increase in its sales during the Q2 FY2018 quarter due to increased demand from the steel sector.

The Company's operating profit improved by 16% y-o-y and over 22% sequentially. Increased volume enabled the Company to achieve economies of scale and hence, better operating efficiency. ORL's operating margin stood at 19.69% in the quarter, expanding by 60 bps y-o-y and 290 bps q-o-q. Sequential margins improved on account of reduced employee and other expenses.

From the financial position perspective, the Company's cash reserves have declined by 14% from March 2017 levels. This is primarily due to increase in debtors from March 2017, due to which their working capital turnover has also slightly dropped.

Margins better than peers

Though Vesuvius India Ltd is the market leader in the refractory business in India, ORL enjoys higher margins due to lower costs, lower capital base and a prompt after sales service. ORL has approximately 200 – 250 personnel, who have been stationed at customer sites to avoid production delays, in case of breakdowns.

Particulars (for the year ended)	2014-15		2015-16		2016-17	
Company	ORL	Vesuvius India Ltd*	ORL	Vesuvius India Ltd*	ORL	Vesuvius India Ltd*
Revenues	451.40	652.20	458.90	699.70	519.40	821.50
Op. EBITDA margin	17.70%	15.30%	18.60%	17.90%	19.80%	18.00%
PAT margin	11.71%	9.08%	12.16%	10.52%	13.21%	10.60%
ROE	34.40%	14.10%	29.80%	15.70%	28.70%	16.40%
ROCE	45.51%	13.90%	41.37%	15.60%	38.38%	16.40%
*For Vesuvius India Ltd - CY14, CY15 & CY16						

Source - Company, DSPL Research

Outlook & Valuation

Refractories are critical to all high-temperature industrial processes; represent less than 3% of cost of good sold (COGS) in steel manufacturing and less than 1% in other applications. The refractories material used to manufacture one ton of steel has come down from historical levels of 30 kgs to current levels of 10 -15 kgs. This has been due to improving technology over the years. Despite being a small portion of the total steel manufacturing costs, refractories are critical to get the desired size, shape and quality of the final product.

We expect the Company to record 12% CAGR in its operating revenue during the FY17 – 19E. Despite rising raw material prices, we expect the Company to sustain its operating margin. We expect the EBITDA to grow at a CAGR of 8% during the FY17 – 19E attributable to increasing volumes, better operating efficiencies and ability to pass on increasing costs to customers. As the Company has a large portion of its costs as fixed costs, higher volumes will enable the Company to improve profitability. Net Profit is expected to grow at a CAGR of 11% during the FY 17 -19E to INR 85 crores in FY 19E.

We believe the company, being one of the leading refractory manufacturer in the domestic market (parent RHI Magnesita is the largest refractory player in the world), is best positioned to ride the growth in domestic production of steel. ORL has traded at an average P/E multiple of 34.5x (last 5 years average), we have valued it at 27.6x FY19E earnings (20% discount to last 5 year average). We initiate a BUY rating with target price of INR 195.

Key Risks

- Fluctuation in Raw Material Prices
- Over Exposure to Steel sector
- Limited Pricing Flexibility
- Currency Fluctuation

Financials (in INR Cr.)

