

Vesuvius India Ltd

Market Cap (Rs. Cr) **448.63**

52 Week-H/L(Rs)

280 / 190.10

CMP

Rs. 221.00

Target Price

Rs. 250/320

Bloomberg [VI@IN](#)

Reuters

[VESU.BO](#)

BSE 520113

NSE

[VESUVIUS](#)

Investment Arguments

Vesuvius is largest producer of quality steel refractories in India and its parent is a global leader in this segment with 50 manufacturing facilities in 30 countries and 7 R&D centres. It's an almost **debt free company** despite expanding capacities continuously. Company has **three plants across India - biggest one is at Kolkatta and other two in - Vishakhapattanam and Mehsana**. Company predominantly caters to **steel making industry and looking to growth potential of steel making capacity in India, the long term demand potential for its product is huge and sustainable.**

It manufactures **Refractories and systems used to control, regulate and protect the flow of steel in the continuous casting process** plus Alumina graphite isostatically-pressed **tubes, nozzles and stoppers, Slide-gate and tube-changer systems** and plates, **Gas-purging plugs and temperature control devices**. It also manufactures - **Refractories for the foundry industry, such as crucibles, filters, stoppers and dedicated linings, Fused-silica refractories for flat glass manufacture** and the melting of polycrystalline silicon and **Refractory linings for high-temperature, heavy-duty industrial applications**

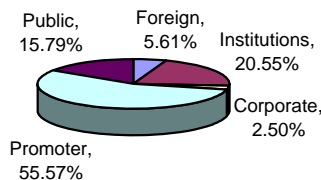
With strong growth in Indian economy the demand for steel is rising very fast. **The steel industry is looking for huge capacity addition in coming 3-5 years. Apart from capacity expansion by existing players like - Tisco, SAIL, JSW steel; the new big players like - Mittals and POSCO are also setting up very large capacities. All new steel making capacity involves Continuous casting methods wherein the various refractories for flow control and casting of metal.** Parent company has many unique value added products for industry, for which demand will grow faster as new & modern capacities to manufacture quality steel will come in to existence. So broad **demand potential and outlook for refractories is very attractive.**

Company is performing very well and growing steadily, with rising demand from steel industry. The Dec'06 results appears poor due to exceptional **write offs of past bed debts to the extent of Rs 8.7 Crs**. In current year company is doing well and we expect company to improve performance further in second half, as per industry trend, when demand for its products remains high. With improving capacity utilization, margins are likely to go up further. **Stock is available at less than 10X for '08 earnings, which looks very attractive for a hitech MNC company in growth phase. BUY.**

Financials for the year ended (in Rs. Crores) **Dec Y/E** Latest result update (in Rs. Crores)

PARTICULARS	FY05	FY06	FY 07 E	FY 08 E	PARTICULARS	H-1 2007	H-1 2006	% change
Gross Sales	218.60	271.30	315.00	375.00	Gross Sales	148.50	122.00	21.72
PBIDT	49.60	41.40	58.80	73.80	PBIDT	27.00	21.70	24.42
Interest	0.40	1.30	1.50	1.00	Net Profit	14.00	11.80	18.64
Depreciation	5.40	6.60	7.20	7.50	Equity	20.30	20.30	0.00
PAT	28.60	21.20	33.80	46.50	EPS	6.90	5.81	18.64
EPS (in Rs)	14.09	10.44	16.65	22.80	Technical Trend:-			
CEPS (in Rs)	16.75	13.69	20.20	26.60				
Book Value (in Rs)	61.23	67.54	81.28	100.20				
Face Value (in Rs)	10	10	10	10.00				
Dividend (in%)	35	35	40	45.00				
Deividend Yeild (%)	1.6	1.6	1.8	2.0				
Net Worth	124.30	137.10	165.00	210.59				
Debt	0.00	4.21	5.00	5.00				
Equity Capital	20.30	20.30	20.30	20.30				
P.E. (x)	15.7	21.2	13.3	9.7				
NPM %	13.08	7.81	10.73	12.40				
EBIDTA Margin %	22.69	15.26	18.67	19.68				
RoCE %	39.90	29.30	34.59	34.23				

Shareholding Pattern



After making a high of Rs 321 in April'06, the stock went in to a long corrective phase, and even touched a low of Rs 190 during May'07.

But since then stock is consolidating and formed higher bottoms. This indicates that the stock is now ripe for a fresh up move any time.

One can accumulate the stock around current levels with stop loss of Rs 200, and can look for short term target of Rs 250 and medium term target of Rs 320.