



(Investment Idea

Foseco India Ltd.

Foseco India, a 66.48% subsidiary of Foseco, UK, has put up an impressive performance for Q4 CY 2006. Net Sales grew @ 20.6% to Rs.34.49 crore. OPM% improved to 21.1% (18.1%) as decline in other heads of expenses due to operational efficiencies more than offset increase in raw material costs to 56.7% of Net sales (54.8%). Consequently PBT (before extraordinary items) spurted by 61.7% to Rs.6.83 crore. In Q4 CY 05, there was extraordinary income of Rs.1.18 crore on account of excess provision of earlier years written back. In absence of extraordinary income in Q4 CY06, growth in PBT (after extraordinary items) was subdued at 26.4% to Rs.6.83 crore. A higher tax rate of 40% (37%) further restricted growth in PAT to 20.5% at Rs.4.10 crore.

Foseco India is the leading supplier of metallurgical chemicals for ferrous and non-ferrous foundry industry. Company adds value to its customers through provision of products and expertise that improves customer's productivity and product quality.

Foundries manufacture castings which in turn find application in a wide spectrum of industries – automotive, steel, petrochemicals, construction and mining, agricultural and textile machinery etc. With Indian economy growing at 7-8% p.a., there is an uptrend in infrastructure & construction and mining sector. Automobile industry too is on an upswing. Growth in its user segment in turn augurs well for foundry industry. Moreover, India is emerging as a key outsourcing hub for various casting products that emerge from foundry industry. Higher demand for castings from global as well as domestic market has led to increasing investment in expanding foundry capacity.

Foseco is well positioned to benefit from these trends through implementation of Solutions Partner strategy, supported by global Foseco network and access to foundry process best practice that it provides.

At CMP of Rs 348.45/-, share (Rs 10/- paid up) is trading at 13.7 times CY 2006 EPS of Rs.25.5 and 10.5 times CY 2007 expected EPS of Rs.33.1. At CMP, dividend yield works out to be 5.2% (Total dividend – 180%). In view of sound business prospects, we recommend to “BUY” the share at CMP.

Disclosures:

The author may have held / hold the above-mentioned securities in their personal accounts or on behalf of the clients. The information contained has been obtained from sources believed to be reliable. While taking utmost care in making the report, the authors or the company does not take responsibility for the consequences of the report. All investment and information and opinion are subject to change without notice. The investment recommendations may not be suitable to all the investors.

January 29, 2007