Profit & Loss Statement	FY2014	FY2015	FY2016	FY2017E	FY2018E
Net Sales	451.4	458.9	519.4	577.2	652.4
Raw Material Cost	250.3	253.9	290.6	323.2	368.6
Gross Profit	201.1	205.0	228.8	254.0	283.8
<i>Gross Profit Margin (%)</i>	<i>44.6%</i>	<i>44.7%</i>	<i>44.0%</i>	<i>44.0%</i>	<i>43.5%</i>
Employee Cost	38.3	39.4	43.0	48.7	56.2
Other Manufacturing Cost	83.0	80.4	82.8	93.5	107.6
Total Expenditure	371.5	373.7	416.4	465.4	532.4
Operating EBITDA	79.8	85.2	103.0	111.7	120.0
<i>Op. EBITDA Margin (%)</i>	<i>17.7%</i>	<i>18.6%</i>	<i>19.8%</i>	<i>19.4%</i>	<i>18.4%</i>
Other Income	5.3	5.4	8.3	9.2	10.4
Depreciation	5.5	5.9	6.4	7.7	9.3
EBIT	74.4	79.3	96.6	104.0	110.7
<i>EBIT Margin</i>	<i>16.5%</i>	<i>17.3%</i>	<i>18.6%</i>	<i>18.0%</i>	<i>17.0%</i>
Finance Cost	0.0	0.0	0.0	-	-
Exceptional Item	-	-	-	-	-
PBT	79.6	84.7	104.9	113.2	121.0
Tax	26.8	28.8	36.3	37.9	36.3
PAT	52.8	55.8	68.6	75.3	84.7
<i>PAT Margin</i>	<i>11.7%</i>	<i>12.2%</i>	<i>13.2%</i>	<i>13.0%</i>	<i>13.0%</i>
Share O/S (in cr)	12.0	12.0	12.0	12.0	12.0
EPS (INR)	4.4	4.6	5.7	6.3	7.1
Cash EPS (INR)	4.9	5.1	6.2	6.9	7.8

Cashflow Statement	FY2014	FY2015	FY2016	FY2017E	FY2018E
PBT	79.6	84.7	104.9	113.2	121.0
Depreciation & Amortization	5.5	5.9	6.4	7.7	9.3
Finance Cost	0.04	0.00	0.00	0.00	0.00
Others	(2.3)	(1.9)	(5.8)	-	-
(Incr)/Decr in Working Capital	(21.0)	19.2	(7.8)	(8.5)	(14.5)
Tax Paid	(28.1)	(27.7)	(37.1)	(37.9)	(36.3)
Cash Flow from Operating	33.8	80.2	60.4	74.5	79.5
(Incr)/ Decr in Gross PP&E	(10.7)	(8.8)	(11.5)	(17.5)	(20.0)
Others	1.1	4.6	5.2	-	-
Cash Flow from Investing	(9.6)	(4.2)	(6.2)	(17.5)	(20.0)
(Decr)/Incr in Debt	(0.3)	-	-	-	-
Interest Paid	(0.0)	-	(0.0)	-	-
Others	(0.1)	(5.2)	-	-	-
Dividend Paid	(17.1)	(19.7)	(20.5)	(36.1)	(43.4)
Cash Flow from Financing	(17.6)	(25.0)	(20.5)	(36.1)	(43.4)
Incr/(Decr) in Balance Sheet Cash	6.5	51.1	33.7	20.9	16.2
Cash and cash equivalents at the Start of the Year	19.6	25.4	77.1	110.8	131.7
Cash and cash equivalents at the End of the Year	26.1	76.5	110.8	131.7	147.9

Balance Sheet	FY2014	FY2015	FY2016	FY2017E	FY2018E
Share Capital	12.0	12.0	12.0	12.0	12.0
Reserves and Surplus	157.8	192.6	261.3	300.4	341.7
Shareholders Fund	169.8	204.7	273.3	312.4	353.7
Total Loan	5.2	-	-	-	-
Deferred Tax Liabilities	-	-	-	-	-
Total Liabilities	175.0	204.7	273.3	312.4	353.7
Net Fixed Assets	37.2	39.9	45.5	55.3	65.9
Investments	0.0	0.0	0.0	0.0	0.0
Sundry Debtors	112.7	118.5	114.0	123.3	135.8
Cash & Bank	26.1	76.5	110.8	131.7	147.9
Loans & Advances	3.8	3.1	4.1	4.6	5.2
Inventories	71.6	64.2	81.4	87.0	98.3
Other Current Assets	1.5	3.1	4.0	4.5	5.0
Deferred Tax Assets (Net)	0.79	0.66	0.37	0.37	0.37
Total Current Assets	216.5	266.1	314.7	351.4	392.6
Sundry Creditors	51.5	71.9	77.6	83.8	92.9
Provision	23.0	24.1	3.7	4.1	4.6
Other Current Liabilities	4.1	5.3	5.7	6.4	7.3
Total Current liabilities & Provision	78.6	101.3	86.9	94.3	104.8
Net Assets	137.8	164.8	227.8	257.1	287.8
Total Assets	175.0	204.7	273.3	312.4	353.7

Ratios Analysis	FY2014	FY2015	FY2016	FY2017E	FY2018E
Per Share Value					
EPS (Rs)	4.4	4.6	5.7	6.3	7.1
BVPS (Rs)	14.1	17.0	22.7	26.0	29.4
DPS (Rs)	1.3	1.4	1.5	2.5	3.0
Turnover Ratio					
Inventory Days	55	54	51	53	52
Debtors Days	86	92	82	75	73
Creditors Days	41	49	53	51	49
Cash Conversion Cycle	99	97	80	77	75
Asset Turnover Ratio	1.8	1.5	1.4	1.4	1.4
Profitability Ratio					
EBITDA Margin	18.9%	19.7%	21.4%	21.0%	20.0%
PAT margin	11.7%	12.2%	13.2%	13.0%	13.0%
ROA	20.8%	18.2%	19.0%	18.5%	18.5%
ROE	34.4%	29.8%	28.7%	25.7%	25.4%
ROCE	45.5%	41.4%	38.4%	36.2%	34.2%
Solvency Ratio					
Debt / Equity Ratio	0.0	0.0	0.0	0.0	0.0
Current Ratio	2.6	2.7	3.8	3.9	3.9
Quick Ratio	1.8	2.0	2.8	2.9	2.9
Valuation Ratios					
PE (x)	20.4	24.7	27.2	24.4	21.7
P/B (x)	6.4	6.7	6.8	5.9	5.2
EV/EBITDA (x)	13.3	15.3	17.1	15.2	14.1
Mcap/Sales (x)	2.4	3.0	3.6	3.2	2.8
Earning Yield (%)	4.9%	4.0%	3.7%	4.1%	4.6%
Dividend Yield (%)	1.4%	1.2%	0.9%	1.6%	2.0%
Free Cash Flow Yield (%)	2.2%	5.5%	2.9%	3.1%	3.2%

Annexure

RHI AG - Global leader post merger with Magnesita

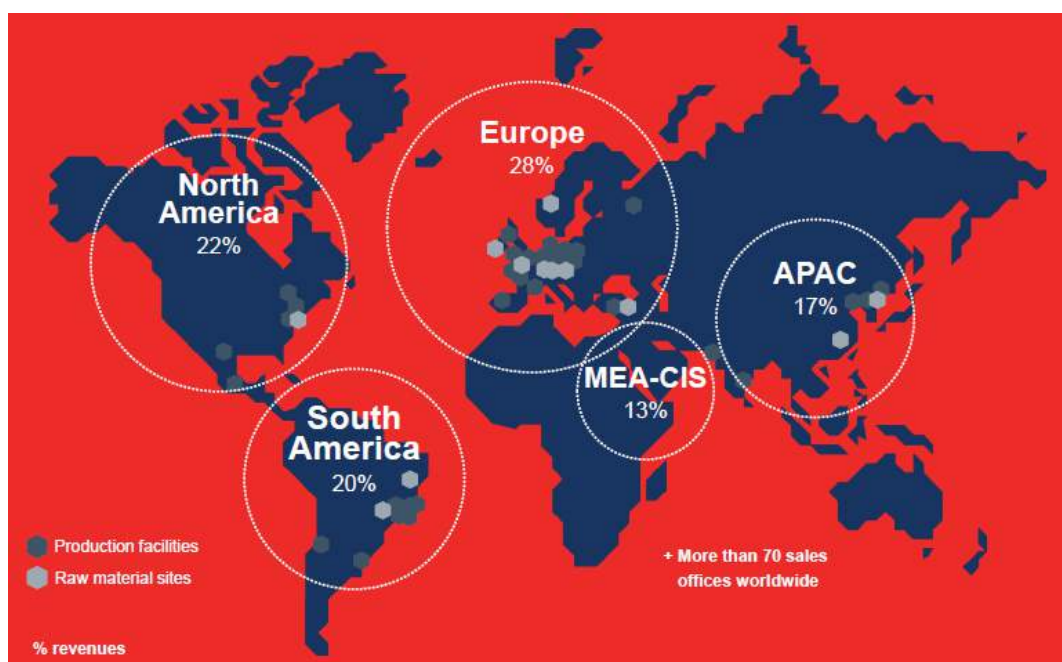
Among the listed players globally, on the basis of revenues, RHI AG was ranked 2nd and Magnesita was ranked 3rd in the refractory industry. Also, Magnesita is the largest refractory in South America. RHI AG has recently completed the merger with Magnesita, thus becoming the global leader in the refractory business in terms of revenue.

The merger will enable RHI to expand its geographical footprint, thus giving access to the American markets and facilitate in having a global mining network by providing access to the mines in the Americas.



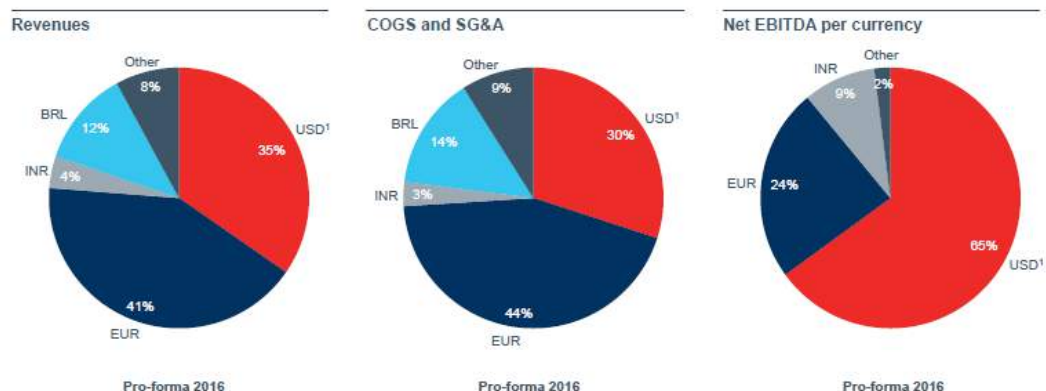
Source - RHI Magnesia Presentation, DSPL Research

Geographically well positioned after Merger



Source - RHI Magnesia Presentation, DSPL Research

India to be 3rd largest contributor to RHI Magnesita's EBITDA post Merger



Source - RHI Magnesita Presentation, DSPL Research

RHI Magnesita Indian Subsidiaries

Particular (in INR Cr.)	Orient Refractories Ltd - (Listed)	RHI Clasil Pvt Ltd - (Unlisted)	RHI India Pvt Ltd - (Unlisted)
Year End	Mar-17	Mar-17	Mar-17
Business Description	Manufacturer	Manufacturer	Trading
Gross Revenue	556.20	249.01	376.58
Excise Duty	36.82	19.99	-
Net Sales	519.39	229.03	376.58
Op. EBITDA	102.98	24.07	21.64
Op. EBITDA Margin (%)	19.8%	10.5%	5.7%
EBIT	104.87	21.19	23.93
EBIT Margin (%)	20.2%	9.3%	6.4%
PAT	68.62	10.12	10.26
PAT Margin (%)	13.2%	4.4%	2.7%
Net Worth	273.27	33.78	109.38
Total Debt	-	74.23	58.56
Cash & Bank Balance	110.84	1.27	8.30

Source - RHI Magnesita Presentation, MCA, DSPL Research

DISCLOSURE

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Damia Devcon Pvt. Ltd.	Namtech Commercial LLP.	Dalmia Janakalyan Kosh	Sweta Beneficiary Trust	Suryakant Dalmia HUF
Mount Intra Finance Pvt. Ltd.	Vaishnawi Housing Pvt. Ltd.	Avni Beneficiary Trust	Dalmia Securities Pvt. Ltd. Employees Gratuity Fund	Parasar Financial Services Pvt. Ltd.
Advay Beneficiary Trust	Dalmia Insurance Brokers Pvt. Ltd. Employees Gratuity Fund	Dalmia Commodities Pvt. Ltd.	Dalmia Insurance Brokers Pvt. Ltd.	

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